

**Emerge Aotearoa Group
Financial statements
for the year ended 30 June 2017**

Contents

	Page
Independent Auditor's report	2
Trustees' responsibility statement	4
Financial statements	
Statement of comprehensive revenue and expense	5
Statement of changes in net assets/equity	6
Balance sheet	7
Statement of cash flows	8
Notes to the financial statements	
1 Statement of accounting policies for the year ended 30 June 2017	9
2 Summary of significant accounting policies	9
3 Critical accounting estimates and judgements	13
4 Revenue	14
5 Revenue from exchange and non-exchange transactions	14
6 Expenses	15
7 Cash and cash equivalents	16
8 Trade and other receivables	16
9 Other financial assets	16
10 Property, plant and equipment	17
11 Intangible assets	18
12 Land and buildings	19
13 Trade and other payables	20
14 Employee benefits liabilities	20
15 Interest bearing liabilities	20
16 Other non-current liabilities	22
17 Equity	22
18 Business combinations	23
19 Contingencies	23
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	27



Independent auditor's report

To the Trustees of Emerge Aotearoa Trust

Emerge Aotearoa Trust's consolidated financial statements comprise:

- the balance sheet as at 30 June 2017;
- 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 2017, 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 treasury review services 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 Trustees 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 Trustees 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

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 'Rianne Cooper'.

Chartered Accountants
26 September 2017

Christchurch

Emerge Aotearoa Group
Trustees' responsibility statement
30 June 2017

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 2017 and their financial performance and cash flows for the year ended on that date.

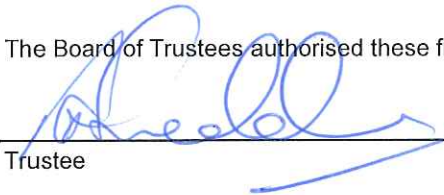
The Trustees consider that the financial statements of the Emerge Aotearoa Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates, and that all relevant financial reporting and accounting standards have been followed.

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 2017 presented on pages 5 to 27.

The Board of Trustees authorised these financial statements for issue.


Trustee

26-Sep-17


Trustee

26-Sep-17

Emerge Aotearoa Group
Statement of comprehensive revenue and expense
For the year ended 30 June 2017

Statement of comprehensive revenue and expense

For the year ended 30 June 2017

	Note	Consolidated	
		2017 \$	2016 \$
Income			
Operating revenue	4	58,910,994	59,877,004
Other income	4	1,927,995	921,718
Finance income		535,446	445,937
Total income		<u>61,374,435</u>	<u>61,244,659</u>
Expenditure			
Employee benefits	6	(41,074,245)	(42,433,959)
Depreciation and amortisation	6	(854,822)	(1,309,430)
Impairment of goodwill	6	-	(225,000)
Other operating expenses	6	(14,065,955)	(14,789,024)
Finance costs		(304,420)	(307,695)
Total operating expenditure		<u>(56,299,442)</u>	<u>(59,065,108)</u>
Surplus/(deficit)		<u>5,074,993</u>	<u>2,179,551</u>
Other comprehensive income			
Gain on property revaluations		-	8,096,865
Total comprehensive income		<u>5,074,993</u>	<u>10,276,416</u>

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 2017

Statement of changes in net assets/equity

For the year ended 30 June 2017

Consolidated	Note	Contributed funds \$	Asset revaluation reserve \$	Other reserves \$	Retained earnings \$	Pre-acquisition profits \$	Total equity \$
Balance as at 1 July 2015		11	-	57,383	17,720,378	-	17,777,772
Comprehensive income							
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
Total comprehensive income		-	8,096,865	943	2,178,608	-	10,276,416
Transactions with owners							
Business acquisition	18	200	-	-	(36,547)	26,649,401	26,613,054
Transfer to reserves		-	6,734,173	-	-	(6,734,173)	-
Total transactions with owners		200	6,734,173	-	(36,547)	19,915,228	26,613,054
Balance as at 1 July 2016		211	14,831,038	58,326	19,862,439	19,915,228	54,667,242
Comprehensive income							
Surplus or deficit for the year		-	-	-	5,074,993	-	5,074,993
Interest earned on internal reserves		-	-	291	-	-	291
Grant application		-	-	(6,671)	-	-	(6,671)
Revaluation		-	-	-	-	-	-
Total comprehensive income		-	-	(6,380)	5,074,993	-	5,068,613
Transactions with owners							
Business acquisition	18	-	-	-	-	-	-
Transfer to reserves		-	-	-	-	-	-
Total transactions with owners		-	-	-	-	-	-
Balance as at 30 June 2017	17	211	14,831,038	51,946	24,937,432	19,915,228	59,735,855

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

Emerge Aotearoa Group
Balance sheet
As at 30 June 2017

Balance sheet

As at 30 June 2017

		Consolidated	
		2017	2016
		\$	\$
	Note		
ASSETS			
Current assets			
Cash and cash equivalents	7	17,594,331	13,684,156
Trade and other receivables	8	6,217,571	5,340,260
Current tax receivables		30,614	42,957
Total current assets		23,842,516	19,067,373
Non-current assets			
Property, plant and equipment	10	872,045	998,555
Intangible assets	11	237,619	332,923
Land and Buildings	12	35,682,896	35,983,108
Other financial assets	9	11,628,814	10,689,716
Total non-current assets		48,421,374	48,004,302
Total assets		72,263,890	67,071,675
LIABILITIES			
Current liabilities			
Trade and other payables	13	3,652,191	3,548,546
Interest bearing liabilities	15	886,949	900,406
Employee benefits	14	3,209,453	3,075,785
Deferred income		716,365	681,546
Total current liabilities		8,464,958	8,206,283
Non-current liabilities			
Interest bearing liabilities	15	3,194,974	3,278,864
Other non-current liabilities	16	868,103	919,286
Total non-current liabilities		4,063,077	4,198,150
Total liabilities		12,528,035	12,404,433
Net assets		59,735,855	54,667,242
EQUITY			
Contributed funds		211	211
Retained earnings	17	24,937,432	19,862,439
Other reserves	17	34,798,212	34,804,592
Total equity		59,735,855	54,667,242

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 2017

Statement of cash flows

For the year ended 30 June 2017

		Consolidated	
		2017	2016
	Note	\$	\$
Cash flows from operating activities			
Receipts from contracts and clients		57,814,534	61,561,079
Interest and dividends received		34,530	169,935
Rent received		1,275,018	1,061,711
Other income		353,791	411,232
Payments to suppliers and employees		(51,841,557)	(56,398,392)
Interest and bank fees paid		(141,299)	(143,908)
Rent paid		(3,335,478)	(3,129,881)
Net cash flow from operating activities	21	<u>4,159,539</u>	<u>3,531,776</u>
Cash flows from investing activities			
Receipts from of property, plant, and equipment		459,604	616,612
Cash acquired from Recovery Solutions Group		-	4,982,020
Cash acquired from Mind and Body		-	328,321
Purchase of property, plant and equipment		(529,641)	(758,720)
Purchase of investments			(225,000)
Net cash flow from investing activities		<u>(70,037)</u>	<u>4,943,233</u>
Cash flows from financing activities			
Net repayment of loans		(179,327)	(183,710)
Donation		-	
Net cash flow from financing activities		<u>(179,327)</u>	<u>(183,710)</u>
Net (decrease)/increase in cash and cash equivalents		3,910,175	8,291,300
Cash and cash equivalents at the beginning of the year		13,684,156	5,797,076
Portfolio investment reclassified		-	(404,220)
Cash and cash equivalents at the end of the year	7	<u>17,594,331</u>	<u>13,684,156</u>

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 2017

The reporting entity (the "Emerge Aotearoa Group"), consists of seven entities. This includes the Emmerge Aotearoa Trust (parent), formerly named Richmond New Zealand Trust, a trust established by deed dated 3 August 2010, and Emmerge 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 Emmerge 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 Emmerge Aotearoa Trust and Emmerge Aotearoa Limited commenced operating on 1 November 2010.

The Emmerge 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 Emmerge Aotearoa Housing Trust and rented to Emmerge 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.

2.2 Revenue

In the provision of services, Emmerge Aotearoa enters into a number of contracts with District Health Boards and other government agencies 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.

- i) Contracted income from service contracts is recognised when services have been performed
- ii) Client benefits and client contributions is recognised when services have been performed
- iii) Interest income is recognised in the Statement of Comprehensive Revenue and Expenses as it accrues, using the effective interest rate method.
- iv) Rental 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 Summary of significant accounting policies (continued)

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.

2.9 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.

2 Summary of significant accounting policies (continued)

(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.

2.11 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.

2 Summary of significant accounting policies (continued)

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 developments 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

Property, plant, and equipment and 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.

Intangible assets 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. Land and buildings are subsequently measured under the revaluation model.

Revaluation model: fair value, less accumulated depreciation and accumulated impairment losses recognised after the date of most recent revaluation or where indicators of impairment exist..

Valuations are performed with sufficient frequency to ensure that the fair value of a revaluated asset does not differ materially from its carrying value.

Gains or losses on revaluation are recognised in the other comprehensive revenue and expense and presented in the asset revaluation reserve with net assets/equity. Gains or losses relating to individual items are offset against those from other items in the same class of land and buildings; however gains or losses between classes of land and buildings are not offset.

Any revaluations losses in excess of credit balance of revaluations revaluation surpluses for that class of land and building are recognised comprehensive revenue and expense as impairment.

Upon disposal of revalued items of land and buildings, any associated gain or losses on revaluation to that item are transferred from asset revaluation reserve to comprehensive revenue and expense.

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 Summary of significant accounting policies (continued)

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 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.

2.18 Changes in accounting policies

The accounting policies adopted in these financial statements are consistent with those of the previous reporting period.

2.19 Comparatives

When presentation or classification of items in the financial statements is amended, comparative figures are re-stated to ensure consistency with the current period.

3 Critical accounting estimates and judgements

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.

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 \$71,095 at balance date (2016: \$100,000) and there is no impairment of property, plant and equipment as at balance date (2016: \$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.

(c) Fair value of land and buildings

Fair value of land and buildings is 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.

The Group has assessed and considered the fair value of land and buildings and have concluded that the estimates from previously performed revaluations to be relevant, that there are no material indicators of impairment and that the revaluation frequency for asset classes appropriate.

Emerge Aotearoa Group
Notes to the financial statements
30 June 2017

4 Revenue

	Consolidated	
	2017	2016
	\$	\$
<i>Operating revenue</i>		
Contracted income	55,853,236	57,000,476
Client benefits	2,703,967	2,465,296
Other income	353,791	411,232
Total operating revenue	58,910,994	59,877,004
<i>Other income</i>		
Rental income	1,275,018	1,061,711
Gain/(loss) on fair value of investments	386,035	(139,993)
Gain on sale of property, plant and equipment	266,942	-
Total Other income	1,927,995	921,718

5 Revenue from exchange and non-exchange transactions

	Consolidated	
	2017	2016
	\$	\$
<i>Exchange</i>		
Operating revenue	58,910,994	59,877,004
Other income	1,927,995	921,718
Finance income	535,446	445,937
Total exchange	61,374,435	61,244,659
Total non-exchange	-	-
Total exchange and non-exchange	61,374,435	61,244,659

Emerge Aotearoa Group
Notes to the financial statements
30 June 2017

6 Expenses

	2017	Consolidated	2016
	\$		\$
<i>Depreciation and amortisation</i>			
Plant and equipment	68,792		88,868
Leasehold improvements	42,682		48,269
Motor vehicles	22,151		127,802
Other property, plant and equipment	247,527		467,750
Social Housing Buildings	125,645		125,644
Service Housing Buildings	174,567		174,686
Amortisation of software	173,458		276,411
Total depreciation and amortisation	854,822		1,309,430
Total Impairment	-		225,000
<i>Employee benefit expense</i>			
Salaries and wages	39,257,830		40,764,715
Kiwi saver contributions	932,082		922,448
ACC levies	270,184		166,777
Training expenses	431,437		250,135
Other employee expenses	182,712		329,884
Total employee benefit expense	41,074,245		42,433,959
<i>Other operating expenses</i>			
Audit fees paid to auditors	75,230		75,120
Other accounting services	13,798		45,950
Directors' remuneration	267,772		276,042
Client care and other expenses	8,785,185		8,507,428
Bad & doubtful debts	9,041		(60,267)
Loss on disposal of plant and equipment	-		13,088
Rates	189,310		171,906
Rental expenses	3,335,478		3,129,881
Repairs and maintenance	590,825		569,259
Travel and accommodation	679,316		786,136
Other operating expenses	120,000		1,274,481
Total operating expenses	14,065,955		14,789,024

The nature of health services provided and accreditations held by the group have resulted in specific audit, review and agreed upon procedures performed by various auditors. These services are detailed below:

Independent Group Auditor - PwC	47,950	47,950
Compliance agreed upon procedures - PwC	-	11,540
NZQA required review - O'Meara & Company	2,260	2,260
NZQA agreed upon procedures - O'Meara & Company	1,620	1,620
Certification audit - Health & Disability Auditing NZ	23,400	-
Spot surveillance Audit - Health & Disability Auditing NZ	-	11,750
Total Audit fees paid to auditors	75,230	75,120

7 Cash and cash equivalents

	Consolidated	
	2017	2016
	\$	\$
Cash and cash equivalents	11,094,331	7,029,738
Deposits at call	6,500,000	6,654,418
Total cash and cash equivalents	17,594,331	13,684,156

8 Trade and other receivables

	Consolidated	
	2017	2016
	\$	\$
Net trade receivables		
Trade receivables	4,401,757	4,170,899
Provision for doubtful receivables	(71,095)	(100,000)
Prepayments	327,763	236,019
Other receivables		
Accrued income	1,559,146	1,033,342
Total trade and other receivables	6,217,571	5,340,260

9 Other financial assets

	Consolidated	
	2017	2016
	\$	\$
Other financial assets	58,616	58,326
Investment portfolio	11,570,197	10,631,389
Equity securities	1	1
Total other financial assets	11,628,814	10,689,716

Non-current financial assets are made up of a term deposit for the John Blackaby Memorial Fund of \$58,616 (2016: \$58,326). Other financial assets also includes a \$1 shareholding in Community Support Services Industry Training Organisation Limited, an investment portfolio of \$11,570,197 (2016: \$10,631,389).

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

	Assets in progress \$	Leasehold improvement \$	Plant and equipment \$	Motor vehicles \$	Other PPE \$	Total \$
Cost						
Balance as at 1 July 2015	214,630	-	510,297	2,229,502	613,331	3,567,760
Year ended 30 June 2016						
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	848	303,357	482,673	1,651,789	1,579,517	4,018,184
Year ended 30 June 2017						
Additions	-	89,053	129,921	-	232,512	451,486
Disposals	(848)	-	(780)	(1,462,201)	-	(1,463,829)
Balance as at 30 June 2017	-	392,410	611,814	189,588	1,812,029	3,005,841
Accumulated depreciation						
Balance as at 1 July 2015	-	-	(326,015)	(1,853,107)	(410,711)	(2,589,833)
Year ended 30 June 2016						
Opening balance 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	-	(98,279)	(317,346)	(1,410,966)	(1,193,038)	(3,019,629)
Year ended 30 June 2017						
Depreciation charge	-	(42,682)	(68,792)	(22,151)	(247,527)	(381,152)
Depreciation released on disposal	-	-	-	1,266,985	-	1,266,985
Balance as at 30 June 2017	-	(140,961)	(386,138)	(166,132)	(1,440,565)	(2,133,796)
As at 30 June 2016	848	205,078	165,327	240,823	386,479	998,555
As at 30 June 2017	-	251,449	225,676	23,456	371,464	872,045

11 Intangible assets

	Computer Software \$
Cost	
Balance as at 1 July 2015	737,972
Year ended 30 June 2016	
Additions	230,427
Additions upon merger	98,639
Asset category reclassification	281,179
Disposals	(83,137)
Balance as at 30 June 2016	<u>1,265,080</u>
Year ended 30 June 2017	
Additions	78,154
Disposals	-
Balance as at 30 June 2017	<u>1,343,234</u>
Accumulated Amortisation	
Balance as at 1 July 2015	(582,563)
Year ended 30 June 2016	
Accumulated Amortisation upon merger	(73,778)
Asset category reclassification	(63,042)
Amortisation charge	(276,411)
Amortisation released on disposal	63,637
Balance as at 30 June 2016	<u>(932,157)</u>
Year ended 30 June 2017	
Amortisation charge	(173,458)
Amortisation released on disposal	-
Balance as at 30 June 2017	<u>(1,105,615)</u>
As at 30 June 2016	<u>332,923</u>
As at 30 June 2017	<u>237,619</u>

12 Land and buildings

	Social Housing Land	Social Housing Buildings	Service Property Land	Service Property Buildings	Total
Cost					
Balance as at 1 July 2015	-	-	3,124,800	4,847,842	7,972,642
Year ended 30 June 2016					
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
Year ended 30 June 2017					
Additions	-	-	-	-	-
Revaluation	-	-	-	-	-
Disposals	-	-	-	-	-
Balance as at 30 June 2017	10,410,746	5,556,712	13,095,000	7,236,443	36,298,901
Accumulated Depreciation					
Balance as at 1 July 2015	-	-	-	(1,414,491)	(1,414,491)
Year ended 30 June 2016					
Assets acquired upon merger	-	(910,643)	-	(152,573)	(1,063,216)
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	-	-	-	(92,957)	(92,957)
Depreciation write back on disposal	-	317	-	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)	(315,793)
Year ended 30 June 2017					
Depreciation	-	(125,645)	-	(174,567)	(300,212)
Depreciation write back on disposal	-	-	-	-	-
Balance as at 30 June 2017	-	(258,786)	-	(357,219)	(616,005)
Closing Value					
As at 30 June 2016	10,410,746	5,423,571	13,095,000	7,053,791	35,983,108
As at 30 June 2017	10,410,746	5,297,926	13,095,000	6,879,224	35,682,896

Emerge Aotearoa Group
Notes to the financial statements
30 June 2017

12 Land and buildings (continued)

	Consolidated	
Gain on property revaluation represented by:	2017	2016
	\$	\$
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	
	2017	2016
	\$	\$
Trade payables	916,260	720,341
Accrued expenses	477,213	955,865
GST payable	472,416	535,923
Other payables	1,786,302	1,336,417
Total creditors and other payables	3,652,191	3,548,546

14 Employee benefits liabilities

	Consolidated	
	2017	2016
	\$	\$
Annual leave	1,799,711	1,897,217
Alternative days	161,426	198,015
Accrued wages and salaries	694,556	455,687
PAYE and kiwi saver	435,808	440,755
ACC	117,952	84,111
Total current portion	3,209,453	3,075,785

15 Interest bearing liabilities

	Consolidated	
	2017	2016
	\$	\$
Current portion - secured		
Westpac Limited Loan	29,327	27,462
Housing New Zealand Loans	54,404	40,979
ANZ Loan	803,218	831,965
Total current secured current interest bearing borrowings	886,949	900,406
Non-current portion - secured		
Westpac Limited Loan	1,636,894	1,666,380
Housing New Zealand Loans	1,558,080	1,612,484
Total secured non-current interest bearing borrowings	3,194,974	3,278,864
Total secured interest bearing borrowings	4,081,923	4,179,270

15 Interest bearing liabilities (continued)

Westpac Limited Loans

Westpac Limited has provided 4 mortgage facilities to Emerge Aotearoa Housing Trust. 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	5.45%	\$ 3,449
2	24-Apr-14	24-Apr-19	300,000	Interest only	Floating	5.45%	\$ 1,478
3	4-Jun-14	24-Jun-19	600,000	Interest only	Floating	6.09%	\$ 3,304
4	11-Nov-14	11-Nov-19	140,000	Principal and Interest	Fixed	6.45%	\$ 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 Emerge Aotearoa Housing Trust. 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	Amount (\$)	Repayment programme	Interest charged date	Interest rate	Monthly payments
1	26-Sep-07	25-Sep-32	289,268	Principal	26-Sep-17	Interest free	\$ 965
2	9-Nov-07	8-Nov-32	309,383	Principal	9-Nov-17	Interest free	\$ 934
3	14-Mar-08	13-Mar-33	283,684	Principal	14-Mar-18	Interest free	\$ 950
4	22-May-08	21-May-33	291,014	Principal	22-May-18	Interest free	\$ 970
5	30-Jun-08	29-Jun-33	226,651	Principal	30-Jun-18	Interest free	\$ 760
6	31-May-09	24-May-34	308,853	Principal	31-May-19	Interest free	\$ 1,030
7	1-Sep-09	1-Sep-34	371,460	Principal	1-Sep-19	Interest free	\$ 1,238
8	1-Oct-09	1-Oct-34	244,034	Principal	1-Oct-19	Interest free	\$ 813
9	1-May-10	1-May-35	75,653	Principal	1-May-20	Interest free	\$ 252
10	28-Mar-12	27-Mar-37	700,000	Principal	28-May-22	Interest free	\$ 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.

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 terms	Interest Options	Interest rate	Monthly payments
1	19-Dec-13	19-Dec-18	900,000	Principal and Interest	Floating	5.79%	\$ 6,238

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

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

Emerge Aotearoa Group
Notes to the financial statements
30 June 2017

16 Other non-current liabilities

	Consolidated	
	2017	2016
	\$	\$
Housing New Zealand grant	868,103	919,286

Housing New Zealand Corporation (the lender) has conditionally granted \$868,103 (2016: \$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	
	2017	2016
	\$	\$
Retained earnings		
Balance at 1 July	19,862,439	17,720,378
Retained earnings on business acquisition	-	(36,547)
Transfer to reserves	-	(943)
Surplus/(deficit) for the year	5,074,993	2,179,551
Balance 30 June	<u>24,937,432</u>	<u>19,862,439</u>
Reserves		
Asset revaluation Reserve	14,831,038	14,831,038
Special fund	51,946	58,326
Pre -acquisition Profits	19,915,228	19,915,228
Total reserves	<u>34,798,212</u>	<u>34,804,592</u>

(a) Purpose of each reserve fund

(i) Asset revaluation reserve

The Asset revaluation reserve is used to record increments and decrements on the revaluation of Land and Buildings 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:

2016

\$

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

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;

2016

\$

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	(565,717)
Net assets acquired	<u>(36,547)</u>
Consideration	<u>(225,000)</u>
Gain/(loss) on acquisition	<u><u>(261,547)</u></u>

19 Contingencies

As at 30 June 2017 the Group had no contingent liabilities or assets (2016: \$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 to net cash flow from operating activities

	Consolidated	
	2017	2016
	\$	\$
Surplus/(deficit)	5,074,993	2,179,551
Add/(less) non-cash items		
Depreciation and amortisation expense	854,822	1,309,429
Movements in doubtful debts	(9,041)	60,267
Notional interest free on loans	81,980	84,799
Increase in reserves	6,380	(942)
Impairment expense	-	225,000
(Gains) / losses on disposal of property, plant, and equipment	(266,942)	13,088
(Gains) / losses on fair value of investments	(938,809)	(243,205)
Total non-cash items	<u>(271,610)</u>	<u>1,448,436</u>
Add/(less) movements in working capital items		
(Increase) / decrease in receivables	(606,840)	1,161,320
Increase / (decrease) in payables	(154,478)	383,903
Increase / (decrease) in income in advance	34,820	(11,349)
Increase / (decrease) in employee entitlements	133,837	(1,630,085)
Increase / (decrease) in other non current liabilities	(51,183)	-
Total movements in working capital	<u>(643,844)</u>	<u>(96,211)</u>
Net cash inflow/(outflow) from operating activities	4,159,539	3,531,776

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.

2017	-1%		+1%	
Interest rate sensitivity	Surplus	Equity	Surplus	Equity
Financial assets				
Cash and cash equivalents	(175,860)	(586)	175,860	586
Financial liabilities				
Borrowings	45,683	-	(45,683)	-
Total sensitivity	<u>(130,177)</u>	<u>(586)</u>	<u>130,177</u>	<u>586</u>

2016	-1%		+1%	
Interest rate sensitivity	Surplus	Equity	Surplus	Equity
Financial assets				
Cash and cash equivalents	(130,455)	(583)	130,455	583
Financial liabilities				
Borrowings	47,437	-	(47,437)	-
Total sensitivity	<u>(83,018)</u>	<u>(583)</u>	<u>83,018</u>	<u>583</u>

(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.

22 Financial instruments (continued)

(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.

(d) Financial instrument categories

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

	Consolidated	
	2017	2016
	\$	\$
Financial Assets		
Loans and receivables		
Cash and cash equivalents	17,594,331	13,684,156
Receivables & current tax receivables	6,248,185	5,383,217
Total loans and receivables	<u>23,842,516</u>	<u>19,067,373</u>
Financial assets at fair value through surplus or deficit		
Other financial assets:		
Investment portfolio	11,570,197	10,631,390
Non classified other financial assets	58,616	58,326
Total financial assets at fair value through surplus or deficit	<u>11,628,813</u>	<u>10,689,716</u>
Financial Liabilities		
Financial liabilities at amortised cost		
Trade and other payables	3,179,775	3,012,623
Employee benefits liabilities	3,209,453	3,075,785
Interest bearing liabilities	4,081,923	4,179,272
Total financial liabilities at amortised cost	<u>10,471,151</u>	<u>10,267,679</u>

(e) Fair Value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its non-financial assets and liabilities into three levels as follows:

Level 1: Quoted unadjusted prices in active markets for identical instruments

Level 2: Inputs that are not level 1 that are observable either directly or indirectly

Level 3: Inputs that are not observable

	Consolidated	
	2017	2016
	\$	\$
Level 1		
Investment portfolio	11,570,197	10,631,390
Non classified other financial assets	58,616	58,326
Total Level 1	<u>11,628,813</u>	<u>10,689,716</u>
Total Level 2	<u>-</u>	<u>-</u>
Total Level 3	<u>-</u>	<u>-</u>

23 Capital commitments and operating leases

As at 30 June 2017 the Group had no capital commitments (2016: \$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	
	2017	2016
	\$	\$
Not later than one year	3,347,972	1,854,774
Later than one year and not later than five years	4,041,797	2,264,175
Later than five years	88,767	319,221
Total non-cancellable operating leases	7,478,536	4,438,170

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 Emerge Aotearoa Group would have adopted in dealing with the party at arm's length in the same circumstances.

	Consolidated	
	2017	2016
	\$	\$
Transactions with key management personnel		
Key management personnel compensation		
Board members remuneration	237,500	265,625
Full-time equivalent members	8	9
Senior Management Team remuneration	1,465,565	1,449,766
Full-time equivalent members	8	8
Total key management personnel compensation	1,703,065	1,715,391
Total full-time equivalent personnel	16	17

Transactions with related parties		Payments/(invoices) made		Balance owing/(owed) at period end	
Related party	Nature of transaction	2017	2016	2017	2016
		\$	\$	\$	\$
Yesterday Today Tomorrow Limited	Purchase of consulting services	20,527	3,000	1,955	-
Mental Health Foundation	Reimbursement travel costs	(2,535)	-	(571)	-
Vaka Tautua Limited	Service delivery for contract	25,700	-	25,700	-

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.