

**Emerge Aotearoa Group
Financial statements
for the year ended 30 June 2019**

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 2019	9
2 Summary of significant accounting policies	9
3 Critical accounting estimates and judgements	14
4 Revenue	15
5 Revenue from exchange and non-exchange transactions	15
6 Expenses	16
7 Cash and cash equivalents	17
8 Trade and other receivables	17
9 Other financial assets	17
10 Property, plant and equipment	18
11 Intangible assets	19
12 Land and buildings	20
13 Trade and other payables	21
14 Employee benefits liabilities	21
15 Interest bearing liabilities	21
16 Other non-current liabilities	23
17 Equity	23
18 Capital commitments and operating leases	24
19 Contingencies	24
20 Capital adequacy	25
21 Reconciliation of net surplus/(deficit) to net cash flow from operating activities	25
22 Financial instruments	26
23 Related party transactions	28
24 Events occurring after the balance date	28



Independent auditor's report

To the Trustees of Emerge Aotearoa Trust

We have audited the financial statements which comprise:

- the balance sheet as at 30 June 2019;
- 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 financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the 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 2019, 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 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.

Other than in our capacity as auditor we have no relationship with, or interests in, the Group.

Responsibilities of the Trustees for the financial statements

The Trustees are responsible, on behalf of the Trust, for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7/>

This description forms part of our auditor's report.

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
24 September 2019

Christchurch

Emerge Aotearoa Group
Trustees' responsibility statement
30 June 2019

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 2019 and 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 2019 on pages 5 to 28.

The Board of Trustees authorised these financial statements for issue.



Trustee

24-Sep-19



Trustee

24-Sep-19

Emerge Aotearoa Group
Statement of comprehensive revenue and expense
For the year ended 30 June 2019

Statement of comprehensive revenue and expense

For the year ended 30 June 2019

	Note	Consolidated	
		2019	2018
		\$	\$
Income			
Operating revenue	4	87,452,730	76,917,559
Other income	4	3,860,553	2,970,840
Finance income		549,865	506,597
Total income		91,863,148	80,394,996
Expenditure			
Employee benefits	6	(58,002,366)	(50,600,003)
Depreciation and amortisation	6	(797,429)	(879,356)
Other operating expenses	6	(23,805,598)	(19,064,519)
Finance costs		(269,911)	(310,212)
Total operating expenditure		(82,875,304)	(70,854,090)
Surplus/(deficit)		8,987,844	9,540,906
Other comprehensive revenue and expense			
Gain on property revaluations	12	5,018,175	5,586,078
Total comprehensive revenue and expense		14,006,019	15,126,984

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 2019

Statement of changes in net assets/equity

For the year ended 30 June 2019

Consolidated		Contributed funds	Asset revaluation reserve	Other reserves	Retained earnings	Pre- acquisition profits	Total equity
	Note	\$	\$	\$	\$	\$	\$
Balance as at 1 July 2017		211	14,831,038	51,946	24,937,432	19,915,228	59,735,855
Comprehensive revenue and expense							
Surplus/(deficit) for the year		-	-	-	9,540,906	-	9,540,906
Interest earned on internal reserves		-	-	-	-	-	-
Revaluation	12	-	5,586,078	-	-	-	5,586,078
Total comprehensive revenue and expense		-	5,586,078	-	9,540,906	-	15,126,984
Balance as at 1 July 2018		211	20,417,116	51,946	34,478,338	19,915,228	74,862,839
Comprehensive revenue and expense							
Surplus/(deficit) for the year		-	-	-	8,987,844	-	8,987,844
Interest earned on internal reserves		-	-	354	-	-	354
Revaluation	12	-	5,018,175	-	-	-	5,018,175
Total comprehensive revenue and expense		-	5,018,175	354	8,987,844	-	14,006,373
Balance as at 30 June 2019	17	211	25,435,291	52,300	43,466,182	19,915,228	88,869,212

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

Emerge Aotearoa Group
Balance sheet
As at 30 June 2019

Balance sheet

As at 30 June 2019

		Consolidated	
	Note	2019 \$	2018 \$
ASSETS			
Current assets			
Cash and cash equivalents	7	7,126,731	22,362,461
Trade and other receivables	8	11,268,236	14,320,142
Other financial assets	9	35,484,864	13,247,311
Total current assets		53,879,831	49,929,914
Non-current assets			
Property, plant and equipment	10	1,978,563	1,018,951
Intangible assets	11	34,382	93,688
Land and Buildings	12	46,629,683	41,909,655
Total non-current assets		48,642,628	43,022,294
Total assets		102,522,459	92,952,208
LIABILITIES			
Current liabilities			
Trade and other payables	13	4,211,187	3,554,216
Employee benefits	14	5,194,323	8,714,364
Interest bearing liabilities	15	652,452	2,484,274
Deferred income		1,374,650	1,025,718
Total current liabilities		11,432,612	15,778,572
Non-current liabilities			
Interest bearing liabilities	15	1,453,971	1,493,428
Other non-current liabilities	16	766,663	817,369
Total non-current liabilities		2,220,634	2,310,797
Total liabilities		13,653,246	18,089,369
Net assets		88,869,213	74,862,839
EQUITY			
Contributed funds		211	211
Retained earnings	17	43,466,182	34,478,338
Other reserves	17	45,402,819	40,384,290
Total equity		88,869,212	74,862,839

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 2019

Statement of cash flows

For the year ended 30 June 2019

		Consolidated	
		2019	2018
	Note	\$	\$
Cash flows from operating activities			
Receipts from contracts and clients		90,415,406	69,057,750
Interest and dividends received		191,525	30,293
Rent received		3,481,855	2,205,407
Other income		438,162	440,334
Payments to suppliers and employees		(76,370,404)	(58,508,475)
Interest and bank fees paid		(174,158)	(230,223)
Rent paid		(8,580,970)	(6,256,439)
Net cash flow from operating activities	21	9,401,416	6,738,647
Cash flows from investing activities			
Receipts from of property, plant, and equipment		13,859	22,128
Purchase of property, plant and equipment		(1,439,708)	(1,536,827)
Investments in other financial assets		(17,552,622)	-
Net cash flow from investing activities		(18,978,471)	(1,514,699)
Cash flows from financing activities			
Repayment of loans		(1,908,507)	(135,659)
Net cash flow from financing activities		(1,908,507)	(135,659)
Net (decrease)/increase in cash and cash equivalents		(11,485,562)	5,088,289
Cash and cash equivalents at the beginning of the year		22,362,461	17,594,331
Portfolio investment reclassified		(3,750,168)	(320,159)
Cash and cash equivalents at the end of the year	7	7,126,731	22,362,461

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 2019

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), Recovery Solutions Services Limited (non-trading), Mind and Body Consultants Limited and Ignite Aotearoa Limited, formerly 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 is 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, Emerge 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.

The Government passed the Care and Support Workers (Pay Equity) Settlement bills which were effective from the 1st July 2017. All employees covered by the settlement in the aged and disability residential care and home and community support sectors receive the new legislated wage rates. This settlement has provided the Group with additional funding to support the increased wages of those affected employees. This funding has been introduced as a separate line where funding is provided specifically outside of a service contract. From the 1st of December 2018 all District Health Boards have now incorporated pay equity funding into service contracts.

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) Pay Equity funding is recognised as a result of meeting the obligations of the Care and Support Workers (Pay Equity) Settlement bills
- iii) Client benefits and client contributions is recognised when services have been performed
- iv) Interest income is recognised in the Statement of Comprehensive Revenue and Expense as it accrues, using the effective interest rate method.
- v) Rental income is recognised on a straight-line basis over the rental period.

2 Summary of significant accounting policies (continued)

Exchange and non-exchange transactions

The group enters into exchange transactions where it receives or provides assets or services, or has liabilities extinguished, and approximately equal value is provided 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 Grant Income

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

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 Summary of significant accounting policies (continued)

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.

2.11 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
- Improvements - 5-10 years
- Plant and equipment - 3-7 years
- Motor vehicles - 5 years
- Other property, plant and equipment - 3 years

2 Summary of significant accounting policies (continued)

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 statement of comprehensive revenue and expense.

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 non-financial assets

Property, plant, and equipment and intangible assets 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.

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.

2.14 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.

Under the revaluation model, after initial recognition, land and buildings is carried at fair value less accumulated depreciation and impairment losses after the date of the most recent valuation.

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 of the revaluations losses in excess of the credit balance of the revaluation surpluses for that class of land and building are recognised in the Statement of comprehensive revenue and expense as an 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

PBE FRS 48 Service performance reporting

In November 2017, the External Reporting Board issued PBE FRS 48 Service performance reporting. This is a new accounting standard that will be effective as a Tier 1 PBE from 1 January 2021. The Group will assess in 30 June 2020 the early adoption of this standard.

This standard establishes principles and requirements for presenting service performance information (including both financial and non-financial measures) that describes and illustrates the Group's performance against its charitable purpose.

PBE IFRS 9 Financial instruments

In January 2017, the External Reporting Board issued PBE IFRS 9 Financial Instruments. This replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2022, with earlier application permitted. The main changes under the standard are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- A new impairment model for financial assets based on expected losses, which may result in the early recognition of impairment losses.

The Group expects that under this standard, there will be minimal change in applying this accounting standard. Its implementation will be aligned to the effective date.

PBE IPSAS 35 Consolidated financial statements

Introduces a new definition of control requiring both power and exposure to variable benefits and includes more guidance on assessing control (including additional guidance on substantive and protective rights). Exceptions from consolidation are provided for investment entities and a parent of an investment entity. The standard also includes guidance on principal/agent relationships, network and partner agreements and on the application of consistent accounting policies when consolidating for-profit entities into a PBE group. The Group expects to adopt this standard from the mandatory effective date but does not expect it to have a material impact on the financial statements. The effective date is 1 July 2019

PBE IPSAS 41 Financial instruments

PBE IPSAS 41 will replace both PBE IPSAS 29 and PBE IFRS 9. Simplifies the model for classifying and recognising financial instruments and aligns hedge accounting more closely with common risk management practices. It applies a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing. The Group expects to adopt this standard from the mandatory effective date and is yet to assess the impact on the financial statements. The effective date is 1 January 2022

PBE IPSAS 40 PBE combinations

This standard provides guidance on accounting for acquisitions and amalgamations. PBE IPSAS 40 requires a combination to be classified as either an acquisition or an amalgamation based on control and the economic substance of the combination. The Group expects to adopt this standard from the mandatory effective date and is yet to assess the impact on the financial statements. The effective date is 1 January 2021

2 Summary of significant accounting policies (continued)

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.

Income has been reclassified to reflect the substance of the transactions. Total income remains unchanged.

Other financial assets has been reclassified to separately disclose those fixed interest investments greater than three months. Total other financial assets remains unchanged.

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 \$99,421 at balance date (2018: \$82,412) and there is no impairment of property, plant and equipment as at balance date (2018: \$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 at 8.5% (2018: 8.5%) by using historical lending trends over the last 25 years from the Reserve Bank of New Zealand.

If the estimated interest rate applied was reduce to 6%, this would result in an \$80,000 (2018: \$60,500) reduction in the estimated amortised interest charges.

Emerge Aotearoa Group
Notes to the financial statements
30 June 2019

4 Revenue

	Consolidated	
	2019	2018
	\$	\$
<i>Operating revenue</i>		
Contracted income	79,016,892	68,600,844
Pay Equity Funding	3,759,301	4,763,467
Client benefits	4,187,669	3,150,021
Grant Income	50,706	50,734
Other income	438,162	352,493
Total operating revenue	87,452,730	76,917,559
<i>Other income</i>		
Rental income	3,481,855	2,205,407
Gain/(loss) on fair value of Investment Portfolio	378,698	765,433
Gain on sale of property, plant and equipment	-	-
Total Other income	3,860,553	2,970,840

Contract income is represented by:

	2019	2018
	\$	\$
Ministry of Health	7,154,611	7,632,992
Ministry of Social Development	4,481,411	2,056,914
Ministry of Housing and Urban Development	15,043,484	9,933,802
Department of Corrections	3,526,076	2,965,784
Accident Compensation Corporation	516,303	1,743,027
District Health Boards	47,721,777	44,090,582
Other contracted income	653,602	177,743
Total contract income	79,097,264	68,600,844

5 Revenue from exchange and non-exchange transactions

	Consolidated	
	2019	2018
	\$	\$
<i>Exchange</i>		
Operating revenue	87,401,424	76,865,958
Other income	3,860,553	2,970,840
Finance income	549,865	506,597
Total exchange	91,811,842	80,343,395
<i>Non-Exchange</i>		
Other income	51,306	51,601
Total non-exchange	51,306	51,601
Total exchange and non-exchange	91,863,148	80,394,996

Emerge Aotearoa Group
Notes to the financial statements
30 June 2019

6 Expenses

	Consolidated	
	2019	2018
	\$	\$
<i>Depreciation and amortisation</i>		
Plant and equipment	94,123	87,625
Leasehold improvements	60,928	53,300
Motor vehicles	609	10,205
Other property, plant and equipment	238,030	248,519
Social Housing Buildings	149,053	125,644
Service Property Buildings	195,548	178,527
Amortisation of software	59,138	175,536
Total depreciation and amortisation	797,429	879,356
<i>Employee benefit expense</i>		
Salaries and wages	51,787,255	43,729,003
Kiwi saver contributions	1,301,286	1,085,076
ACC levies	335,059	301,590
Pay Equity Funding	3,759,301	4,763,467
Training expenses	576,263	480,086
Other employee expenses	243,202	240,781
Total employee benefit expense	58,002,366	50,600,003
<i>Other operating expenses</i>		
Audit fees paid to auditors	71,600	47,950
Other accounting services	-	6,101
Directors' remuneration	242,878	277,769
Client care and other expenses	12,768,272	10,840,047
Bad & doubtful debts	17,009	13,156
Loss on disposal of plant and equipment	33,679	(482)
Rates	200,963	189,520
Rental expenses	8,580,970	6,256,439
Repairs and maintenance	770,505	561,591
Travel and accommodation	999,722	752,428
Other operating expenses	120,000	120,000
Total operating expenses	23,805,598	19,064,519

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	60,000	47,950
Surveillance audit - Health & Disability Auditing NZ	11,600	
Total Audit fees paid to auditors	71,600	47,950

Emerge Aotearoa Group
Notes to the financial statements
30 June 2019

7 Cash and cash equivalents

	Consolidated	
	2019	2018
	\$	\$
Cash and cash equivalents	6,926,731	16,182,620
Deposits at call	200,000	6,179,841
Total cash and cash equivalents	7,126,731	22,362,461

8 Trade and other receivables

	Consolidated	
	2019	2018
	\$	\$
Net trade receivables		
Trade receivables from exchange revenue	7,655,398	8,188,302
Provision for doubtful receivables	(99,421)	(82,412)
Pay Equity Funding Receivable	384,453	4,763,467
Prepayments	445,687	414,471
Other receivables		
Accrued income	2,882,119	1,036,314
Total trade and other receivables	11,268,236	14,320,142

9 Other financial assets

	Consolidated	
	2019	2018
	\$	\$
Other financial assets	27,294,621	6,751,820
Investment portfolio	8,190,242	6,495,490
Equity securities	1	1
Total other financial assets	35,484,864	13,247,311

Current other financial assets are made up of a fixed interest investments greater than three months with Westpac Bank totalling \$17,552,621 (2018: \$nil) and for the John Blackaby Memorial Fund of \$52,300, (2018: \$52,858) and fixed interest investments held with Forsyth Barr totalling \$9,689,700 (2018: \$6,698,962). Other financial assets also includes a \$1 shareholding in Community Support Services Industry Training Organisation Limited, and an investment portfolio of \$8,190,243 (2018: \$6,459,490).

Investment Portfolio represents New Zealand equities and Offshore equities. The portfolio was solely managed by Forsyth Barr for the year ended 30 June 2019 (2018: Forsyth Barr and JB Were). The investment portfolio is recognised as a financial asset held at fair value through surplus or deficit and accounted for as described in note 2.10 (iv).

10 Property, plant and equipment

	Assets in progress \$	Improvements \$	Plant and equipment \$	Motor vehicles \$	Other PPE \$	Total \$
Cost						
Balance as at 1 July 2017	-	392,410	611,814	189,588	1,812,029	3,005,841
Year ended 30 June 2018						
Additions	1,444	109,084	135,082	-	322,724	568,334
Disposals	-	-	(10,825)	(119,953)	-	(130,778)
Balance as at 30 June 2018	1,444	501,494	736,071	69,635	2,134,753	3,443,397
Year ended 30 June 2019						
Additions	949,418	164,834	117,762	-	159,797	1,391,811
Disposals	-	(4,911)	(20,929)	(17,809)	(18,280)	(61,929)
Balance as at 30 June 2019	950,862	661,417	832,904	51,826	2,276,270	4,773,279
Accumulated depreciation						
Balance as at 1 July 2017	-	(140,961)	(386,138)	(166,132)	(1,440,565)	(2,133,796)
Year ended 30 June 2018						
Depreciation charge	-	(53,617)	(86,289)	(10,205)	(249,218)	(399,329)
Depreciation released on disposal	-	-	151	108,528	-	108,679
Balance as at 30 June 2018	-	(194,578)	(472,276)	(67,809)	(1,689,783)	(2,424,446)
Year ended 30 June 2019						
Depreciation charge	-	(61,358)	(89,503)	(609)	(240,464)	(391,934)
Depreciation released on disposal	-	-	89	16,592	4,983	21,664
Balance as at 30 June 2019	-	(255,936)	(561,690)	(51,826)	(1,925,264)	(2,794,716)
As at 30 June 2018	1,444	306,916	263,795	1,826	444,970	1,018,951
As at 30 June 2019	950,862	405,481	271,214	-	351,006	1,978,563

11 Intangible assets

	Computer Software
	\$
Cost	
Balance as at 1 July 2017	1,343,234
 Year ended 30 June 2018	
Additions	31,605
Balance as at 30 June 2018	<u>1,374,839</u>
 Year ended 30 June 2019	
Additions	-
Balance as at 30 June 2019	<u>1,374,839</u>
 Accumulated Amortisation	
Balance as at 1 July 2017	(1,105,615)
 Year ended 30 June 2018	
Amortisation charge	(175,536)
Balance as at 30 June 2018	<u>(1,281,151)</u>
 Year ended 30 June 2019	
Amortisation charge	(59,306)
Balance as at 30 June 2019	<u>(1,340,457)</u>
 As at 30 June 2018	<u>93,688</u>
 As at 30 June 2019	<u>34,382</u>

12 Land and buildings

	Social Housing Land	Social Housing Buildings	Service Property Land	Service Property Buildings	Total
Cost					
Balance as at 1 July 2017	10,410,746	5,556,712	13,095,000	7,236,443	36,298,901
Year ended 30 June 2018					
Additions	-	-	538,786	458,719	997,505
Revaluation	3,535,000	625,000	570,000	440,000	5,170,000
Balance as at 30 June 2018	13,945,746	6,181,712	14,203,786	8,135,162	42,466,406
Year ended 30 June 2019					
Additions	-	-	-	-	-
Revaluation	24,254	23,288	4,000,142	540,087	4,587,771
Balance as at 30 June 2019	13,970,000	6,205,000	18,203,928	8,675,249	47,054,177
Accumulated Depreciation					
Balance as at 1 July 2017	-	(258,786)	-	(357,219)	(616,005)
Year ended 30 June 2018					
Depreciation	-	(125,644)	-	(231,180)	(356,824)
Depreciation write back on revalued assets	-	353,857	-	62,221	416,078
Balance as at 30 June 2018	-	(30,573)	-	(526,178)	(556,751)
Year ended 30 June 2019					
Depreciation		(149,053)		(195,548)	(344,601)
Depreciation write back on revalued assets		35,377		441,481	476,858
Balance as at 30 June 2019	-	(144,249)	-	(280,245)	(424,494)
Closing Value					
As at 30 June 2018	13,945,746	6,151,139	14,203,786	7,608,984	41,909,655
As at 30 June 2019	13,970,000	6,060,751	18,203,928	8,395,004	46,629,683

Emerge Aotearoa Group
Notes to the financial statements
30 June 2019

12 Land and buildings (continued)

Gain on property revaluation represented by:

	Consolidated	
	2019	2018
	\$	\$
Revaluation of cost	4,644,658	5,170,000
Disposals of upon revaluation	(103,341)	-
Depreciation write back on revalued assets	476,858	416,078
Total Gain on property revaluation	5,018,175	5,586,078

Properties were independently valued as at 30 June 2019 by The Property Group Ltd. Fair 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"

Any other assets (such as improvements) previously recognised at cost less accumulated depreciation that are included as part of the revaluation of buildings are identified and disposed of against the asset revaluation reserve. This does not include any chattels held at these revalued buildings.

13 Trade and other payables

	Consolidated	
	2019	2018
	\$	\$
Trade payables	1,407,466	913,958
Accrued expenses	384,711	369,779
GST payable	1,440,395	1,093,005
Other payables	978,615	1,177,474
Total creditors and other payables	4,211,187	3,554,216

14 Employee benefits liabilities

	Consolidated	
	2019	2018
	\$	\$
Annual leave & Alternative days	2,791,018	2,357,149
Pay Equity Funding Payable	394,859	4,763,467
Accrued wages and salaries	1,100,135	911,103
PAYE and kiwi saver	604,635	503,674
ACC	303,676	178,971
Total current portion	5,194,323	8,714,364

15 Interest bearing liabilities

	Consolidated	
	2019	2018
	\$	\$
Current portion - secured		
Westpac Limited Loan	604,984	1,636,596
Housing New Zealand Loans	47,468	74,450
ANZ Loan	-	773,228
Total current secured current interest bearing borrowings	652,452	2,484,274
Non-current portion - secured		
Westpac Limited Loan	-	-
Housing New Zealand Loans	1,453,971	1,493,428
Total secured non-current interest bearing borrowings	1,453,971	1,493,428
Total secured interest bearing borrowings	2,106,423	3,977,702

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-Oct-19	700,000	Interest only	Floating	5.40%	\$ -
2	24-Apr-14	24-Oct-19	300,000	Interest only	Floating	5.40%	\$ -
3	4-Jun-14	4-Oct-19	600,000	Interest only	Floating	6.34%	\$ 2,737
4	11-Nov-14	4-Oct-19	140,000	Principal and Interest	Fixed	6.34%	\$ 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 and Interest	26-Sep-17	4.99%	\$ 1,373
2	9-Nov-07	8-Nov-32	309,383	Principal and Interest	27-Mar-18	4.99%	\$ 1,315
3	14-Mar-08	13-Mar-33	283,684	Principal and Interest	14-Mar-18	5.05%	\$ 1,346
4	22-May-08	21-May-33	291,014	Principal and Interest	22-May-18	4.95%	\$ 970
5	30-Jun-08	29-Jun-33	226,651	Principal and Interest	30-Jun-18	4.95%	\$ 1,059
6	31-May-09	24-May-34	308,853	Principal and Interest	31-May-19	4.45%	\$ 1,413
7	17-Jul-09	28-Aug-34	371,460	Principal	1-Sep-19	Interest free	\$ 1,238
8	5-Aug-09	28-Aug-34	244,034	Principal	1-Oct-19	Interest free	\$ 813
9	29-Apr-10	29-Apr-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%	\$ 6,328

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 2019

16 Other non-current liabilities

	Consolidated	
	2019	2018
	\$	\$
Housing New Zealand grant	766,663	817,369

Housing New Zealand Corporation (the lender) has conditionally granted \$766,663 (2018: \$817,369) 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	
	2019	2018
	\$	\$
Retained earnings		
Balance at 1 July	34,478,338	24,937,432
Surplus/(deficit) for the year	8,987,844	9,540,906
Balance 30 June	43,466,182	34,478,338
Reserves		
Asset revaluation Reserve	25,435,291	20,417,116
Special fund	52,300	51,946
Pre -acquisition Profits	19,915,228	19,915,228
Total reserves	45,402,819	40,384,290

(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 Capital commitments and operating leases

As at 30 June 2019, Emerge Aotearoa Housing Trust committed \$6,642,000 by way of a signed a purchase agreement for 6 one bedroom units and 9 two bedroom units in Manurewa. The deposit for this project has been recognised as assets in progress.

Emerge Aotearoa Housing Trust also has entered into a development agreement with Modus Group Limited for the acquisition of land, development and construction of 16 one bedroom units in Manurewa, this has not yet commenced as at 30 June 2019. The total project shall not exceed \$6,010,434.

Emerge Aotearoa Housing Trust has a letter of support from Westpac to support the capital requirements and an 25 year service agreement with the Ministry of Housing and Urban Development to facilitate the repayments of market rent. (2018: \$Nil).

Operating leases as lessee

The Group has lease commitments for offices, residential properties, 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	
	2019	2018
	\$	\$
Not later than one year	7,626,512	5,439,282
Later than one year and not later than five years	4,275,287	6,359,552
Later than five years	-	69,717
Total non-cancellable operating leases	11,901,799	11,868,551

The Group leases residential properties for use by its service recipients. Residential property held as periodic arrangements or leases without any agreed fixed term commitments 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.

19 Contingencies

As at 30 June 2019 the Group had no contingent liabilities or assets (2018: \$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) to net cash flow from operating activities

	Consolidated	
	2019	2018
	\$	\$
Surplus/(deficit)	8,987,844	9,540,906
Add/(less) non-cash items		
Depreciation and amortisation expense	795,831	879,356
Movements in doubtful debts	17,009	13,156
Amortised interest free period	60,892	68,545
Increase in reserves	(354)	(111)
(Gains) / losses on disposal of property, plant, and equipment	25,822	-
(Gains) / losses on fair value of investments	(935,323)	(1,304,096)
Total non-cash items	(36,123)	(343,150)
Add/(less) movements in working capital items		
(Increase) / decrease in receivables	3,186,912	(7,881,795)
Increase / (decrease) in payables	715,400	(371,456)
Increase / (decrease) in income in advance	400,072	309,352
Increase / (decrease) in employee entitlements	(3,801,983)	5,504,911
Increase / (decrease) in other non current liabilities	(50,706)	(50,734)
(Increase) / decrease in current tax receivables	-	30,613
Total movements in working capital	449,695	(2,459,109)
Net cash inflow/(outflow) from operating activities	9,401,416	6,738,647

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.

2019	-1%		+1%	
Interest rate sensitivity	Surplus	Equity	Surplus	Equity
Financial assets				
Cash and cash equivalents	(255,765)	(523)	255,765	523
Financial liabilities				
Borrowings	24,954	-	(24,954)	-
Total sensitivity	(230,811)	(523)	230,811	523

2018	-1%		+1%	
Interest rate sensitivity	Surplus	Equity	Surplus	Equity
Financial assets				
Cash and cash equivalents	(223,159)	(519)	223,159	519
Financial liabilities				
Borrowings	43,916	-	(43,916)	-
Total sensitivity	(179,243)	(519)	179,243	519

(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.

Contractual maturities of financial instruments	Maturity with 1 year	Maturity within 1 to 5 years	Maturity over 5 years	Total
As at 30 June 2019				
Trade and other payables	(2,770,792)	-	-	(2,770,792)
Employee benefits liabilities	(5,194,323)	-	-	(5,194,323)
Interest bearing liabilities	(652,452)	(129,990)	(1,323,981)	(2,106,423)
Cash and cash equivalents	7,126,731	-	-	7,126,731
Receivables & other receivables	11,268,236	-	-	11,268,236
Investment portfolio	8,190,242	-	-	8,190,242
Other financial assets	27,294,621	-	-	27,294,621
Total financial instruments	45,262,263	(129,990)	(1,323,981)	43,808,292

	Maturity with 1 year	Maturity within 1 to 5 years	Maturity over 5 years	Total
As at 30 June 2018				
Trade and other payables	(2,461,211)	-	-	(2,461,211)
Employee benefits liabilities	(8,714,364)	-	-	(8,714,364)
Interest bearing liabilities	(2,484,274)	(162,619)	(1,330,809)	(3,977,702)
Cash and cash equivalents	22,362,461	-	-	22,362,461
Receivables & other receivables	14,320,142	-	-	14,320,142
Investment portfolio	6,495,490	-	-	6,495,490
Other financial assets	6,751,820	-	-	6,751,820
Total financial instruments	36,270,064	(162,619)	(1,330,809)	34,776,636

(d) Financial instrument categories

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

	Consolidated	
	2019	2018
	\$	\$
Financial Assets		
Loans and receivables		
Cash and cash equivalents	7,126,731	22,362,461
Receivables & other receivables	11,268,236	14,320,142
Total loans and receivables	18,394,967	36,682,603
Financial assets at fair value through surplus or deficit		
Investment portfolio*	8,190,242	6,495,490
Total financial assets at fair value through surplus or deficit	8,190,242	6,495,490
Held to maturity investments		
Other financial assets*	27,294,621	6,751,820
Total Held to maturity investments	27,294,621	6,751,820
Financial Liabilities		
Financial liabilities at amortised cost		
Trade and other payables	2,770,792	2,461,211
Employee benefits liabilities	5,194,323	8,714,364
Interest bearing liabilities	2,106,423	3,977,702
Total financial liabilities at amortised cost	10,071,538	15,153,275

* these assets are classified as other financial assets in the statement of financial position.

22 Financial instruments (continued)

(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

	Consolidated	
	2019	2018
	\$	\$
Level 1		
Investment portfolio	8,190,242	6,495,490
Other financial assets	27,294,621	6,751,820
Total Level 1	35,484,863	13,247,310
Total Level 2	-	-
Total Level 3	-	-

23 Related party transactions

	Members		Compensation	
	2019	2018	2019	2018
	\$	\$	\$	\$
Key governance personnel compensation				
Emerge Aotearoa Trust	7	7.5	21,250	42,500
Emerge Aotearoa Limited	7	7.5	170,000	139,500
Emerge Aotearoa Housing Trust	8	8	33,250	42,500
Mind and Body Consultants Limited	5.5	3	4,000	-
Ignite Aotearoa Limited	4.5	3	1,500	-
Recovery Solutions Group	7	7.5	-	-
Recovery Solutions Services Limited	7	7.5	-	-
 Group Executive Team	 4.5	 5	 1,151,431	 1,199,931
Total key governance and executive compensation			1,381,431	1,424,431

Transactions with related parties		Payments/(invoices) made during year		Payable/(receivable) at period end	
		2019	2018	2019	2018
Related party	Nature of transaction	\$	\$	\$	\$
Platform Trust	Membership fees	7,500	-	-	-
Vaka Tautua Limited	Service delivery for contract	376,275	217,561	-	24,561
Counties Manukau DHB	Service delivery for contract	(10,632,149)	-	(937,662)	-
Auckland DHB	Service delivery for contract	(7,551,225)	(6,129,330)	(684,897)	(558,427)

All entities listed above are related parties due to the involvement of various Board members within these entities. The arrangements with related parties 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 Emmerge Aotearoa Group would have adopted in dealing with the party at arm's length in the same circumstances.

24 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.