

Annual Report 2014-15



Empowering people to reach their full recovery potential



Empowering people to reach their full recovery potential

Annual Report – 2014/15

An Update from the Chairman

The last year has been an extremely positive one for the Recovery Solutions Trust. An over-riding focus of the Board and the organisation was to achieve a successful merger with the Richmond Trust. That was achieved.

Our Board identified several years ago, that we needed to expand significantly if the Trust was to grow its capacity to influence and deliver enhanced mental health services. This was encapsulated in our five year strategic plan. Growth opportunities however have been limited in the last few years, other than by way of a merger with another significant NGO in the sector. This possibility arose through an approach from the Richmond Trust, which triggered our long term strategic aspiration.

The merger of Recovery Solutions and Richmond Trust has taken over a year of shared discussion, due diligence and collaboration. The merger of our two entities into the Emerge Aotearoa Trust is very significant. Both parties can and do take immense pride in what has been achieved, and passionately believe it will deliver much enhanced capability to the mental health sector in New Zealand. A voluntary merger is difficult to achieve. This was achieved as a genuine merger of two equal parties. This is a great tribute to both Trusts, our respective Boards, executives and staff.



The Recovery Solutions Trust was in very good organisational shape leading into the new entity. As reflected in the end of year results the balance sheet was strong, its governance and organisational processes robust, and management well led. Feedback from stakeholders has been invariably positive and the staff highly professional.

I want to record my deep appreciation to the Trust Board for its vision, commitment and leadership. I wish to especially record our Board and organisation thanks to Derek Wright, our former CEO. Derek provided outstanding leadership to our organisation for over three years. Likewise I wish to record all our thanks to the executive, management and many staff for their commitment to delivering excellent services for the people we serve.

Nga mihi nui

Leigh Auton
Chair

An Update from the Chief Executive

The last 12 months have been a very interesting time for Recovery Solutions, not only has it been business as usual but we have also been working on the merger between Recovery Solutions and Richmond Services.



I would like to start by thanking all the Recovery Solutions staff for remaining focused on providing high quality care to the clients with whom we work. The merger was announced in late 2014 and this could have been distracting to the staff, but as always our staff had the clients' needs at the centre of everything they did.

2014/15 was also a time of consolidation; we had made a number of changes to our structure and to our services in the previous year to ensure we were financially sustainable and to also ensure we were providing the best care possible. It was pleasing to see a positive financial result for the year ending 2014/15 and also to see the Hub model being embedded as a corner stone of our services.

Although Recovery Solutions was only around for three years, I think the organisation made a very positive contribution to the NGO sector. This is due not only to our staff but also to our Board. Under the chairmanship of Leigh Auton the Board ensured we kept a focus on the big picture. This led to our organisation developing alliances with other NGOs and eventually to the merger between Recovery Solutions and Richmond Services.

I am very proud of what Recovery Solutions achieved and I wish Emerge Aotearoa every success in its future journey.

Kind regards

Derek Wright
Chief Executive Officer

An Update from Finance

Emerging

The 2015 financial year demonstrated that the time invested in developing capability and capacity in our front line managers was time well spent as we produced a surplus for the second straight year following a difficult 2013, whilst still continuing to operate in a challenging fiscal environment.

On 1 July 2015 Recovery Solutions Group merged with Richmond New Zealand Trust and Richmond Services Limited to form the Emerge Aotearoa “Group”. With the increased operational costs associated with bringing these two large and successful NGO groups together being expensed in this financial year, finishing the year in a surplus position demonstrates effective financial management whilst at the same time continuing to deliver high quality care to those we serve.

The real success of the past twelve months as we worked through the merger process was that service delivery staff were able to focus on their roles supporting clients without there being any noticeable reduction in the support provided by the Corporate Services Team. The development, over the preceding two years of the principle that the Corporate Service and Service Delivery teams work in partnership, played a substantial role in ensuring that the client experience and the quality of service delivery were not affected by the uncertainty a merger brings.

Recovery Solutions Group’s net revenue in the 2015 financial year was \$26.1m, an increase of \$695k on 2014. From an operational revenue perspective, this was due to increased occupancy levels in our occupancy funded properties and one off packages of care provided at our residential services. This demonstrates the confidence our funders have in our ability to deliver high quality services. The balance of the revenue increases was on the back of better management of our cash reserves and investments.

The Group’s financial performance in the 2015 financial year demonstrated that Recovery Solutions was a viable organisation in its own right. With the merger and formation of Emerge Aotearoa Group we now have sufficient scale and resources to invest in our staff and services and to continue to not only deliver high quality services but to be innovative, identifying opportunities to do things differently to deliver better outcomes and leveraging off our size to reduce costs and drive efficiencies.

2015 was the final year of the Recovery Solutions Group, but the investment the organisation placed in developing the capability of our staff gives us confidence that Emerge Aotearoa has the skills, not only to deliver on the principles of the merger but to do so in a financially effective way. This will ensure that we can maximise the value delivered from the funding that we receive, ensuring future growth, sustainability delivering on our vision of both clients and staff realising their potential.



The audited financial statements for all entities can be found on www.emergeaotearoa.org.nz

John Cook
GM Corporate Services

Recovery Solutions Group

2015 Financial Report

For the year ended 30 June 2015



Empowering people to reach their full recovery potential

Recovery Solutions Group

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Recovery Solutions Group
Group's Particulars

For the year ended 30 June 2015

Charities registration number	CC22187
Date of establishment	28 March 2008
Nature of activities	Obtain and raise monies to assist in the promotion, advancement, development and carrying out of operations of the Trust and the charitable entities within its control.
Nature of group activities	<p>Provide recovery and rehabilitation services to people affected by mental illness, physical disabilities, mental impairments, dementia, drug and alcohol issues, and eating disorders.</p> <p>Provide a wide range of services, including peer support, assisted living, housing, employment and life skills training, focused on empowering people to reach their full recovery potential.</p>
Trust provisions	Annual income to be retained or applied to the Trust's objectives.
Registered office	320 Ti Rakau Drive, Botany, Auckland
Trustees	<p>Leigh Auton (Chairperson - appointed 23/11/2011)</p> <p>Pamela Rankin (appointed 28/03/2010 ceased 01/07/2015)</p> <p>Jane Latimer (appointed 10/02/2010 ceased 01/07/2015)</p> <p>Lope Ginnen (appointed 28/03/2012)</p> <p>Pat Snedden (appointed 28/03/2012)</p> <p>Materoa Mar (appointed 02/07/2012)</p> <p>Stephen McArthur (appointed 02/07/2012 ceased 01/07/2015)</p>
Auditors	RSM Hayes Audit
Bankers	Westpac, ANZ
Lawyers	Shieff Angland, Chris Walker



Recovery Solutions Group

Statement of Comprehensive Income

For the year ended 30 June 2015

		Group 2015 NZ\$	Group 2014 NZ\$	Parent 2015 NZ\$	Parent 2014 NZ\$
	Notes				
Trading revenue	3	25,200,817	24,940,459	-	-
Investment revenue	3	454,978	298,712	-	-
Fair value gains	3	230,702	27,102	-	-
Other revenue	3	267,613	193,395	-	-
Employee benefits expense	4	(17,686,866)	(17,732,805)	-	-
Depreciation expense	5	(563,121)	(609,951)	-	-
Finance costs	6	(267,514)	(125,461)	-	-
Other expenses		(7,526,857)	(6,912,000)	-	-
Total surplus for the year	7	109,751	79,450	0	0
Other comprehensive income		-	-	-	-
Total comprehensive income		109,751	79,450	0	0

This statement is to be read in conjunction with the Notes to the Financial Statements.



Recovery Solutions Group

Statement of Changes in Equity

For the year ended 30 June 2015

	Group 2015 NZ\$	Group 2014 NZ\$	Parent 2015 NZ\$	Parent 2014 NZ\$
Notes				
Equity at beginning of the year	19,805,477	19,726,027	-	-
Comprehensive Income	109,751	79,450	-	-
Equity at end of the year	19,915,228	19,805,477	0	0

Statement of Financial Position

As at 30 June 2015

		Group 2015 NZ\$	Group 2014 NZ\$	Parent 2015 NZ\$	Parent 2014 NZ\$
Notes					
Current assets					
Cash and cash equivalents	9	5,983,101	3,621,061	-	-
Trade and other receivables	10	2,977,210	2,969,830	-	-
Other investments	11	3,995,400	4,790,973	-	-
Total current assets		12,955,711	11,381,864	0	0
Non-current assets					
Property, plant and equipment	12	16,113,204	16,196,696	-	-
Intangible Assets	12	2,914	69,927	-	-
Total non-current assets		16,116,117	16,266,623	0	0
TOTAL ASSETS		29,071,829	27,648,487	0	0

This statement is to be read in conjunction with the Notes to the Financial Statements.



Recovery Solutions Group

Statement of Financial Position (Cont)

As at 30 June 2015

	Notes	Group 2015 NZ\$	Group 2014 NZ\$	Parent 2015 NZ\$	Parent 2014 NZ\$
Current liabilities					
Trade and other payables	13	2,334,116	1,000,148	-	-
Employee benefits	14	1,238,697	1,241,389	-	-
Client funds	15	19,388	4,218	-	-
Deferred income	16	50,734	50,734	-	-
Housing NZ Loan	17	37,652	34,596	-	-
ANZ Loan	17	27,386	25,911	-	-
GST payable		323,440	363,926	-	-
Total current liabilities		4,031,413	2,720,923	0	0
Non-current liabilities					
Deferred income	16	917,077	967,811	-	-
Housing NZ Loan	17	1,653,463	1,691,114	-	-
Westpac Loan	17	1,719,022	1,600,000	-	-
ANZ Loan	17	835,625	863,162	-	-
Total non-current liabilities		5,125,187	5,122,087	0	0
TOTAL LIABILITIES		9,156,600	7,843,010	0	0
NET ASSETS					
		19,915,228	19,805,477	0	0
Equity					
Settlement sum		100	100	-	-
Retained surpluses	18	19,915,128	19,805,377	-	-
Total equity		19,915,228	19,805,477	0	0

Signed on behalf of the Board:



Date: 25/9/15



Date: 25/9/15

This statement is to be read in conjunction with the Notes to the Financial Statements.

Recovery Solutions Group

Notes to the Financial Statements

For the year ended 30 June 2015

1. REPORTING ENTITY

Recovery Solutions Group (the Trust) is a trust incorporated in New Zealand and registered under the Charitable Trusts Act 1957 and the Charities Act 2005. The entity is governed by its trust deed, the Trustee Act 1956, the Charitable Trusts Act 1957 and the Charities Act 2005 and is domiciled in New Zealand.

The purpose of the Trust is to obtain and raise monies to assist in the promotion, advancement, development and carrying out of operations of the Trust and the charitable entities within its control. For this purpose, the Trust has designated itself as a Public Benefit Entity.

The Trust was established on 28 March 2008. From 1 July 2012 the entities that comprised the Group were restructured so that a previous subsidiary trust (Challenge Trust) has now been renamed Recovery Solutions Group, acting as the parent trust.

The current group structure comprises:

- Recovery Solutions Group (CC22187) which is the non-trading parent trust.
- Recovery Solutions (CC49427) which is a consolidated group for DIA grouping purposes.
- Recovery Solutions Property Trust (CC33639) was formerly New Zealand Housing Options Trust.
- Recovery Solutions Services Limited (CC31933)

The Trustees for the Trust are also Trustees or Directors of those entities listed in note 22 and hold a majority on each Board. By virtue of common control these entities are related

parties. Recovery Solutions Group is deemed to control these entities and hence consolidated financial statements have been prepared for the year ended and as at 30 June 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

While there is no statutory requirement for the Trust to prepare Financial Statements in accordance with generally accepted accounting practice in New Zealand, these Financial Statements have been prepared using the New Zealand Equivalents to International Financial Reporting Standards applying differential reporting concessions.

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 (NZ\$).

Basis for preparation

The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments. Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Accounting judgements and major sources of estimation uncertainty

The preparation of financial statements requires the use of accounting estimates and management to exercise their judgement in

applying accounting policies. Judgements, estimates and assumptions about carrying amounts of assets and liabilities that are not readily apparent from other sources are based on experience and other factors appropriate to the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods.

Basis for consolidation

The group financial statements are prepared by combining the financial statements of all the entities that comprise the Group, being Recovery Solutions Group (the parent entity) and its subsidiaries defined in NZ IFRS-10 'Consolidated Financial Statements'. A list of subsidiaries appears in note 22 to the financial statements. Subsidiaries are entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. Consistent accounting policies are employed in the preparation and presentation of the Group financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair value of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit or loss in the period of acquisition.

The Group financial statements include the information and results of each subsidiary from the date on which the Trust obtains control and

until such time as the Trust ceases to control such entity.

In preparing the Group financial statements, all intra-group balances and transactions, and unrealised profits arising within the Group, are eliminated in full.

Significant accounting policies

The following accounting policies have been adopted in the preparation and presentation of the financial statements and have been applied consistently to all years presented in these financial statements:

(a) Comparative amounts

Comparative information has been reclassified, where necessary, to achieve consistency in disclosure with the current year.

(b) Borrowing costs

Borrowing costs are recognised in the Statement of Comprehensive Income in the period in which they incurred.

(c) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service 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 their nominal values using the current remuneration rate.

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

(d) Financial instruments

Financial assets and financial liabilities are recognised in the Group's Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

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, held with registered banks.

Borrowings

Borrowings are recognised initially at fair value plus attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost using the effective interest method which allocates the cost through the expected life of the borrowings.

(e) Fair value estimation

Fair value for both financial and non-financial assets and liabilities have been determined for measurement and/or disclosure purposes based on the following methods.

Investments

Investments held by the Group are classified as current assets and are stated at fair value, with any resulting gain or loss recognised as gain or loss through the Statement of Comprehensive Income. All income derived from the Investments is recorded as investment income in the Statement of Comprehensive Income.

Trade and other payables

Trade and other payables are measured at cost.

Trade and other receivables

Trade and other receivables are measured at cost reduced by appropriate allowances for

estimated unrecoverable amounts. Bad debts are written off when identified.

(f) Goods and services tax (GST)

All balances are presented net of goods and services tax (GST), except for receivables and payables which are stated inclusive of GST.

(g) Impairment of assets

At each reporting date, the carrying amounts of the tangible and intangible assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

If the carrying amount of an asset exceeds its recoverable amount an impairment loss is recognised. An impairment loss directly reduces the carrying amount of assets and is recognised in the Statement of Comprehensive Income.

Estimated recoverable amount of investments and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at their original effective interest rate. Receivables with a short duration are not discounted.

Estimated recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Previously recognised impairment losses on assets may be reversed if there is a positive change in the estimate of the recoverable

amount, but only to the extent of the prior cumulative impairment losses.

(h) Income tax

Due to the charitable nature of the business, the Group is not required to file income tax returns and is exempted from paying income tax on its surplus.

(i) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments

Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight line basis over the term of the lease. Lease incentives received are recognised in the Statement of Comprehensive Income over the lease term as an integral part of the total lease expense.

(j) Finance income and expenses

Finance income comprises interest income and dividend income. Interest income is recognised using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established.

Finance expenses comprise interest expense on borrowings, and impairment losses recognised on financial assets (except for trade receivables). All borrowing costs are recognised in the Statement of Comprehensive Income using the effective interest method.

(k) Non-derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, trade and other receivables, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all the risks and rewards of the asset.

(l) Property, plant and equipment

Items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses. Cost includes the original purchase price plus any subsequent costs where it is probable that future economic benefits will accrue. All repairs and maintenance costs are charged to the Statement of Comprehensive Income.

Where material parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Assets held for sale at balance date are recorded at fair value and classified as current assets.

Depreciation and amortisation

Depreciation commences when an asset is ready for its intended use.

Depreciation is recognised in the Statement of Comprehensive Income on a diminishing value basis over the estimated useful lives of each item of property, plant and equipment. Land is not depreciated.

The following rates have been used:

Buildings	3.0%
Leasehold improvements	10.0% - 48.0%
Plant and equipment	10.0% - 67.0%

Intangible assets, representing primarily capitalised information systems costs, are amortised over the estimated useful life, being between 2 and 4 years.

The residual value of assets is reassessed annually.

Disposal

An item of property, plant and equipment is derecognised upon disposal or recognised as impaired when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Statement of Comprehensive Income in the period the item is derecognised.

(m) Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the future cash flows. Where discounting is used, the increase in the provision for the passage of time is recognised as a finance cost.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(n) Revenue recognition

Contracts for services

When the outcome of contracts for services can be measured reliably, revenue is recognised in the Statement of Comprehensive Income based on the stage of completion of the contract at balance date. When the outcome of contracts for services cannot be measured reliably, revenue is recognised only to the extent of expenses incurred under the contract that are expected to be recoverable.

Grants

Conditional government grants are recognised as income over the life of the grant when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant.

Conditional grants are recognised over time to best match the intended expenses for which they were received.

Where conditions of grants have been unfulfilled, the amount is recorded as a liability until such time as these conditions have been fulfilled.

3. REVENUE FROM OPERATIONS

	Group 2015 NZ\$	Group 2014 NZ\$	Parent 2015 NZ\$	Parent 2014 NZ\$
Trading revenue				
Residential and support services income	24,545,350	24,348,473	-	-
Rental income	655,467	591,986	-	-
Total trading revenue	25,200,817	24,940,459	0	0
Investment income				
Dividend income	86,638	10,933	-	-
Deferred housing grant	50,734	59,519	-	-
Interest income	317,607	228,260	-	-
Total investment income	454,978	298,712	0	0
Net Gains on Fair value				
Investments held	230,702	27,102	-	-
Total net gains on fair value	230,702	27,102	0	0
Other revenue				
Other income	267,613	193,395	-	-
Total other revenue	267,613	193,395	0	0
Total revenue	26,154,110	25,459,666	0	0

4. EMPLOYEE BENEFITS EXPENSE

	Group 2015 NZ\$	Group 2014 NZ\$	Parent 2015 NZ\$	Parent 2014 NZ\$
Salary & wage expense	17,126,800	17,117,727	-	-
Other employee expenses	560,066	615,078	-	-
Total employee benefits expense	17,686,866	17,732,805	0	0

5. DEPRECIATION/ AMORTISATION EXPENSE

	Group 2015 NZ\$	Group 2014 NZ\$	Parent 2015 NZ\$	Parent 2014 NZ\$
Buildings	226,467	204,904	-	-
Leasehold improvements	29,504	31,993	-	-
Plant & Equipment	304,800	313,630	-	-
Intangible Assets Amortisation	2,350	59,425	-	-
Total depreciation and amortisation expense	563,121	609,951	0	0

6. FINANCE COSTS

	Group 2015 NZ\$	Group 2014 NZ\$	Parent 2015 NZ\$	Parent 2014 NZ\$
Amortisation of implied interest	100,000	91,162	-	-
Interest	155,880	30,288	-	-
Bank charges	11,634	4,011	-	-
Total finance costs	267,514	125,461	0	0

7. SURPLUS/ (DEFICIT) FOR THE YEAR

Surplus/(deficit) has been arrived at after (crediting)/ charging the following expenditure from operations:

	Group 2015 NZ\$	Group 2014 NZ\$	Parent 2015 NZ\$	Parent 2014 NZ\$
Consultancy & Contractors	1,448,383	1,299,779	-	-
Motor vehicle expenses	402,466	454,437	-	-
Motor vehicle lease	733,255	718,217	-	-
Provision for doubtful debts	-	10,667	-	-
Remuneration of auditors	48,000	48,000	-	-
Rental expenses	1,192,757	1,263,393	-	-
Staff recruitment	168,139	51,677	-	-
Board remuneration	176,918	164,811	-	-
Loss on disposal of PPE	330,599	28,134	-	-

8. REMUNERATION OF AUDITORS

	Group 2015 NZ\$	Group 2014 NZ\$	Parent 2015 NZ\$	Parent 2014 NZ\$
Audit of the financial statements	48,000	48,000	-	-
Total remuneration	48,000	48,000	0	0

9. CASH AND CASH EQUIVALENTS

	Group 2015 NZ\$	Group 2014 NZ\$	Parent 2015 NZ\$	Parent 2014 NZ\$
Cash at bank	4,982,020	1,366,783	-	-
Petty cash	-	200	-	-
Short term investments	1,001,082	2,254,077	-	-
Total cash and cash equivalents	5,983,101	3,621,060	0	0

10. TRADE AND OTHER RECEIVABLES

	Group 2015 NZ\$	Group 2014 NZ\$	Parent 2015 NZ\$	Parent 2014 NZ\$
Trade debtors	2,886,190	2,535,345	-	-
Provision for doubtful debts	(163,432)	(163,432)	-	-
Prepayments	136,591	83,192	-	-
Other receivables	117,861	514,725	-	-
Total receivables	2,977,210	2,969,830	0	0

11. INVESTMENTS

	Group 2015 NZ\$	Group 2014 NZ\$	Parent 2015 NZ\$	Parent 2014 NZ\$
AEGIS Share portfolio	-	3,850	-	-
New Zealand Equities	341,247	184,135	-	-
Australian Equities	304,367	181,500	-	-
Offshore Equities	417,185	181,955	-	-
New Zealand Bonds	1,813,150	535,600	-	-
Offshore Bonds	728,613	-	-	-
Property Equities	390,838	187,353	-	-
Term Deposits	-	3,516,581	-	-
Total investments	3,995,400	4,790,973	0	0

12. NON-CURRENT ASSETS

	Land	Buildings	Leasehold Improvement	Plant & Equipment	Plant & Equipment	Intangible Assets	Total Non Current Assets
	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$
As at 30 June 2015							
Cost	7,669,579	8,774,958	336,234	990,531	17,771,302	20,305	17,791,607
Accumulated depreciation/amortisation	-	(1,063,277)	(99,578)	(495,243)	(1,658,098)	(17,392)	(1,675,490)
Written down value	7,669,579	7,711,680	236,656	495,288	16,113,204	2,914	16,116,117
As at 30 June 2014							
Cost	7,183,090	8,962,260	366,769	1,648,233	18,160,352	272,180	18,432,533
Accumulated depreciation/amortisation	-	(925,745)	(104,120)	(933,790)	(1,963,656)	(202,254)	(2,165,909)
Written down value	7,183,090	8,036,514	262,649	714,443	16,196,696	69,927	16,266,623



13. TRADE AND OTHER PAYABLES

	Group 2015 NZ\$	Group 2014 NZ\$	Parent 2015 NZ\$	Parent 2014 NZ\$
Trade payables	111,262	384,812	-	-
Flexifund amounts owing to/(from) DHB's	56,085	(85,806)	-	-
Other payables	2,166,769	701,142	-	-
Total payables	2,334,116	1,000,148	0	0

14. EMPLOYEE BENEFITS

	Group 2015 NZ\$	Group 2014 NZ\$	Parent 2015 NZ\$	Parent 2014 NZ\$
Holiday pay	742,654	725,451	-	-
Other employee benefits	496,043	515,938	-	-
	1,238,697	1,241,389	0	0
Included in financial statement as:				
Current employee benefits	1,238,697	1,241,389	-	-
Non-current employee benefits	-	-	-	-
Total	1,238,697	1,241,389	0	0

15. CLIENT FUNDS

	Group 2015 NZ\$	Group 2014 NZ\$	Parent 2015 NZ\$	Parent 2014 NZ\$
Client fundraising	4,917	4,217	-	-
Funds held in trust for clients	14,471	-	-	-
Total client funds	19,388	4,217	0	0

16. DEFERRED INCOME

	Group 2015 NZ\$	Group 2014 NZ\$	Parent 2015 NZ\$	Parent 2014 NZ\$
Conditional grants (i)	1,268,347	1,268,347	-	-
Amortised conditional grant (i)	(300,536)	(249,802)	-	-
	967,811	1,018,545	0	0
Included in financial statement as:				
Current deferred income	50,734	50,734	-	-
Non-Current deferred income	917,077	967,811	-	-
Total	967,811	1,018,811	0	0

(i) Conditional Grants

Housing New Zealand Corporation (the lender) has conditionally granted \$1,268,347 (2014: \$1,268,347) to Recovery Solutions Property 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, so that over the original 25 year life of the loans indicated in note 17.

17. LOANS AND BORROWINGS

	Group 2015 NZ\$	Group 2014 NZ\$	Parent 2015 NZ\$	Parent 2014 NZ\$
Westpac				
Loan at face value (ii)	1,719,022	1,600,000	-	-
Total	1,719,022	1,600,000	0	0
Westpac Loan				
Current loan	-	-	-	-
Non-current loan	1,719,022	1,600,000	-	-
Total	1,719,022	1,600,000	0	0

(i) Westpac Limited Loan

Westpac Limited has provided a 4 mortgage facility to Recovery Solutions Property 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	6.35%	\$ 3,610
2	24-Apr-14	24-Apr-19	\$ 300,000	Interest only	Floating	6.35%	\$ 1,547
3	4-Jun-14	4-Jun-19	\$ 600,000	Interest only	Fixed for 2 yrs	5.89%	\$ 3,195
4	11-Nov-14	11-Nov-19	\$ 119,022	Principal and Interest	Fixed for 3 yrs	6.54%	\$ 2,737

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

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

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

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

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

	Group 2015 NZ\$	Group 2014 NZ\$	Parent 2015 NZ\$	Parent 2014 NZ\$
Housing New Zealand Loans				
Loan at face value (ii)	2,340,791	2,463,740	-	-
Unamortised interest expense	(649,675)	(738,030)	-	-
Total	1,691,116	1,725,710	0	0
Housing New Zealand Loans				
Current loan	37,652	34,596	-	-
Non-current loan	1,653,463	1,691,114	-	-
Total	1,691,115	1,725,710	0	0

(ii) Housing New Zealand Loans

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

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

Details for these drawdowns are below:

	Drawdown date	Maturity date	Interest charged from	Amount	Monthly repayment
1	26-Sep-07	25-Sep-32	26-Sep-17	\$289,268	\$965
2	9-Nov-07	8-Nov-32	9-Nov-17	\$309,383	\$934
3	14-Mar-08	13-Mar-33	14-Mar-18	\$283,684	\$950
4	22-May-08	21-May-33	22-May-18	\$291,014	\$970
5	30-Jun-08	29-Jun-33	30-Jun-18	\$226,651	\$760
6	31-May-09	24-May-34	31-May-19	\$308,853	\$1,030
7	1-Sep-09	1-Sep-34	1-Sep-19	\$371,460	\$1,238
8	1-Oct-09	1-Oct-34	1-Oct-19	\$244,034	\$813
9	1-May-10	1-May-35	1-May-20	\$75,653	\$252
10	28-Mar-12	27-Mar-37	28-Mar-22	\$700,000	\$2,333
				\$3,100,000	\$10,245

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.

	Group 2015 NZ\$	Group 2014 NZ\$	Parent 2015 NZ\$	Parent 2014 NZ\$
ANZ Loan				
Loan at face value (iii)	863,011	889,073	-	-
Total	863,011	889,073	0	0
ANZ Loan				
Current loan	27,386	25,911	-	-
Non-current loan	835,625	863,162	-	-
Total	863,011	889,073	0	0

(iii) ANZ Limited Loan

ANZ Limited has provided a mortgage facility to Recovery Solutions Property Trust.

Details of the drawdown are below:

	Drawdown date	Maturity date	Amount	Repayment programme	Interest options	Interest rate	Monthly payments
1	19-Dec-13	19-Dec-18	\$900,000	Principal & Interest	Fixed for 2 years	5.55%	\$6,218

Payments of the loan, interest and any other amounts payable under the agreement are to be made by 59 consecutive monthly repayments of \$6,218 each, commencing 19 January 2014 with a final payment of \$764,584 on the 19 December 2018. 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

18. RETAINED SURPLUSES

	Group 2015 NZ\$	Group 2014 NZ\$	Parent 2015 NZ\$	Parent 2014 NZ\$
Balance at beginning of the period	19,805,377	19,725,927	-	-
Suplus/(deficit) for the period	109,751	79,450	-	-
Total retained surpluses	19,915,128	19,805,377	0	0

19. CONTINGENT LIABILITIES AND COMMITMENTS

There were no contingent liabilities in existence at 30 June 2015 (30 June 2014: Nil).

Non-cancellable operating lease payments

	Group 2015 NZ\$	Group 2014 NZ\$	Parent 2015 NZ\$	Parent 2014 NZ\$
Not longer than 1 year	789,204	1,173,671	-	-
Between 1 and 5 years	676,565	1,188,182	-	-
Longer than 5 years	-	-	-	-
Total	1,465,769	2,361,853	0	0

Capital commitments

There Group has no commitments for future capital expenditure as at 30 June 2015.

As at 30 June 2014 Recovery Solutions Property Trust had a delayed settlement on 191 Wainui Road, Gisborne. The total value of the sale and purchase agreement was \$200,000.

20. SUBSEQUENT EVENTS

On 1 July 2015 Recovery Solutions merged with Richmond Group. From this date the organisations have operated as Emerge Aotearoa. Emerge Aotearoa's individual trading and non-trading entities are registered with charities services and retain their charitable status. The shareholding and trustees of all the entities with the Recovery Solutions Group have changed, as have the constitution and trust deeds, to reflect the new organisational structure of Emerge Aotearoa.

Recovery Solutions Group (the parent) will continue as a non-trading entity.

Recovery Solutions Property Trust has been renamed Emerge Aotearoa Housing Trust and continues to operate the housing portfolio.

Recovery Solutions Services Limited continues to operate but as a non-trading entity. All assets and liabilities have been transferred to Emerge Aotearoa Limited at book value. All contracts with the various District Health Boards and Accident Compensation Corporation have been novated to the Emerge Aotearoa Limited. Contractual agreements with other stakeholders have continued under Emerge Aotearoa Limited.

The costs associated with the merger have been equally shared between Recovery Solutions Group and Richmond Group and reflected in these Financial Statements in the month in which they arose. Any future merger costs will be realised by Emerge Aotearoa Group.

21. FINANCIAL INSTRUMENTS

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition and the basis of measurement applied in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

Capital risk management

The Trust and Group's objectives when managing capital are to safeguard the Trust and Group's ability to continue as a going concern, so that it can continue to provide benefits for stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Trust and Group may sell assets to reduce debt.

Credit risk

Credit risk is managed on group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers.

For banks and financial institutions, only independently rated parties with a minimum rating of 'AA-' are accepted.

If there is no independent rating, corporate services assess the credit quality of the customer, taking into account its financial position, past experience and other factors.

Currency risk

The Trust and Group undertakes certain investment transactions denominated in foreign currencies. Hence, exposure to exchange rate fluctuations arises. The currencies to which the Trust and Group is exposed are Australian dollars (AUD), American dollars (USD), Euro Dollars (EUR) and British pound Sterling (GBP) in relation to the investments stated in note 11. This exposure is not significant and is in accordance with the Trust and Group's credit risk policy and is managed by JBWere (NZ) Pty Limited.

Liquidity risk

Liquidity risk represents the Trust and Group's ability to meet its contractual obligations. The Trust and Group evaluates its liquidity requirements on an ongoing basis. In general, the Trust and Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls.

Interest rate risk

Recovery Solutions Property Trust has borrowings from Housing New Zealand Corporation that are interest free for ten years from the date of drawdown. The method of calculating the future interest

that is due to be paid, whether this is fixed or variable will be determined prior to the expiration of the ten year interest free period.

The Trust and Group has no policy in relation to its exposure to changes in interest rates on borrowings. It seeks to fix rates at the time of borrowing or expiration of interest free period which are competitive at the date of the borrowing.

Other market price risk

The Trust and Group is not exposed to substantial other market price risk arising from financial instruments.

Sensitivity analysis

In managing interest rate risk the Trust and Group aims to reduce the impact of short-term change on the Trust and Group's earnings. Over the longer term, permanent changes in interest rates will have an impact on surplus.

22. RELATED PARTY DISCLOSURES

Parent entity

By virtue of common control, the ultimate parent entity is Recovery Solutions Group.

The following entities are deemed to be controlled by the Trust as at 30 June 2015:

- Recovery Solutions Services Limited
- Recovery Solutions Property Trust

The Trustees for Recovery Solutions Group are also Trustees or Directors for these entities and hold a majority on each Board.

These same entities were deemed to be controlled by the Recovery Solutions Group as at 30 June 2014.

Transactions

Consulting services provided by a company for which Materoa Mar is a director, included duties of specialised consulting services. This amounted to \$16,500 (2014: \$nil) to the group for the year. An amount of \$nil (2014: \$nil) was outstanding at balance date.

Recovery Solutions is a member of charitable trust of which Derek Wright is a trustee. This membership fees paid amounted to \$4,347 (2014: \$6,957) to the group for the year. An amount of \$nil (2014: \$nil) was outstanding at balance date.

Recovery Solutions received director fees and income from CareerForce of which Derek Wright is a director. This amounted to \$12,668 (2014: \$9,778) to the group for the year. An amount of \$nil (2014: \$nil) was outstanding at balance date.

The Trust has had no transactions with other related parties during the year.

INDEPENDENT AUDITOR'S REPORT

TO THE TRUSTEES OF RECOVERY SOLUTIONS GROUP

We have audited the financial statements of Recovery Solutions Group ("the parent") and its subsidiaries (together "the group") on pages 4 to 22, which comprise the group and parent statements of financial position as at 30 June 2015, and the group and parent statements of comprehensive income and statements of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Trustees' Responsibility for the Financial Statements

The trustees are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and applying differential reporting concessions, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand).

Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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



RSM Hayes Audit
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Opinion

In our opinion, the financial statements on pages 4 to 22 present fairly, in all material respects, the financial position of Recovery Solutions Group and the group as at 30 June 2015 and their financial performance for the year ended on that date, in accordance with New Zealand equivalents to International Financial Reporting Standards, applying differential reporting.

Emphasis of Matter

We draw attention to Note 20 to the financial statements describing the impacts of a material subsequent event, being the merger with Richmond Group effective 1 July 2015. Our opinion is not qualified in respect of this matter.

RSM Hayes Audit

RSM Hayes Audit

26 September 2015

Auckland