

# Annual Report 2014-15



Healthy individuals, connected whānau, inclusive communities

He tangata ora, he whānau kotahi, he hapori manaaki



Healthy individuals, connected whānau, inclusive communities  
He tangata ora, he whānau kotahi, he hapori manaaki

## Annual Report – 2014/15

### Richmond New Zealand Trust

#### An Update from the Chairman

The standpoint of the Richmond New Zealand Trustees was to ensure that the processes of engagement by Richmond and Recovery Solutions organisations had looked at all appropriate areas of compatibility of property, people and services. The upshot was that a satisfying launch of Emerge Aotearoa was able to be supported warmly. Admirable hard work was applied in Richmond's interests notably by Richmond Services Limited chair, Graeme Bell, and colleagues Shenagh Gleisner and Dr Hinemoa Elder working with specialist change consultant, Cath Handley, all of whose reports evidenced a similar reaction of cooperation and commitment to forward motion from the Recovery Solutions side. The resultant new organisation has a wider remit with new emphases, for example on the provision of social housing. The Trust, before its dissolution, wished its successor well. I was honoured to accept an invitation to launch the new organisation on 1 July 2015 at the Manukau Institute of Technology marae in Otara, Auckland.



**Sir Anand Satyanand**  
Chairman, Richmond NZ Trust

## **Richmond Services Limited**

### **An Update from the Chairman**

It has been my privilege to have been part of the Richmond Services Limited Board for the past eight years and Chair since 2012. It has been a truly rewarding experience to work alongside so many staff and Board members passionate about and totally dedicated to supporting the less fortunate in our communities to live well and fulfil their potential.

In 2014/15 our parent Trust, Richmond New Zealand Trust resolved to merge with Recovery Solutions, an Auckland based Trust providing a similar range of community based mental health services. The Board actively supported the merger and implemented strategies to ensure Richmond would be in the best possible shape by the merger date.



Among the strategies given priority were:

1. Continuation of a service quality initiative designed to ensure that all of the Richmond services were delivered consistently across New Zealand and to the highest possible standards of care
2. Involving those with lived experience of mental health at all levels of the organisation but particularly in the design and refresh of service delivery
3. Maintaining close oversight of service quality, risks and more recently with the enactment of new legislation pending the health and safety of our clients and staff

Richmond Services contributed strongly to a positive Richmond Group result. The modest surplus achieved was in line with expectations and slightly ahead of the previous year.

### **Looking ahead**

As we bid farewell to our predecessor organisation and welcome in the merger with Recovery Solutions, there are naturally enough feelings of mixed emotions. For Richmond it is the end of an era lasting 37 years.

Equally there are feelings of excited anticipation. The merger will, and already has delivered efficiencies that will be reinvested in enhancing the services we offer, especially those that address the needs of our Māori and Pasifika populations. We will also be able to leverage the larger asset base and pursue opportunities in social housing.

Emerge Aotearoa will be of such scale that staff will benefit too from greater opportunities for personal growth and career development.

At the heart of the merger are those that we seek to serve, their families and their communities. In an environment where the demand for our services continues unabated and without the prospect of any substantive real increases in the funds available in the medium term to meet that need, it is incumbent upon all of us who work in the sector to maximise the use of the resources we have available to us.

The merger of Richmond and Recovery Solutions is but one way of rising to this challenge and may I conclude by acknowledging the courage and foresight of my fellow Directors and Trustees at Richmond and my colleagues at Recovery Solutions for taking this bold step.

**Graeme Bell**  
**Chairman, Richmond Service Limited**

---

## **An Update from the Chief Executive**

Change, learning and growing are a constant feature of Richmond and the past year was no exception. The decision made by our Board to merge with Recovery Solutions and to purchase Mind and Body Ltd meant that considerable time and energy went into planning for the transition of our organisations into a new entity. It is a credit to the management and staff of Richmond Services Ltd that they continued to provide services to over 3000 people through this transition period.

### **Delivering our services**

Services were provided through three service streams. Our Recovery Services provided services to adults respite, community support, navigation services, employment, education and intensive residential support programmes. For many, these services contributed to our clients becoming and staying well, to reconnecting with families, to building on their many strengths, to setting up new homes, participating within their communities, finding jobs and to exploring and pursuing new avenues and opportunities.



Richmond's young people and family/whanau services provided specialised programmes to young people and their families through provision of intensive wrap around support, residential respite services and community support programmes. Young people were supported to continue to live at home, to remain in education or work and to stop offending. These programmes supported hundreds of young people to open up greater opportunities while also enabling whanau to better support them.

Our intensive support and disability services also continued to enhance the services available to people who are disabled and have compounding mental health and behavioural concerns. These services range from providing intensive support packaged in a supported living environment through to the provision of individualised packages of care to people living in their own homes. Services supported people to navigate the many challenges they confront in living well within our communities.

### **Preparing for the New Organisation**

As noted by our Group Chairman, Sir Anand Satyanand, there was significant preparation over the course of this year to enable transition to the new merged organisation, Emerge Aotearoa. Mind and Body also joined the Group as a separate operating entity at this time. The Boards of both Richmond and Recovery Solutions worked hard to ensure that the merger would be smooth for all concerned. From the end of December, I moved to the role of Chief Executive Designate for Emerge Aotearoa and was charged with ensuring that Emerge Aotearoa was ready for its 1 July launch, while Derek Wright, the Chief Executive of Recovery Solutions, became the Interim Chief Executive of Richmond Services, managing both organisations for six months prior to merger. I want to acknowledge and thank Derek for his skillful management of Richmond Services and to his contribution to the success of the merger.

### **Thanks to our team**

Preparing to move from Richmond New Zealand Trust and Richmond Services to Emerge Aotearoa was a significant milestone in the history of our organisation. It was a time for all of us to reflect on the early beginnings as Richmond Fellowship in New Zealand and to honour and respect the contribution of those who made the organisation the national entity that it was. The Richmond Services leadership team and staff embraced the changes despite the fact that for many the changes were significant. The legacy of Richmond will be proudly visible in the success of Emerge Aotearoa.

**Barbara Disley**  
**Chief Executive Officer**

---

## Financial Overview

### Emerging

Richmond Services Limited net revenue in the 2015 financial year was \$34.6m, a decrease of \$1.5m on 2014 generating a net surplus of \$561k. The decrease in revenue was due to the reduced funding models in a number of residential services.

On 1 July 2015 Richmond New Zealand Trust and Richmond Services Limited merged with Recovery Solutions Group 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 Business Services team. The development, over the preceding two years of the principle that the Business Services 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.

The merger between Richmond NZ Trust, Richmond Services Limited and Recovery Solutions has developed an organisation with sufficient scale, capability and breadth of services that will ensure that we are well placed to take advantage of opportunities that arise to grow our business and develop innovative services which will lead to better outcomes for the people we serve, enabling both clients and staff to reach their full potential.

The audited financial statements for all entities can be found on [www.emergeaotearoa.org.nz](http://www.emergeaotearoa.org.nz)

---

**Richmond New Zealand Trust  
Financial statements  
for the year ended 30 June 2015**



## Contents

	Page
Financial statements	
Statement of comprehensive income	3
Statement of movements in trust funds	4
Balance sheet	5
Statement of cash flows	6
Notes to the financial statements	
1 General information	7
2 Summary of significant accounting policies	7
3 Revenue	10
4 Other gains (losses) - net	10
5 Expenses	10
6 Current assets - Trade and other receivables	11
7 Non-current assets - Property, plant and equipment	11
8 Non-current assets - Other financial assets	11
9 Current liabilities - Trade and other payables	12
10 Current liabilities - Employee entitlements	12
11 Contingencies	12
12 Capital adequacy	12
13 Reconciliation of profit after income tax to net cash inflow from operating activities	12
14 Financial risk management	13
15 Commitments	14
16 Related party transactions	14
17 Events occurring after the reporting period	14
Auditors' report	15

## 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 Richmond New Zealand Trust as at 30 June 2015 and their financial performance and cash flows for the year ended on that date.

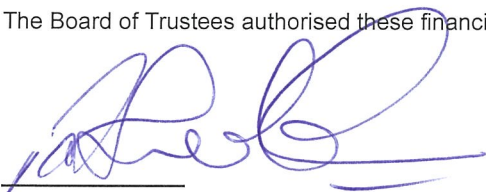
The Trustees consider that the financial statements of the Richmond New Zealand Trust have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates, and that all relevant financial reporting and accounting standards have been followed.

The Trustees believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Trust 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 Trust and to prevent and detect fraud and other irregularities.

The Trustees have pleasure in presenting the financial statements of the Trust for the year ended 30 June 2015, set out on pages 3 to 14.

The Board of Trustees authorised these financial statements for issue.



Trustee

25 September 2015



Trustee

25 September 2015

Richmond New Zealand Trust  
Statement of comprehensive income  
For the year ended 30 June 2015

**Statement of comprehensive income**

For the year ended 30 June 2015

	Notes	2015 \$	2014 \$
Operating revenue	3	1,534,649	1,067,331
Other gains (losses) - net	4	1,034,624	-
Depreciation and amortisation expense	5	(83,596)	(79,119)
Operating expenses	5	(1,526,327)	(708,252)
Finance expenses		(10)	(10)
Finance income		<u>227,764</u>	<u>144,050</u>
<b>Net Profit for the year</b>		<u><b>1,187,104</b></u>	<u><b>424,000</b></u>

*The above statement of comprehensive income should be read in conjunction with the accompanying notes.*

Richmond New Zealand Trust  
Statement of movements in trust funds  
For the year ended 30 June 2015

**Statement of movements in trust funds**

For the year ended 30 June 2015

Entity	Settled funds \$	Retained earnings \$	Total equity \$
Balance as at 1 July 2013	10	13,585,029	13,585,039
Profit or loss for the year	-	424,000	424,000
<b>Balance as at 30 June 2014</b>	<u>10</u>	<u>14,009,029</u>	<u>14,009,039</u>
Profit or loss for the year	-	1,187,104	1,187,104
<b>Balance as at 30 June 2015</b>	<u>10</u>	<u>15,196,133</u>	<u>15,196,143</u>

*The above statement of movements in trust funds should be read in conjunction with the accompanying notes.*

Richmond New Zealand Trust  
Balance sheet  
As at 30 June 2015

**Balance sheet**

As at 30 June 2015

	Notes	2015 \$	2014 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		1,397,373	1,223,954
Trade and other receivables	6	<u>535,492</u>	<u>1,625</u>
Total current assets		<u>1,932,865</u>	<u>1,225,579</u>
<b>Non-current assets</b>			
Property, plant and equipment	7	6,738,879	6,878,822
Other financial assets	8	6,969,107	5,614,446
Loan to Richmond Services Limited		-	308,409
Total non-current assets		<u>13,707,986</u>	<u>12,801,677</u>
<b>Total assets</b>		<u>15,640,851</u>	<u>14,027,256</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	9	144,915	18,217
Income received in advance		10,000	-
Employee entitlements	10	<u>36,906</u>	<u>-</u>
Total current liabilities		<u>191,821</u>	<u>18,217</u>
<b>Non-current liabilities</b>			
Loan from Richmond Services Limited		<u>252,887</u>	<u>-</u>
Total non-current liabilities		<u>252,887</u>	<u>-</u>
<b>Total liabilities</b>		<u>444,708</u>	<u>18,217</u>
<b>Net assets</b>		<u>15,196,143</u>	<u>14,009,039</u>
<b>TRUST FUNDS</b>			
Settled funds		10	10
Retained earnings		<u>15,196,133</u>	<u>14,009,029</u>
<b>Total trust funds</b>		<u>15,196,143</u>	<u>14,009,039</u>

The above balance sheet should be read in conjunction with the accompanying notes.

Richmond New Zealand Trust  
Statement of cash flows  
For the year ended 30 June 2015

**Statement of cash flows**

For the year ended 30 June 2015

	Notes	2015 \$	2014 \$
<b>Cash flows from operating activities</b>			
Receipts from contracts		-	58,270
Interest and dividends received		227,765	144,050
Rent received		640,935	712,670
Other income		1,524	-
Payments to suppliers and employees		(1,834,992)	(650,929)
Grants provided		(51,600)	(42,800)
Interest and bank fees paid		(10)	(10)
<b>Net cash inflow / (outflow) from operating activities</b>	13	<u>(1,016,378)</u>	<u>221,251</u>
<b>Cash flows from investing activities</b>			
Purchases of properties		(180,727)	(552,236)
Proceeds from sale of property, plant and equipment		1,271,699	-
Purchases of investments		(826,806)	(3,618,053)
Sale of investments		64,335	-
Loan repayments received from subsidiary		861,296	609,100
<b>Net cash inflow / (outflow) from investing activities</b>		<u>1,189,797</u>	<u>(3,561,189)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>173,419</b>	<b>(3,339,938)</b>
Cash and cash equivalents at the beginning of the financial year		<u>1,223,954</u>	<u>4,563,892</u>
<b>Cash and cash equivalents at end of year</b>		<u><b>1,397,373</b></u>	<u><b>1,223,954</b></u>

*The above statement of cash flows should be read in conjunction with the accompanying notes.*

## 1 General information

The reporting entity is the Richmond New Zealand Trust ('the Trust'), constituted under deed signed on 3 August 2010.

The principal purpose of the Trust is community mental health and support services including residential accommodation which is rented to the Subsidiary.

The financial statements have been prepared in accordance with the Financial Reporting Act 2013.

## 2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements include financial statements for Richmond New Zealand Trust as an individual entity.

### (a) Basis of preparation

The financial statements of the Trust have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable Financial Reporting Standards, as applicable for public benefit entities. The financial statements also comply with International Financial Reporting Standards ('IFRS').

The Trust follows the accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on a historical cost basis.

The information is presented in New Zealand dollars, which is the Trust's functional and presentation currency.

The preparation of financial statements, of necessity, involves judgement and estimation. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable. Actual results may differ from these estimates.

### (b) Segment reporting

The Trust operates in one industry, being community mental health and support services in one geographical area being New Zealand.

### (c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied. The Trust 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 Trust's activities, as described below. The Trust 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

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

#### (ii) Interest income

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

#### (iii) Rent income

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

### (d) Government grants

Grants and donations are recognised as income when they are received or become receivable, unless the Trust 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 revenue received in advance in the balance sheet.

## 2 Summary of significant accounting policies (continued)

### (e) Offsetting of income and expenses

Income and expenses are not offset unless required or permitted by an accounting standard. Items of income and expenses are offset when offsetting reflects the substance of the transaction or other event. In addition, gains or losses arising from a group of similar transactions are reported on a net basis, unless items of gains or losses are material, in which case, they are reported separately.

### (f) Income tax

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

### (g) Goods and Services Tax (GST)

The statement of comprehensive income has 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.

### (h) Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes 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.

### (i) Investments and other financial assets

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 accounted for on a settlement basis. They are classified in one of the following categories at initial recognition: loans and receivables, financial assets and liabilities at fair value through profit or loss, available for sale financial assets, held to maturity investments, and other financial liabilities.

#### (i) Financial assets and liabilities at fair value through profit or loss

Assets and liabilities in this category are either held for trading or are managed with other assets and liabilities and are accounted for and evaluated on a fair value basis. The Trust has not classified any financial instruments as financial assets and financial liabilities at fair value through profit or loss.

#### (ii) 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 end of the reporting period. These are classified as non-current assets. The Trust's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet

#### (iii) Available for sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

#### (iv) Held to maturity investments

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

#### (v) Other financial liabilities

This category includes all financial liabilities other than those at fair value through profit or loss. Liabilities in this category are measured at amortised cost. They represent liabilities for goods and services provided to the Trust prior to the end of the financial year that are unpaid and arise when the Trust becomes obliged to make future payments. These amounts are unsecured. It also represents term liabilities with determinable repayment terms and interest rates of which there are none.

Other financial liabilities include accrued expenses (note 9).



## 2 Summary of significant accounting policies (continued)

### (j) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. Repairs and maintenance are charged against income as incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

- Buildings	50 years
-------------	----------

### (k) Intangible assets

#### (i) Computer software

Intangible assets consist solely of the costs of software development by the Trust. Software development costs have a finite useful life. These costs are capitalised and amortised over an estimated useful economic life of 3 years.

### (l) Impairment of non-financial assets

Property, plant and equipment and intangible assets are tested for impairment annually and also whenever there is an earlier indication of impairment. 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.

### (m) Trade 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.

### (n) Available for sale investments

Available-for-sale investments, comprising principally marketable equity securities, are initially recognised at fair value plus transaction costs. After initial recognition, available-for-sale investments are carried at fair value.

For investments traded in active markets, fair value is determined by reference to Stock Exchange quoted bid prices. For other investments, fair value is estimated by reference to the current market value of similar instruments or by reference to the discounted cash flows of the underlying net assets.

Available-for-sale investments are classified as non current assets, unless they are expected to be realised within twelve months of the balance date or unless they will need to be sold to raise operating capital.

### (o) Standards, amendments, and interpretations effective in 2015

There are no changes to standards that have been adopted in 2015.

### (p) Standards, amendments and interpretations to existing standards that are not yet effective

A new Accounting Standards Framework (incorporating a Tier structure and a separate suite of accounting standards for PBEs) was issued by the External Reporting Board (XRB) in 2012. Under the new Accounting Standards Framework, the Trust will have to transition to the Public Benefit Entities (PBE) Standards issued in September 2015 by the XRB for reporting periods beginning on or after 1 April 2015 (with early adoption permitted). The PBE Standards are based on International Public Sector Accounting Standards (IPSAS). Therefore the Company will have to prepare its financial statements in accordance with the PBE Standards for the first time for the annual period ending 30 June 2016.

The Trust is in the process of assessing the implications of the new Framework.

## 2 Summary of significant accounting policies (continued)

Due to the change in the Accounting Standards Framework for PBEs, all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to PBEs as the XRB has effectively frozen the financial reporting requirements for PBEs until they transition to the PBE Standards. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude PBEs from their scope.

## 3 Revenue

	2015 \$	2014 \$
<i>Operating revenue</i>		
Contract income	-	58,270
Rental income	640,935	712,670
Dividends received	300,000	300,000
Gain/(loss) on fair value of investments	294,069	41,617
Gain/(loss) on foreign exchange	233,786	(41,233)
Gain/(loss) on sale of investments	64,335	(3,993)
	<u>1,533,125</u>	<u>1,067,331</u>
Other income	1,524	-
<b>Total revenue</b>	<u>1,534,649</u>	<u>1,067,331</u>

## 4 Other gains (losses) - net

Net gain on disposal of property, plant and equipment	<u>1,034,624</u>	-
<b>Total other gains (losses)</b>	<u>1,034,624</u>	-

## 5 Expenses

<i>Depreciation</i>		
Buildings	83,596	79,119
Total depreciation and amortisation	<u>83,596</u>	<u>79,119</u>
<i>Operating expenses</i>		
Audit fees	16,000	-
Other accounting services	2,425	-
Repairs and maintenance	271,968	375,842
Rates	41,475	40,892
Management fees	130,000	130,000
TAG operating expenses	791,433	-
Grants - OWP	51,600	42,800
Other operating expenses	221,426	118,718
<b>Total operating expenses</b>	<u>1,526,327</u>	<u>708,252</u>

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

## 6 Current assets - Trade and other receivables

	Entity	
	2015	2014
	\$	\$
Recovery Solutions	535,492	-
GST receivable	-	1,625
	<u>535,492</u>	<u>1,625</u>

## 7 Non-current assets - Property, plant and equipment

	Construction in progress	Freehold land	Freehold buildings	Total
	\$	\$	\$	\$
<b>At 1 July 2013</b>				
Cost	11,710	3,081,490	4,672,538	7,765,738
Accumulated depreciation	-	-	(1,360,034)	(1,360,034)
Net book amount	<u>11,710</u>	<u>3,081,490</u>	<u>3,312,504</u>	<u>6,405,704</u>
<b>Year ended 30 June 2014</b>				
Opening net book amount	11,710	3,081,490	3,312,504	6,405,704
Additions	-	164,000	399,947	563,947
Disposals	(11,710)	-	-	(11,710)
Depreciation charge (note 5)	-	-	(79,119)	(79,119)
Closing net book amount	<u>-</u>	<u>3,245,490</u>	<u>3,633,332</u>	<u>6,878,822</u>
<b>At 30 June 2014</b>				
Cost	-	3,245,490	5,072,485	8,317,975
Accumulated depreciation	-	-	(1,439,153)	(1,439,153)
Net book amount	<u>-</u>	<u>3,245,490</u>	<u>3,633,332</u>	<u>6,878,822</u>
<b>Year ended 30 June 2015</b>				
Opening net book amount	-	3,245,490	3,633,332	6,878,822
Additions	180,728	-	-	180,728
Disposals	-	(120,690)	(224,643)	(345,333)
Depreciation charge (note 5)	-	-	(83,596)	(83,596)
Depreciation released on disposal	-	-	108,258	108,258
Closing net book amount	<u>180,728</u>	<u>3,124,800</u>	<u>3,433,351</u>	<u>6,738,879</u>
<b>At 30 June 2015</b>				
Cost	180,728	3,124,800	4,847,842	8,153,370
Accumulated depreciation	-	-	(1,414,491)	(1,414,491)
Net book amount	<u>180,728</u>	<u>3,124,800</u>	<u>3,433,351</u>	<u>6,738,879</u>

## 8 Non-current assets - Other financial assets

	2015	2014
	\$	\$
Investment portfolio	4,969,107	3,614,446
Share in Richmond Services Limited	2,000,000	2,000,000
<b>Total other financial assets</b>	<u>6,969,107</u>	<u>5,614,446</u>

## 9 Current liabilities - Trade and other payables

	2015 \$	2014 \$
Accrued expenses	<u>144,915</u>	<u>18,217</u>
	<u>144,915</u>	<u>18,217</u>

## 10 Current liabilities - Employee entitlements

	2015 \$	Entity 2014 \$
Annual leave	21,675	-
Accrued wages and salaries	<u>15,231</u>	<u>-</u>
	<u>36,906</u>	<u>-</u>

## 11 Contingencies

As at 30 June 2015 the Trust had no contingent liabilities or assets (2014:\$Nil).

## 12 Capital adequacy

As a public benefit entity, the Trust has a number of roles and responsibilities in managing trust funds. Trust funds comprises retained earnings and settled funds. Trust funds 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 Trust. Trust funds are 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 trust funds, which is a key strategic priority for the trustees of the Trust.

The Trust 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.

## 13 Reconciliation of profit after income tax to net cash inflow from operating activities

	2015 \$	2014 \$
Profit for the year	1,187,104	424,000
<i>Non-cash items:</i>		
Depreciation and amortisation	83,596	79,119
Dividends received from Subsidiary	(300,000)	(300,000)
Net (gain) loss on sale of non-current assets	(1,098,959)	3,993
Gain/(loss) on fair value of investments	(294,069)	(41,617)
Gain/(loss) on foreign exchange	(233,786)	41,233
<i>Movements in working capital:</i>		
Decrease (increase) in trade debtors	(533,868)	375
Increase (decrease) in trade creditors	<u>173,604</u>	<u>14,148</u>
<b>Net cash inflow from operating activities</b>	<u>(1,016,378)</u>	<u>221,251</u>

## 14 Financial risk management

The main financial risks inherent in the Trust's operations include credit risk, liquidity risk and interest rate risks. Below are descriptions of the Richmond Group's financial risk management policies.

The Trust holds the following financial instruments:

	2015 \$	2014 \$
<b>Financial assets</b>		
Cash and cash equivalents	1,397,373	1,223,954
Trade and other receivables	535,492	1,625
Loan to Richmond Services Limited	-	308,409
Other financial assets	<u>4,969,107</u>	<u>3,614,446</u>
	<u>6,901,972</u>	<u>5,148,434</u>
<b>Financial liabilities</b>		
Trade and other payable	144,915	18,217
Loan from Richmond Services Limited	<u>252,887</u>	<u>-</u>
	<u>397,802</u>	<u>18,217</u>

### (a) 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 Trust is exposed to interest rate risk in respect to its cash and cash equivalents, term deposits and term loans. The Trust manages interest rate risk by monitoring the level of borrowings and deposits secured using fixed rate instruments.

The following financial arrangements have interest rates of:

	2015 Interest rate %	2014 Interest rate %
Cash and cash equivalents	0.25% - 2.8%	0.25% - 3.1%

As at balance date, the fair value of the Trust's financial assets and liabilities are not materially different from their carrying values.

### (b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Financial instruments which potentially subject the Trust to credit risk principally consist of cash and cash equivalents, trade receivables and term deposits.

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

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

The Richmond Group has no other significant concentrations of credit risk.

All of the Richmond Group's cash and cash equivalents are with large and reputable banks.

### (c) Liquidity risk

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

## 15 Commitments

As at 30 June 2015 the Trust had no capital commitments (2014:\$Nil).

## 16 Related party transactions

### (a) Key management and personnel compensation

Key management personnel compensation for the years ended 30 June 2015 and 30 June 2014 is set out below.

	2015 \$	2014 \$
Short-term benefits	162,500	-
<b>Total</b>	<b>162,500</b>	<b>-</b>

### (b) Transactions with related parties

The following transactions occurred with related parties:

	2015 \$	2014 \$
Grants given to O'Hagan and McCook Weir Consulting Limited	51,600	42,800

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

## 17 Events occurring after the reporting period

On 1 July 2015 Richmond Services Ltd merged with Recovery Solutions 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 Richmond Services Group have changed, as have the constitution and trust deeds, to reflect the new organisational structure of Emerge Aotearoa.

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

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

Richmond Services continues to operate as Emerge Aotearoa Limited. 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 Richmond Group and Recovery Solutions Group and reflected in their Financial Statements in the month in which they arose. Any future merger costs will be realised by Emerge Aotearoa Group.



## ***Independent Auditors' Report*** to the Trustee of Richmond New Zealand Trust

### ***Report on the Financial Statements***

We have audited the financial statements of Richmond New Zealand Trust ("the Trust") on pages 3 to 14, which comprise the Balance sheet as at 30 June 2015, the statement of comprehensive income, the statement of movements in trust funds and the statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

### ***Trustee's Responsibility for the Financial Statements***

The Trustee is responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and for such internal controls as the Trustee determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' 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). These standards require that we comply with relevant 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 auditors' 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 auditors consider the internal controls relevant to the Trust's preparation and fair presentation of the 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 Trust'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.

We are independent of the Trust. Our firm carries out other services for the Trust in the areas of financial statement preparation. The provision of these other services has not impaired our independence.



## ***Independent Auditors' Report***

Richmond New Zealand Trust

### ***Opinion***

In our opinion, the financial statements on pages 3 to 14 present fairly, in all material respects, the financial position of the Trust as at 30 June 2015, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards.

### ***Restriction on Use of our Report***

This report is made solely to the Trustee. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditors' 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 Trustee, for our audit work, for this report or for the opinions we have formed.

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

Chartered Accountants  
2 October 2015

Christchurch



**Richmond Services Limited**  
**Financial statements**  
**for the year ended 30 June 2015**



A handwritten signature in black ink, appearing to be "AS" followed by a flourish.

## Contents

	Page
Financial statements	
Statement of comprehensive income	3
Statement of changes in equity	4
Balance sheet	5
Statement of cash flows	6
Notes to the financial statements	
1 General information	7
2 Summary of significant accounting policies	7
3 Critical accounting estimates and judgements	11
4 Revenue	11
5 Net gain on acquisition of third party entity, at fair value	11
6 Expenses	12
7 Current assets - Cash and cash equivalents	12
8 Current assets - Trade and other receivables	13
9 Non-current assets - Other financial assets	13
10 Non-current assets - Property, plant and equipment	14
11 Non-current assets - Intangible assets	16
12 Current liabilities - Trade and other payables	16
13 Current liabilities - Employee entitlements	17
14 Contributed equity	17
15 Reserves and retained earnings	17
16 Contingencies	18
17 Capital adequacy	18
18 Reconciliation of profit after income tax to net cash inflow from operating activities	18
19 Financial risk management	19
20 Commitments	20
21 Related party transactions	20
22 Events occurring after the reporting period	21
Auditors' report	22

Richmond Services Limited  
Statement of comprehensive income  
For the year ended 30 June 2015

**Statement of comprehensive income**

For the year ended 30 June 2015

	Notes	2015 \$	2014 \$
Operating revenue	4	34,637,001	36,139,597
Net gain on acquisition of third party entity, at fair value	5	-	190,499
Employee benefits expense	6	(24,644,570)	(25,983,790)
Depreciation and amortisation expense	6	(732,263)	(890,618)
Other operating expenses	6	(8,769,229)	(9,296,055)
Finance expenses		(10,610)	(9,352)
Finance income		<u>80,563</u>	<u>47,921</u>
<b>Net Profit for the year</b>		<u><b>560,892</b></u>	<u><b>198,202</b></u>

*The above statement of comprehensive income should be read in conjunction with the accompanying notes.*

**Richmond Services Limited**  
**Balance sheet**  
**As at 30 June 2015**

**Balance sheet**

As at 30 June 2015

	Notes	2015 \$	2014 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	4,399,703	1,244,026
Trade and other receivables	8	<u>3,452,772</u>	<u>5,769,447</u>
Total current assets		<u>7,852,475</u>	<u>7,013,473</u>
<b>Non-current assets</b>			
Property, plant and equipment	10	797,199	1,057,269
Intangible assets	11	155,409	626,844
Loan to Richmond New Zealand Trust		252,887	-
Other financial assets	9	<u>57,384</u>	<u>60,178</u>
Total non-current assets		<u>1,262,879</u>	<u>1,744,291</u>
<b>Total assets</b>		<u>9,115,354</u>	<u>8,757,764</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	12	1,158,748	992,831
Income received in advance		657,895	451,495
Employee entitlements	13	<u>2,717,082</u>	<u>2,684,292</u>
Total current liabilities		<u>4,533,725</u>	<u>4,128,618</u>
<b>Non-current liabilities</b>			
Loan from Richmond New Zealand Trust		-	308,409
Total non-current liabilities		-	<u>308,409</u>
<b>Total liabilities</b>		<u>4,533,725</u>	<u>4,437,027</u>
<b>Net assets</b>		<u>4,581,629</u>	<u>4,320,737</u>
<b>EQUITY</b>			
Contributed equity	14	2,000,001	2,000,001
Reserves	15	57,383	60,177
Retained earnings	15	<u>2,524,245</u>	<u>2,260,559</u>
<b>Total equity</b>		<u>4,581,629</u>	<u>4,320,737</u>

The above balance sheet should be read in conjunction with the accompanying notes.

Richmond Services Limited  
Statement of cash flows  
For the year ended 30 June 2015

**Statement of cash flows**

For the year ended 30 June 2015

	Notes	2015 \$	2014 \$
<b>Cash flows from operating activities</b>			
Receipts from contracts and clients		36,895,517	35,158,450
Interest received		80,566	46,329
Rent received		502,898	499,278
Payments to suppliers and employees		(31,083,902)	(33,174,902)
Interest and bank fees paid		(10,610)	(9,352)
Rent paid		(2,426,668)	(2,403,703)
<b>Net cash inflow / (outflow) from operating activities</b>	18	<u>3,957,801</u>	<u>116,100</u>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(806,862)	(660,671)
Proceeds from sale of property, plant and equipment		550,555	149,733
Grants applied		(4,521)	-
<b>Net cash inflow / (outflow) from investing activities</b>		<u>(260,828)</u>	<u>(510,938)</u>
<b>Cash flows from financing activities</b>			
Repayments of other borrowings		(561,296)	(609,100)
Donation		20,000	-
<b>Net cash inflow / (outflow) from financing activities</b>		<u>(541,296)</u>	<u>(609,100)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		3,155,677	(1,003,938)
Cash and cash equivalents at the beginning of the financial year		1,244,026	2,062,259
Cash acquired from Wellink merger	5	-	-
Cash acquired from Brain Injury Association merger	5	-	185,705
<b>Cash and cash equivalents at end of year</b>	7	<u>4,399,703</u>	<u>1,244,026</u>

  
**pwc**



## **1 General information**

These financial statements are for Richmond Services Limited ('the company'). They are a provider of community mental health and support services (including residential accommodation owned by Richmond New Zealand Trust (the parent)) and rented to the Company.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 8 Kennedy Place, Christchurch.

These financial statements have been approved for issue by the Board of Directors on 25 September 2015.

## **2 Summary of significant accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements include financial statements for Richmond Services Limited as an individual entity.

### **(a) Basis of preparation**

The financial statements of the Company have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable Financial Reporting Standards, as applicable for public benefit entities. The financial statements also comply with International Financial Reporting Standards ('IFRS').

Richmond Services Limited is a company registered under the Companies Act 1993.

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013 and the Companies Act 1993.

These financial statements have been prepared under the historical cost convention.

The information is presented in New Zealand dollars, which is the Company's functional and presentation currency.

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

### **(b) Segment reporting**

The Company operates in one industry, being community mental health and support services in one geographical area being New Zealand.

### **(c) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Company 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 Company's activities, as described below. The Company 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.

  
PwC



## 2 Summary of significant accounting policies (continued)

### (i) *Contracted income*

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

### (ii) *Client benefits and contributions*

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

### (iii) *Interest income*

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

### (iv) *Rent income*

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

### (d) **Government grants**

Grants and donations are recognised as income when they are received or become receivable, unless the Company 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 revenue received in advance in the balance sheet.

### (e) **Offsetting of income and expenses**

Income and expenses are not offset unless required or permitted by an accounting standard. Items of income and expenses are offset when offsetting reflects the substance of the transaction or other event. In addition, gains or losses arising from a group of similar transactions are reported on a net basis, unless items of gains or losses are material, in which case, they are reported separately.

### (f) **Income tax**

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

### (g) **Goods and Services Tax (GST)**

The statement of comprehensive income has 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.

### (h) **Leases**

The Company 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 income statement on a straight-line basis over the period of the lease.

### (i) **Cash and cash equivalents**

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less and bank overdrafts.

### (j) **Trade and other receivables**

Trade receivables are amounts due from customers for merchandise sold or 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.

## 2 Summary of significant accounting policies (continued)

A provision for impairment of trade receivables is established when there is objective evidence that the Company 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 Income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

### (k) Investments and other financial assets

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 accounted for on a settlement basis. They are classified in one of the following categories at initial recognition: loans and receivables, financial assets and liabilities at fair value through profit or loss, available for sale financial assets, held to maturity investments, and other financial liabilities.

#### (i) Financial assets and liabilities at fair value through profit or loss

Assets and liabilities in this category are either held for trading or are managed with other assets and liabilities and are accounted for and evaluated on a fair value basis. The Company has not classified any financial instruments as financial assets and financial liabilities at fair value through profit or loss.

#### (ii) 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 end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet (notes 2(i) and (j)).

#### (iii) Available for sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

#### (iv) Held to maturity investments

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

#### (v) Other financial liabilities

This category includes all financial liabilities other than those at fair value through profit or loss. Liabilities in this category are measured at amortised cost. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments. These amounts are unsecured. It also represents term liabilities with determinable repayment terms and interest rates of which there are none.

Other financial liabilities include:

Trade payables (note 12)

GST payable (note 12)

Employee entitlements (note 13)

### (l) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. Repairs and maintenance are charged against income as incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

- Plant and equipment

5 years



## 2 Summary of significant accounting policies (continued)

- Motor vehicles 5 years
- Computer equipment 3 years

### (m) Intangible assets

#### (i) Computer software

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

### (n) Impairment of non-financial assets

Property, plant and equipment and intangible assets are tested for impairment annually and also whenever there is an earlier indication of impairment. 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.

### (o) Trade 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.

### (p) Employee benefits

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 their nominal values using the remuneration rate expected to apply at the time of settlement.

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 Company in respect of services provided by employees up to balance date.

### (q) Contributed Equity

Ordinary shares are classified as equity.

### (r) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

### (s) Standards, amendments, and interpretations effective in 2015

There are no changes to standards that have been adopted in 2015.

### (t) Standards, amendments and interpretations to existing standards that are not yet effective

A new Accounting Standards Framework (incorporating a Tier structure and a separate suite of accounting standards for PBEs) was issued by the External Reporting Board (XRB) in 2012. Under the new Accounting Standards Framework, the Company will have to transition to the Public Benefit Entities (PBE) Standards issued in September 2015 by the XRB for reporting periods beginning on or after 1 April 2015 (with early adoption permitted). The PBE Standards are based on International Public Sector Accounting Standards (IPSAS). Therefore the Company will have to prepare its financial statements in accordance with the PBE Standards for the first time for the annual period ending 30 June 2016.

The Company is in the process of assessing the implications of the new Framework.

## 2 Summary of significant accounting policies (continued)

Due to the change in the Accounting Standards Framework for PBEs, all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to PBEs as the XRB has effectively frozen the financial reporting requirements for PBEs until they transition to the PBE Standards. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude PBEs from their scope.

## 3 Critical accounting estimates and judgements

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

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

The Company has assessed that there are doubtful debts totalling \$10,000 at balance date (2014: \$41,167) and there is no impairment of property, plant and equipment as at balance date (2014: \$nil).

## 4 Revenue

	2015 \$	2014 \$
<i>Operating revenue</i>		
Contracted income	31,315,400	32,306,109
Sleepover contract income	1,291,032	1,691,606
Client benefits and contributions	1,257,938	1,383,523
Grants received	-	1,100
Other income	269,733	211,719
	<u>34,134,103</u>	<u>35,594,057</u>
<i>Other revenue</i>		
Rental income	502,898	499,278
Gain/(loss) on disposal of property, plant and equipment	-	46,262
	<u>502,898</u>	<u>545,540</u>
<b>Total revenue</b>	<u><b>34,637,001</b></u>	<u><b>36,139,597</b></u>

## 5 Net gain on acquisition of third party entity, at fair value

	2015 \$	2014 \$
Fixed assets	-	4,794
Cash balances	-	35,705
Reserve fund	-	150,000
Fair value of total assets	<u>-</u>	<u>190,499</u>

On 10 February 2013, the Wellink Trust, a smaller NGO based in Wellington, was acquired by the Group for a value equal to its audited balance sheet value as at that date. Consideration for the purchase was satisfied in the form of a vendor loan, created at acquisition date, which was subsequently extinguished (in June 2013) by way of an "in specie distribution" by the Wellink Trust to entities within the Richmond Group. The Wellink Trust's real estate was acquired by the Parent, with all other assets and liabilities acquired by the Company. Details of the assets and liabilities acquired by the Company are set out above. All assets and liabilities of the Wellink Trust have been fair valued and incorporated into, and are reflected within, the Company's and the Parent's Financial Statements. This resulted in a gain on acquisition, as set out above.

## 5 Net gain on acquisition of third party entity, at fair value (continued)

On 1 July 2013, the assets and operations of the Brain Injury Association (Canterbury/West Coast) Incorporated, were acquired by the Company for \$6,000. The purchase price was satisfied in the form of a vendor loan created at acquisition date, which was subsequently extinguished. Details of the assets acquired by the company are set out above, and incorporated into the companies financial statements. This resulted in a gain on acquisition, as set out above.

## 6 Expenses

	2015 \$	2014 \$
<i>Depreciation</i>		
Plant and equipment	53,081	76,845
Motor vehicles	312,380	477,471
Computer equipment	91,574	66,344
Amortisation of software	275,228	269,958
Total depreciation and amortisation	<u>732,263</u>	<u>890,618</u>
<i>Employee benefit expense</i>		
Salaries and wages	23,385,435	23,025,157
Kiwisaver contributions	557,139	545,550
ACC levies	190,530	208,595
Training expenses	219,451	249,132
Other employee expenses including sleepover expenses	292,015	1,955,356
Total employee benefit expense	<u>24,644,570</u>	<u>25,983,790</u>
<i>Other operating expenses</i>		
Rental expense	2,426,668	2,403,703
Travel and accommodation	602,808	748,578
Loss on disposal of property, plant and equipment	255,550	-
Audit fees for audit services	21,000	21,000
Other accounting services	3,375	-
Directors' remuneration	125,729	134,142
Care of clients and other expenses	5,306,042	5,962,450
Grants applied	4,521	-
Other operating expenses	23,536	26,182
Total operating expenses	<u>8,769,229</u>	<u>9,296,055</u>

## 7 Current assets - Cash and cash equivalents

	2015 \$	2014 \$
Cash at bank and in hand	2,237,163	1,093,807
Deposits at call	<u>2,162,540</u>	<u>150,219</u>
	<u>4,399,703</u>	<u>1,244,026</u>

## 8 Current assets - Trade and other receivables

	2015 \$	2014 \$
<b>Net trade receivables</b>		
Trade receivables	2,445,204	3,389,416
Provision for doubtful receivables	(10,000)	(41,167)
Prepayments	198,030	236,328
<b>Other receivables</b>		
Accrued income	788,230	2,175,564
Other receivables	16,196	9,306
Interest income receivable	15,112	-
	<u>3,452,772</u>	<u>5,769,447</u>

## 9 Non-current assets - Other financial assets

	2015 \$	2014 \$
Non classified other financial assets	57,383	60,177
Equity securities	<u>1</u>	<u>1</u>
	<u>57,384</u>	<u>60,178</u>

Non-current financial assets are made up of a term deposit for the John Blackaby Memorial Fund of \$57,383 (2014: \$60,177). Other financial assets also includes a \$1 shareholding in Community Support Services Industry Training Organisation Limited.

# 10 Non-current assets - Property, plant and equipment

At	Construction in progress \$	Plant and equipment \$	Motor vehicles \$	Leasehold improvements \$	Computer equipment \$	Total \$
<b>At 1 July 2013</b>						
Cost	33,080	511,337	3,021,011	18,773	1,140,128	4,724,329
Accumulated depreciation	-	(297,755)	(2,047,602)	-	(1,037,281)	(3,382,638)
Net book amount	<u>33,080</u>	<u>213,582</u>	<u>973,409</u>	<u>18,773</u>	<u>102,847</u>	<u>1,341,691</u>
<b>Year ended 30 June 2014</b>						
Opening net book amount	33,080	213,582	973,409	18,773	102,847	1,341,691
Additions	275,983	-	252,601	-	136,881	665,465
Disposals	-	(22,150)	(289,749)	(18,773)	(21,690)	(352,362)
Transferred to intangible assets	(225,754)	-	-	-	-	(225,754)
Depreciation charge (note 6)	-	(76,845)	(477,471)	-	(66,344)	(620,660)
Depreciation released on disposal	-	4,770	231,490	-	12,629	248,889
Closing net book amount	<u>83,309</u>	<u>119,357</u>	<u>690,280</u>	<u>-</u>	<u>164,323</u>	<u>1,057,269</u>
<b>At 30 June 2014</b>						
Cost	83,309	489,187	2,983,862	-	1,255,320	4,811,678
Accumulated depreciation	-	(369,830)	(2,293,582)	-	(1,090,997)	(3,754,409)
Net book amount	<u>83,309</u>	<u>119,357</u>	<u>690,280</u>	<u>-</u>	<u>164,323</u>	<u>1,057,269</u>

**10 Non-current assets - Property, plant and equipment (continued)**

At	Construction in progress \$	Plant and equipment \$	Motor vehicles \$	Computer equipment \$	Total \$
<b>Year ended 30 June 2015</b>					
Opening net book amount	83,309	119,357	690,280	164,323	1,057,269
Additions	341,060	132,484	169,003	164,315	806,862
Disposals	(390,467)	(111,374)	(923,363)	(806,304)	(2,231,508)
Transferred to intangible assets	-	-	-	-	-
Depreciation charge (note 6)	-	(53,081)	(312,380)	(91,574)	(457,035)
Depreciation released on disposal	-	96,896	752,855	771,860	1,621,611
Closing net book amount	<u>33,902</u>	<u>184,282</u>	<u>376,395</u>	<u>202,620</u>	<u>797,199</u>
<b>At 30 June 2015</b>					
Cost	33,902	510,298	2,229,500	613,331	3,387,031
Accumulated depreciation	-	(326,016)	(1,853,105)	(410,711)	(2,589,832)
Net book amount	<u>33,902</u>	<u>184,282</u>	<u>376,395</u>	<u>202,620</u>	<u>797,199</u>

## 11 Non-current assets - Intangible assets

At	Computer software \$
<b>At 1 July 2013</b>	
Cost	1,299,861
Accumulated amortisation and impairment	<u>(628,813)</u>
Net book amount	<u>671,048</u>
<b>Year ended 30 June 2014</b>	
Opening net book amount	671,048
Transfers from work in progress	225,754
Amortisation charge (note 6)	<u>(269,958)</u>
Closing net book amount	<u>626,844</u>
<b>At 30 June 2014</b>	
Cost	1,525,615
Accumulated amortisation and impairment	<u>(898,771)</u>
Net book amount	<u>626,844</u>
<b>Year ended 30 June 2015</b>	
Opening net book amount	626,844
Disposals	(787,643)
Amortisation charge (note 6)	(275,228)
Released on disposal	<u>591,436</u>
Closing net book amount	<u>155,409</u>
<b>At 30 June 2015</b>	
Cost	737,971
Accumulated amortisation and impairment	<u>(582,562)</u>
Net book amount	<u>155,409</u>

## 12 Current liabilities - Trade and other payables

	2015 \$	2014 \$
Trade payables	704,541	419,424
Accrued expenses	196,197	216,240
GST payable	248,697	349,857
Other payables	<u>9,313</u>	<u>7,310</u>
<b>Total trade and other payables</b>	<u><b>1,158,748</b></u>	<u><b>992,831</b></u>

### 13 Current liabilities - Employee entitlements

	2015 \$	2014 \$
Annual leave	1,048,256	1,079,043
Alternative days	108,349	126,049
Accrued wages and salaries	1,000,240	1,068,348
ACC Levies	159,862	173,509
PAYE and Kiwisaver	400,375	237,343
<b>Total employee entitlements</b>	<b><u>2,717,082</u></b>	<b><u>2,684,292</u></b>

### 14 Contributed equity

	2015 Shares	2014 Shares	2015 \$	2014 \$
<b>(a) Share capital</b>				
Ordinary shares	<u>2,000,001</u>	<u>2,000,001</u>	<u>2,000,001</u>	<u>2,000,001</u>

At 30 June 2015 there were 2,000,001 fully paid ordinary shares at a value of \$1 per share.

### 15 Reserves and retained earnings

	2015 \$	2014 \$
<b>(a) Reserves</b>		
Other reserves	<u>57,383</u>	<u>60,177</u>
	<b><u>57,383</u></b>	<b><u>60,177</u></b>

#### Movements:

Balance 1 July	60,177	58,587
Interest earned	-	1,590
Grants application	<u>(2,794)</u>	<u>-</u>
Balance 30 June	<b><u>57,383</u></b>	<b><u>60,177</u></b>

#### (i) Other reserves

John Blackaby, a former trustee of a Richmond Group entity, bequeathed to the Richmond Group the sum of \$25,000. The Richmond 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 Richmond group, to contribute towards course fees or educational events that are of direct relevance to an applicant's work area.



## 15 Reserves and retained earnings (continued)

### (b) Retained earnings

Movements in retained earnings were as follows:

	2015 \$	2014 \$
Balance 1 July	2,263,353	2,363,947
Net profit for the year	560,892	198,202
Dividends	(300,000)	(300,000)
Transfer to reserves	-	(1,590)
Balance 30 June	<u>2,524,245</u>	<u>2,260,559</u>

## 16 Contingencies

As at 30 June 2015 the Company had no contingent liabilities or assets (2014:\$Nil).

## 17 Capital adequacy

As a public benefit entity, the Company 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 Company. 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 Company.

The Company 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.

## 18 Reconciliation of profit after income tax to net cash inflow from operating activities

	2015 \$	2014 \$
Profit for the year	560,892	198,202
<i>Non-cash items:</i>		
Depreciation and amortisation	732,263	890,618
Movements in doubtful debts	(31,167)	(33,833)
Grants applied	4,521	-
Loss/(gain) on disposal of property, plant and equipment	255,550	(46,262)
Donations received	(20,000)	-
Net gain on acquisition of third party entity, at fair value	-	(190,499)
<i>Movements in working capital:</i>		
Decrease (increase) in trade debtors	2,347,841	(359,259)
Increase (decrease) in trade creditors	(131,287)	(59,156)
Increase (decrease) in income in advance	206,398	(42,515)
Increase (decrease) in employee entitlements	32,790	(241,196)
<b>Net cash inflow from operating activities</b>	<u>3,957,801</u>	<u>116,100</u>

## 19 Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

The Group and the parent entity hold the following financial instruments:

	2015 \$	2014 \$
<b>Financial assets</b>		
Cash and cash equivalents	4,399,703	1,244,026
Trade and other receivables	3,452,772	5,769,447
Loan to Richmond New Zealand Trust	252,887	-
Other financial assets	-	60,178
	<u>8,105,362</u>	<u>7,073,651</u>
<b>Financial liabilities</b>		
Trade and other payable	1,816,642	1,444,326
Loan from Richmond New Zealand Trust	-	308,409
Other financial liabilities	<u>2,717,082</u>	<u>2,684,292</u>
	<u>4,533,724</u>	<u>4,437,027</u>

### (a) 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 Company is exposed to interest rate risk in respect to its cash and cash equivalents, term deposits and term loans. The Company manages interest rate risk by monitoring the level of borrowings and deposits secured using fixed rate instruments.

The following financial arrangements have interest rates ranging between:

	2015 Interest rate %	2014 Interest rate %
Cash and cash equivalents	2.8%	0.25% - 3.1%
Bank deposits	3.0% - 3.5%	-

Bank deposits are invested on fixed terms at fixed interest rates for a maximum of 12 months.

As at balance date, the fair value of the Company's financial assets and liabilities are not materially different from their carrying values.

### (b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Financial instruments which potentially subject the Company to credit risk principally consist of cash and cash equivalents, trade receivables and term deposits.

The Company places its cash and cash equivalents and any term deposits with quality financial institutions with good credit ratings. The Company enters into financial arrangements under service contracts with government departments. They also transact with various counterparties who are entitled to government subsidies. The Company 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 above, however the Company considers the risk of non-recovery of these amounts to be low.

## 21 Related party transactions (continued)

### (c) Transactions with related parties

The following transactions occurred with related parties:

	2015 \$	2014 \$
<i>(i) Purchases of goods and services</i>		
Saunders Robinson Brown (legal services)	2,192	-
Tim Walker	8,696	-
O'Hagen & McCook Weir Consulting Limited	42,200	-

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

### (d) Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	2015 \$	2014 \$
Saunders Robinson Brown (legal services)	-	-
Tim Walker	-	-
O'Hagen & McCook Weir Consulting Limited	-	-

## 22 Events occurring after the reporting period

On 1 July 2015 Richmond Services Ltd merged with Recovery Solutions 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 Richmond Services Group have changed, as have the constitution and trust deeds, to reflect the new organisational structure of Emerge Aotearoa.

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

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

Richmond Services continues to operate as Emerge Aotearoa Limited. 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 Richmond Group and Recovery Solutions 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.



## ***Independent Auditors' Report*** to the shareholders of Richmond Services Limited

### ***Report on the Financial Statements***

We have audited the financial statements of Richmond Services Limited ("the Company") on pages 3 to 21, which comprise the Balance sheet as at 30 June 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

### ***Directors' Responsibility for the Financial Statements***

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' 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). These standards require that we comply with relevant 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 auditors' 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 auditors consider the internal controls relevant to the Company's preparation and fair presentation of the 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 Company'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.

We are independent of the Company. Our firm carries out other services for the Company in the areas of financial statement preparation. The provision of these other services has not impaired our independence.



## ***Independent Auditors' Report***

Richmond Services Limited

### ***Opinion***

In our opinion, the financial statements on pages 3 to 21 present fairly, in all material respects, the financial position of the Company as at 30 June 2015, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards.

### ***Restriction on Use of our Report***

This report is made solely to the Company's shareholder, as a body, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditors' 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 Company and the Company's shareholder, as a body, for our audit work, for this report or for the opinions we have formed.

A handwritten signature in blue ink that reads 'Primatehoe Cooper'.

Chartered Accountants  
2 October 2015

Christchurch