

Presbyterian Support Otago Incorporated

General Purpose Financial Report

For the year ended 30 June 2023

Presbyterian Support Otago Incorporated

General Purpose Financial Report

Contents

Page	
1	General Information
2 - 4	Consolidated Statement of Service Performance
5	Consolidated Statement of Comprehensive Revenue and Expense
6	Consolidated Statement of Changes in Net Assets / Equity
7	Consolidated Statement of Financial Position
8	Consolidated Statement of Cash Flows
9 - 28	Notes to the Consolidated Financial Statements
29 - 31	Independent Auditor's Report

Presbyterian Support Otago Incorporated

General Information

Board of Trustees as at 30 June 2023

Stephanie Pettigrew, Chairperson
Kerry Enright, Deputy Chairperson
Stephen Christensen
Tim Mephram
Gillian Musuka
Jessica Palmer
Mark Shirley
Stephen Willis
Craig Wyatt

Chief Executive

Joanne Rowe

Principal Place of Business/Registered Office

407 Moray Place
Dunedin 9016
New Zealand
Phone: 03 477 7115

Solicitors

Anderson Lloyd
Private Bag 1959
Dunedin 9054
New Zealand

Bankers

ANZ Bank
The Octagon
Dunedin 9016
New Zealand

Westpac Bank
George Street
Dunedin 9016
New Zealand

Auditors

PricewaterhouseCoopers
PO Box 13244
Christchurch 8013
New Zealand

Presbyterian Support Otago Incorporated

Consolidated Statement of Service Performance

for the Year ended 30 June 2023

Our Vision:

Every person is valued and grows in a safe strong community

Our Mission:

We walk with people across the generations to create together places to live, learn and thrive. We call out injustice and advocate for positive social change.

Creating places to Live, Learn and Thrive

Enliven Services

Some things make for healthier, happier living, no matter what your age. A sense of community; friends, family, whānau; giving and receiving; making decisions for yourself; and, most of all, practical support when you need it. At Enliven we work alongside our clients, residents and whānau to achieve these things.

Presbyterian Support Otago (PSO) owns and operates nine aged care facilities across Otago, these service the following of our communities, Dunedin (Ross Home and St Andrews), Mosgiel (Taieri Court), Oamaru (Iona), Balclutha (Holmdene), Alexandra (Ranui and Castlewood) and Wanaka (Elmslie House and Aspiring Enliven Care Centre).

These facilities all operate under the 'Age Related Residential Care' contracts with Te Whatu Ora, Southern. Revenue received is as per the pricing set in these contracts as prescribed by the Ministry of Health. These contracts set daily maximum prices. The income is then received from Te Whatu Ora, Work and Income NZ, private paying residents or a combination of all.

Enliven Residential Facilities	FY 2022	FY 2023
Total days of care provided	163,898	158,928
Total people served	745	764

Occupancy	FY 2022 Target	FY 2022 Achieved	FY 2023 Target	FY 2023 Achieved
Total	95.9%	93.8%	94.8%	86.9%

Retirement Villages

PSO, via its subsidiary PSO Retirement Villages Limited owns and operates three Retirement Villages. Wanaka Retirement Village in Wanaka, Ranui Court in Alexandra and Columba Court in Oamaru. Combined, these villages offer 47 villas, apartments and cottages for our residents. Our villages are small in comparison to the wider sector large operators and all surpluses are used to support the wider social services provision and the PSO mission. These are significant investments in our community.

Presbyterian Support Otago Incorporated

Consolidated Statement of Service Performance - continued

for the Year ended 30 June 2023

Number of Residents accessing our Retirement Village services			
Retirement Villages		FY 2022	FY 2023
Total residents in the year		55	56
Creating places to Live, Learn and Thrive			
Family Works			
<p>Family Works supports children, young people and their families to be safe, strong and connected.</p> <p>Mahi a whanau kei te tautoko nga tamaiti, taiohi me te whanau o o ratou ki te ora, ki te kaha, te kotuitui ai hoki.</p> <p>We provide a range of programmes and supports for individuals, youth and whānau. Our services include social work, foodbank, financial inclusion and capability services, parent education programmes, youth and adult mental health support, buddy programme, child and youth development programmes, family dispute resolution referral support.</p> <p>“Hutia te rito o te harakeke, kei whea te Komako e ko? Ki ma ki ahau, he aha te mea nui o te Ao, maku e ki atu - he tangata, he tangata, he tangata.”</p> <p>“Tear out the heart of the flax, where will the Bellbird sit? Ask me what is the most important thing in the world, I will tell you - it is people, it is people, it is people.”</p> <p>Our values are the principles that guide the way we work with people. Family Works staff and services:</p> <ul style="list-style-type: none"> • Recognise the strengths inherent in everybody • Are accessible and non-discriminating • Are confident and competent • Operate within a Code of Ethics as defined by the relevant professional bodies • Work with children, young people, families and whānau and individual adults in respectful relationships • Recognise Te Tiriti o Waitangi as the founding document of our nation and for our relationship with Māori, who are ‘tangata whenua’ – the first peoples of the nation • Recognise New Zealand as a bi-cultural nation and a multicultural society. 			
Family Works			
Children’s Groups & Youth Development		2022	2023
What do we do – <ul style="list-style-type: none"> • Buddy Programme • Youth Development 	<ul style="list-style-type: none"> • Number of matched young buddies • Number of active students 	178 28	208 17

Presbyterian Support Otago Incorporated

Consolidated Statement of Service Performance - continued for the Year ended 30 June 2023

Financial Inclusion services		2022	2023
What do we do –			
• Financial Mentoring	<ul style="list-style-type: none"> Number of clients accessing our service Number of sessions 	1014 3110	1021 3605
Social Work		2022	2023
What do we do –			
• Foodbank	• Number of food parcels provided	4721	4945
• Social Work support	• People supported	357	505
Adult Mental Health		2022	2023
What do we do –			
• Stepping Stones	• Numbers accessing services	66	70

Family Works			
Ethnicity			
		2022	2023
Who do we support –			
• Ethnicity of clients accessing our services	<ul style="list-style-type: none"> % Of Māori Clients Total % Of Pacifica Clients Total % Of NZ European Clients % Of other cultures 	20.2% 4.8 % 63.5% 11.5%	18.0% 4.2% 66.5% 11.3%

Presbyterian Support Otago Incorporated

Consolidated Statement of Comprehensive Revenue and Expense for the Year ended 30 June 2023

		Group 2023 \$000's	Group 2022 \$000's
	<i>Notes</i>		
Revenue			
Income from services		38,972	38,911
Sale of Goods		1,264	1,273
Donations/Grants/Bequests		756	932
Interest Income		25	10
Investment and Other Income		1,380	1,316
Movement in fair value of Investment Properties	4	<u>1,725</u>	<u>2,725</u>
Total Operating Income	2	44,122	45,167
Expenses			
Employment related		33,979	31,760
General Operating		1,415	2,152
Advertising & Marketing		105	122
Office & Administration		1,213	930
Servicing Resources		2,504	2,385
Occupancy Costs		3,617	3,585
Health, Medical & Safety		1,217	1,395
Depreciation/amortisation		1,281	1,246
Finance Costs		257	97
Lease Costs		310	334
Movement in obligation to purchase unit title		<u>-</u>	<u>-</u>
Total Operating Expenditure	3	45,898	44,006
Operating Surplus before increase in ORA Expense		(1,776)	1,161
Increase in ORA Expense	17	1,035	545
Net Operating Surplus / (Deficit) for the Year		<u>(2,811)</u>	<u>616</u>
Share of net surplus / (deficit) Joint Venture	10	(100)	28
Net Surplus / (Deficit) for the Year		<u>(2,911)</u>	<u>644</u>
Other Comprehensive Revenue & Expense			
Operating Property Revaluation	12	4,661	-
Total Comprehensive Revenue and Expense		<u>1,750</u>	<u>644</u>

The above statement should be read in conjunction with the accompanying notes

Consolidated Statement of Changes in Net Assets / Equity
for the Year ended 30 June 2023

Group	Operating Property		Investment Property		Restricted Reserves		Total
	General Reserves	Revaluation Reserve	Revaluation Reserve	Special Reserves	Endowment Reserves	Equity	
Balance 1 July 2021	19,368	24,364	6,244	326	6,867		57,169
Net Surplus/(Deficit) for the Year	644	-	-	-	-		644
Other Comprehensive Income	-	-	-	-	-		-
Total Comprehensive Income	644	-	-	-	-		644
Transfers							
Investment Property Revaluation	(2,725)	-	2,725	-	-		-
Transfers	-	-	-	-	-		-
Transfers - Interest/Bequests	(341)	-	-	10	331		-
Transfers - Expenditure	151	-	-	-	(151)		-
Balance 30 June 2022	17,097	24,364	8,969	336	7,047		57,813
Movements for the year to June 2023							
Net Surplus/(Deficit) for the Year	(2,911)	-	-	-	-		(2,911)
Other Comprehensive Income	-	4,661	-	-	-		4,661
Total Comprehensive Income	(2,911)	4,661	-	-	-		1,750
Transfers							
Investment Property Revaluation	(1,725)	-	1,725	-	-		-
Transfers	-	-	-	-	-		-
Transfers - Interest/Bequests	(350)	-	-	10	340		-
Transfers - Expenditure	151	-	-	-	(151)		-
Balance 30 June 2023	12,262	29,025	10,694	346	7,236		59,563

Presbyterian Support Otago Incorporated

Consolidated Statement of Financial Position

As at 30 June 2023

	Notes	Group 2023 \$000's	Group 2022 \$000's
Equity			
General Reserves	28	12,262	17,097
Operating Property Revaluation Reserve	28	29,025	24,364
Investment Property Revaluation Reserve	28	10,694	8,969
Restricted Reserves	28	7,582	7,383
Total Equity		<u>59,563</u>	<u>57,813</u>
<i>Represented by :</i>			
Current Assets			
Cash and cash equivalents	6	2,975	2,770
Inventories	7	53	132
Receivables from exchange transactions	8	<u>4,002</u>	<u>3,338</u>
		7,030	6,240
Non Current Assets			
Investment Properties	9	32,620	33,105
Investment in Joint Venture	10	277	380
Intangible Assets	11	264	431
Property, Plant and Equipment	12	<u>48,658</u>	<u>45,365</u>
		81,819	79,281
Total Assets		88,849	85,521
Current Liabilities			
Accounts Payable and Accruals from exchange transactions	13	3,024	2,513
Retirement Village Deferred Income	15	926	1,031
Borrowings	16	2,288	470
Refundable portion - Occupation Right Agreements	17	16,239	15,380
Employee Entitlements	14	<u>4,750</u>	<u>4,950</u>
		27,227	24,344
Non Current Liabilities			
Borrowings	16	2,059	3,364
Total Liabilities		29,286	27,708
Total Net Assets		<u>59,563</u>	<u>57,813</u>

Signed on behalf of the Board as at 29th September 2023


Mrs Stephanie Pettigrew
Chairperson


Mr Craig Wyatt
Trustee



The above statement should be read in conjunction with the accompanying notes

Consolidated Statement of Cash Flows
for the Year ended 30 June 2023

	Notes	Group 2023 \$000's	Group 2022 \$000's
CASH FLOW FROM OPERATING ACTIVITIES			
<i>Cash was Provided from :</i>			
Goods & Services provided		39,979	39,885
Proceeds from Occupation Right Agreements		2,670	3,310
Bequests received		68	72
Grants and Donations received		687	860
Investment & Other Income		400	315
		<u>43,804</u>	<u>44,442</u>
<i>Cash was applied to :</i>			
Employees and Suppliers		44,135	42,566
Refunds of Occupation Right Agreements		1,940	1,918
Interest Paid		257	97
		<u>46,332</u>	<u>44,581</u>
Net Cash flows from/(to) Operating Activities	5	<u>(2,528)</u>	<u>(139)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
<i>Cash was Provided from :</i>			
Proceeds from Short Term Deposits		-	1,296
Proceeds from Sale of Property Plant & Equipment		850	
Proceeds from Investment Properties		1,804	
		<u>2,654</u>	<u>1,296</u>
<i>Cash was applied to :</i>			
Purchase of Property, Plant and Equipment		434	2,117
Purchase of Investments - Investment Properties		-	328
		<u>434</u>	<u>2,445</u>
Net Cash flows from/(to) Investing Activities		<u>2,220</u>	<u>(1,149)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
<i>Cash was Provided from :</i>			
Proceeds from Borrowings		635	1,500
		<u>635</u>	<u>1,500</u>
<i>Cash was applied to :</i>			
Settlement of Loans		122	309
Net Cash flows from/(to) Financing Activities		<u>513</u>	<u>1,191</u>
Net Increase/(Decrease) in cash held		<u>205</u>	<u>(97)</u>
Opening Balance of cash and cash equivalents		2,770	2,867
Closing Balance of cash and cash equivalents		<u>2,975</u>	<u>2,770</u>
Represented by :			
Cash and Cash Equivalents	6	<u>2,975</u>	<u>2,770</u>

The above statement should be read in conjunction with the accompanying notes

Presbyterian Support Otago Incorporated

Notes to the Consolidated Financial Statements

for the Year ended 30 June 2023

1 Statement of Accounting Policies

The Reporting Entity

Presbyterian Support Otago Incorporated (the "Parent") was registered on 12 October 1907 under the provisions of "The Religious, Charitable and Educational Trust Board Incorporated Act 1884" (now the "Charitable Trusts Act 1957"). The Group comprising of the Parent and PSO Retirement Villages Limited is a reporting entity for the purposes of the Financial Reporting Act 2013 and its financial statements comply with that Act.

The Group's principal activities are carried out under three core operational areas;

Enliven

Services for older people include activities of Residential aged care, Community based services and Retirement living options. Presbyterian Support Otago currently operates eight residential aged care facilities across Otago.

There are three retirement villages that are operated by PSO Retirement Villages Limited.

Community based services to assist older people living in their own home, services include Club Enliven, Individualised Funding, Visiting Volunteers and Home Share.

Family Works

Family Works services include social work, food bank, emergency response, budgeting advice, parenting support, youth development and community development programmes.

Presbyterian Support Otago

Presbyterian Support Otago operates three social enterprises to support the work of the organisation, namely, Ross Café, Shop On charity shops (three stores) and the YouthGrow Garden Centre.

As such the Group is a Public Benefit Entity for the purposes of complying with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP").

Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP") and they comply with the Public Benefit Entity (PBE) Accounting Standards applicable to not for profit public benefit entities. Pursuant to the Accounting Standards Framework mandated by the External Reporting Board (XRB), the Group reports in accordance with Tier 1 PBE Accounting Standards.

The consolidated financial statements have been prepared on a historical cost basis, except for land and buildings, investment properties which have been measured at fair value.

The presentation currency used is New Zealand Dollars and all figures have been rounded to whole thousands (\$000's) (K=000).

Where appropriate, prior year comparatives have been restated to be in line with current reporting.

The Group has recorded a net operating deficit for the year of \$2,911k prior to gains from property revaluations. The operating performance has been impacted by staffing constraints which resulted in lower than forecast occupancy levels for the year, and lower than forecast income. The Group has taken action to increase staffing levels and expect occupancy rates, and income, to increase in the year to June 2024.

The Group also has Westpac bank loans of \$2,288k falling due within 1 year of balance date, and is a guarantor to a Westpac bank loan of \$7,125k falling due within 1 year of balance date held in Aspiring Enliven Care Centre Limited Partnership of which PSO is a 50% joint venture partner. The Group has a good relationship with Westpac and intends to renew the facilities. Westpac issued a waiver for the interest cover ratio covenant for both 30 June 2023 and 30 June 2024 for bank loans within the Group and have also provided an additional credit facility during the year. Should refinancing the loans not be possible the Group has a number of non-strategic assets that could be sold in order to fund any repayments required. Whilst uncertainties exist, in the view of the Board of Trustees, these uncertainties are not material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern and accordingly the financial statements have been prepared on a going concern basis. The consolidated financial statements have been approved for issue by the Board on 29 September 2023.

The accounting policies set out below have been applied in preparing the consolidated financial statements for the year ended 30 June 2023 and the comparative information presented for the year ended 30 June 2022.

Specific Accounting Policies

(a) Principles of Consolidation

The Group consolidated financial statements consolidate the financial statements of the Parent (Presbyterian Support Otago Incorporated) and its subsidiary PSO Retirement Villages Limited, over which the Parent has the power to govern the financial and operating policies so as to obtain benefits from its activities.

The subsidiary, PSO Retirement Villages Limited, has a 30 June balance date and consistent accounting policies are applied.

Subsidiaries which form part of the Group are consolidated from the date on which control is transferred. They are de-consolidated from the date that control ceases.

(j) Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by a binding agreement and requiring unanimous consent for strategic financial and operating decisions.

Joint ventures that are structured in a separate vehicle are classified 'jointly-controlled-entities' and are accounted for using the equity method whereby the Group's share of the net assets and liabilities is included in the Group's consolidated financial statements.

The consolidated financial statements include the Group's 50% share of Aspiring Enliven Care Centre Limited Partnership net result and net assets and liabilities.

Presbyterian Support Otago Incorporated

Notes to the Consolidated Financial Statements - continued

for the Year ended 30 June 2023

(ii) Business Combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any assets or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interests proportionate share of the recognised amounts of acquirees identifiable net assets.

Acquisition costs are expensed as incurred.

Any excess of the consideration transferred over fair value of the identifiable net assets is recorded as goodwill. If the total of consideration transferred is less than fair value of the net assets acquired in the case of a bargain purchase, the difference is recognised directly in the Consolidated Statement of Comprehensive Revenue and Expense.

All transactions and balances between Group entities are eliminated on consolidation.

(b) Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from exchange transactions

(i) Services rendered

Revenue for this category is recognised in the accounting period in which the services are rendered.

(ii) Sale of goods

Revenue is recognised when the risks and rewards of ownership have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be reliably measured. Risks and rewards of ownership are considered passed to the buyer at the time of delivery or pick up of the goods to or by the customer.

(iii) Interest income

Interest income is recognised on an accrual basis as and when the right to receive interest is established.

(iv) Rental income

Rental income from investment properties is accounted for as and when the income is earned.

(v) Retirement Village Income

Retirement village services fees are recognised on an accrual basis.

The village contribution accrues during the occupation of the resident and is offset against the obligation to residents and settled on termination of the occupation licence. The village contribution legally accrues over a four year period to a maximum of 25% for Wanaka Retirement Village and Ranui Court or for Columba Court at either 15% or 25% depending on the age of the agreement. The village contribution is accrued to the Consolidated Statement of Comprehensive Revenue and Expense on a straight line basis over the estimated average period of occupancy with a range between 6.6 and 7.5 years. The village contribution difference between legal entitlement and the average period of occupancy is treated as deferred revenue in the Consolidated Statement of Financial Position.

Revenue from non-exchange transactions

Non-exchange transactions are those where the Group receives an inflow of resources (i.e. cash and other tangible or intangible items) but provides no (or nominal) direct consideration in return.

With the exception of services-in-kind, inflows of resources from non-exchange transactions are only recognised as assets where both:

- It is probable that the associated future economic benefit of service potential will flow to the Group, and
- Fair value is reliably measurable.

Inflows of resources from non-exchange transactions that are recognised as assets are recognised as non-exchange revenue, to the extent that a liability is not recognised in respect to the same inflow.

Liabilities are recognised in relation to inflows of resources from non-exchange transactions when there is a resulting present obligation as a result of the non-exchange transactions, where:

- It is probable that an outflow of resources embodying future economic benefit or service potential will be required to settle the obligation, and
- The amount of the obligation can be reliably estimated.

The following specific recognition criteria in relation to the Group's non-exchange transaction revenue streams must also be met before revenue is recognised.

Fundraising

The Group's fundraising activities involve the following, quarterly campaigns and mail outs where an "ask" for donations is included, general donations received on an ad-hoc basis, planned events that are held where donations are requested, public talks and presentations where donations are requested, website and social media options for donations. Gifts of goods that are then sold through the Groups three charity shops are also a significant source of fundraising revenue.

(i) Donations and bequests

Donations and bequests are recognised in the accounting period they are received.

(ii) Grants

Grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance when received and recognised as revenue when the conditions of the grant are satisfied.

(iii) Donated goods

Gifts of goods in kind sold through the Group's charity shops are recognised as revenue at the time of sale.

Presbyterian Support Otago Incorporated

Notes to the Consolidated Financial Statements - continued

for the Year ended 30 June 2023

- (c) **Trade and Other Receivables**
Accounts receivable are recognised initially at fair value with subsequent provision, if required, for doubtful debts.
- (d) **Cash and Cash Equivalents**
Cash and cash equivalents in the Consolidated Statement of Financial Position comprise cash at bank and on hand and short term deposits with an original maturity of three months or less, which are subject to insignificant risk to changes in value.
- (e) **Goods and Services Tax (GST)**
The consolidated financial statements are prepared on a GST exclusive basis, with the exception of receivables, accounts payable and the activities of PSO Retirement Villages Limited which are exempt from GST and therefore are stated inclusive of GST.
- (f) **Inventories**
Inventories are valued at the lower of cost or net realisable value after making appropriate provision for damaged or obsolete nursery stock.
- (g) **Investment Properties**
Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at balance date. Gains or losses arising from changes in the fair value of investment properties are recognised in the Consolidated Statement of Comprehensive Revenue and Expense in the year in which they arise. The remaining revaluation increment is credited to the Refundable Portion - Occupation Right Agreements to reflect the market value for each license. Any revaluation decrease is recognised in the Consolidated Statement of Comprehensive Revenue and Expense.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the Consolidated Statement of Comprehensive Revenue and Expense in the year of retirement or disposal. No depreciation is provided for in respect of Investment Properties because the annual valuation takes into account the state of each property at balance date.
- (h) **Leases**
(i) Group as lessee
Operating lease payments where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are included as an expense in the Consolidated Statement of Comprehensive Revenue and Expense in equal instalments over the lease term. The Group is not party to any finance leases.
(ii) Group as lessor
Assets leased to third parties under operating leases include property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to the lessee) is recognised on a straight-line basis over the lease term.
- (i) **Provisions and Employee Leave Entitlements**
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance date.

Employee leave benefits
(i) Wages, salaries, annual leave and sick leave
Liabilities for wages and salaries, annual leave expected to be settled within twelve months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.
(ii) Long service leave
The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wages and salary levels, experience of employee departures and periods of service. Expected future payments are discounted at the reporting date to match, as closely as possible, the estimated future cash outflows.

Provision is made in respect of the Group's liability for annual leave, long service leave plus salaries and wages accrued to 30 June each year.
- (j) **Taxation**
Presbyterian Support Otago Incorporated and PSO Retirement Villages Limited are charitable organisations and are exempt from income tax and FBT.

Presbyterian Support Otago Incorporated

Notes to the Consolidated Financial Statements - continued for the Year ended 30 June 2023

(k) **Property, Plant and Equipment and Depreciation**
Operating Property

Property held on account is held for the purpose of meeting service delivery objectives.

Land and buildings are measured at fair value, based on periodic but at least triennial valuations by qualified external independent valuers using a discounted cash flow model, less accumulated depreciation on buildings and any impairment losses recognised after the date of the revaluation.

Plant and equipment is stated at historical cost less depreciation and any accumulated impairment losses.

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

When an item of Property, Plant and Equipment is disposed of, the difference between net disposal proceeds and the carrying amount is recognised as a gain or loss in the Consolidated Statement of Comprehensive Revenue and Expense.

Property, Plant and Equipment held with the intention of resale is recorded separately in the Consolidated Statement of Financial Position at the lower of cost and net realisable value.

Types of assets that make up operating property include, Rest Homes, Office Buildings, Plant and Equipment, Furniture and Fittings, Motor Vehicles and Computer Equipment.

Depreciation

Depreciation of property, plant and equipment, other than freehold land, art works and Capital Work in Progress, is calculated so as to allocate the cost or value of the assets less their residual values over their estimated useful lives. There is no depreciation calculated on freehold land, art works and Capital Work in Progress.

The useful lives used in the preparation of these statements are as follows :

Buildings	28 - 50 years SL
Furniture & fittings	10 years DV
Plant & equipment	10 - 25 years SL
Boilers	10 years DV
Motor vehicles	5 years SL
Computer equipment	4 years SL
Electronic business machines	6 years SL

Land and Building Revaluations

Any revaluation increment relating to the Group's interest in property is credited to the Operating Property Revaluation Reserve included in the equity section of the Consolidated Statement of Financial Position, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised in the Consolidated Statement of Comprehensive Revenue and Expense, in which case the increase is recognised as revenue in the Consolidated Statement of Comprehensive Revenue and Expense.

Any revaluation decrease is recognised in the Consolidated Statement of Comprehensive Revenue and Expense, except that it offsets a previous revaluation increase of the same asset class, in which case the decrease is debited directly to the Operating Property Revaluation Reserve to the extent of the credit balance existing in the reserve for that assets class.

(l) **Intangible Assets**

Intangible assets acquired are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The costs associated with maintaining computer software is recognised as an expense in the Consolidated Statement of Comprehensive Revenue and Expense when incurred.

The useful lives used in the preparation of these statements are as follows :

Computer Software	4 years SL
-------------------	------------

(m) **Impairment of non-financial assets**

The carrying amount of the Group's non-financial assets, investment properties and inventories are reviewed at each reporting date to determine whether there is an indication of impairment. If such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows (for cash-generating assets) of future remaining service potential (for non-cash-generating assets) are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Cash-generating assets and non-cash generating assets are distinguished as follows:

Cash-generating assets, CGU

These are assets are held with the primary objective of generating a commercial return and a CGU is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or group of assets. The most significant CGUs for the Group have been identified as individual aged care facilities and retirement villages.

Presbyterian Support Otago Incorporated

Notes to the Consolidated Financial Statements - continued

for the Year ended 30 June 2023

Non-cash-generating assets

These are assets other than cash-generating assets. For the purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

(n) ***Accounts Payable and Accruals***

Trade payables represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid on the 20th of the month following invoice.

(o) ***Interest-bearing Loans and Borrowings***

All loans and borrowings are initially recognised at fair value of the consideration received. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Borrowing costs

Borrowing costs generally are recognised as an expense when incurred, however when the borrowing costs relate to the acquisition, construction or production of a qualifying asset then they are included in the cost of that asset. A qualifying asset is one that takes a substantial period of time to get ready for its intended use. The capitalisation of borrowing costs will cease when the asset is available for its intended use.

(p) ***Restricted Reserves***

While all movements in these reserves are recorded in the Consolidated Statement of Comprehensive Revenue and Expense, funds are bequeathed or designated for a specific purpose and are not available for general use. Transfers from these reserves are made only for the purposes specified.

(q) ***Financial Instruments***

The Group is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short term deposits, debtors, creditors and loans. All financial instruments are recognised in the Statement of Financial Position and all revenues and expenses in relation to the financial instruments are recognised in the Consolidated Statement of Comprehensive Revenue and Expense.

Financial Assets

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are derecognised as a financial asset only when the contractual rights to the cash flows from the assets expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Refundable Portion - Occupation Right Agreements

Occupation Right Agreements (ORA) confer to residents the right of occupancy of the retirement village unit for life, or until the agreement is terminated by either party as prescribed. This right is the refundable deposit on the license issued and represents a percentage of the market value paid for each license. The percentage refundable varies between 95% and 75% as per the terms prescribed in the ORA.

Amounts payable under ORA's are non interest bearing and recorded as a current liability in the Consolidated Statement of Financial Position net of village contributions receivable.

(r) ***Significant Accounting Judgements, Estimates and Assumptions***

In applying the Group's policies, management continually evaluates judgements, estimates and assumptions made based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions made. Significant judgements, estimates and assumptions made by management in the preparation of these consolidated financial statements are outlined below:

(i) Significant Accounting Judgements

Impairment of Property, Plant and Equipment

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include the residential aged care sector performance and funding, economic and political environments.

(ii) Significant Accounting Estimates and Assumptions

Estimation of useful lives of assets

The estimation of the useful lives of assets has predominantly been based on historical experience. Adjustments to useful life are made when considered necessary.

Retirement Village expected tenure

As discussed in note 1 (b) (v), the calculation for recognition of Retirement Village Contribution in the Consolidated Statement of Comprehensive Revenue and Expense is based on an estimate of the expected period of tenure of residents. The expected period of tenure based on historical and industry experience is estimated to be between 6.6 and 7.5 years.

Presbyterian Support Otago Incorporated

Notes to the Consolidated Financial Statements - continued

for the Year ended 30 June 2023

Revaluation of Property, Plant and Equipment

Land and buildings are revalued every three years. Valuations are carried out in compliance with the professional standards of the NZ Institute of Valuers by experienced independent valuers. Refer to note 12 for key assumptions made.

The fair value of property, plant and equipment is subjective and changes to the assumptions have a significant impact on profit and the fair value.

Revaluation of Investment Property

Investment property is revalued annually. Valuations are carried out in compliance with the professional standards of the NZ Institute of Valuers by experienced independent valuers.

The valuer has used assumptions relating to future cash flows arising from the properties and assumptions relating to future growth rates of retirement village occupation right agreement amounts, the average duration of residency of occupants and appropriate discount rates.

Refer to note 9 for key assumptions made and methodologies used.

(s) *Statement of Cash Flows*

The Consolidated Statement of Cash Flows is prepared exclusive of Goods and Services Tax (GST), which is consistent with the method used in the Consolidated Statement of Comprehensive Revenue and Expense. Cash and cash equivalents comprise cash on hand and on demand deposits and other short term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and includes all call borrowing such as bank overdrafts used by the Group as part of their day-to-day cash management.

'Operating activities' represents all transactions and other events that are not investing or financing activities, and includes receipts and repayments.

'Investing activities' are those activities relating to the acquisition and disposal of property, investment property, plant and equipment.

'Financial activities' are those activities relating to changes in the debt capital structure of the Group.

(t) *New and amended standards*

The following new accounting standards and interpretations have been issued that are not mandatory for accounting periods beginning 1 July 2022 and have not been early adopted by the Group.

Financial Instruments

PBE IPSAS 41 Financial Instruments is effective for annual periods beginning on or after 1 January 2022, with early adoption permitted. The main changes under this standards are;

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.

- A new impairment model for financial assets based on expected losses, which may result in earlier recognition of impairment losses.

- Revised hedge accounting requirements to better reflect the management of risks.

The Group has not yet assessed the effects of the new standard.

Presbyterian Support Otago Incorporated

Notes to the Consolidated Financial Statements - continued

for the Year ended 30 June 2023

	Group 2023 \$000's	Group 2022 \$000's
2. Revenue Received		
<u>Enliven Services</u>		
Residential - Rest Home	8,645	7,668
Residential - Hospital	20,069	20,198
Residential - Dementia	5,067	4,738
Residential - Psychogeriatric	571	2,037
Residential - Premium Fees	945	853
Residential - Other Income	1,241	1,294
Enliven Community Programmes	415	374
	<u>36,953</u>	<u>37,162</u>
<u>Family Works</u>		
Social Work Support	1,224	909
Youth Development	726	587
Financial Inclusion services	902	900
Group Programmes	151	123
Adult Mental Health services	150	142
Other	2	14
	<u>3,155</u>	<u>2,675</u>
Other Activities	817	1,358
Legacies / Bequests	68	72
Interest Income	25	10
Rental & Estate Income	374	304
Retirement Village Income	1,005	861
	<u>2,289</u>	<u>2,605</u>
Movement in fair value of Investment Properties	1,725	2,725
Total Operating Income for year	<u>44,122</u>	<u>45,167</u>
Revenue from exchange transactions		
Income from services	38,972	38,913
Sale of Goods	1,264	1,273
Interest Income	25	10
Investment & Other Income	1,380	1,316
Movement in fair value of Investment Properties	1,725	2,725
	<u>43,366</u>	<u>44,237</u>
Revenue from non-exchange transactions		
Donations received in cash	352	367
Grants	336	491
Bequests	68	72
	<u>756</u>	<u>930</u>
Total Operating Income for year	<u>44,122</u>	<u>45,167</u>

Presbyterian Support Otago Incorporated

Notes to the Consolidated Financial Statements - continued

for the Year ended 30 June 2023

	Group 2023 \$000's	Group 2022 \$000's
3. Expenditure		
<u>Enliven Services</u>		
Residential	38,997	37,365
Enliven Community Programmes	428	408
	<u>39,425</u>	<u>37,773</u>
<u>Family Works</u>		
Social Work Support	1,643	1,491
Youth Development	802	868
Financial Inclusion services	787	946
Group Programmes	171	134
Adult Mental Health services	151	127
Other	186	189
	<u>3,740</u>	<u>3,755</u>
Other Activities	2,733	2,478
Total Costs of Services	<u>45,898</u>	<u>44,006</u>

4. Fair value gains (losses) through the Consolidated Statement of Comprehensive Revenue and Expense

	Group 2023 \$000's	Group 2022 \$000's
Gain in the value of Investment Property	1,725	2,725
	<u>1,725</u>	<u>2,725</u>

The net gain of \$1,725K in Investment Property reflects the movements resulting from 30 June 2023 valuation undertaken by registered valuers Telfer Young of commercial and other investment properties (2022 \$2,725K).

5. Reconciliation of Surplus with Cash Flows from Operating Activity

	Group 2023 \$000's	Group 2022 \$000's
Surplus (Deficit) for Year	1,750	644
Add non-cash items:		
Depreciation/amortisation	1,281	1,246
Loss on Disposal of Assets	407	7
Retirement Village Income accrued	(1,005)	(861)
Fair value losses / (gains) on Investment Properties	(1,725)	(2,725)
Revaluation of Occupation Right Agreements	1,035	545
Business combination - Bargain purchase gain	-	(150)
Fair value losses / (gains) on Property, Plant & Equipment	(4,661)	-
Fair value (gains) / losses on JV Investments	104	(28)
	<u>(4,564)</u>	<u>(1,966)</u>
Changes in Working Capital		
Decrease / (Increase) in Receivables	(663)	(299)
Decrease / (Increase) in Inventory	79	(36)
Increase / (Decrease) in Accounts Payable & Accruals	346	148
Increase / (Decrease) in Employee Entitlements	(200)	(64)
Increase / (Decrease) in Occupation Right Agreements	724	1,434
	<u>286</u>	<u>1,183</u>
Net Cash Flow from Operating Activities	<u>(2,528)</u>	<u>(139)</u>

Presbyterian Support Otago Incorporated

Notes to the Consolidated Financial Statements - continued for the Year ended 30 June 2023

6. Current Assets - Cash and Cash Equivalents & Short term deposits

	Group 2023 \$000's	Group 2022 \$000's
Cash at bank and in hand	2,975	2,770

Cash at bank, except current accounts, earn interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represent fair value.

7. Current Assets - Inventories

	Group 2023 \$000's	Group 2022 \$000's
Merchandise and work in progress	53	132

8. Current Assets - Receivables

	Group 2023 \$000's	Group 2022 \$000's
Trade Receivables	3,214	2,994
Other Receivables	509	8
Funds held on behalf of clients	279	336
	<u>4,002</u>	<u>3,338</u>

Trade receivables are non-interest bearing and are generally on 14-30 day terms. No allowance for impairment loss has been made as it is believed all receivables are collectable. Other receivables relate largely from amounts payable from the Aspiring Enliven Care Centre Limited Partnership. This receivable is non-interest bearing.

The receivable owing by residents relates to the resident of a unit where occupation right agreements have yet to be issued. Under the previous agreements this amount was charged to residents and will be recovered on subsequent issuing of an occupation right agreement to a new resident.

Details regarding the credit risk of current receivables are disclosed in Note 19.

9. Non-Current Assets - Investment Properties

	Group 2023 \$000's	Group 2022 \$000's
Opening balance as at 1 July	33,105	30,389
Additions		177
Transfer from Property, Plant and Equipment	-	0
Disposals/Write downs	(2,210)	(186)
Net gain / (loss) from fair value adjustments	1,725	2,725
Closing balance as at 30 June	<u>32,620</u>	<u>33,105</u>

Investment properties are carried at fair value, \$32,620K (2022 \$33,105K) and therefore not depreciated, which has been determined based on valuations performed by a qualified independent external valuer Telfer Young as at 30 June 2023. The 2022 valuation was performed by Telfer Young. Revaluations take place annually.

Presbyterian Support Otago Incorporated

Notes to the Consolidated Financial Statements - continued

for the Year ended 30 June 2023

The following valuation methodology and assumptions were adopted and are consistent with prior years.

The fair value represents the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation.

In determining fair value the following methodology and assumptions were adopted and are consistent with previous years,

- * Market Approach (Comparison to other property sales)
- * Income Approach (Capitalisation of income)

At June 2023, the Group has no unprovided contractual obligations to purchase, construct or develop the investment properties and no unprovided contractual obligations for future repairs, maintenance or enhancements. (2022 Nil)

The following amounts have been recognised in the Consolidated Statement of Comprehensive Revenue and Expense:

	Group 2023 \$000's	Group 2022 \$000's
Rental Income from Investment Properties	334	262
Direct operating expenses arising from investment properties that generate rental income	170	137

10. Non-Current Assets - Investments in Joint Venture

	Group 2023 \$000's	Group 2022 \$000's
Opening balance as at 1 July	380	352
Additions / (Disposals)	(3)	-
Share of Net surplus / (deficit)	(430)	28
Share of Operating Property Revaluation	330	-
Impairment expense	-	-
Unrecognised losses	-	-
Closing balance as at 30 June	<u>277</u>	<u>380</u>

The Group holds joint control over the following jointly controlled entity, which is accounted for using the equity method.

		Current Assets \$000's	Non-current Assets \$000's	Current Liabilities \$000's	Non-Current Liabilities \$000's	Op Property Revaln's Revenues \$000's	& Expenses \$000's
Aspiring Enliven Care Centre Limited Partnership	2023	111	8,691	776	7,473	559	760
	2022	161	8,128	12	7,523	614	565

Investment is by way of a 50% share of the limited partnership, Aspiring Enliven Care Centre Limited Partnership and is accounted for using the equity method. Aspiring Enliven Care Centre Limited Partnership is a private entity and there is no quoted market price available. Operating Property of the partnership was valued as at 30 June 2020 by qualified, independent, external valuers Telfer Young under the same methodology as used for valuing other Operating Property as described in note 12 below. The Directors have considered that this valuation remains appropriate. The net value of investment in the partnership is \$778K (2022 \$380K).

The Group has given a guarantee to Westpac NZ Limited for 50% of the borrowings of the Joint Venture which equals \$3.6 million as at 30 June 2023 (2022 \$3.6 million).

Capital commitments relating to the Group's share in the joint venture are Nil (2022 Nil).

Presbyterian Support Otago Incorporated

Notes to the Consolidated Financial Statements - continued for the Year ended 30 June 2023

11. Non-Current Assets - Intangible Assets

	Group 2023 \$000's	Group 2022 \$000's
Computer Software		
Gross carrying amount		
Opening Balance	1,065	978
Additions	-	87
Disposals/Transfers	-	-
Closing Balance	<u>1,065</u>	<u>1,065</u>
Accumulated amortisation and impairment		
Opening Balance	(634)	(482)
Current year amortisation	(167)	(152)
Amortisation written back on disposal	-	-
Closing Balance	<u>(801)</u>	<u>(634)</u>
Carrying amount	<u>264</u>	<u>431</u>

12. Non-Current Assets - Property, Plant and Equipment

Group 2023	Land \$000's	Buildings \$000's	Furniture & Fittings \$000's	Plant & Equipment \$000's	Other \$000's	Work in Progress \$000's	Total \$000's
Gross carrying amount							
Balance 1 July 2022	10,600	32,626	4,427	6,790	1,909	123	56,475
Additions	-	-	34	198	20	342	594
Additions - Business Combination	-	-	-	-	-	-	-
Revaluation movements	3,895	(920)	-	-	-	-	2,975
Revaluation uplift of ORA value	-	-	-	-	-	-	-
Disposals	(580)	(270)	(1)	(25)	(14)	(2)	(892)
Transfer to Investment Property	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Balance 30 June 2023	<u>13,915</u>	<u>31,436</u>	<u>4,460</u>	<u>6,963</u>	<u>1,915</u>	<u>463</u>	<u>59,152</u>
Accumulated depreciation and impairment							
Balance 1 July 2022	-	(1,157)	(3,320)	(5,325)	(1,308)	-	(11,110)
Current year depreciation	-	(581)	(113)	(239)	(180)	-	(1,113)
Depreciation written back on disposal	-	15	1	13	14	-	43
Revaluation adjustment	-	1,686	-	-	-	-	1,686
Balance 30 June 2023	<u>-</u>	<u>(37)</u>	<u>(3,432)</u>	<u>(5,551)</u>	<u>(1,474)</u>	<u>-</u>	<u>(10,494)</u>
Carrying amount 30 June 2023	<u>13,915</u>	<u>31,399</u>	<u>1,028</u>	<u>1,412</u>	<u>441</u>	<u>463</u>	<u>48,658</u>
Group 2022							
Gross carrying amount							
Balance 1 July 2021	9,530	32,371	4,217	6,502	1,776	107	54,503
Additions	-	-	129	288	119	103	639
Revaluation movements	1,080	255	83	82	-	-	1,500
Revaluation uplift of ORA value	(10)	-	-	-	-	-	(10)
Disposals	-	-	(2)	(82)	(73)	-	(157)
Transfer to Investment Property	-	-	-	-	-	-	-
Transfers	-	-	-	-	87	(87)	-
Balance 30 June 2022	<u>10,600</u>	<u>32,626</u>	<u>4,427</u>	<u>6,790</u>	<u>1,909</u>	<u>123</u>	<u>56,475</u>
Accumulated depreciation and impairment							
Balance 1 July 2021	-	(583)	(3,209)	(5,169)	(1,206)	-	(10,167)
Current year depreciation	-	(574)	(111)	(231)	(175)	-	(1,091)
Depreciation written back on disposal	-	-	-	75	73	-	148
Revaluation adjustment	-	-	-	-	-	-	-
Balance 30 June 2022	<u>-</u>	<u>(1,157)</u>	<u>(3,320)</u>	<u>(5,325)</u>	<u>(1,308)</u>	<u>-</u>	<u>(11,110)</u>
Carrying amount 30 June 2022	<u>10,600</u>	<u>31,469</u>	<u>1,107</u>	<u>1,465</u>	<u>601</u>	<u>123</u>	<u>45,365</u>

Presbyterian Support Otago Incorporated

Notes to the Consolidated Financial Statements - continued

for the Year ended 30 June 2023

The latest valuation of Residential Facilities, including Land and Buildings was the valuation by qualified, independent, external valuers Telfer Young as at 30 June 2023. Telfer Young are appropriately qualified and experienced in valuing rest home properties in New Zealand. The movement in value of these assets has been put through the Operating Property Revaluation Reserve.

The fair values were based on a discounted cash flow model applied to the expected future cash flows generated by the properties. The valuation calculates the expected cash flows for a 50 year period, based on occupancy turnover of 6 years which is extrapolated at a nominal growth rate of between 2.75% and 3.75% and discounted to present value at a discount rate of 14.5% to 14.75%.

It is the Board's opinion that Fair Value is the most appropriate basis to value Presbyterian Support Otago's residential businesses of which Land, Buildings and Plant are major components. The fair value represents the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation.

Any current year acquisitions are included at cost.

Assets pledged as security

Freehold land and buildings, held within Property, Plant and Equipment and Investment Property with a carrying amount of \$63,903K (2022 \$59,962K) have been pledged to secure borrowings of the Group (see note 16). The Group is not permitted to pledge these assets as security for other borrowings.

Presbyterian Support Otago Incorporated

Notes to the Consolidated Financial Statements - continued for the Year ended 30 June 2023

13. Current Liabilities - Accounts Payable and Accruals

	Group 2023 \$000's	Group 2022 \$000's
Trade Creditors	1,294	769
Accruals	990	1,132
Amounts owing to clients	528	336
GST Payable	212	276
	<u>3,024</u>	<u>2,513</u>

Trade creditors are non-interest bearing and are normally settled on the 20th of month following invoice.

14. Current Liabilities - Employee Entitlements

	Group 2023 \$000's	Group 2022 \$000's
Annual leave	2,899	3,176
Alternative leave	664	802
Wages and salaries	1,072	843
Long Service Leave	115	129
	<u>4,750</u>	<u>4,950</u>

Movements in Provisions

	Annual Leave	Time in Lieu Leave	Wages & Salaries	Long Service Leave	Total
Carrying amount as at 1 July 2022	3,176	802	843	129	4,950
Net movement for period	-277	-138	229	-14	-200
Carrying amount as at 30 June 2023	<u>2,899</u>	<u>664</u>	<u>1,072</u>	<u>115</u>	<u>4,750</u>

Nature of Provisions

Annual Leave

This provision represents the present value of annual leave accrued by employees at 30 June. The value is calculated based on either number of hours or days accrued multiplied by the respective employees pay rate as of the reporting date. The value of leave when taken can vary depending on the actual pay rate of the employee at the time of taking any accrued leave.

Alternative leave

This provision represents the present value of time earned as an alternative day for, in general, working Public Holidays. The value is calculated in the same manner as Annual Leave. The value of leave when taken can vary depending on the actual mpay rate of the employee at the time of taking and accrued Aleternative Leave.

Wages and Salaries

This provision represents an estimate of wages and salaries outstanding as at the reporting date. It is calculated based on the closest actual pay period to the year end adjusted for number of days remaining.

Long Service Leave

This provision represents management's estimate of liability for long service leave yet to vest to employees. This liability is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, attrition rates and pay increases through promotions and inflation have been taken into account.

Presbyterian Support Otago Incorporated

Notes to the Consolidated Financial Statements - continued

for the Year ended 30 June 2023

15. Current Liabilities - Retirement Village Deferred Income

	Group 2023 \$000's	Group 2022 \$000's
Deferred Income - Wanaka Retirement Village	673	750
Deferred Income - Ranui Court	237	266
Deferred Income - Columba Court	16	15
	<u>926</u>	<u>1,031</u>

Retirement village deferred income reflects the policy that income is recognised on a straight line basis over the estimated average period of occupancy which ranges between 6.6 and 7.5 years. The village contribution legally accrues over four years. Deferred income is therefore the balance of contractual income that has not been recognised in the Consolidated Statement of Comprehensive Revenue and Expense.

16. Borrowings

	Group 2023 \$000's	Group 2022 \$000's
<u>Current</u>		
Secured bank loan	2,288	470
<u>Non-Current</u>		
Secured bank loan	<u>2,059</u>	<u>3,364</u>
	<u>4,347</u>	<u>3,834</u>

Terms and conditions

Presbyterian Support Otago Incorporated has a financing arrangement with Westpac NZ Limited, the purpose of this facility was to provide funding for the redevelopment of Iona Kirkness hospital unit and the purchase of investment property and Castlewood Rest home

The facility is secured against all present and acquired property of the Group and is comprised as follows;

Term Loans	One loan has a maturity date of 17 December 2023 and has a current interest rate of 7.8%. The total outstanding at balance date is \$172K (2022 \$218K). The second loan has a maturity date of 11 December 2024 and has a current interest rate of 4.15%. The total outstanding at balance date is \$2,059K (2022 \$2,115K) The third loan has a maturity date of 27 June 2024 and has a current interest rate of 8.2%. The total outstanding at balance date is \$1,481K (2022 \$1,500K)
Business Revolve	This facility has a maturity of 24 March 2024 and has a current interest rate of 7.65%. The balance outstanding at balance date is \$635K (2022 Nil)
Overdraft Facility - \$150K limit, floating interest rate tied to the Westpac NZ special lending rate	As at 30 June 2023 this facility has a drawn down balance of nil (2022 nil).

The following covenants are requirements of the Term Loan with Westpac.

- (i) Equity Ratio - an equity ratio of not less than 60% of tangible assets must be maintained.
- (ii) Interest Cover Ratio - net earnings before funding costs and depreciation must be not less than 2.0 times its funding costs.
- (iii) Management and other reports are to be provided as and when requested by Westpac NZ Limited.

Presbyterian Support Otago Incorporated had forecast to breach the banking covenant with Westpac NZ Limited to maintain a interest cover ratio of at least two times its interest costs. A waiver to comply with this covenant was obtained from Westpac NZ Limited in advance of such breach.

Specifically the covenant requires net profits before funding costs, depreciation and extraordinary be at least two times funding costs.

Westpac NZ Limited has issued Presbyterian Support Otago Incorporated a waiver of this covenant for the financial years ending 30 June 2023 and 30 June 2024.

Presbyterian Support Otago Incorporated

Notes to the Consolidated Financial Statements - continued

for the Year ended 30 June 2023

17. Current refundable portion - Occupation Right Agreements

	Group 2023 \$000's	Group 2022 \$000's
Refundable amounts held - per contract	16,239	15,380
<i>Movements in Provisions</i>		
Carrying amount as at 1 July	15,380	14,242
New refundable amounts received	2,670	3,310
Refundable amounts paid out	(1,940)	(1,918)
Change in termination amount due	(906)	(799)
ORA Revaluation	1,035	545
Revaluation adjustment	-	-
Carrying amount as at 30 June	<u>16,239</u>	<u>15,380</u>

The Group operates three Retirement Villages, namely Wanaka Retirement Village, Ranui Court and Columba Court, under Occupation Right Agreements (ORA).

The refundable portion of an ORA relates to the amount owing to the resident if the agreement was terminated and this liability is partially extinguished as the termination payment owing to the Group increases.

The liability relating to the holders of ORA's is non-interest bearing. This liability is disclosed as all being due within one year whereas there will be a component that will be due after a longer period. Due to the level of estimate involved in determining a different maturity profile the total refundable is therefore treated as all due within one year.

As a result of the revaluation of Retirement Villages assets the net liability owing to residents on termination of their Occupation Right Agreements also needs recalculating. The net uplift in value of the Retirement Villages assets as of 30 June 2023 has meant that the Group's refundable portion to residents has increased as of balance date by \$925K (2022 \$545K).

This increase in liability is reflected in the Consolidated Statement of Comprehensive Revenue and Expense as a separate expense for clarity.

Presbyterian Support Otago Incorporated

Notes to the Consolidated Financial Statements - continued

for the Year ended 30 June 2023

18. Financial Instruments

Categories of Financial Instruments

	Group 2023 \$000's	Group 2022 \$000's
Loans and Receivables - including cash and cash equivalents, short term deposits	6,977	6,108
Financial Liabilities at Amortised Cost	23,610	21,714

Classification and fair values of Financial Instruments

The carrying amount approximates the fair value of the Group's financial assets and financial liabilities.

Financial Risk Management

Group's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk), credit risk and liquidity risk.

(i) Market Risk - cash flow and fair value interest rate risk.

Presbyterian Support Otago has interest bearing assets in the form of short to medium term cash deposits. However the majority of the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's main interest rate risk arises from term borrowings. Currently all the Group's borrowings are at floating rates of interest. Borrowings issued at floating rates expose the Group to market fluctuations in the prevailing interest rates.

Group - 2023

	Effective Interest Rate %	Financial Instrument Maturities \$000's				Total
		Current	1 - 2 years	2 - 5 years	Over 5 years	
Assets						
Cash and Bank	2.66%	2,975	-	-	-	2,975
Receivables	0.00%	4,002	-	-	-	4,002
		6,977	-	-	-	6,977
Liabilities						
Term Advance	8.06%	-	2,059	-	-	2,059
Short Term Advance	8.06%	2,288	-	-	-	2,288
Refundable portion - ORA's	0.00%	16,239	-	-	-	16,239
Accounts Payable and Accruals	0.00%	3,024	-	-	-	3,024
		21,551	2,059	-	-	23,610

Group - 2022

	Effective Interest Rate %	Financial Instrument Maturities \$000's				Total
		Current	1 - 2 years	2 - 5 years	Over 5 years	
Assets						
Cash and Bank	0.02%	2,770	-	-	-	2,770
Receivables	0.00%	3,338	-	-	-	3,338
		6,108	-	-	-	6,108
Liabilities						
Term Advance	4.88%	-	3,364	-	-	3,364
Short Term Advance	4.88%	470	-	-	-	470
Refundable portion - ORA's	0.00%	15,367	-	-	-	15,367
Accounts Payable and Accruals	0.00%	2,513	-	-	-	2,513
		18,350	3,364	-	-	21,714

Presbyterian Support Otago Incorporated

Notes to the Consolidated Financial Statements - continued

for the Year ended 30 June 2023

Sensitivity

Cash and Bank - the impact on profit and loss of a 100 basis point shift in interest rates would be an increase or decrease of \$28K for the Group (2022 - \$28K) with everything else being held constant.

Term Borrowings - the impact on profit and loss of a 100 basis point shift in interest rates would be an increase or decrease of \$41K for the Group (2022 - \$32K) with everything else being held constant.

The above calculations are based on the balances of investments and borrowings as at balance date.

(ii) Credit Risk

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The maximum exposure to credit risk relates to bank and receivables which total \$6,446K (2022 - \$6,109K).

Financial instruments which potentially subject Presbyterian Support Otago Incorporated to concentrations of credit risk consist principally of cash, short term deposits, receivables and investments. Presbyterian Support Otago Incorporated places its cash and short term investments with high credit rated financial institutions. As a minimum the Group has a requirement that monies will only be held with institutions that at least hold a AA credit rating with Standard and Poors. Apart from the Ministry of Health there are no major concentrations of credit risk with respect to receivables due to the large customer base. There are no collateral securities to support financial investments due to the quality of the receivables and investments dealt with.

The largest number of trade receivables from exchange transactions are in relation to residents of the Group's aged care facilities. To enable efficient control of these debtors standard policy is for direct debit authority to be given to the Group by the debtor. Monthly monitoring of debtor balances is carried out along with active debtor recovery policies.

The aging of trade receivables from exchange transactions is presented below.

	2023 \$000's	2022 \$000's
Not past due	2,943	2,763
Past due 1 - 30 days	155	127
Past due 31 - 60 days	74	80
Past due 61 days +	42	24
	<u>3,214</u>	<u>2,994</u>

(iii) Liquidity Risk

The Group has a responsibility to manage liquidity risk. This is achieved through an appropriate liquidity risk framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

Capital Risk Management

Presbyterian Support Otago Incorporated's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to continue its mission and vision. In order to maintain or adjust the capital structure, the Group carries minimum levels of debt and may realise surplus assets to fund essential developments.

The capital of the Group is split into General and Restricted reserves. General Reserves are derived from net operating surpluses and are available for the general use of the Group. Restricted Reserves are derived from bequests and gifts have a defined purpose or use. The Revaluation Reserve is derived from the revaluation of property.

Presbyterian Support Otago Incorporated

Notes to the Consolidated Financial Statements - continued

for the Year ended 30 June 2023

19. Related Party Disclosure

Ultimate parent and subsidiary

Presbyterian Support Otago Incorporated is the ultimate parent of the Group which is the 100% shareholder of the only subsidiary PSO Retirement Villages Limited. As at balance date there is an advance between the parent and subsidiary with a balance of \$15,118K (2022 \$12,508K). There is no security held by PSO Retirement Villages Limited for this amount due from the parent entity. This advance is repayable within 367 days upon receipt of notice from PSO Retirement Villages Limited.

The following transactions were carried out with related parties:

	Group 2023 \$000's	Number of individuals	Group 2022 \$000's	Number of individuals
(a) Key Management Personnel compensation.				
Short-term employee benefits	1,150	8	1108	8
Members of governing body	-	9	-	9
(b) Purchase and Sales of Services.				
(i) Purchase of services from Rautaki Advice - an entity connected with a Trustee	3		6	
(ii) Purchase of services from Crombie & Price Limited - an entity connected with a Trustee	-		2	
(iii) Purchase of services from Marks & Worth Lawyers - an entity connected with a Trustee	11		4	
Services were purchased from Rautaki Advice, Crombie & Price and Marks & Worth Lawyers, entities that a Board Member of Presbyterian Support Otago is a Partner/Director of.				
(iv) Rents received from Landward Management Limited - an entity connected with a Trustee	-		26	
Rental income was received from Landward Management Limited, an entity that a Board Member of Presbyterian Support Otago Incorporated is a Director of.				
(v) Donations and Grants received from Mercy Hospital Limited and Harvey Green Wyatt Limited - an entity connected with a Trustee	3		3	
Donation from Harvey Green Wyatt Limited and Grant from Mercy Hospital Limited, entities that a Board Member of Presbyterian Support Otago Incorporated is a Director of.				
(c) Year-end balances arising from the purchase of services.				
Payables to Related Parties	1		12	
(d) Transactions with Joint Venture				

The Group includes transactions with the Aspiring Enliven Care Centre Limited Partnership which is 50% owned by Presbyterian Support Otago Incorporated. For details of the transactions refer to note 10.

Presbyterian Support Otago Incorporated

Notes to the Consolidated Financial Statements - continued

for the Year ended 30 June 2023

20. Auditor Remuneration

The following remuneration was incurred with the Group's auditors

	Group 2023 \$000's	Group 2022 \$000's
Audit Services	88	65
Other Services - Trustee reporting	3	3
Other Services - Compliance advice	-	-
	<u>91</u>	<u>68</u>

The nature of the other services relates to Trustee reporting to the Statutory Supervisor of the retirement villages and for compliance advice.

21. Operating Lease Commitments - Group as Lessee

	Group 2023 \$000's	Group 2022 \$000's
Non cancellable operating lease rental commitments are payable as follows:		
Not later than one year	118	62
Later than one year but not later than five years	13	9
Later than five years	-	-
	<u>131</u>	<u>71</u>

The Group leases various offices, retail outlets and warehouse under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. These are currently monthly leases.

22. Capital Expenditure Commitments

The Group has no capital commitments as at 30 June 2023, (2022 - Nil)

23. Contingent Liabilities and Assets

There are no known outstanding contingent liabilities or assets affecting the Group, (2022 - Nil).

24. Government Grants

	Group 2023 \$000's	Group 2022 \$000's
Government Grants recognised in the Income Statement	59	68

There are no unfulfilled conditions relating to the government grants recognised in these consolidated financial statements.

25. Grants Acknowledgment

	Group 2023 \$000's	Group 2022 \$000's
Department of Internal Affairs - Lottery Community	30	40
Dunedin City Council - Rates Relief Grant	29	28
Otago Community Trust - Social Services Grant	88	95
Otago Community Trust - COVID 19 response	-	5
Central Lakes Trust	80	67

Presbyterian Support Otago gratefully acknowledges the above organisations for grant contributions.

Presbyterian Support Otago Incorporated

Notes to the Consolidated Financial Statements - continued

for the Year ended 30 June 2023

26. Operating Leases - Group as lessor

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	Group 2023 \$000's	Group 2022 \$000's
Not later than one year	-	95
Later than one year but not later than five years	-	93
Later than five years	-	-
	<u>-</u>	<u>188</u>

The Group leases various offices and residential properties under non-cancellable operating lease agreements and monthly tenancy agreements. The leases have varying terms, escalation clauses and renewal rights.

27. Events occurring after Balance Date

There are no events that have occurred after balance date that require disclosure.

28. Reserves

General Reserves

This reserve represents the accumulation of the Group's net accumulated earnings over time. It is adjusted for transfers required to the other reserve categories.

Operating Property Revaluation Reserve

The Operating Property Revaluation Reserve is the accumulation of changes in the valuation of Operating Property. Operating Property is revalued on a three year cycle and was last revalued as of 30 June 2023.

Investment Property Revaluation Reserve

The Investment Property Revaluation Reserve is the accumulation of changes in the valuation of Investment Property. Investment Property is revalued annually. These annual changes in value are shown as transfers within the Consolidated Statement of Changes in Net Assets / Equity.

Restricted Reserves

Restricted Reserves are special purpose reserves for an identified purpose in the activities of the organisation. These reserves are broken down into Endowment and Special Reserves. Endowment Reserves relate to monies either bequeathed or gifted to the organisation that have a stated purpose. Expenditure against these activities is then allocated to the reserves until fully utilised. Special Reserves are funds that generally have been donated to a particular service or that have been fundraised for a particular facility. As with Endowment Reserves expenditure is then allocated against the reserves as it is incurred. The transfers within the Consolidated Statement of Changes in Net Assets / Equity reflect the annual income and expenditure of Restricted Reserves.



Independent auditor's report

To the Board of Presbyterian Support Otago Incorporated

Our opinion

In our opinion the accompanying general purpose financial report of Presbyterian Support Otago Incorporated (the Charitable Trust), including its subsidiaries (the Group), on pages 2 to 28 presents fairly, in all material respects, the financial position of the Group as at 30 June 2023, its service performance, financial performance and its cash flows for the year ended on that date in accordance with Public Benefit Entity Standards issued in New Zealand (PBE Standards).

What we have audited

The general purpose financial report which comprises

- The Group's consolidated financial statements, including:
 - the consolidated statement of financial position as at 30 June 2023;
 - the consolidated statement of comprehensive revenue and expense for the year then ended;
 - the consolidated statement of changes in net assets/equity for the year then ended;
 - the consolidated statement of cash flows for the year then ended; and
 - the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.
 - the consolidated statement of service performance for the year ended 30 June 2023.
-

Basis for opinion

We conducted our audit of the financial statements in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). The audit of the service performance information was conducted in accordance with International Standard on Assurance Engagements (New Zealand) 3000 (Revised) (ISAE (NZ) 3000 (Revised)).

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the general purpose financial report* section of our report.

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

Our independence and quality management

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

We apply Professional and Ethical Standard 3 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires our firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We are independent of the Group. Our firm carries out other services for the Group in the areas of Trust Deed Compliance services in the form of a separate Deed of Supervision report. The provision of these other services has not impaired our independence as auditor of the Group.



Other information

The Board are responsible for the other information. The other information comprises the information included in the annual report, but does not include the general purpose financial report and our auditor's report thereon.

Our opinion on the general purpose financial report does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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

Other matter

The service performance information presented for the corresponding year ended 30 June 2022 is unaudited.

Responsibilities of the Board for the general purpose financial report

The Board are responsible, on behalf of the Charitable Trust, for the preparation and fair presentation of the general purpose financial report in accordance with PBE Standards, and for such internal control as the Board determine is necessary to enable the preparation of the financial statements and service performance information that is free from material misstatement, whether due to fraud or error.

The Board are also responsible, on behalf of the Group, for identifying performance measures and/or descriptions to report in the general purpose financial report that are a faithful representation of the Group's service performance and that are relevant, understandable, timely, comparable and verifiable.

In preparing the general purpose financial report, the Board are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the general purpose financial report

Our objectives are to obtain reasonable assurance about whether the general purpose financial report, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ), ISAs or ISAE (NZ) 3000 (Revised) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this general purpose financial report.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the general purpose financial report, including performing procedures to obtain evidence about and evaluating whether the service performance information is a faithful representation of the Group's service performance and that is relevant, understandable, timely, comparable and verifiable.

As part of our audit, we perform procedures to obtain evidence about and evaluate whether the reported outcomes and outputs, and quantification of the outputs to the extent practicable, are relevant, reliable, comparable and understandable.

As part of our audit in accordance with ISAs (NZ), ISAs and ISAE (NZ) 3000 (Revised), we exercise professional judgement and maintain professional scepticism throughout the audit.



We also:

- Identify and assess the risks of material misstatement of the general purpose financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Obtain an understanding of the process applied by the Group to select what and how to report its service performance.
- Evaluate whether the service performance criteria are suitable so as to result in service performance information that is in accordance with the applicable financial reporting framework.
- Conclude on the appropriateness of the use of the going concern basis of accounting by those charged with governance and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the general purpose financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the general purpose financial report, including the disclosures, and whether the general purpose financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the information of the entities or business activities within the Group to express an opinion on the general purpose financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during the audit.

Who we report to

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

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

For and on behalf of:

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

Chartered Accountants
2 October 2023

Christchurch