Presbyterian Support Otago Incorporated

Consolidated Financial Statements

For the year ended 30 June 2022

Presbyterian Support Otago Incorporated

Consolidated Financial Statements

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Presbyterian Support Otago Incorporated

General Information

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Joanne Rowe

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PricewaterhouseCoopers
P O Box 5848
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New Zealand

Consolidated Statement of Comprehensive Revenue and Expense
for the Year ended 30 June 2022

	Notes	Group 2022 $000's	Group 2021 $000's
Revenue			
Income from services		38,911	37,108
Sale of Goods		1,273	1,431
Donations/Grants/Bequests		932	968
Interest Income		10	19
Investment and Other Income		1,316	1,144
Movement in fair value of Investment Properties	4	2,725	2,490
Total Operating Income	2	45,167	43,160
Expenses			
Employment related		31,760	29,774
General Operating		2,152	2,243
Advertising & Marketing		122	102
Office & Administration		930	903
Servicing Resources		2,385	2,304
Occupancy Costs		3,585	3,293
Health, Medical & Safety		1,395	1,151
Depreciation/amortisation		1,246	1,123
Finance Costs		97	73
Lease Costs		334	250
Movement in obligation to purchase unit title		-	15
Total Operating Expenditure	3	44,006	41,231
Operating Surplus before increase in ORA Expense		1,161	1,929
Increase in ORA Expense	17	545	940
Net Operating Surplus / (Deficit) for the Year		616	989
Share of net surplus / (deficit) Joint Venture	10	28	127
Net Surplus / (Deficit) for the Year		644	1,116
Other Comprehensive Revenue & Expense			
Operating Property Revaluation	12	-	-
Total Comprehensive Revenue and Expense		644	1,116

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Consolidated Statement of Changes in Net Assets / Equity
for the Year ended 30 June 2022

Group	General Reserves	Operating Property Revaluation Reserve	Investment Property Revaluation Reserve	Restricted Reserves Special Reserves	Restricted Reserves Endowment Reserves	Total Equity
Balance 1 July 2020	21,029	25,534	2,584	316	6,590	56,053
Net Surplus/(Deficit) for the Year	1,116	-	-	-	-	1,116
Other Comprehensive Income	-		-	-	-	-
Total Comprehensive Income	1,116	-	-	-	-	1,116
Transfers						
Investment Property Revaluation	(2,490)	-	2,490	-	-	-
Transfers	-	(1,170)	1,170	-	-	-
Transfers - Interest/Bequests	(438)	-	-	10	428	-
Transfers - Expenditure	151	-	-	-	(151)	-
Balance 30 June 2021	19,368	24,364	6,244	326	6,867	57,169
Movements for the year to June 2022						
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

Consolidated Statement of Financial Position

As at 30 June 2022

	Notes	Group 2022 $000's	Group 2021 $000's
Equity			
General Reserves	29	17,097	19,368
Operating Property Revaluation Reserve	29	24,364	24,364
Investment Property Revaluation Reserve	29	8,969	6,244
Restricted Reserves	29	7,383	7,193
Total Equity		57,813	57,169
Represented by :			
Current Assets			
Cash and cash equivalents	6	2,770	2,867
Short term deposits	6	-	1,296
Inventories	7	132	96
Receivables from exchange transactions	8	3,338	3,040
		6,240	7,299
Non Current Assets			
Investment Properties	9	33,105	30,389
Investment in Joint Venture	10	380	352
Intangible Assets	11	431	496
Property, Plant and Equipment	12	45,365	44,336
		79,281	75,573
Total Assets		85,521	82,872
Current Liabilities			
Accounts Payable and Accruals from exchange transactions	13	2,513	2,415
Retirement Village Deferred Income	15	1,031	1,054
Borrowings	16	470	2,426
Refundable portion - Occupation Right Agreements	17	15,380	14,242
Obligations to purchase Unit Titles	18	-	335
Employee Entitlements	14	4,950	5,014
		24,344	25,486
Non Current Liabilities			
Borrowings	16	3,364	217
Total Liabilities		27,708	25,703
Total Net Assets		57,813	57,169

Signed on behalf of the Board as at 28th September 2022

Mr Timothy Mepham
Chairman

Mrs Stephanie Pettigrew
Deputy Chair

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

Consolidated Statement of Cash Flows
for the Year ended 30 June 2022

	Notes	Group 2022 $000's	Group 2021 $000's
CASH FLOW FROM OPERATING ACTIVITIES			
Cash was Provided from :			
Goods & Services provided		39,885	38,614
Proceeds from Occupation Right Agreements		3,310	2,450
Bequests received		72	231
Grants and Donations received		860	737
Investment & Other Income		315	388
		44,442	42,420
Cash was applied to :			
Employees and Suppliers		42,566	39,396
Refunds of Occupation Right Agreements		1,918	1,349
Interest Paid		97	73
		44,581	40,818
Net Cash flows from Operating Activities	5	(139)	1,602
CASH FLOW FROM INVESTING ACTIVITIES			
Cash was Provided from :			
Proceeds from Short Term Deposits		1,296	-
		1,296	-
Cash was applied to :			
Purchase of Property, Plant and Equipment		2,117	713
Purchase of Investments - Investment Properties		328	1,441
Investments in Short Term Deposits		-	25
		2,445	2,179
Net Cash flows from/(to) Investing Activities		(1,149)	(2,179)
CASH FLOW FROM FINANCING ACTIVITIES			
Cash was Provided from :			
Proceeds from Borrowings		1,500	1,000
		1,500	1,000
Cash was applied to :			
Settlement of Loans		309	306
Net Cash flows from/(to) Financing Activities		1,191	694
Net (Decrease)/Increase in cash held		(97)	117
Opening Balance of cash and cash equivalents		2,867	2,750
Closing Balance of cash and cash equivalents		2,770	2,867
Represented by :			
Cash and Cash Equivalents		2,770	2,867
	6	2,770	2,867

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 2022

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 and biological assets 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 consolidated financial statements have been approved for issue by the Board on 28 September 2022.

Impact of COVID-19

On 11 March 2020, the World Health Organisation declared a global pandemic as a result of the outbreak and spread of COVID-19. On 25 March 2020, New Zealand went into a Level 4 lockdown status requiring all non-essential businesses whose employees could not work from home to close for a four week period (extended by a further 5 days to 27 April 2020). The Group's core operations (aged care – rest homes and retirement villages) were deemed essential services and, as a result, the Group was able to operate in a reduced capacity with no material impact on the balances or disclosures in the consolidated financial statements, except for a greater degree of uncertainty attached to the valuation of the Group's properties, as described in and Note 12.

Management and the Board have considered the impact of Covid-19 on relevant balances and disclosures in the previous years consolidated financial statements and had a reasonable expectation that the Group would continue operating on a financially sustainable basis for the next 12 months. For this reason the consolidated financial statements were prepared on a going concern basis, consistent with the prior period. The impact of Covid-19 has also been considered as at 30 June 2022, and it has resulted in ongoing staffing shortages which limit the capacity and therefore revenue generated from the aged care rest homes. Despite these limitations the Group continues to operate as a going concern.

The accounting policies set out below have been applied in preparing the consolidated financial statements for the year ended 30 June 2022 and the comparative information presented for the year ended 30 June 2021.

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.

(i) 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.

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(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 to 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.

(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.

(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.

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 Income Statements 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.

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 2021 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.

Service Performance Reporting
PBE FRS48 Service Performance Reporting establishes principles and requirements for presenting service performance and information that is useful for accountability and decision making purposes. These high level requirements provide flexibility for entities to determine how best to "tell their story". The effective date is annual periods beginning on or after 1 January 2022, with early adoption permitted.
The Group has not yet assessed the effects of the new standard.

Notes to the Consolidated Financial Statements - continued

for the Year ended 30 June 2022

	Group 2022 $000's	Group 2021 $000's
2. Revenue Received		
Enliven Services		
Residential - Rest Home	7,668	7,189
Residential - Hospital	20,198	19,186
Residential - Dementia	4,738	4,558
Residential - Psychogeriatric	2,037	2,161
Residential - Premium Fees	853	745
Residential - Other Income	1,294	1,418
Enliven Community Programmes	374	213
	37,162	35,470
Family Works		
Social Work Support	909	1,559
Youth Development	587	527
Financial Inclusion services	900	387
Group Programmes	123	0
Adult Mental Health services	142	122
Other	14	103
	2,675	2,698
Other Activities	1,358	1,108
Legacies / Bequests	72	231
Interest Income	10	19
Rental & Estate Income	304	334
Retirement Village Income	861	810
	2,605	2,502
Movement in fair value of Investment Properties	2,725	2,490
Total Operating Income for year	**45,167**	**43,160**
Revenue from exchange transactions		
Income from services	38,913	37,108
Sale of Goods	1,273	1,431
Interest Income	10	19
Investment & Other Income	1,316	1,144
Movement in fair value of Investment Properties	2,725	2,490
	44,237	42,192
Revenue from non-exchange transactions		
Donations received in cash	367	355
Grants	491	383
Bequests	72	230
	930	968
Total Operating Income for year	**45,167**	**43,160**

Notes to the Consolidated Financial Statements - continued
for the Year ended 30 June 2022

3. Expenditure

	Group 2022 $000's	Group 2021 $000's
Enliven Services		
Residential	37,365	34,992
Enliven Community Programmes	408	225
	37,773	35,217
Family Works		
Social Work Support	1,491	1,856
Youth Development	868	723
Financial Inclusion services	946	484
Group Programmes	134	10
Adult Mental Health services	127	133
Other	189	242
	3,755	3,448
Other Activities	2,478	2,566
Total Costs of Services	**44,006**	**41,231**

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

	Group 2022 $000's	Group 2021 $000's
Gain in the value of Investment Property	2,725	2,490
	2,725	2,490

The net gain of $2,725K in Investment Property reflects the movements resulting from 30 June 2022 valuation undertaken by registered valuers Telfer Young of commercial and other investment properties (2021 $2,490K).

5. Reconciliation of Surplus with Cash Flows from Operating Activity

	Group 2022 $000's	Group 2021 $000's
Surplus (Deficit) for Year	644	1,116
Add non-cash items:		
Depreciation/amortisation	1,246	1,123
Loss on Disposal of Assets	7	28
Retirement Village Income accrued	(861)	(774)
Fair value losses / (gains) on Investment Properties	(2,725)	(2,490)
Movement in obligation to purchase Unit Titles	-	15
Revaluation of Occupation Right Agreements	545	940
Business combination - Bargain purchase gain	(150)	-
Fair value losses / (gains) on Property, Plant & Equipment	-	(5)
Fair value (gains) / losses on JV Investments	(28)	(127)
	(1,966)	(1,290)
Changes in Working Capital		
Decrease / (Increase) in Receivables	(299)	(114)
Decrease / (Increase) in Inventory	(36)	10
Increase / (Decrease) in Accounts Payable & Accruals	148	58
Increase / (Decrease) in Employee Entitlements	(64)	721
Increase / (Decrease) in Occupation Right Agreements	1,434	1,101
	1,183	1,776
Net Cash Flow from Operating Activities	(139)	1,602

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Notes to the Consolidated Financial Statements - continued
for the Year ended 30 June 2022

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

	Group 2022 $000's	Group 2021 $000's
Cash at bank and in hand	2,770	2,867
Short-term deposits	-	1,296

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.
Short-term deposits are made for varying periods of three and six months, depending on the immediate cash requirements of Presbyterian Support Otago Incorporated.

7. Current Assets - Inventories

	Group 2022 $000's	Group 2021 $000's
Merchandise and work in progress	132	96

8. Current Assets - Receivables

	Group 2022 $000's	Group 2021 $000's
Trade Receivables	2,994	2,570
Other Receivables	8	40
Funds held on behalf of clients	336	430
	3,338	3,040

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 to prepayments and village outgoings and the loan to residents is a non-interest bearing loan relating to the deferred settlement of a Wanaka Retirement Village occupation right agreement. 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 2022 $000's	Group 2021 $000's
Opening balance as at 1 July	30,389	6,558
Additions	177	1,465
Transfer from Property, Plant and Equipment	-	19,876
Disposals/Write downs	(186)	-
Net gain / (loss) from fair value adjustments	2,725	2,490
Closing balance as at 30 June	33,105	30,389

Investment properties are carried at fair value, $33,105K (2021 $30,389K) and therefore not depreciated, which has been determined based on valuations performed by a qualified independent external valuer Telfer Young as at 30 June 2022. The 2021 valuation was performed by Telfer Young. Revaluations take place annually.

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 2022, 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. (2021 Nil)

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

	Group 2022 $000's	Group 2021 $000's
Rental Income from Investment Properties	262	250
Direct operating expenses arising from investment properties that generate rental income	137	104

10. Non-Current Assets - Investments in Joint Venture

	Group 2022 $000's	Group 2021 $000's
Opening balance as at 1 July	352	225
Additions / (Disposals)	-	-
Share of Net surplus / (deficit)	28	127
Share of Operating Property Revaluation	-	-
Impairment expense	-	-
Unrecognised losses	-	-
Closing balance as at 30 June	380	352

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	Revenues $000's	Op Property Revaln's & Expenses $000's
Aspiring Enliven Care Centre Limited Partnership	**2022**	161	8,128	12	7,523	614	565
	2021	457	8,233	12	7,973	815	560

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 $381K (2021 $352K).

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 2022 (2021 $3.6 million).
Capital commitments relating to the Group's share in the joint venture are Nil (2021 Nil).

11. Non-Current Assets - Intangible Assets

Computer Software	Group 2022 $000's	Group 2021 $000's
Gross carrying amount		
Opening Balance	978	880
Additions	87	26
Disposals/Transfers	-	72
Closing Balance	1,065	978
Accumulated amortisation and impairment		
Opening Balance	(482)	(535)
Current year amortisation	(152)	(116)
Amortisation written back on disposal	-	169
Closing Balance	(634)	(482)
Carrying amount	431	496

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

Group 2022	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 2021	9,530	32,371	4,217	6,502	1,776	107	54,503
Additions	-	-	129	288	119	103	639
Additions - Business Combination	1,080	255	83	82	-	-	1,500
Revaluation movements	(10)	-	-	-	-	-	(10)
Revaluation uplift of ORA value	-	-	-	-	-	-	-
Disposals	-	-	(2)	(82)	(73)	-	(157)
Transfer to Investment Property	-	-	-	-	-	-	-
Transfers					87	(87)	-
Balance 30 June 2022	10,600	32,626	4,427	6,790	1,909	123	56,475
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	-	(1,157)	(3,320)	(5,325)	(1,308)	-	(11,110)
Carrying amount 30 June 2022	10,600	31,469	1,107	1,465	601	123	45,365

Group 2021	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 2020	14,230	47,465	4,115	6,312	1,555	393	74,070
Additions	-	75	102	275	48	241	741
Revaluation movements	-	-	-	-	-	-	-
Revaluation uplift of ORA value	10	-	-	-	-	-	10
Disposals	-	-	-	(85)	(113)	-	(198)
Transfer to Investment Property	(4,710)	(15,169)	-	-	-	-	(19,879)
Transfers	-	-	-	-	286	(527)	(241)
Balance 30 June 2021	9,530	32,371	4,217	6,502	1,776	107	54,503
Accumulated depreciation and impairment							
Balance 1 July 2020	-	(12)	(3,101)	(5,022)	(1,199)	-	(9,334)
Current year depreciation	-	(734)	(108)	(226)	(99)	-	(1,167)
Depreciation written back on disposal	-	-	-	79	92	-	171
Revaluation adjustment	-	163	-	-		-	163
Balance 30 June 2021	-	(583)	(3,209)	(5,169)	(1,206)	-	(10,167)
Carrying amount 30 June 2021	9,530	31,788	1,008	1,333	570	107	44,336

The latest valuation of Residential Facilities, including Land and Buildings was the valuation by qualified, independent, external valuers Telfer Young as at 30 June 2020. Telfer Young are appropriately qualified and experienced in valuing rest home properties in New Zealand. The movement in value of these assets has was put through the Operating Property Revaluaton Reserve.
The valuer has considered the impact of COVID-19 in the assumptions used at the time of the valuation. However, the valuation also inculded a statement that due to the severe market disruption and lack of transactional data as a result of COVID-19, a greater degree of uncertainty is attached to the valuation.

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 $59,962K (2021 $59,540K) 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.

Notes to the Consolidated Financial Statements - continued
for the Year ended 30 June 2022

13. Current Liabilities - Accounts Payable and Accruals

	Group 2022 $000's	Group 2021 $000's
Trade Creditors	769	832
Accruals	1,132	942
Amounts owing to clients	336	429
GST Payable	276	212
	2,513	2,415

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

14. Current Liabilities - Employee Entitlements

	Group 2022 $000's	Group 2021 $000's
Annual leave	3,176	3,425
Time in Lieu leave	802	581
Wages and salaries	843	933
Long Service Leave	129	75
	4,950	5,014

Movements in Provisions

	Annual Leave	Time in Lieu Leave	Wages & Salaries	Long Service Leave	Total
Carrying amount as at 1 July 2021	3,425	581	933	75	5,014
Net movement for period	-249	221	-90	54	-64
Carrying amount as at 30 June 2022	3,176	802	843	129	4,950

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.

Time in Lieu leave

This provision represents the present value of time earnt in lieu of taking, in general, 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 pay rate of the employee at the time of taking any accrued 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.

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15. Current Liabilities - Retirement Village Deferred Income

	Group 2022 $000's	Group 2021 $000's
Deferred Income - Wanaka Retirement Village	750	781
Deferred Income - Ranui Court	266	255
Deferred Income - Columba Court	15	18
	1,031	1,054

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 2022 $000's	Group 2021 $000's
Current		
Secured bank loan	470	2,426
Non-Current		
Secured bank loan	3,364	217
	3,834	2,643

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 4.15%. The total outstanding at balance date is $218K (2021 $356K). 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 $2,115K (2021 $2,287K)
The third loan has a maturity date of 27 June 2024 and has a current interest rate of 5.3%. The total outstanding at balance date is $1,500K (2021 Nil)
As of 30 June 2022 this facility has a drawn down balance of $3,834K (2021 $2,643K).

Overdraft Facility - $150K limit, floating interest rate tied to the Westpac NZ special lending rate
As at 30 June 2022 this facility has a drawn down balance of nil (2021 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.

There have been no breaches of the covenants with Westpac NZ Limited during the year to June 2022 (2021 nil).

17. Current refundable portion - Occupation Right Agreements

	Group 2022 $000's	Group 2021 $000's
Refundable amounts held - per contract	15,380	14,242
Movements in Provisions		
Carrying amount as at 1 July	14,242	13,046
New refundable amounts received	3,310	2,450
Refundable amounts paid out	(1,918)	(1,349)
Change in termination amount due	(799)	(855)
ORA Revaluation	545	940
Revaluation adjustment	-	10
Carrying amount as at 30 June	15,380	14,242

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 2022 has meant that the Group's refundable portion to residents has increased as of balance date by $545K (2021 $940K).
This increase in liability is reflected in the Consolidated Statement of Comprehensive Revenue and Expense as a separate expense for clarity.

18. Obligations to Purchase Unit Titles

	Group 2022 $000's	Group 2021 $000's
Obligations - Ranui Court	-	335

The obligation to purchase unit titles relates to original contracts at Ranui Court. Under this original contract the title is held by the resident and the Group has an obligation to purchase the title upon termination. These contracts are being replaced with Occupation Right Agreements. During the year to June 2022 the last remaining contract of this type was exercised, the title was purchased by the Group and a new Occupation Right Agreement was issued. (2021, one contract).

19. Financial Instruments

Categories of Financial Instruments

	Group 2022 $000's	Group 2021 $000's
Loans and Receivables - including cash and cash equivalents, short term deposits	6,108	7,203
Financial Liabilities at Amortised Cost	21,714	19,635

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 - 2022

	Effective Interest Rate %	Financial Instrument Maturities $000's				
		Current	1 - 2 years	2 - 5 years	Over 5 years	Total
Assets						
Cash and Bank	0.02%	2,770	-	-	-	2,770
Short term deposits	0.00%	-	-	-	-	-
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
Obligations to purchase Unit Titles	0.00%	-	-	-	-	-
Accounts Payable and Accruals	0.00%	2,513	-	-	-	2,513
		18,350	3,364	-	-	21,714

Group - 2021

	Effective Interest Rate %	Financial Instrument Maturities $000's				
		Current	1 - 2 years	2 - 5 years	Over 5 years	Total
Assets						
Cash and Bank	0.05%	2,867	-	-	-	2,867
Short term deposits	0.80%	1,296	-	-	-	1,296
Receivables	0.00%	3,040	-	-	-	3,040
		7,203	-	-	-	7,203
Liabilities						
Term Advance	2.64%	-	217	-	-	217
Short Term Advance	2.64%	2,426	-	-	-	2,426
Refundable portion - ORA's	0.00%	14,242	-	-	-	14,242
Obligations to purchase Unit Titles	0.00%	335	-	-	-	335
Accounts Payable and Accruals	0.00%	2,415	-	-	-	2,415
		19,418	217	-	-	19,635

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 (2021 - $29K) with everything else being held constant.
Short Term Deposits - the impact on profit and loss of a 100 basis point shift in interest rates would be an increase or decrease of $6K for the Group (2021 - $13K) 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 $32K for the Group (2021 - $23K) 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 $6,109K (2021 - $7,203K).

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.

	2022 **$000's**	**2021** **$000's**
Not past due	2,763	2,384
Past due 1 - 30 days	127	101
Past due 31 - 60 days	80	49
Past due 61 days +	24	36
	2,994	2,570

(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.

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20. 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 $12,508K (2021 $11,732K). 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 2022 $000's	Number of individuals	Group 2021 $000's	Number of individuals
(a) Key Management Personnel compensation.				
Short-term employee benefits	1,108	8	796	8
Members of governing body	-	9	-	11
(b) Purchase and Sales of Services.				
(i) Purchase of services from Anderson Lloyd - an entity connected with a Trustee	-		35	
(ii) Purchase of services from Rautaki Advice - an entity connected with a Trustee	6		6	
(iii) Purchase of services from Crombie & Price Limited - an entity connected with a Trustee	2		1	
(iv) Purchase of services from Marks & Worth Lawyers - an entity connected with a Trustee	4		12	

Services were purchased from Anderson Lloyd, Rautaki Advice, Crombie & Price and Marks & Worth Lawyers, entities that a Board Member of Presnyterian Support Otago is a Partner/Director of.

	Group 2022 $000's	Group 2021 $000's
(v) Rents received from Landward Management Limited - an entity connected with a Trustee	26	26

Rental income was received from Landward Management Limited, an entity that a Board Member of Presbyterian Support Otago Incorporated is a Director of.

	Group 2022 $000's	Group 2021 $000's
(vi) Donations and Grants received from Mercy Hospital Limited and Harvey Green Wyatt Limited - an entity connected with a Trustee	3	13

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.

	Group 2022 $000's	Group 2021 $000's
Payables to Related Parties	12	1

(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.

Notes to the Consolidated Financial Statements - continued

for the Year ended 30 June 2022

21. Auditor Remuneration

The following remuneration was incurred with the Group's auditors

	Group 2022 $000's	Group 2021 $000's
Audit Services	65	59
Other Services - Trustee reporting	3	3
Other Services - Compliance advice	-	-
	68	62

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

22. Operating Lease Commitments - Group as Lessee

Non cancellable operating lease rental commitments are payable as follows:

	Group 2022 $000's	Group 2021 $000's
Not later than one year	62	61
Later than one year but not later than five years	9	8
Later than five years	-	-
	71	69

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 range from 2 years, with 2 lots of 3 year renewals, to 4 years, with 2 lots of 4 year renewals.

23. Capital Expenditure Commitments

The Group has no capital commitments as at 30 June 2022, (2021 - Nil)

24. Contingent Liabilities and Assets

There are no known outstanding contingent liabilities or assets affecting the Group, (2021 - Nil).

25. Government Grants

	Group 2022 $000's	Group 2021 $000's
Government Grants recognised in the Income Statement	68	66

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

26. Grants Acknowledgment

	Group 2022 $000's	Group 2021 $000's
Department of Internal Affairs - Lottery Community	40	35
Dunedin City Council - Rates Relief Grant	28	26
Dunedin City Council - Community Grant Scheme	-	5
Otago Community Trust - Social Services Grant	95	75
Otago Community Trust - COVID 19 response	5	-
Central Lakes Trust	67	74

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

27. Operating Leases - Group as lessor

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

	Group 2022 $000's	Group 2021 $000's
Not later than one year	95	96
Later than one year but not later than five years	93	-
Later than five years	-	-
	188	96

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.

28. Events occurring after Balance Date

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

29. 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 2020.

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 bequested 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.

30. Business Combination

On 27 June 2022, Presbyterian Support Otago Incorporated acquired the Castlewood Nursing Home aged care facility business and assets for consideration of $1,350,000.
The following table summarises the consideration paid and the fair value of the assets acquired at the acquisition date.

Purchase price consideration - cash paid	1,350
Total purchase price consideration	1,350

The assets recognised as a result of the acquisition are as follows,
Recognised amounts of identifiable assets acquired;

Property, plant and equipment	1,500
Less - Purchase price consideration	1,350
Bargain purchase gain	150

A bargain purchase gain of $150,000 is recognised within Investment and Other Income in the Consolidated Statement of Comprehensive Revenue and Expense.. Acquisition costs of $45,019 are recognised as an expense within general operating expenses in the Consolidated Statement of Comprehensive Revenue and Expense.

Independent auditor's report

To the Board of Presbyterian Support Otago Incorporated

Our opinion

In our opinion, the accompanying consolidated financial statements of Presbyterian Support Otago Incorporated (the Charitable Trust), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2022, its financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the statement of financial position as at 30 June 2022;
- the statement of comprehensive revenue and expense for the year then ended;
- the statement of changes in net assets/equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a statement of accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

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.

Our firm carries out other services for the Group by providing 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 consolidated financial statements and our auditor's report thereon.

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

Responsibilities of the Board for the consolidated financial statements

The Board are responsible, on behalf of the Charitable Trust, for the preparation and fair presentation of the consolidated financial statements in accordance with Public Benefit Entity Standards, and for such internal control as the Board determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the 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 consolidated financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at
https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-7/

This description forms part of our auditor's report.

Who we report to

This report is made solely to the 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:

PricewaterhouseCoopers

Chartered Accountants   Dunedin
28 September 2022