Presbyterian Support Otago Incorporated

Consolidated Financial Statements

For the year ended 30 June 2020

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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Dunedin 9054
New Zealand

Bankers
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Auditors
PricewaterhouseCoopers
P O Box 5848
Dunedin 9058
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Presbyterian Support Otago Incorporated

Consolidated Statement of Comprehensive Revenue and Expense

for the Year ended 30 June 2020

	Notes	Group 2020 $000's	Group 2019 $000's
Revenue			
Income from services		36,261	34,093
Sale of Goods		1,248	1,159
Donations/Grants/Bequests		1,925	855
Interest Income		33	66
Other Investment Income		1,200	848
Movement in fair value of Investment Properties	4	459	426
Total Operating Income	2	41,126	37,447
Expenses			
Employment related		28,443	26,328
General Operating		2,249	2,023
Advertising & Marketing		147	118
Office & Administration		708	464
Servicing Resources		2,278	2,147
Occupancy Costs		3,270	3,317
Health, Medical & Safety		1,118	1,077
Depreciation/amortisation		1,339	1,342
Finance Costs		58	83
Lease Costs		224	212
Movement in obligation to purchase unit title		70	-
Total Operating Expenditure	3	39,904	37,111
Operating Surplus before increase in ORA Expense		1,222	336
Increase in ORA Expense	17	1,263	-
Net Operating Surplus / (Deficit) for the Year		(41)	336
Share of net surplus / (deficit) Joint Venture	10	(487)	3
Net Surplus / (Deficit) for the Year		(528)	339
Other Comprehensive Revenue & Expense			
Operating Property Revaluation	12	8,834	-
Total Comprehensive Revenue and Expense		8,306	339

Consolidated Statement of Changes in Net Assets / Equity

for the Year ended 30 June 2020

Group				Restricted Reserves		
	General Reserves	Operating Property Revaluation Reserve	Investment Property Revaluation Reserve	Special Reserves	Endowment Reserves	Total Equity
Balance 1 July 2018	23,217	16,700	1,699	300	5,492	47,408
Net Surplus/(Deficit) for the Year	339	-	-	-	-	339
Other Comprehensive Income	-	-	-	-	-	-
Total Comprehensive Income	339	-	-	-	-	339
Transfers						
Investment Property Revaluation	(426)	-	426	-	-	-
Transfers - Interest/Bequests	(383)	-	-	9	374	-
Transfers - Expenditure	151	-	-	(2)	(149)	-
Balance 30 June 2019	22,898	16,700	2,125	307	5,717	47,747
Movements for the year to June 2020						
Net Surplus/(Deficit) for the Year	(528)	-	-	-	-	(528)
Other Comprehensive Income	-	8,834	-	-	-	8,834
Total Comprehensive Income	(528)	8,834	-	-	-	8,306
Transfers						
Investment Property Revaluation	(459)	-	459	-	-	-
Transfers - Interest/Bequests	(1,033)	-	-	9	1,024	-
Transfers - Expenditure	151	-	-	-	(151)	-
Balance 30 June 2020	21,029	25,534	2,584	316	6,590	56,053

Presbyterian Support Otago Incorporated

Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	Group 2020 $000's	Group 2019 $000's
Equity			
General Reserves	29	21,029	22,898
Operating Property Revaluation Reserve	29	25,534	16,700
Investment Property Revaluation Reserve	29	2,584	2,125
Restricted Reserves	29	6,906	6,024
Total Equity		56,053	47,747
Represented by :			
Current Assets			
Cash and cash equivalents	6	2,750	1,914
Short term deposits	6	1,271	1,346
Inventories	7	106	160
Receivables from exchange transactions	8	2,926	2,714
		7,053	6,134
Non Current Assets			
Investment Properties	9	6,558	4,002
Investment in Joint Venture	10	225	447
Intangible Assets	11	345	106
Property, Plant and Equipment	12	64,736	56,311
		71,864	60,866
Total Assets		78,917	67,000
Current Liabilities			
Accounts Payable and Accruals from exchange transactions	13	2,306	2,220
Retirement Village Deferred Income	15	950	777
Borrowings	16	287	580
Refundable portion - Occupation Right Agreements	17	13,046	11,809
Obligations to purchase Unit Titles	18	320	250
Employee Entitlements	14	4,292	3,617
		21,201	19,253
Non Current Liabilities			
Borrowings	16	1,663	-
Total Liabilities		22,864	19,253
Total Net Assets		56,053	47,747

Signed on behalf of the Board as at 23rd September 2020

Mr Timothy Mepham
Chairman

Mrs Stephanie Pettigrew
Deputy Chair

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Consolidated Statement of Cash Flows
for the Year ended 30 June 2020

	Notes	Group 2020 $000's	Group 2019 $000's
CASH FLOW FROM OPERATING ACTIVITIES			
Cash was Provided from :			
Services provided		37,314	34,983
Proceeds from Occupation Right Agreements		3,320	3,240
Bequests received		956	147
Grants and Donations received		969	707
Investment Income		336	333
		42,895	39,410
Cash was applied to :			
Employees and Suppliers		37,534	35,387
Refunds of Occupation Right Agreements		2,765	2,144
Interest Paid		58	82
		40,357	37,613
Net Cash flows from Operating Activities	5	2,538	1,797
CASH FLOW FROM INVESTING ACTIVITIES			
Cash was Provided from :			
Proceeds from Short Term Deposits		75	780
		75	780
Cash was applied to :			
Purchase of Property, Plant and Equipment		785	870
Purchase of Investments - Joint Venture		265	315
Purchase of Investments - Investment Properties		2,097	-
Investments in Short Term Deposits		-	-
		3,147	1,185
Net Cash flows from/(to) Investing Activities		(3,072)	(405)
CASH FLOW FROM FINANCING ACTIVITIES			
Cash was Provided from :			
Proceeds from Borrowings		1,500	-
		1,500	-
Cash was applied to :			
Settlement of Loans		130	1,441
Net Cash flows from/(to) Financing Activities		1,370	(1,441)
Net (Decrease)/Increase in cash held		836	(49)
Opening Balance of cash and cash equivalents		1,914	1,963
Closing Balance of cash and cash equivalents		2,750	1,914
Represented by :			
Cash and Cash Equivalents		2,750	1,914
	6	2,750	1,914

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 2020

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, counselling, 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 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 23 September 2020.

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 financial statements, except for a greater degree of uncertainty attached to the valuation of the Group's properties, as described in Notes 9 and Note 12.
Management and the Board have considered the impact of Covid-19 on relevant balances and disclosures in the financial statements and have a reasonable expectation that the Group will continue operating on a financially sustainable basis for the next 12 months. For this reason the financial statements have been prepared on a going concern basis, consistent with the prior period.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2020 and the comparative information presented for the year ended 30 June 2019.

Specific Accounting Policies

(a) ***Principles of Consolidation***
The Group 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 financial statements.
The consolidated 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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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 15% for Columba Court of the market value of the licence. The village contribution is accrued to the 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 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 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 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.

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Presbyterian Support Otago Incorporated

Notes to the Financial Statements - continued

for the Year ended 30 June 2020

(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 Statement of Comprehensive Revenue and Expense in the year in which they arise.

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

Types of assets that make up operating property include, Rest Homes, Retirement Villages, 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.

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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 Statement of Financial Position, except to the extent that it it reverses a revaluation decrease of the same asset class previously recognised in the Statement of Comprehensive Revenue and Expense, in which case the increase is recognised as revenue in the Statement of Comprehensive Revenue and Expense. 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 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 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 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 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 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 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 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.
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 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. Refer to note 9 for key assumptions made and methodologies used.

(s) ***Statement of Cash Flows***

The Statement of Cash Flows is prepared exclusive of Goods and Services Tax (GST), which is consistent with the method used in the 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, plant and equipment.
'Financial activities' are those activities relating to changes in the debt capital structure of the Group.

Notes to the Financial Statements - continued
for the Year ended 30 June 2020

(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 2019 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 assesed 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 assesed the effects of the new standard.

(u) ***Prior year comparatives***

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

Presbyterian Support Otago Incorporated

Notes to the Consolidated Financial Statements - continued

for the Year ended 30 June 2020

2. Revenue Received

	Group 2020 $000's	Group 2019 $000's
Enliven Services		
Residential - Rest Home	6,743	7,327
Residential - Hospital	18,908	16,747
Residential - Dementia	4,499	4,482
Residential - Psychogeriatric	2,135	1,991
Residential - Premium Fees	657	472
Residential - Other Income	1,566	1,535
Enliven Community Programmes	264	233
	34,772	32,787
Family Works		
Counselling and Therapeutic Groups	-	63
Specialist Children / Youth Services	639	622
Client Services	1,552	1,204
Community Development	371	209
Other	174	172
	2,736	2,270
Other Activities	970	902
Legacies / Bequests	956	148
Interest Income	33	66
Rental & Estate Income	303	270
Retirement Village Income	897	578
	3,159	1,964
Movement in fair value of Investment Properties	459	426
Total Operating Income for year	**41,126**	**37,447**
Revenue from exchange transactions		
Income from services	36,261	34,093
Sale of Goods	1,248	1,159
Interest Income	33	66
Other Investment Income	1,200	848
Movement in fair value of Investment Properties	459	426
	39,201	36,592
Revenue from non-exchange transactions		
Donations received in cash	602	369
Grants	367	338
Bequests	956	148
	1,925	855
Total Operating Income for year	**41,126**	**37,447**

3. Expenditure

	Group 2020 $000's	Group 2019 $000's
Enliven Services		
Residential	33,833	31,358
Enliven Community Programmes	240	200
	34,073	31,558
Family Works		
Counselling and Therapeutic Groups	-	155
Specialist Children / Youth Services	764	771
Client Services	2,138	1,699
Community Development	434	351
Other	350	349
	3,686	3,325
Other Activities	2,145	2,228
Total Costs of Services	**39,904**	**37,111**

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Presbyterian Support Otago Incorporated

Notes to the Consolidated Financial Statements - continued
for the Year ended 30 June 2020

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

	Group 2020 $000's	Group 2019 $000's
Gain in the value of Investment Property	459	426
Write down of Investment Property	-	-
	459	426

The net gain of $459K in Investment Property reflects the movements resulting from 30 June 2020 valuation undertaken by registered valuers Telfer Young of commercial and other investment properties (2019 $426K).

5. Reconciliation of Surplus with Cash Flows from Operating Activity

	Group 2020 $000's	Group 2019 $000's
Surplus (Deficit) for Year	8,306	339
Add non-cash items:		
Depreciation/amortisation	1,339	1,342
Loss on Disposal of Assets	2	30
Retirement Village Income accrued	(897)	(578)
Fair value losses / (gains) on Investment Properties	(459)	(426)
Movement in obligation to purchase Unit Titles	70	-
Revaluation of Occupation Right Agreements	1,263	-
Fair value losses / (gains) on Property, Plant & Equipment	(8,834)	(310)
Fair value (gains) / losses on JV Investments	487	(3)
	(7,029)	55
Changes in Working Capital		
Decrease / (Increase) in Receivables	(195)	(268)
Decrease / (Increase) in Inventory	54	(13)
Increase / (Decrease) in Accounts Payable & Accruals	172	(66)
Increase / (Decrease) in Employee Entitlements	675	344
Increase / (Decrease) in Occupation Right Agreements	555	1,406
	1,261	1,403
Net Cash Flow from Operating Activities	2,538	1,797

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

	Group 2020 $000's	Group 2019 $000's
Cash at bank and in hand	2,750	1,914
Short-term deposits	1,271	1,346

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 2020 $000's	Group 2019 $000's
Merchandise and work in progress	106	160

8. Current Assets - Receivables

	Group 2020 $000's	Group 2019 $000's
Trade Receivables	2,482	2,238
Receivable owing by residents	8	59
Funds held on behalf of clients	436	417
	2,926	2,714

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 2020 $000's	Group 2019 $000's
Opening balance as at 1 July	4,002	3,576
Additions	2,097	-
Disposals/Write downs	-	-
Net gain / (loss) from fair value adjustments	459	426
Closing balance as at 30 June	6,558	4,002

Investment properties are carried at fair value, $6,558K (2019 $4,002K) and therefore not depreciated, which has been determined based on valuations performed by a qualified independent external valuer Telfer Young as at 30 June 2020. The 2019 valuation was performed by Telfor Young. Revaluations take place annually.
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 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 2020, 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. (2019 Nil)

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

	Group 2020 $000's	Group 2019 $000's
Rental Income from Investment Properties	255	220
Direct operating expenses arising from investment properties that generate rental income	100	102

10. Non-Current Assets - Investments in Joint Venture

	Group 2020 $000's	Group 2019 $000's
Opening balance as at 1 July	447	129
Additions / (Disposals)	265	315
Share of Net surplus / (deficit)	(11)	3
Share of Operating Property Revaluation	(476)	-
Impairment expense	-	-
Unrecognised losses	-	-
Closing balance as at 30 June	225	447

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	**2020**	123	8,343	44	7,973	506	1,480
	2019	226	7,417	414	6,335	448	442

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. As of 30 June 2020 the Operating Property of the partnership was valued 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 net value of investment in the partnership is $225K (2019 $447K).

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 2020 (2019 $2.5 million).
Capital commitments relating to the Group's share in the joint venture are Nil (2019 $896K).

11. Non-Current Assets - Intangible Assets

Computer Software	Group 2020 $000's	Group 2019 $000's
Gross carrying amount		
Opening Balance	563	560
Additions	317	3
Closing Balance	880	563
Accumulated amortisation and impairment		
Opening Balance	(457)	(385)
Current year amortisation	(78)	(72)
Closing Balance	(535)	(457)
Carrying amount	345	106

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

Group 2020	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 2019	10,201	44,590	4,040	6,189	1,493	453	66,966
Additions	-	71	75	142	151	252	691
Revaluation movements	3,558	2,804	-	-	-	-	6,362
Revaluation uplift of ORA value	471	-	-	-	-	-	471
Disposals	-	-	-	(19)	(89)	-	(108)
Transfers	-	-	-	-	-	(312)	(312)
Balance 30 June 2020	14,230	47,465	4,115	6,312	1,555	393	74,070
Accumulated depreciation and impairment							
Balance 1 July 2019	-	(1,658)	(2,993)	(4,813)	(1,191)	-	(10,655)
Current year depreciation	-	(827)	(108)	(228)	(97)	-	(1,260)
Depreciation written back on disposal	-	-	-	19	89	-	108
Revaluation adjustment	-	2,473	-	-	-	-	2,473
Balance 30 June 2020	-	(12)	(3,101)	(5,022)	(1,199)	-	(9,334)
Carrying amount 30 June 2020	14,230	47,453	1,014	1,290	356	393	64,736

Group 2019	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 2018	9,891	44,543	3,904	6,031	1,446	135	65,950
Additions	-	47	136	229	84	318	814
Revaluation uplift of ORA value	310	-	-	-	-	-	310
Disposals	-	-	-	(71)	(37)	-	(108)
Transfers	-	-	-	-	-	-	-
Balance 30 June 2019	10,201	44,590	4,040	6,189	1,493	453	66,966
Accumulated depreciation and impairment							
Balance 1 July 2018	-	(833)	(2,885)	(4,625)	(1,121)	-	(9,464)
Current year depreciation	-	(825)	(108)	(244)	(91)	-	(1,268)
Depreciation written back on disposal	-	-	-	56	21	-	77
Revaluation adjustment	-	-	-	-	-	-	-
Balance 30 June 2019	-	(1,658)	(2,993)	(4,813)	(1,191)	-	(10,655)
Carrying amount 30 June 2019	10,201	42,932	1,047	1,376	302	453	56,311

The latest valuation of Residential Facilities and Retirement Villages, 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 homes and retirement village properties in New Zealand. The movement in value of these assets has been 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 are 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%.

The valuation is adjusted for cash flows relating to refundable occupation right agreements, resident's share of capital gains and deferred income, which are already recognised separately on the balance sheet and also reflected in the cash flow model.

Resident's interests are secured by a first charge in favour of the Statutory Supervisor, Covenant Trustee Services Limited over the land and buildings owned by the Group.

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 sate of valuation.

Any current year acquisitions are included at cost.

Assets pledged as security
Freehold land and buildings with a carrying amount of $56,480K (2019 $50,058K) 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 2020

13. Current Liabilities - Accounts Payable and Accruals

	Group 2020 $000's	Group 2019 $000's
Trade Creditors	839	879
Accruals	831	759
Amounts owing to clients	435	416
GST Payable	201	166
	2,306	2,220

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

14. Current Liabilities - Employee Entitlements

	Group 2020 $000's	Group 2019 $000's
Annual leave	2,433	2,046
Time in Lieu leave	504	440
Wages and salaries	1,281	1,070
Long Service Leave	74	61
	4,292	3,617

Movements in Provisions

	Annual Leave	Time in Lieu Leave	Wages & Salaries	Long Service Leave	Total
Carrying amount as at 1 July 2019	2,046	440	1,070	61	3,617
Net movement for period	387	64	211	13	675
Carrying amount as at 30 June 2020	2,433	504	1,281	74	4,292

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.

15. Current Liabilities - Retirement Village Deferred Income

	Group 2020 $000's	Group 2019 $000's
Deferred Income - Wanaka Retirement Village	698	554
Deferred Income - Ranui Court	234	199
Deferred Income - Columba Court	18	24
	950	777

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 Statement of Comprehensive Revenue and Expense.

16. Borrowings

	Group 2020 $000's	Group 2019 $000's
Current		
Secured bank loan	287	580
Non-Current		
Secured bank loan	1,663	-
	1,950	580

Terms and conditions

Presbyterian Support Otago Incorporated has a financing arrangement with Westpac NZ Limited, the purpose of this facility is to provide funding for the redevelopment of Iona Kirkness hospital unit.
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 2.75%. The total outstanding at balance date is $492K (2019 $580K). The second loan has a maturity date of 11 December 2021 and has a current interest rate of 2.6%. The total outstanding at balance date is $1,458K (2019 Nil) As of 30 June 2020 this facility has a drawn down balance of $1,950K (2019 $580K).
Overdraft Facility -	$150K limit, floating interest rate tied to the Westpac NZ special lending rate As at 30 June 2020 this facility has a drawn down balance of nil (2019 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 2020 (2019 nil).

17. Current refundable portion - Occupation Right Agreements

	Group 2020 $000's	Group 2019 $000's
Refundable amounts held - per contract	13,046	11,809
Movements in Provisions		
Carrying amount as at 1 July	11,809	11,073
New refundable amounts received	3,320	3,240
Refundable amounts paid out	(2,765)	(2,144)
Change in termination amount due	(1,052)	(670)
ORA Revaluation	1,263	-
Revaluation adjustment	471	310
Carrying amount as at 30 June	13,046	11,809

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 2020 has meant that the Group's refundable portion to residents has increased as of balance date by $1,263K (2019 nil).
This increase in liability is reflected in the Statement of Comprehensive Revenue and Expense as a separate expense for clarity.

18. Obligations to Purchase Unit Titles

	Group 2020 $000's	Group 2019 $000's
Obligations - Ranui Court	320	250

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. As of June 2020 there is one remaining unit title contract (2019, one contract).

Presbyterian Support Otago Incorporated

Notes to the Consolidated Financial Statements - continued
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19. Financial Instruments

Categories of Financial Instruments

	Group 2020 $000's	Group 2019 $000's
Loans and Receivables - including cash and cash equivalents, short term deposits	6,947	5,974
Financial Liabilities at Amortised Cost	17,622	14,858

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 floating rates of interest. Borrowings issued at floating rates expose the Group to market fluctuations in the prevailing interest rates.

Group - 2020

	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%	2,750	-	-	-	2,750
Short term deposits	2.65%	1,271	-	-	-	1,271
Receivables	0.00%	2,926	-	-	-	2,926
		6,947	-	-	-	6,947
Liabilities						
Term Advance	2.64%	-	607	640	416	1,663
Short Term Advance	2.64%	287	-	-	-	287
Refundable portion - ORA's	0.00%	13,046	-	-	-	13,046
Obligations to purchase Unit Titles	0.00%	320	-	-	-	320
Accounts Payable and Accruals	0.00%	2,306	-	-	-	2,306
		15,959	607	640	416	17,622

Group - 2019

	Effective Interest Rate %	Financial Instrument Maturities $000's Current	1 - 2 years	2 - 5 years	Over 5 years	Total
Assets						
Cash and Bank	0.01%	1,914	-	-	-	1,914
Short term deposits	3.10%	1,346	-	-	-	1,346
Receivables	0.00%	2,714	-	-	-	2,714
		5,974	-	-	-	5,974
Liabilities						
Term Advance	4.50%	-	-	-	-	-
Short Term Advance	4.50%	580	-	-	-	580
Refundable portion - ORA's	0.00%	11,809	-	-	-	11,809
Obligations to purchase Unit Titles	0.00%	250	-	-	-	250
Accounts Payable and Accruals	0.00%	2,219	-	-	-	2,219
		14,858	-	-	-	14,858

Sensitivity
Cash Investments - the impact on profit and loss of a 100 basis point shift in interest rates would be an increase or decrease of $13K for the Group (2019 - $17K) 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 $11K for the Group (2019 - $10K) 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, $6,947K (2019 - $5,974K).

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.

	2020 $000's	2019 $000's
Not past due	2,092	2,105
Past due 1 - 30 days	240	72
Past due 31 - 60 days	89	18
Past due 61 days +	61	43
	2,482	2,238

(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
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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 $10,952K (2019 $9,045K). There is no security held by PSO Retirement Villages Limited for this amount due from the parent entity. This advance incurs interest at the rate of 4.5% per annum and is repayable on demand. However the Company is not seeking repayment within one year.

The following transactions were carried out with related parties:

	Group 2020 $000's	Number of individuals	Group 2019 $000's	Number of individuals
(a) Key Management Personnel compensation.				
Short-term employee benefits	854	8	711	5
Members of governing body	-	9	-	10
(b) Purchase and Sales of Services.				
(i) Purchase of services from Anderson Lloyd - an entity connected with a Trustee	36		29	

Services were purchased from Anderson Lloyd, an entity that a Board Member of Presbyterian Support Otago Incorporated is a Partner of.

(ii) 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.

(c) Year-end balances arising from the purchase of services.

Payables to Related Parties	-		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.

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Notes to the Consolidated Financial Statements - continued
for the Year ended 30 June 2020

21. Auditor Remuneration

The following remuneration was incurred with the Group's auditors

	Group 2020 $000's	Group 2019 $000's
Audit Services	48	40
Other Services - Trustee reporting	2	2
Other Services - Compliance advice	2	12
	52	54

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

	Group 2020 $000's	Group 2019 $000's
Non cancellable operating lease rental commitments are payable as follows:		
Not later than one year	90	101
Later than one year but not later than five years	13	103
Later than five years	-	-
	103	204

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 2020, (2019 - $896K)

24. Contingent Liabilities and Assets

There are no known outstanding contingent liabilities or assets affecting the Group, (2019 - Nil).

25. Government Grants

	Group 2020 $000's	Group 2019 $000's
Government Grants recognised in the Income Statement	287	42

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

26. Grants Acknowledgment

	Group 2020 $000's	Group 2019 $000's
Community Organisation Grants Scheme	-	3
Department of Internal Affairs - Lottery Community	18	10
Dunedin City Council - Rates Relief Grant	27	26
Dunedin City Council - Community Grant Scheme	4	4
Otago Community Trust - Social Services Grant	75	75
Otago Community Trust - COVID 19 response	10	-
Central Lakes Trust	65	65

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

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27. Operating Leases - Group as lessor

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

	Group 2020 $000's	Group 2019 $000's
Not later than one year	96	96
Later than one year but not later than five years	-	93
Later than five years	-	-
	96	189

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. The parent leases the land and buildings of Wanaka Retirement Village to PSO Retirement Villages Limited. The term of the lease is for 5 years with 6 rights of renewal of 5 years each.

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.