Presbyterian Support Otago Incorporated

Consolidated Financial Statements

For the year ended 30 June 2016

Presbyterian Support Otago Incorporated

Consolidated Financial Statements

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Presbyterian Support Otago Incorporated

General Information

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Dunedin 9054
New Zealand

Bankers
ANZ Bank
The Octagon
Dunedin 9016
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George Street
Dunedin 9016
New Zealand

Auditors
PricewaterhouseCoopers
P O Box 5848
Dunedin 9058
New Zealand

Presbyterian Support Otago Incorporated

Consolidated Statement of Comprehensive Revenue and Expense

for the Year ended 30 June 2016

	Notes	Group 2016 $000's	Group 2015 $000's
Revenue			
Income from services		25,963	25,268
Sale of Goods		1,045	961
Donations/Grants/Bequests		833	907
Interest Income		85	94
Other Investment Income		835	630
Movement in fair value of Investment Properties		25	-
Total Operating Income	2	28,786	27,860
Expenses			
Employment related		19,575	19,005
General Operating		1,193	1,082
Advertising & Marketing		299	192
Office & Administration		385	371
Servicing Resources		1,701	1,593
Occupancy Costs		2,672	2,739
Health, Medical & Safety		906	1,002
Depreciation/amortisation		1,264	1,275
Finance Costs		138	186
Lease Costs		152	165
Share of net deficit - Joint Venture		24	-
Movement in fair value of Investment Properties		-	48
Total Operating Expenditure	3	28,309	27,658
Surplus for the Year		477	202
Other Comprehensive Income & Expense		-	-
Total Comprehensive Income and Expense		477	202

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

Presbyterian Support Otago Incorporated

Consolidated Statement of Changes in Net Assets / Equity

for the Year ended 30 June 2016

Group	General Reserves	Operating Property Revaluation Reserve	Investment Property Revaluation Reserve	Restricted Reserves Special Reserves	Restricted Reserves Endowment Reserves	Total Equity
Balance 1 July 2014	26,344	9,989	1,397	273	4,764	42,767
Net Surplus for the Year	202	-	-	-	-	202
Total Comprehensive Income	202	-	-	-	-	202
Transfers						
Investment Property Revaluation	48	-	(48)	-	-	-
Transfers - Interest/Bequests	(391)	-	-	9	382	-
Transfers - Expenditure	129	-	-	(2)	(127)	-
Balance 30 June 2015	26,332	9,989	1,349	280	5,019	42,969
Movements for the year to June 2016						
Net Surplus for the Year	477	-	-	-	-	477
Total Comprehensive Income	477	-	-	-	-	477
Transfers						
Investment Property Revaluation	(24)	-	24	-	-	-
Transfers - Interest/Bequests	(299)	-	-	9	290	-
Transfers - Expenditure	135	-	-	(3)	(132)	-
Balance 30 June 2016	26,621	9,989	1,373	286	5,177	43,446

Presbyterian Support Otago Incorporated

Consolidated Statement of Financial Position

As at 30 June 2016

	Notes	Group 2016 $000's	Group 2015 $000's
Equity			
General Reserves	30	26,621	26,332
Operating Property Revaluation Reserve	30	9,989	9,989
Investment Property Revaluation Reserve	30	1,373	1,349
Restricted Reserves	30	5,463	5,299
Total Equity		43,446	42,969
Represented by :			
Current Assets			
Cash and cash equivalents	6	1,226	2,768
Short term deposits	6	1,201	1,527
Inventories	7	88	92
Receivables from exchange transactions	8	1,491	1,199
		4,006	5,586
Non Current Assets			
Investment Properties	9	3,540	3,243
Investment in Joint Venture	10	2,362	298
Biological Assets	11	17	17
Intangible Assets	12	148	9
Property, Plant and Equipment	13	49,266	49,840
		55,333	53,407
Total Assets		59,339	58,993
Current Liabilities			
Accounts Payable and Accruals from exchange transactions	14	1,500	1,732
Retirement Village Deferred Income	16	686	740
Borrowings	17	309	291
Refundable portion - Occupation Right Agreements	18	8,671	8,190
Obligations to purchase Unit Titles	19	235	235
Employee Entitlements	15	2,143	2,426
		13,544	13,614
Non Current Liabilities			
Borrowings	17	2,349	2,410
Total Liabilities		15,893	16,024
Total Net Assets		43,446	42,969

Signed on behalf of the Board as at 28th September 2016.

Mr David Richardson
Chairman

Mrs Gillian Bremner
Chief Executive/Trustee

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

Consolidated Statement of Cash Flows
for the Year ended 30 June 2016

	Notes	Group 2016 $000's	Group 2015 $000's
CASH FLOW FROM OPERATING ACTIVITIES			
Cash was Provided from :			
Services provided		26,756	27,029
Bequests received		60	187
Grants and Donations received		774	720
Investment Income		582	366
		28,172	28,302
Cash was applied to :			
Employees and Suppliers		27,471	26,064
Interest Paid		138	186
		27,609	26,250
Net Cash flows from Operating Activities	5	563	2,052
CASH FLOW FROM INVESTING ACTIVITIES			
Cash was Provided from :			
Proceeds from Occupation Right Agreements		3,195	636
		3,195	636
Cash was applied to :			
Purchase of Property, Plant and Equipment		743	490
Purchase of Investments - Joint Venture		2,064	298
Purchase of Investments - Investment Properties		272	-
Refunds of Occupation Right Agreements		2,505	432
		5,584	1,220
Net Cash flows from/(to) Investing Activities		(2,389)	(584)
CASH FLOW FROM FINANCING ACTIVITIES			
Cash was Provided from :			
Proceeds from Borrowings		250	-
		250	-
Cash was applied to :			
Settlement of Loans		292	270
Net Cash flows from/(to) Financing Activities		(42)	(270)
Net (Decrease)/Increase in cash held		(1,868)	1,198
Opening Balance of cash and cash equivalents		4,295	3,097
Closing Balance of cash and cash equivalents		2,427	4,295
Represented by :			
Cash and Cash Equivalents		1,226	2,768
Short term deposits		1,201	1,527
	6	2,427	4,295

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

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 seven residential aged care facilities across Otago with an eighth being constructed due to open in October 2016. 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).

The consolidated financial statements have been approved for issue by the Board on 28 September 2016.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2016 and the comparative information presented for the year ended 30 June 2015.

Changes in Accounting Policies
These are the Group's first financial statements prepared in accordance with Tier 1 PBE Accounting Standards.
The key impacts on the current and prior period financial statements relate to terminology changes. Given this the Group reported in accordance with New Zealand equivalents to International Financial Reporting Standards for Public Benefit Entities (NZ IFRS PBE) and other New Zealand standards and pronouncements that have authoritative support within New Zealand to be applied for not-for -profit public benefit entities that apply NZ IFRS PBE previously. There are no material measurement or recognition changes. There has been the following change in accounting policy.

(i) Revenue - Revenue now is disclosed split between exchange and non-exchange transactions. For a definition of these revenue types see policy (b) below.

Specific Accounting Policies

(a) ***Principals 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 proportional consolidation method whereby the Group's share of each of the assets, liabilities, expenses and revenues of a jointly controlled entity is combined 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.

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 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 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 obligatioon 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 and accounts payable which 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 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) ***Biological Assets***
Biological assets are measured initially at cost and subsequently at their stated fair value less estimated point of sale costs which reflects market conditions at balance date. Biological assets contained within these financial statements comprise of forestry rights.

(i) ***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.

(j) ***Provisions and Employee Leave Entitlements***
Provisions are recognised when Presbyterian Support Otago Incorporated 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.

(k) ***Taxation***
Presbyterian Support Otago Incorporated and PSO Retirement Villages Limited are charitable organisations and are exempt from income tax and FBT.

(l) ***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 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.

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 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 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 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.
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.

(m) ***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

(n) ***Impairment of non-financial assets***
The carrying amount of the Group's non-financial assets, other than biological 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.

(o) ***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.

(p) ***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.

(q) ***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.

(r) ***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.

(s) ***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) (vi), 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 13 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.

(t) ***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.

(u) ***New and amended standards***
New standards first applied in the period.
XRB A1 (FP Entities + PS PBE's + NFP's - FP Tier 3 and Tier 4 update) have been adopted.
XRB A1 establishes a PBE tier structure and outlines which suite if accounting standards entities in different tiers must follow. The Group has elected to report as a Tier 1 not-for-profit public benefit entity.
The key impacts on the current and prior period financial statements relate to terminology changes. Given this the Group reported in accordance with New Zealand equivalents to International Financial Reporting Standards for Public Benefit Entities (NZ IFRS PBE) and other New Zealand standards and pronouncements that have authoritative support within New Zealand to be applied for not-for -profit public benefit entities that apply NZ IFRS PBE previously. There are no material measurement or recognition changes. There has been the following change in accounting policy.
(i) Revenue - Revenue now is disclosed split between exchange and non-exchange transactions. For a definition of these revenue types see policy (b) above.

Presbyterian Support Otago Incorporated

Notes to the Consolidated Financial Statements - continued

for the Year ended 30 June 2016

	Group 2016 $000's	Group 2015 $000's
2. Revenue Received		
Enliven Services		
Residential - Government Subsidies	19,019	18,322
Residential - Private Fees	5,410	5,419
Residential - Other Income	626	588
Enliven Community Programmes	184	195
	25,239	24,524
Family Works		
Counselling and Therapeutic Groups	75	91
Specialist Children / Youth Services	662	579
Client Services	636	610
Community Development	106	135
Other	161	164
	1,640	1,579
Other Activities	902	846
Legacies / Bequests	60	187
Interest Income	85	94
Rental & Estate Income	284	250
Retirement Village Income	551	380
	1,882	1,757
Movement in fair value of Investment Properties	25	-
Total Operating Income for year	**28,786**	**27,860**
Revenue from exchange transactions		
Income from services	25,963	25,268
Sale of Goods	540	501
Interest Income	85	94
Other Investment Income	835	630
Movement in fair value of Investment Properties	25	-
	27,448	26,493
Revenue from non-exchange transactions		
Donations received in cash	394	383
Grants	380	337
Op Shop sales	504	460
Bequests	60	187
	1,338	1,367
Total Operating Income for year	**28,786**	**27,860**
3. Expenditure		
Enliven Services		
Residential	23,440	22,854
Enliven Community Programmes	231	238
	23,671	23,092
Family Works		
Counselling and Therapeutic Groups	129	135
Specialist Children / Youth Services	786	791
Client Services	1,095	983
Community Development	193	204
Other	338	346
	2,541	2,459
Other Activities	2,097	2,059
Movement in fair value of Investment Properties	-	48
Total Costs of Services	**28,309**	**27,658**

4. Fair value gains (losses) through the Income Statements

	Group 2016 $000's	Group 2015 $000's
Gain / (Loss) in the value of Investment Property	25	(48)
	25	(48)

The net gain of $25K in Investment Property reflects the movements resulting from 30 June 2016 valuation undertaken by registered valuers Chapman Consultancy of commercial and other investment properties (2015 - ($48K).

Biological Assets have not been revalued for the year to 30 June 2016, the last valuation was as at 30 June 2008 undertaken by Laurie Forestry Limited of forestry rights held at Maraeweka North Otago.

5. Reconciliation of Surplus with Cash Flows from Operating Activity

	Group 2016 $000's	Group 2015 $000's
Surplus for Year	477	202
Add non-cash items:		
Depreciation/amortisation	1,264	1,275
Loss on Disposal of Assets	3	1
Retirement Village Income accrued	(339)	(359)
Fair value losses / (gains) on Investment Properties	(25)	48
	903	965
Changes in Working Capital		
Decrease / (Increase) in Receivables	(252)	797
Decrease / (Increase) in Inventory	4	(32)
Increase / (Decrease) in Accounts Payable & Accruals	(288)	94
Increase / (Decrease) in Employee Entitlements	(281)	26
	(817)	885
Net Cash Flow from Operating Activities	563	2,052

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

	Group 2016 $000's	Group 2015 $000's
Cash at bank and in hand	1,226	2,768
Short-term deposits	1,201	1,527
	2,427	4,295

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 between one day and three months, depending on the immediate cash requirements of Presbyterian Support Otago Incorporated.

7. Current Assets - Inventories

	Group 2016 $000's	Group 2015 $000's
Merchandise and work in progress	88	92

8. Current Assets - Receivables

	Group 2016 $000's	Group 2015 $000's
Trade Receivables	1,427	1,135
Receivable owing by residents	55	55
Other Receivables	9	9
	1,491	1,199

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 20.

9. Non-Current Assets - Investment Properties

	Group 2016 $000's	Group 2015 $000's
Opening balance as at 1 July	3,243	3,291
Additions	272	-
Net gain / (loss) from fair value adjustments	25	(48)
Closing balance as at 30 June	3,540	3,243

Investment properties are carried at fair value, $3,540K (2015 $3,243K) and therefore not depreciated, which has been determined based on valuations performed by a qualified independent external valuer Chapman Consultancy as at 30 June 2016. The 2015 valuation was also performed by Chapman Consultancy. 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 2016, 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. (2015 Nil)

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

	Group 2016 $000's	Group 2015 $000's
Rental Income from Investment Properties	238	222
Direct operating expenses arising from investment properties that generate rental income	91	82

10. Non-Current Assets - Investments in Joint Venture

	Group 2016 $000's	Group 2015 $000's
Opening balance as at 1 July	298	-
Additions / (Disposals)	2,088	298
Share of Net surplus / (deficit)	(24)	-
Closing balance as at 30 June	2,362	298

The Group holds joint control over the following jointly controlled entities, which are 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	Expenses $000's
Aspiring Enliven Care Centre Limited Partnership	**2016**	564	8,964	1,056	3,748	-	48
	2015	136	460	-	-	-	-

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. The investment value of $2,362K is Presbyterian Support Otago's 50% share of capital development costs for the proposed hospital, rest home in Wanaka.(2015 $298K)
Capital commitments relating to the Groups share in the joint venture are $1,013K (2015 nil).

11. Non-Current Assets - Biological Assets

	Group 2016 $000's	Group 2015 $000's
Forestry Rights	17	17

Biological assets are made up of Forestry rights held over trees on a property at Maraeweka, North Otago.
The last valuation was performed by Laurie Forestry Limited as of 30 June 2008, a registered Forestry Consultant.
Comprehensive insurance is held over the forest.

Notes to the Consolidated Financial Statements - continued

for the Year ended 30 June 2016

12. Non-Current Assets - Intangible Assets

Computer Software	Group 2016 $000's	Group 2015 $000's
Gross carrying amount		
Opening Balance	271	268
Additions	148	3
Closing Balance	419	271
Accumulated amortisation and impairment		
Opening Balance	(262)	(257)
Current year amortisation	(9)	(5)
Closing Balance	(271)	(262)
Carrying amount	148	9

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

Group 2016	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 2015	7,943	39,776	3,487	5,591	1,393	147	58,337
Additions	-	9	25	149	62	503	748
Revaluation movements	76	-	-	-	-	-	76
Disposals	-	-	(1)	(20)	(1)	-	(22)
Transfers	-	210	75	-	65	(491)	(141)
Balance 30 June 2016	8,019	39,995	3,586	5,720	1,519	159	58,998
Accumulated depreciation and impairment							
Balance 1 July 2015	-	(826)	(2,607)	(3,996)	(1,068)	-	(8,497)
Current year depreciation	-	(814)	(90)	(252)	(99)	-	(1,255)
Depreciation written back on disposal	-	-	1	18	1	-	20
Balance 30 June 2016	-	(1,640)	(2,696)	(4,230)	(1,166)	-	(9,732)
Carrying amount 30 June 2016	8,019	38,355	890	1,490	353	159	49,266

Group 2015	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 2014	7,923	39,776	3,438	5,439	1,340	67	57,983
Additions	20	-	49	203	69	80	421
Disposals	-	-	-	(51)	(16)	-	(67)
Transfers	-	-	-	-	-	-	-
Balance 30 June 2015	7,943	39,776	3,487	5,591	1,393	147	58,337
Accumulated depreciation and impairment							
Balance 1 July 2014	-	(13)	(2,512)	(3,791)	(978)	-	(7,294)
Current year depreciation	-	(813)	(95)	(256)	(106)	-	(1,270)
Depreciation written back on disposal	-	-	-	51	16	-	67
Balance 30 June 2015	-	(826)	(2,607)	(3,996)	(1,068)	-	(8,497)
Carrying amount 30 June 2015	7,943	38,950	880	1,595	325	147	49,840

The latest valuation of Residential Facilities and Retirement Villages, including Land and Buildings was the valuation by qualified, independent, external valuers Chapman Consultancy as at 30 June 2014. Chapman Consultancy 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 fair values for retirement villages 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 20 year period, based on occupancy turnover of 16.6% p.a. (6.57 years) which is extrapolated at a nominal growth rate of 3.25% and discounted to present value at discount rates ranging between 11% and 13%.

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 $43,765K (2015 $43,765K) have been pledged to secure borrowings of the Group (see note 17). Freehold land and buildings have been pledged as security for bank loans under a mortgage. 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 2016

14. Current Liabilities - Accounts Payable and Accruals

	Group 2016 $000's	Group 2015 $000's
Creditors	778	717
Accruals	534	797
GST Payable	188	218
	1,500	1,732

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

15. Current Liabilities - Employee Entitlements

	Group 2016 $000's	Group 2015 $000's
Annual leave	1,347	1,363
Time in Lieu leave	320	334
Wages and salaries	410	658
Long Service Leave	66	71
	2,143	2,426

Movements in Provisions

	Annual Leave	Time in Lieu Leave	Wages & Salaries	Long Service Leave
Carrying amount as at 1 July	1,363	334	658	71
Net movement for period	(16)	(14)	(248)	(5)
Carrying amount as at 30 June	1,347	320	410	66

Nature of Provisions

Annual Leave

This provision represents the present value of annual leave accrued by employees at 30 June 2016. 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.

16. Current Liabilities - Retirement Village Deferred Income

	Group 2016 $000's	Group 2015 $000's
Deferred Income - Wanaka Retirement Village	595	626
Deferred Income - Ranui Court	69	90
Deferred Income - Columba Court	22	24
	686	740

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.

17. Borrowings

	Group 2016 $000's	Group 2015 $000's
Current		
Secured bank loan	309	291
Non-Current		
Secured bank loan	2,349	2,410
	2,658	2,701

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 Loan - $2,928K limit, Term of 4 years and 10 months from 6 August 2015.
Maturity Date is 31 May 2020. Of the total outstanding at balance date $902K is under a fixed interest rate agreement until 15 April 2020 of 4.5%, the balance of the term loan of $1,756K is floating. (2015 $3,500K)
As of 30 June 2016 this facility has a drawn down balance of $2,658K (2015 $2,701K).

Overdraft Facility - $150K limit, floating interest rate tied to the Westpac NZ special lending rate
As at 30 June 2016 this facility has a drawn down balance of nil (2015 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 2016 (2015 nil).

Presbyterian Support Otago Incorporated

Notes to the Consolidated Financial Statements - continued

for the Year ended 30 June 2016

18. Current refundable portion - Occupation Right Agreements

	Group 2016 $000's	Group 2015 $000's
Refundable amounts held - per contract	8,671	8,190
Movements in Provisions		
Carrying amount as at 1 July	8,190	8,287
New refundable amounts received	3,271	655
Refundable amounts paid out	(2,505)	(432)
Change in termination amount due	(285)	(320)
Carrying amount as at 30 June	8,671	8,190

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.

19. Obligations to Purchase Unit Titles

	Group 2016 $000's	Group 2015 $000's
Obligations - Ranui Court	235	235

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 2016 there is one remaining unit title contract (2015, one contract).

Presbyterian Support Otago Incorporated

Notes to the Consolidated Financial Statements - continued

for the Year ended 30 June 2016

20. Financial Instruments

Categories of Financial Instruments

	Group 2016 $000's	Group 2015 $000's
Loans and Receivables - including cash and cash equivalents, short term deposits	3,918	5,494
Financial Liabilities at Amortised Cost	13,064	12,858

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 - 2016

	Effective Interest Rate %	Financial Instrument Maturities $000's Current	1 - 2 years	2 - 5 years	Over 5 years	Total
Assets						
Cash and Bank	0.81%	1,226	-	-	-	1,226
Short term deposits	0.68%	1,201	-	-	-	1,201
Receivables	0.00%	1,491	-	-	-	1,491
		3,918	-	-	-	3,918
Liabilities						
Term Advance	6.25%	-	-	2,349	-	2,349
Short Term Advance	6.25%	309	-	-	-	309
Refundable portion - ORA's	0.00%	8,671	-	-	-	8,671
Obligations to purchase Unit Titles	0.00%	235	-	-	-	235
Accounts Payable and Accruals	0.00%	1,500	-	-	-	1,500
		10,715	-	2,349	-	13,064

Group - 2015

	Effective Interest Rate %	Financial Instrument Maturities $000's Current	1 - 2 years	2 - 5 years	Over 5 years	Total
Assets						
Cash and Bank	2.06%	2,768	-	-	-	2,768
Short term deposits	3.82%	1,527	-	-	-	1,527
Receivables	0.00%	1,199	-	-	-	1,199
		5,494	-	-	-	5,494
Liabilities						
Term Advance	6.25%	-	-	2,410	-	2,410
Short Term Advance	6.25%	291	-	-	-	291
Refundable portion - ORA's	0.00%	8,190	-	-	-	8,190
Obligations to purchase Unit Titles	0.00%	235	-	-	-	235
Accounts Payable and Accruals	0.00%	1,732	-	-	-	1,732
		10,448	-	2,410	-	12,858

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 $28K for the Group (2015 - $37K) 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 $27K for the Group (2015 - $28K) 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, $3,918K (2015 - $5,494K).

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,

	2016 $000's	2015 $000's
Not past due	1,293	977
Past due 1 - 30 days	64	107
Past due 31 - 60 days	26	32
Past due 61 days +	44	19
	1,427	1,135

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

Capital Risk Management
Presbyterian Support Otago Incorporated's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to continue its mission and vision. In order to maintain or adjust the capital structure, the Group carries minimum levels of debt and may realise surplus assets to fund essential developments.
The capital of the Group is split into General and Restricted reserves. General Reserves are derived from net operating surpluses and are available for the general use of the Group. Restricted Reserves are derived from bequests and gifts have a defined purpose or use. The Revaluation Reserve is derived from the revaluation of property.

Presbyterian Support Otago Incorporated

Notes to the Consolidated Financial Statements - continued

for the Year ended 30 June 2016

21. 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 $7,241K (2015 $5,195K). 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 6% 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 2016 $000's	Number of individuals	Group 2015 $000's	Number of individuals
(a) Key Management Personnel compensation.				
Short-term employee benefits	733	6	737	6
Members of governing body	-	12	-	13
(b) Purchase and Sales of Services.				
(i) Purchase of services from Anderson Lloyd - an entity connected with a Trustee	7		13	

Services were purchased from Anderson Lloyd, an entity that a Board Member of Presbyterian Support Otago Incorporated is a Partner of. The purchases were on normal commercial terms and conditons.

	Group 2016 $000's	Number of individuals	Group 2015 $000's	Number of individuals
(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. The rents are determined on normal commercial terms and conditons.

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

	Group 2016 $000's	Number of individuals	Group 2015 $000's	Number of individuals
Payables to Related Parties	-		-	

Presbyterian Support Otago Incorporated

Notes to the Consolidated Financial Statements - continued
for the Year ended 30 June 2016

22. Auditor Remuneration

The following remuneration was incurred with the Groups auditors

	Group 2016 $000's	Group 2015 $000's
Audit Services	32	27
	32	27

23. Operating Lease Commitments - Group as Lessee

Non cancellable operating lease rental commitments are payable as follows:

	Group 2016 $000's	Group 2015 $000's
Not later than one year	99	69
Later than one year but not later than five years	68	100
Later than five years	-	-
	167	169

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.

24. Capital Expenditure Commitments

The Group has capital commitments as at 30 June 2016 of $1,013K relating to the completion of the Aspiring Enliven Care Centre in Wanaka. This represents the Group's half share of the joint ventures obligations. (2015 nil.)

25. Contingent Liabilities and Assets

There are no known outstanding contingent liabilities or assets affecting the Group, (2015 - nil).

26. Government Grants

	Group 2016 $000's	Group 2015 $000's
Government Grants recognised in the Income Statement	131	120

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

27. Grants Acknowledgment

	Group 2016 $000's	Group 2015 $000's
New Zealand Grants Board	-	3
Community Organisation Grants Scheme	9	10
Dunedin City Council - Rates Relief Grant	23	23
Dunedin City Council - Community Grant Scheme	3	3
Otago Community Trust - Social Services Grant	50	50
Otago Community Trust - Foodbank	5	-
Community Trust of Maniatoto	1	2
Central Lakes Trust	62	42
Otago Masonic Charitable Trust	1	-

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

28. Operating Leases - Group as lessor

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

	Group 2016 $000's	Group 2015 $000's
Not later than one year	25	136
Later than one year but not later than five years	5	8
Later than five years	-	-
	30	144

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.

29. Events occurring after Balance Date

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

30. Reserves

General Reserves

This reserve represents the accumulation of the Groups 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 June 2014.

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 identified 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 are 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.

pwc

Independent Auditors' Report

to the board members of Presbyterian Support Otago Incorporated

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of Presbyterian Support Otago Incorporated ("the Society") on pages 2 to 25, which comprise the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive revenue and expense, the consolidated statement of changes in net assets/equity and the consolidated statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for the Group. The Group comprises the Society and the entities it controlled at 30 June 2016 or from time to time during the financial year.

Board Members' Responsibility for the Consolidated Financial Statements

The Board Members are responsible on behalf of the Society's for the preparation and fair presentation of these consolidated financial statements in accordance with Public Benefit Entity Standards and for such internal controls as the Board members determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

We are independent of the Group. Other than in our capacity as auditors we have no relationship with, or interests in, the Group.

pwc

Independent Auditors' Report

Presbyterian Support Otago Incorporated

Opinion

In our opinion, the consolidated financial statements on pages 2 to 25 present fairly, in all material respects, the financial position of the Group as at 30 June 2016, and its financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards.

Restriction on Use of our Report

This report is made solely to the Society's Board Members, 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's Board Members as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants
29 September 2016

Dunedin