

Presbyterian Support Otago Incorporated

Financial Statements

For the year ended 30 June 2015

Presbyterian Support Otago Incorporated

General Information

Board of Trustees as at 30 June 2015

David Richardson, Chairperson
Gillian Bremner, Chief Executive
Gaynor Edwards
Lindsay Alderton
Rachel Judge
Raymond Macleod
Margaret-Jean Malcolm
Timothy Mepham
Frazer Barton
Helen Scott
Graham Redding
Beverly Rodwell

Principal Place of Business/Registered Office

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

Solicitors

Anderson Lloyd
Private Bag 1959
Dunedin 9054
New Zealand

Bankers

ANZ Bank
The Octagon
Dunedin 9016
New Zealand

Westpac Bank
George Street
Dunedin 9016
New Zealand

Auditors

PricewaterhouseCoopers
P O Box 5848
Dunedin 9058
New Zealand

Presbyterian Support Otago Incorporated

Income Statements

for the Year ended 30 June 2015

		Group 2015 \$000's	Group 2014 \$000's	Parent 2015 \$000's	Parent 2014 \$000's
	<i>Notes</i>				
Income					
Income from services		25,268	24,893	25,063	24,694
Sale of Goods		961	939	961	939
Donations/Grants/Bequests		907	873	907	873
Interest Income		94	71	24	25
Other Investment Income		630	671	440	475
Total Operating Income	2	<u>27,860</u>	<u>27,447</u>	<u>27,395</u>	<u>27,006</u>
Expenditure					
Employment related		19,005	18,885	19,005	18,885
General Operating		1,082	1,085	1,048	1,052
Communications & Fundraising		192	129	87	71
Office & Administration		371	378	363	372
Servicing Resources		1,593	1,548	1,592	1,548
Occupancy Costs		2,739	2,688	2,508	2,466
Health, Medical & Safety		1,002	905	1,002	905
Depreciation/amortisation		1,275	1,327	1,224	1,267
Finance Costs		186	142	505	419
Lease Costs		165	190	135	156
Total Operating Expenditure	3	<u>27,610</u>	<u>27,277</u>	<u>27,469</u>	<u>27,141</u>
Operating Surplus / (Deficit)		250	170	(74)	(135)
Non-Operating Movements					
Movements in fair value of Investment Properties and Biological Assets	4	(48)	(91)	(48)	(91)
Movement in Obligation to Purchase Unit Titles		-	(15)	-	-
Gift of 12 Middleton Road		-	228	-	228
Disposal of Enliven Contract	30	-	13	-	13
Total Non-Operating Movements		<u>(48)</u>	<u>135</u>	<u>(48)</u>	<u>150</u>
Net Surplus / (Deficit) for Year		<u>202</u>	<u>305</u>	<u>(122)</u>	<u>15</u>

Presbyterian Support Otago Incorporated

Statements of Comprehensive Income

for the Year ended 30 June 2015

	Group 2015 \$000's	Group 2014 \$000's	Parent 2015 \$000's	Parent 2014 \$000's
Net Surplus / (Deficit) for Year	202	305	(122)	15
Other Comprehensive Income				
Operating Property Revaluation	-	1,255	-	1,100
Total Comprehensive Income	202	1,560	(122)	1,115

Statements of Changes in Equity

for the Year ended 30 June 2015

Group	Operating Property					Total Equity
	General Reserves	Revaluation Reserve	Investment Property Revaluation Reserve	Restricted Reserves Special Reserves	Endowment Reserves	
Balance 1 July 2013	26,194	8,734	1,488	264	4,527	41,207
Net Surplus for Year	305	-	-	-	-	305
Other Comprehensive Income	-	1,255	-	-	-	1,255
Total Comprehensive Income	305	1,255	-	-	-	1,560
<u>Transfers</u>						
Investment Property Revaluation	91	-	(91)	-	-	-
Transfers - Interest/Bequests	(388)	-	-	12	376	-
Transfers - Expenditure	142	-	-	(3)	(139)	-
Balance 30 June 2014	26,344	9,989	1,397	273	4,764	42,767

Movements for the year to June 2015

Net Surplus for Year	202	-	-	-	-	202
Other Comprehensive Income	-	-	-	-	-	-
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

Parent

	Operating Property					Total Equity
	General Reserves	Revaluation Reserve	Investment Property Revaluation Reserve	Restricted Reserves Special Reserves	Endowment Reserves	
Balance 1 July 2013	25,934	8,609	1,488	264	4,527	40,822
Net Deficit for Year	15	-	-	-	-	15
Other Comprehensive Income	-	1,100	-	-	-	1,100
Total Comprehensive Income	15	1,100	-	-	-	1,115

Transfers

Investment Property Revaluation	91	-	(91)	-	-	-
Transfers - Interest/Bequests	(388)	-	-	12	376	-
Transfers - Expenditure	142	-	-	(3)	(139)	-
Balance 30 June 2014	25,794	9,709	1,397	273	4,764	41,937

Movements for the year to June 2015

Net Surplus for Year	(122)	-	-	-	-	(122)
Other Comprehensive Income	-	-	-	-	-	-
Total Comprehensive Income	(122)	-	-	-	-	(122)

Transfers

Investment Property Revaluation	48	-	(48)	-	-	-
Transfers - Interest/Bequests	(391)	-	-	9	382	-
Transfers - Expenditure	129	-	-	(2)	(127)	-
Balance 30 June 2015	25,458	9,709	1,349	280	5,019	41,815

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

Presbyterian Support Otago Incorporated

Balance Sheets

As at 30 June 2015

	Notes	Group 2015 \$000's	Group 2014 \$000's	Parent 2015 \$000's	Parent 2014 \$000's
Equity					
General Reserves		26,332	26,344	25,458	25,794
Operating Property Revaluation Reserve		9,989	9,989	9,709	9,709
Investment Property Revaluation Reserve		1,349	1,397	1,349	1,397
Restricted Reserves		5,299	5,037	5,299	5,037
Total Equity		<u>42,969</u>	<u>42,767</u>	<u>41,815</u>	<u>41,937</u>
<i>Represented by :</i>					
Current Assets					
Cash and cash equivalents	6	2,768	1,618	1,922	1,095
Short term deposits	6	1,527	1,479	-	-
Inventories	7	92	60	92	60
Receivables	8	1,199	1,996	1,125	1,926
		<u>5,586</u>	<u>5,153</u>	<u>3,139</u>	<u>3,081</u>
Non Current Assets					
Investment Properties	9	3,243	3,291	3,243	3,291
Investment in Joint Venture	10	298	-	298	-
Biological Assets	11	17	17	17	17
Intangible Assets	12	9	11	9	11
Property, Plant and Equipment	13	49,840	50,689	47,073	47,907
		<u>53,407</u>	<u>54,008</u>	<u>50,640</u>	<u>51,226</u>
Current Liabilities					
Accounts Payable and Accruals	14	1,732	1,725	1,642	1,673
Retirement Village Deferred Income	16	740	776	-	-
Borrowings	17	291	266	291	266
Refundable portion - Occupation Right Agreements	18	8,190	8,287	-	-
Obligations to purchase Unit Titles	19	235	235	-	-
Advance from Subsidiary	21	-	-	5,195	5,326
Employee Entitlements	15	2,426	2,400	2,426	2,400
		<u>13,614</u>	<u>13,689</u>	<u>9,554</u>	<u>9,665</u>
Non Current Liabilities					
Borrowings	17	2,410	2,705	2,410	2,705
Net Assets		<u>42,969</u>	<u>42,767</u>	<u>41,815</u>	<u>41,937</u>

Signed on behalf of the Board as at 23rd September 2015.



Mr David Richardson
Chairman



Mrs Gillian Bremner
Chief Executive/Trustee

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

Statements of Cash Flows
for the Year ended 30 June 2015

	Notes	Group 2015 \$000's	Group 2014 \$000's	Parent 2015 \$000's	Parent 2014 \$000's
CASH FLOW FROM OPERATING ACTIVITIES					
<i>Cash was Provided from :</i>					
Services provided		27,029	26,108	26,825	25,904
Bequests received		187	129	187	129
Grants and Donations received		720	743	720	743
Investment Income		366	378	268	275
		<u>28,302</u>	<u>27,358</u>	<u>28,000</u>	<u>27,051</u>
<i>Cash was applied to :</i>					
Employees and Suppliers		26,064	25,647	25,756	25,372
Interest Paid		186	142	186	141
		<u>26,250</u>	<u>25,789</u>	<u>25,942</u>	<u>25,513</u>
Net Cash flows from Operating Activities	5	<u>2,052</u>	<u>1,569</u>	<u>2,058</u>	<u>1,538</u>
CASH FLOW FROM INVESTING ACTIVITIES					
<i>Cash was Provided from :</i>					
Proceeds from Subsidiaries		-	-	-	-
Proceeds from Occupation Right Agreements		636	1,689	-	-
		<u>636</u>	<u>1,689</u>	<u>-</u>	<u>-</u>
<i>Cash was applied to :</i>					
Purchase of Property, Plant and Equipment		490	2,386	481	2,353
Purchase of Investments		298	26	298	26
Payments for Subsidiaries		-	-	182	92
Refunds of Occupation Right Agreements		432	525	-	-
		<u>1,220</u>	<u>2,937</u>	<u>961</u>	<u>2,471</u>
Net Cash flows from/(to) Investing Activities		<u>(584)</u>	<u>(1,248)</u>	<u>(961)</u>	<u>(2,471)</u>
CASH FLOW FROM FINANCING ACTIVITIES					
<i>Cash was Provided from :</i>					
Proceeds from Term Advances		-	1,387	-	1,387
		<u>-</u>	<u>1,387</u>	<u>-</u>	<u>1,387</u>
<i>Cash was applied to :</i>					
Settlement of Loans		270	139	270	139
Net Cash flows from/(to) Financing Activities		<u>(270)</u>	<u>1,248</u>	<u>(270)</u>	<u>1,248</u>
Net Increase / (Decrease) in cash held		<u>1,198</u>	<u>1,569</u>	<u>827</u>	<u>315</u>
Opening Balance of cash and cash equivalents		3,097	1,528	1,095	780
Closing Balance of cash and cash equivalents		<u>4,295</u>	<u>3,097</u>	<u>1,922</u>	<u>1,095</u>
Represented by :					
Cash and Cash Equivalents		2,768	1,618	1,922	1,095
Short term deposits		1,527	1,479	-	-
	6	<u>4,295</u>	<u>3,097</u>	<u>1,922</u>	<u>1,095</u>

Presbyterian Support Otago Incorporated

Notes to the Financial Statements for the Year ended 30 June 2015

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.

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"). They comply with New Zealand International Financial Reporting Standards for Public Benefit Entities ("NZ IFRS PBE").

A new Accounting Standards Framework (incorporating a Tier structure and a separate suite of accounting standards for PBE's) has been issued by the External Reporting Board (XRB). Under the new Accounting Standards Framework the Group will have to transition to the new Not-for-Profit Public Benefit Entities (NFP PBE) Standards that will be based mainly on International Public Sector Accounting Standards (IPSAS). The effective date for the new NFP PBE Standards is for the reporting periods beginning on or after 1 April 2015. Therefore the Group will have to prepare its financial statements in accordance with the new NFP PBE Standards for the first time for the annual period ending 30 June 2016.

The Group has not been able to determine the impact of this transition as the new NFP PBE Standards are currently being developed by the XRB. Due to the change in the Accounting Standards Framework for PBE's, all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to PBE's as the XRB has effectively frozen the financial reporting requirements for PBE's until PBE's transition to the PBE Standards. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude PBE's from their scope.

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 accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2015 and the comparative information presented for the year ended 30 June 2014.

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.

The acquisition method is used to prepare the consolidated financial statements, which involves adding together like assets, liabilities, income and expenses on a line-by-line basis. All transactions and balances between Group companies 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:

(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) Donations and bequests

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

(iv) Grants (other than Government)

Grants are recognised in the accounting period they are received, or when the entitlement to receive the money is established unless they relate to a specific expense or capital purchase, in which case they are recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

If the fulfilment of any restrictions attached to the monies is not likely, the grant income is not recognised or if already recognised it is reversed and carried as liabilities until all the conditions have been fulfilled.

Presbyterian Support Otago Incorporated

Notes to the Financial Statements - continued

for the Year ended 30 June 2015

(v) Government Grants

Government grants are recognised when there is a reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. If a grant relates to the purchase or construction of an asset then the grant is deducted from the carrying amount of the asset.

(vi) Interest income

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

(vii) Dividend income

Dividend income is recognised when the right to receive the payment is established.

(viii) Rental income

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

(ix) 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 income statement 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 Balance Sheets.

(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 Balance Sheet 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 Income Statements 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 Income Statement 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 Income Statement 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.

Presbyterian Support Otago Incorporated

Notes to the Financial Statements - continued

for the Year ended 30 June 2015

(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 2015.

(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 Income Statements 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 Income Statements.

Property, Plant and Equipment held with the intention of resale is recorded separately in the Balance Sheet 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

Presbyterian Support Otago Incorporated

Notes to the Financial Statements - continued

for the Year ended 30 June 2015

Land and Building Revaluations

Any revaluation increment is credited to the Operating Property Revaluation Reserve included in the equity section of the Balance Sheet, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised in the Income Statements, in which case the increase is recognised as revenue in the Income Statements.

Any revaluation decrease is recognised in the Income Statements, 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 Income Statements when incurred.

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

Computer Software	4 years SL
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(n) **Impairment of non-financial assets**

Assets with a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(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 Income Statements, 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 Balance Sheet and all revenues and expenses in relation to the financial instruments are recognised in the Income Statements.

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.

Presbyterian Support Otago Incorporated

Notes to the Financial Statements - continued

for the Year ended 30 June 2015

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 liability in the Balance Sheet, 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.

Long service leave provision

As discussed in note 1(j) (iii), the liability for long service leave 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 promotion and inflation have been taken into account.

Retirement Village expected tenure

As discussed in note 1 (b) (ix), 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.

(t) **Statement of Cash Flows**

The Statement of Cash Flows are prepared exclusive of Goods and Services Tax (GST), which is consistent with the method used in the income statement. 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 accounting standards and interpretations not yet effective**

The Group has adopted External Reporting Board Standard A1 Accounting Standards Framework (For-profit Entities Update) (XRB A1). XRB A1 outlines which suite of accounting standards public benefit entities must follow. The Group is required to report in accordance with NZ IFRS PBE. There is no impact on the current or prior financial statements of transitioning to the new Accounting Standards Framework.

Presbyterian Support Otago Incorporated

Notes to the Financial Statements - continued

for the Year ended 30 June 2015

	Group 2015 \$000's	Group 2014 \$000's	Parent 2015 \$000's	Parent 2014 \$000's
2. Income Received - Continuing Operations				
<u>Services for Older People</u>				
Residential	24,329	24,074	24,355	24,100
Enliven Community Programmes	195	184	195	184
	<u>24,524</u>	<u>24,258</u>	<u>24,550</u>	<u>24,284</u>
<u>Family Works</u>				
Counselling and Therapeutic Groups	91	84	91	84
Specialist Children / Youth Services	579	450	579	450
Client Services	610	621	610	621
Community Development	135	64	135	64
Other	164	151	164	151
	<u>1,579</u>	<u>1,370</u>	<u>1,579</u>	<u>1,370</u>
Other Activities	852	965	615	723
Legacies / Bequests	187	129	187	129
Interest Income	94	71	24	25
Other Investment Income	624	654	440	475
	<u>1,757</u>	<u>1,819</u>	<u>1,266</u>	<u>1,352</u>
Total Income for year	<u>27,860</u>	<u>27,447</u>	<u>27,395</u>	<u>27,006</u>

3. Expenditure - Continuing Operations

Analysed by Service

<u>Services for Older People</u>				
Residential	22,854	22,603	22,854	22,603
Enliven Community Programmes	238	242	238	242
	<u>23,092</u>	<u>22,845</u>	<u>23,092</u>	<u>22,845</u>
<u>Family Works</u>				
Counselling and Therapeutic Groups	135	131	135	131
Specialist Children / Youth Services	791	747	791	747
Client Services	983	1,027	983	1,027
Community Development	204	164	204	164
Other	346	292	346	292
	<u>2,459</u>	<u>2,361</u>	<u>2,459</u>	<u>2,361</u>
Other Activities	2,059	2,071	1,918	1,935
Total Costs of Services	<u>27,610</u>	<u>27,277</u>	<u>27,469</u>	<u>27,141</u>

Presbyterian Support Otago Incorporated

Notes to the Financial Statements - continued

for the Year ended 30 June 2015

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

	Group 2015 \$000's	Group 2014 \$000's	Parent 2015 \$000's	Parent 2014 \$000's
(Loss) in the value of Investment Property	(48)	(91)	(48)	(91)
	<u>(48)</u>	<u>(91)</u>	<u>(48)</u>	<u>(91)</u>

The net loss of \$48K for the Group and Parent in Investment Property reflects the movements resulting from 30 June 2015 valuation undertaken by registered valuers Chapman Consultancy of commercial and other investment properties.

Biological Assets have not been revalued for the year to 30 June 2015, 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 2015 \$000's	Group 2014 \$000's	Parent 2015 \$000's	Parent 2014 \$000's
Surplus / (Deficit) for Year	202	305	(122)	15
Add non-cash items:				
Depreciation/amortisation	1,275	1,327	1,224	1,267
Loss on Disposal of Assets	1	1	1	1
Lease Income - Subsidiaries	-	-	(196)	(225)
Finance costs - Subsidiaries	-	-	319	278
Other Costs - Subsidiaries	-	-	(44)	(45)
Retirement Village Income accrued	(359)	(364)	-	-
Fair value losses on Investment Properties	48	91	48	91
Movement in Obligation to Purchase Unit Titles	-	15	-	-
	<u>965</u>	<u>1,070</u>	<u>1,352</u>	<u>1,367</u>
Changes in Working Capital				
Decrease (Increase) in Receivables	797	32	801	30
Decrease (Increase) in Inventory	(32)	23	(32)	23
Increase (Decrease) in Accounts Payable & Accruals	94	(3)	33	(39)
Increase (Decrease) in Employee Entitlements	26	142	26	142
	<u>885</u>	<u>194</u>	<u>828</u>	<u>156</u>
Net Cash Flow from Operating Activities	<u>2,052</u>	<u>1,569</u>	<u>2,058</u>	<u>1,538</u>

Presbyterian Support Otago Incorporated

Notes to the Financial Statements - continued

for the Year ended 30 June 2015

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

	Group 2015 \$000's	Group 2014 \$000's	Parent 2015 \$000's	Parent 2014 \$000's
Cash at bank and in hand	5	5	5	5
Short-term deposits	4,290	3,092	1,917	1,090
	<u>4,295</u>	<u>3,097</u>	<u>1,922</u>	<u>1,095</u>

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 2015 \$000's	Group 2014 \$000's	Parent 2015 \$000's	Parent 2014 \$000's
Merchandise and work in progress	92	60	92	60

8. Current Assets - Receivables

	Group 2015 \$000's	Group 2014 \$000's	Parent 2015 \$000's	Parent 2014 \$000's
Trade Receivables	1,135	1,932	1,125	1,926
Receivable owing by residents	55	55	-	-
Loan to Residents	-	-	-	-
Other Receivables	9	9	-	-
	<u>1,199</u>	<u>1,996</u>	<u>1,125</u>	<u>1,926</u>

Trade receivables are non-interest bearing and are generally on 14-30 day terms. No allowance for impairment loss has been made as it is believed all receivables are collectable. Other receivables relate 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 2015 \$000's	Group 2014 \$000's	Parent 2015 \$000's	Parent 2014 \$000's
Opening balance as at 1 July 2014	3,291	3,356	3,291	3,356
Additions (Disposals)	-	26	-	26
Net (loss) from fair value adjustments	(48)	(91)	(48)	(91)
Closing balance as at 30 June 2015	<u>3,243</u>	<u>3,291</u>	<u>3,243</u>	<u>3,291</u>

Investment properties are carried at fair value, \$3,243K (2014 \$3,291K) and therefore not depreciated, which has been determined based on valuations performed by a qualified independent external valuer Chapman Consultancy as at 30 June 2015. The 2014 valuation was also performed by Chapman Consultancy. Revaluations take place annually.

Presbyterian Support Otago Incorporated

Notes to the Financial Statements - continued

for the Year ended 30 June 2015

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 2015, 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.

The following amounts have been recognised in the Income Statements:

	Group 2015 \$000's	Group 2014 \$000's	Parent 2015 \$000's	Parent 2014 \$000's
Rental Income from Investment Properties	222	223	222	223
Direct operating expenses arising from investment properties that generate rental income	82	87	82	87

10. Non-Current Assets - Investments in Joint Venture

	Group 2015 \$000's	Group 2014 \$000's	Parent 2015 \$000's	Parent 2014 \$000's
Opening balance as at 1 July 2014	-	-	-	-
Additions (Disposals)	298	-	298	-
Net gain (loss) from fair value adjustments	-	-	-	-
Closing balance as at 30 June 2015	<u>298</u>	<u>0</u>	<u>298</u>	<u>0</u>

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 \$298K is Presbyterian Support Otago's 50% share of capital development costs for the proposed hospital, rest home in Wanaka.

11. Non-Current Assets - Biological Assets

	Group 2015 \$000's	Group 2014 \$000's	Parent 2015 \$000's	Parent 2014 \$000's
Opening balance as at 1 July 2014	17	17	17	17
Closing balance as at 30 June 2015	<u>17</u>	<u>17</u>	<u>17</u>	<u>17</u>

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.

12. Non-Current Assets - Intangible Assets

Computer Software	Group 2015 \$000's	Group 2014 \$000's	Parent 2015 \$000's	Parent 2014 \$000's
Gross carrying amount				
Opening Balance	268	262	268	262
Additions	3	6	3	6
Closing Balance	<u>271</u>	<u>268</u>	<u>271</u>	<u>268</u>
Accumulated amortisation and impairment				
Opening Balance	(257)	(242)	(257)	(242)
Current year amortisation	(5)	(15)	(5)	(15)
Closing Balance	<u>(262)</u>	<u>(257)</u>	<u>(262)</u>	<u>(257)</u>
Carrying amount	<u>9</u>	<u>11</u>	<u>9</u>	<u>11</u>

Presbyterian Support Otago Incorporated

Notes to the Financial Statements - continued

for the Year ended 30 June 2015

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

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
Revaluation movements	-	-	-	-	-	-	-
Disposals/Transfers	-	-	-	(51)	(16)	-	(67)
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
Revaluation adjustment	-	-	-	-	-	-	-
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
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Group 2014

	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 2013	8,025	39,337	3,385	5,357	1,331	18	57,453
Additions	13	-	65	98	76	1,419	1,671
Revaluation movements	(115)	(940)	-	-	-	-	(1,055)
Disposals/Transfers	-	1,379	(12)	(16)	(67)	(1,370)	(86)
Balance 30 June 2014	7,923	39,776	3,438	5,439	1,340	67	57,983

Accumulated depreciation and impairment

Balance 1 July 2013	-	(1,482)	(2,414)	(3,546)	(936)	-	(8,378)
Current year depreciation	-	(848)	(102)	(254)	(108)	-	(1,312)
Depreciation written back on disposal	-	7	4	9	66	-	86
Revaluation adjustment	-	2,310	-	-	-	-	2,310
Balance 30 June 2014	-	(13)	(2,512)	(3,791)	(978)	-	(7,294)

Carrying amount 30 June 2014

	7,923	39,763	926	1,648	362	67	50,689
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Presbyterian Support Otago Incorporated

Notes to the Financial Statements - continued

for the Year ended 30 June 2015

Parent 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	7,364	37,620	3,393	5,404	1,341	67	55,189
Additions	-	-	41	196	69	80	386
Revaluation movements	-	-	-	-	-	-	-
Disposals/Transfers	-	-	-	(51)	(16)	-	(67)
Balance 30 June 2015	7,364	37,620	3,434	5,549	1,394	147	55,508

Accumulated depreciation and impairment

Balance 1 July 2014	-	(13)	(2,493)	(3,793)	(983)	-	(7,282)
Current year depreciation	-	(770)	(91)	(253)	(106)	-	(1,220)
Depreciation written back on disposal	-	-	-	51	16	-	67
Revaluation adjustment	-	-	-	-	-	-	-
Balance 30 June 2015	-	(783)	(2,584)	(3,995)	(1,073)	-	(8,435)

Carrying amount 30 June 2015

	7,364	36,837	850	1,554	321	147	47,073
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Parent 2014

	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 2013	7,479	37,188	3,359	5,323	1,331	18	54,698
Additions	-	-	46	97	77	1,419	1,639
Revaluation movements	(115)	(947)	-	-	-	-	(1,062)
Disposals/Transfers	-	1,379	(12)	(16)	(67)	(1,370)	(86)
Balance 30 June 2014	7,364	37,620	3,393	5,404	1,341	67	55,189

Accumulated depreciation and impairment

Balance 1 July 2013	-	(1,387)	(2,399)	(3,551)	(941)	-	(8,278)
Current year depreciation	-	(795)	(98)	(251)	(108)	-	(1,252)
Depreciation written back on disposal	-	7	4	9	66	-	86
Revaluation adjustment	-	2,162	-	-	-	-	2,162
Balance 30 June 2014	-	(13)	(2,493)	(3,793)	(983)	-	(7,282)

Carrying amount 30 June 2014

	7,364	37,607	900	1,611	358	67	47,907
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Presbyterian Support Otago Incorporated

Notes to the Financial Statements - continued

for the Year ended 30 June 2015

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 Revaluation 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, residents share of capital gains, deferred income, which are already recognised separately on the balance sheet and also reflected in the cash flow model.

Residents 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 date 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 (2014 \$43,765K) have been pledged to secure borrowings of the Group (see note 16). 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.

Interest Capitalised

During the redevelopment phase of Kirkness unit Iona Home and Hospital interest has been capitalised up until the time the asset is available for use. For the year to June 2015 interest capitalised was nil. (2014 \$19K at 6.35%)

Presbyterian Support Otago Incorporated

Notes to the Financial Statements - continued for the Year ended 30 June 2015

14. Current Liabilities - Accounts Payable and Accruals

	Group 2015 \$000's	Group 2014 \$000's	Parent 2015 \$000's	Parent 2014 \$000's
Creditors	717	730	691	723
Accruals	797	800	733	755
GST Payable	218	195	218	195
	<u>1,732</u>	<u>1,725</u>	<u>1,642</u>	<u>1,673</u>

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

15. Current Liabilities - Employee Entitlements

	Group 2015 \$000's	Group 2014 \$000's	Parent 2015 \$000's	Parent 2014 \$000's
Annual leave	1,363	1,416	1,363	1,416
Time in Lieu leave	334	299	334	299
Wages and salaries	658	613	658	613
Long Service Leave	71	72	71	72
	<u>2,426</u>	<u>2,400</u>	<u>2,426</u>	<u>2,400</u>

Nature of Provisions

Annual Leave

This provision represents the present value of annual leave accrued by employees at 30 June 2015. 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 earned 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.

Presbyterian Support Otago Incorporated

Notes to the Financial Statements - continued for the Year ended 30 June 2015

16. Current Liabilities - Retirement Village Deferred Income

	Group 2015 \$000's	Group 2014 \$000's	Parent 2015 \$000's	Parent 2014 \$000's
Deferred Income - Wanaka Retirement Village	626	608	-	-
Deferred Income - Ranui Court	90	151	-	-
Deferred Income - Columba Court	24	17	-	-
	740	776	-	-

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 Income Statements.

17. Borrowings

	Group 2015 \$000's	Group 2014 \$000's	Parent 2015 \$000's	Parent 2014 \$000's
<u>Current</u>				
Secured bank loan	291	266	291	266
<u>Non-Current</u>				
Secured bank loan	2,410	2,705	2,410	2,705

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 - \$3,500K limit (2014 \$3,500K), term of 3 years to December 2015 and currently is on a floating interest rate tied to the 90 day bank bill rate. As of 6 August 2015 this loan was renewed for a further 4 years and 10 months starting from 17 December 2015. As of 30 June 2015 this facility has a drawn down balance of \$2,701K (2014 \$2,971K).
- Overdraft Facility - \$150K limit, floating interest rate tied to the Westpac NZ special lending rate. As at 30 June 2015 this facility has a drawn down balance of nil (2014 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 2015 (2014 nil).

Presbyterian Support Otago Incorporated also has an unsecured overdraft facility with the ANZ Bank NZ of \$150K.

Presbyterian Support Otago Incorporated

Notes to the Financial Statements - continued for the Year ended 30 June 2015

18. Current refundable portion - Occupation Right Agreements

	Group 2015 \$000's	Group 2014 \$000's	Parent 2015 \$000's	Parent 2014 \$000's
Refundable amounts held - per contract	8,190	8,287	-	-

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.

19. Obligations to Purchase Unit Titles

	Group 2015 \$000's	Group 2014 \$000's	Parent 2015 \$000's	Parent 2014 \$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 2015 there is one remaining unit title contract (2014, one contract).

Presbyterian Support Otago Incorporated

Notes to the Financial Statements - continued

for the Year ended 30 June 2015

20. Financial Instruments

Categories of Financial Instruments

	Group 2015 \$000's	Group 2014 \$000's	Parent 2015 \$000's	Parent 2014 \$000's
Loans and Receivables - including cash and cash equivalents, short term deposits	5,494	5,093	3,047	3,021
Financial Liability at Amortised Cost	13,598	13,994	9,538	9,970

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 - 2015

	Effective Interest Rate %	Financial Instrument Maturities \$000's				Total
		Current	1 - 2 years	2 - 5 years	Over 5 years	
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
Retirement Village Deferred Income	0.00%	740	-	-	-	740
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
		11,188	2,410	-	-	13,598

Group - 2014

	Effective Interest Rate %	Financial Instrument Maturities \$000's				Total
		Current	1 - 2 years	2 - 5 years	Over 5 years	
Assets						
Cash and Bank	2.59%	1,618	-	-	-	1,618
Short term deposits	4.20%	1,479	-	-	-	1,479
Receivables	0.00%	1,996	-	-	-	1,996
		5,093	-	-	-	5,093
Liabilities						
Term Advance	6.35%	-	2,705	-	-	2,705
Short Term Advance	6.35%	266	-	-	-	266
Retirement Village Deferred Income	0.00%	776	-	-	-	776
Refundable portion - ORA's	0.00%	8,287	-	-	-	8,287
Obligations to purchase Unit Titles	0.00%	235	-	-	-	235
Accounts Payable and Accruals	0.00%	1,725	-	-	-	1,725
		11,289	2,705	-	-	13,994

Presbyterian Support Otago Incorporated

Notes to the Financial Statements - continued

for the Year ended 30 June 2015

Parent - 2015

	Effective Interest Rate %	Financial Instrument Maturities \$000's				Total
		Current	1 - 2 years	2 - 5 years	Over 5 years	
Assets						
Cash and Bank	1.93%	1,922	-	-	-	1,922
Short term deposits	0.00%	-	-	-	-	-
Receivables	0.00%	1,125	-	-	-	1,125
		3,047	-	-	-	3,047
Liabilities						
Term Advance	6.25%	-	2,410	-	-	2,410
Short Term Advance	6.25%	291	-	-	-	291
Advances from Subsidiary	6.23%	5,195	-	-	-	5,195
Accounts Payable and Accruals	0.00%	1,642	-	-	-	1,642
		7,128	2,410	-	-	9,538

Parent - 2014

	Effective Interest Rate %	Financial Instrument Maturities \$000's				Total
		Current	1 - 2 years	2 - 5 years	Over 5 years	
Assets						
Cash and Bank	2.48%	1,095	-	-	-	1,095
Short term deposits	0.00%	-	-	-	-	-
Receivables	0.00%	1,926	-	-	-	1,926
		3,021	-	-	-	3,021
Liabilities						
Term Advance	6.35%	-	2,705	-	-	2,705
Short Term Advance	6.35%	266	-	-	-	266
Advances from Subsidiary	5.42%	5,326	-	-	-	5,326
Accounts Payable and Accruals	0.00%	1,673	-	-	-	1,673
		7,265	2,705	-	-	9,970

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 \$15K Parent and \$37K Group 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 \$81K Parent and \$28K Group 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 \$5,494K Group, \$3,047K Parent.

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. 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.

Aging of trade receivables is monitored on a monthly basis, the balance of accounts in the 60 days and over category is \$17K (2014 - \$33K).

(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 Financial Statements - continued

for the Year ended 30 June 2015

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 \$5,195K (2014 \$5,326K). 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 2015 \$000's	Group 2014 \$000's	Parent 2015 \$000's	Parent 2014 \$000's
(a) Transactions with subsidiary				
Lease charges for Wanaka Retirement Village	-	-	196	225
Interest on Advance with subsidiary	-	-	319	278
(b) Key Management Personnel compensation.				
Short-term employee benefits	737	684	737	684
(c) Purchase and Sales of Services.				
(i) Purchase of services from Anderson Lloyd - an entity connected with a Trustee	9	13	9	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 conditions.				
(ii) Rents received from Landward Management Limited - an entity connected with a Trustee	26	26	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 conditions.				
(d) Year-end balances arising from the purchase of services.				
Payables to Related Parties	-	4	-	4

22. Auditor Remuneration

The following remuneration was incurred with the Groups auditors

	Group 2015 \$000's	Group 2014 \$000's	Parent 2015 \$000's	Parent 2014 \$000's
Audit Services	27	27	21	21
	<u>27</u>	<u>27</u>	<u>21</u>	<u>21</u>

23. Operating Lease Commitments - Group as Lessee

	Group 2015 \$000's	Group 2014 \$000's	Parent 2015 \$000's	Parent 2014 \$000's
Non cancellable operating lease rental commitments are payable as follows:				
Not later than one year	69	29	69	29
Later than one year but not later than five years	100	33	100	33
Later than five years	-	-	-	-
	<u>169</u>	<u>62</u>	<u>169</u>	<u>62</u>

The Group leases various offices, retail outlets and warehouse under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. These range from 2 years with 2 lots of 3 year renewals to 4 years with 2 lots of 4 year renewals.

Presbyterian Support Otago Incorporated

Notes to the Financial Statements - continued

for the Year ended 30 June 2015

24. Capital Expenditure Commitments

The Group has no capital commitments as at 30 June 2015, (2014 - nil).

25. Contingent Liabilities and Assets

There are no known outstanding contingent liabilities or assets affecting the Group, (2014 - Nil).

26. Government Grants

	Group 2015 \$000's	Group 2014 \$000's	Parent 2015 \$000's	Parent 2014 \$000's
Government Grants recognised in the Income Statement	120	74	120	74
Government Grants deducted from carrying amount of assets	-	-	-	-

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

27. Grants Acknowledgment

	Group 2015 \$000's	Group 2014 \$000's	Parent 2015 \$000's	Parent 2014 \$000's
New Zealand Grants Board	3	3	3	3
Community Organisation Grants Scheme	10	6	10	6
Dunedin City Council - Rates Relief Grant	23	24	23	24
Dunedin City Council - Community Grant Scheme	3	2	3	2
Otago Community Trust - Social Services Grant	50	50	50	50
Otago Community Trust - Capability Grant	-	5	-	5
Community Trust of Maniatoto	2	-	2	-
Central Lakes Trust	42	42	42	42
Otago Masonic Charitable Trust	-	1	-	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 2015 \$000's	Group 2014 \$000's	Parent 2015 \$000's	Parent 2014 \$000's
Not later than one year	25	136	201	361
Later than one year but not later than five years	20	8	618	102
Later than five years	-	-	-	-
	<u>45</u>	<u>144</u>	<u>819</u>	<u>463</u>

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

During the year to June 2013 the contracts for Community based Services for Older People of Home Support and Community First terminated.

As part of this process the remaining contract with the Ministry of Health was assigned to another provider, the net income from this assignment was nil (2014 \$13K).



Independent Auditors' Report to the Board Members of Presbyterian Support Otago Incorporated

Report on the Financial Statements

We have audited the financial statements of Presbyterian Support Otago Incorporated ("the Society") on pages 2 to 24, which comprise the balance sheets as at 30 June 2015, the income statements, the statements of comprehensive income, the statements of changes in equity and the statements 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 both Presbyterian Support Otago Incorporated and the Group. The Group comprises Presbyterian Support Otago Incorporated and the entities it controlled at 30 June 2015 or from time to time during the financial year.

Board Members' Responsibility for the Financial Statements

The Board Members are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and for such internal controls as the 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 financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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



Independent Auditors' Report
Presbyterian Support Otago Incorporated

Opinion

In our opinion, the financial statements on pages 2 to 24 present fairly, in all material respects, the financial position of the Society and Group as at 30 June 2015, and their financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards.

Restriction on Use of our Report

This report is made solely to the Society's Board Members. 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.

A handwritten signature in blue ink that reads 'Primatehoe Cooper'. The signature is written in a cursive, flowing style.

Chartered Accountants
23 September 2015

Dunedin