

Waitaki District Health Services Limited Group

Consolidated Financial Statements

For the year ended 30 June 2020



Waitaki District Health Services Limited Group

Contents

For the year ended 30 June 2020

<u>Contents</u>	<u>Page</u>
Company Directory	3
Directors' Report	4
Statement of Responsibility	9
Statement of Comprehensive Revenue and Expense	10
Statement of changes in Equity	11
Statement of Financial Position	12
Statement of Cashflows	13
Notes to the Financial Statements	14
Statement of Objectives and Performance	39
Independent Audit Report	48

Waitaki District Health Services Limited Group

Company Directory

For the year ended 30 June 2020

Issued Capital

100 Ordinary Shares

Postal Address

P O Box 94, Oamaru

Registered Office

20 Eden Street, Oamaru

Directors

Helen M Algar

Paul W Allison

Mark F Rogers (Chairman)

Andrew C F Wilson

Company Number

DN 910387

Bankers

Westpac

Date of Formation

29th May 1998

Shareholder

Waitaki District Council

Auditors

Audit New Zealand on behalf of the Controller and Auditor-General

Solicitors

Berry & Co, Oamaru

Waitaki District Health Services Limited Group

Directors Report

For the year ended 30 June 2020

The Directors are pleased to present the consolidated report for the Group for the year ended 30 June 2020.

Principal Activities

Waitaki District Health Services Limited is the principal provider of health and disability services to the people living in the Oamaru district. These services include medical, women's health, child health, elderly, disability support, public health and related support services. Waitaki District Health Services Limited operates Oamaru Hospital. The majority of its funding comes from the Ministry of Health that is the government-funded purchaser of health and disability support services.

The Waitaki District Health Services Trust was established as an independent trust fund from which grants can be made to support Oamaru Hospital and other health services and healthcare needs of Waitaki District. The Trust receives & invests donations & bequests for these purposes from individual donors and community organisations. The Trust is particularly important to being able to assist health care in areas where government funding is either not available or limited. The Trust relies on the generosity of the community to maintain and grow the trust fund and all forms of donations will be gratefully accepted and carefully administered as part of a capital endowment fund, the income from which is utilised for grants.

Observatory Village is a retirement village, situated in Oamaru, which was established to provide an environment where residents can live well; receive care and services that are appropriate to their needs; and feel part of a community. Observatory Village Charitable Trust provides funding to the trading businesses (Observatory Village Lifecare Limited and Observatory Village Care Limited).

Results

	2020 Actual \$	2019 Actual \$
Total Comprehensive Revenue and Expense	614,750	1,683,544

Directors

In accordance with the Company's constitution, Waitaki District Council has appointed Mrs Helen M Algar, Mr Paul W Allison, Mr Mark F Rogers (Chairman) and Mr Andrew C F Wilson as Directors of Waitaki District Health Services Limited. Directors are not shareholders and remain in office until changed by shareholders.

	2020 Actual \$	2019 Actual \$
Helen M Algar	22,500	22,500
Paul W Allison	40,500	22,500
Mark F Rogers (Appointed 01/01/2019) (Chairman)	22,500	11,250
Andrew CF Wilson	22,500	22,500
Ian A Hurst (Resigned 21/01/2019)	-	11,250
Christopher J Swann (Resigned 30/06/2019)	-	40,500
	108,000	130,500

Waitaki District Health Services Limited Group

Directors Report

For the year ended 30 June 2020

Employees' Remuneration

Details of employees who earned over \$100,000 over a year are:

	2020 Actual \$	2019 Actual \$
\$100,001 - \$110,000	2	1
\$110,001 - \$120,000	2	3
\$120,001 - \$130,000	2	1
\$130,001 - \$140,000	3	2
\$180,001 - \$190,000	1	-
\$210,001 - \$220,000	-	1
\$230,001 - \$240,000	-	1
\$250,001 - \$260,000	-	1
\$330,001 - \$340,000	1	-
	<u>11</u>	<u>10</u>

Directors' Interests

Interests of the Group Directors and Trustees are recorded below:

Waitaki District Health Services Limited & Trust

Andrew Wilson

Andrew and Nicky Wilson	Rental Property
Andrew Wilson GP Limited	Director
Clare River Limited	Director and Shareholder
Friends of Vanished World Charitable Trust	Trustee
Otaki Three Limited	Shareholder
Wilson Family Trust	Trustee
Wilson Family Trust Number 2	Trustee

Helen Algar

Age Concern Otago	Board Member
Waitaki Safer Community Trust	Trustee

Mark Rodgers

Adventure Development Limited	Board Member, Chairman
Institute of Directors Canterbury Branch	Committee Member
Kingsdown-Salisbury Hall Committee	Treasurer
Men at Work Limited	Independent Chairman
MVHB Professional Services Limited	Director and Shareholder
ourGroupIT Limited	Director
South Canterbury District Health Board Limited	Board Member - Ministerial Appointment
South Canterbury Eye Clinic Limited	Chairman
The Rogers Family Trust	Trustee
Venture Timaru Limited	Chairman
Westroads Limited	Director

Waitaki District Health Services Limited Group

Directors Report

For the year ended 30 June 2020

Paul Allison

Central Otago Health Services Limited
Halberg Foundation
Impact Consulting Limited
Infinite Energy Limited
NZME
Otago Polytechnic Education Foundation Trust
Otago Polytechnic Limited
Otago Rugby Union Board Appointment Panel
The Lion Foundation
University Book Shop (Otago) Limited

Director
Life Trustee
Independent Contractor
Independent Chair
Independent Contractor
Trustee
Board Member
Chairman
Regional Grants Committee, Independent Contractor
Director

Observatory Village Group

Ian Hurst

910 Limited
Arvida Group Limited
Augusta Industrial Fund Limited
Ecg Group Limited
Fuel To Go Limited
Hurst Holdings Limited
Hurst Lifecare Limited
Hurst Pastoral Holdings Limited
Kakariki Island Investments Limited
Lakewood Property Holdings Limited
Lakewood Rest Home Limited
Little Wonders (Childcare) At The Park Limited
Little Wonders Childcare (Wairakei) Limited
N.Z Fuel Services Limited
Oamaru Adventure Park Limited
Observatory Village Charitable Trust
Observatory Village Care Limited
Observatory Village Lifecare Limited
Penny Lane Childcare Limited
Penny Lane Properties Limited
The Park Early Learning Centre Limited
Waitaki Fuel Services Limited
Willowpark Investments Limited
Willows Childcare Limited

Shareholder
Shareholder
Shareholder
Shareholder
Director and Shareholder
Director
Director
Shareholder
Director and Shareholder
Director and Shareholder
Director and Shareholder
Shareholder
Director and Shareholder
Director
Shareholder
Trustee
Director
Director
Director
Director
Director and Shareholder
Director and Shareholder
Director and Shareholder
Director and Shareholder

Michelle Sintmaartensdyk

Oamaru Physiotherapy Clinic Limited
Observatory Village Care Limited
Observatory Village Lifecare Limited

Director and Shareholder
Director
Director

Waitaki District Health Services Limited Group

Directors Report

For the year ended 30 June 2020

Michael de Buyzer

Arvida Group Limited	Shareholder
Banco Trustees Limited	Director and Shareholder
BCO Trustees (2011) Limited	Director and Shareholder
BCO Trustees (2012) Limited	Director and Shareholder
BCO Trustees (2013) Limited	Director and Shareholder
BCO Trustees (2014) Limited	Director and Shareholder
BCO Trustees (2015) Limited	Director and Shareholder
BCO Trustees (2016) Limited	Director and Shareholder
BCO Trustees (2017) Limited	Director and Shareholder
BCO Trustees (2018) Limited	Director and Shareholder
BCO Trustees (2019) Limited	Director and Shareholder
BCO Trustees (Mertha) Limited	Director and Shareholder
BCO Trustees (Robertson) Limited	Director and Shareholder
Camp Street Properties Limited	Director and Shareholder
Dunstan Sprayers Limited	Director
Dunstan Contracting Limited	Director
Friendly Bay Limited	Director and Shareholder
Law Support Services Limited	Shareholder
Mallinson Trustees Limited	Director
Mcbride Street Queenstown Limited	Director and Shareholder
Mcphail Investments Limited	Director
Network Waitaki Limited	Director
Observatory Village Charitable Trust	Trustee
Onelaw Ip Holdings Limited	Shareholder
Onelaw Limited	Shareholder
PW Crum Trustees Limited	Shareholder
Whitstone Contracting Limited	Director
Whitstone Quarries And Landfill Limited	Director

Natalie Evans

Anaro Investments Limited	Director and Shareholder
Anaro Group Limited	Director and Shareholder
Bella Vista Management Limited	Director and Shareholder
McMaster Properties Limited	Director and Shareholder
Oamaru Whitestone Civic Trust	Trustee
Observatory Village Charitable Trust	Trustee
Okiwi Investments Limited	Director and Shareholder
Pembrook Investments Limited	Director
Otown Holdings Limited	Director and Shareholder
Rei Investments Limited	Director and Shareholder
Vogel Investments Limited	Director and Shareholder
Thames Street Motels Limited	Shareholder
Wenlock Investments Limited	Director

Gary Kircher

Observatory Village Charitable Trust	Trustee
Waitaki District Council	Mayor

Waitaki District Health Services Limited Group

Directors Report

For the year ended 30 June 2020

Peter Robinson

Arvida Group Limited

Lakewood Property Holdings Limited

Lakewood Rest Home Limited

Observatory Village Care Limited

Observatory Village Lifecare Limited

North Otago Motor Group Limited

Tararo Property Limited

Shareholder

Director and Shareholder

Director and Shareholder

Director

Director

Director and Shareholder

Director and Shareholder

Use of Company Information

During the period the Board received no notices from Directors of the Company requesting to use Company information received in their capacity as Directors which would not otherwise have been available to them.

Insurance of Directors

During the period the Company paid Director's indemnity insurance on behalf of Directors.

Audit

The audit of the Waitaki District Health Services Limited Group is undertaken by Audit New Zealand on behalf of the Auditor-General. Audit remuneration for the period under review was \$60,684 (2019: \$38,296). There were no other services, apart from audit services, provided by Audit New Zealand.

Waitaki District Health Services Limited Group

Statement of Responsibility

For the year ended 30 June 2020

The Board is responsible for the preparation of the Group Financial Statements and Statement of Performance and any of the judgements made in them for Waitaki District Health Services Limited Group.

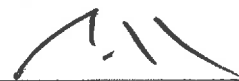
The Board is responsible for any half-year performance information provided by Waitaki District Health Services Limited Group under section 66 of the Local Government Act 2002.

The Board has responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.


In the opinion of the Board, these Group Financial Statements and Statement of Performance fairly reflect the financial position and operations of Waitaki District Health Services Limited Group for the year ended 30 June 2020.

For and on behalf of the Board of Directors,

Director



Director



Dr A. Wilson

Dated this 30th day of November, 2020

Waitaki District Health Services Limited Group
Statement of Comprehensive Revenue and Expense
For the year ended 30 June 2020

	Note	2020 Actual \$	2019 Actual \$
Revenue			
Southern District Health Board Revenue	2	11,251,705	10,593,787
Resident Fees and Retirement Village Contributions	2	6,137,926	4,403,773
Other Revenue	2	1,794,559	1,958,656
Interest Revenue	2	27,147	93,445
Gain on Revaluation of Investment Property	2,11	1,755,611	1,641,949
Total Revenue		20,966,948	18,691,610
Expenditure			
Personnel Costs	3	12,310,809	11,511,586
Depreciation and Amortisation Expense	9,10	997,944	867,573
Finance Costs		465,253	412,980
Other Expenses	4	7,285,058	5,965,854
Total Expenditure		21,059,064	18,757,993
Deficit from operations		<u>(92,116)</u>	<u>(66,383)</u>
Other Comprehensive Revenue and Expense			
Gain/(Loss) on Revaluation of Property, Plant and Equipment	9	706,866	1,749,927
		706,866	1,749,927
Total Comprehensive Revenue and Expense		<u>614,750</u>	<u>1,683,544</u>

Waitaki District Health Services Limited Group

Statement of changes in Equity

For the year ended 30 June 2020

	2020 Actual \$	2019 Actual \$
Balance at Beginning of Period	17,761,566	16,078,022
Total Comprehensive Revenue and Expense	614,750	1,683,544
Balance at End of Period	<u>18,376,316</u>	<u>17,761,566</u>

Waitaki District Health Services Limited Group

Statement of Financial Position

As at 30 June 2020

	Note	2020 Actual \$	2019 Actual \$
Current Assets			
Cash and Cash Equivalents	6	1,846,874	749,766
Current Term Deposits	7	1,016,202	1,254,314
Trade and Other Receivables	8	1,707,428	1,460,710
Inventory		106,010	212,962
Accrued Interest		2,579	15,900
Prepayments		148,740	74,925
Development in Progress	20	-	49,326
Total Current Assets		4,827,833	3,817,903
Non-Current Assets			
Property, Plant and Equipment	9	20,331,804	20,064,720
Intangible Assets	10	142,004	162,659
Investment Property	11	26,165,000	21,675,000
Total Non-Current Assets		46,638,808	41,902,379
Total Assets		51,466,641	45,720,282
Current Liabilities			
Bank Overdraft	6	70,431	-
Trade and Other Payables	12	2,344,638	1,890,435
Loans and Borrowings	14	1,564,637	3,656,638
Finance Leases	16	99,847	56,923
Obligations to Residents	15	15,947,074	12,200,357
Employee Benefits	13	1,944,812	1,692,877
Total Current Liabilities		21,971,439	19,497,230
Non-Current Liabilities			
Loans and Borrowings	14	10,792,001	8,000,000
Finance Leases	16	304,327	345,347
Employee Benefits	13	22,558	116,139
Total Non-Current Liabilities		11,118,886	8,461,486
Total Liabilities		33,090,325	27,958,716
Net Assets		18,376,316	17,761,566
Equity			
Share Capital	17	100	100
Retained Earnings	17	8,531,304	8,623,420
Revaluation Reserve	17	9,844,912	9,138,046
Total Equity		18,376,316	17,761,566

Waitaki District Health Services Limited Group

Statement of Cashflows

For the year ended 30 June 2020

	Note	2020 Actual \$	2019 Actual \$
Cashflows From Operating Activities			
Cash was provided from			
Receipts from DHB, Patients and Residents		17,600,593	16,522,370
Interest Received		40,468	123,755
Net GST Received		162,947	-
Occupation Right Agreements Sold		6,489,988	5,886,329
Donations Received		67,189	122,420
		<u>24,361,185</u>	<u>22,654,874</u>
Cash was disbursed to			
Payments to Suppliers and Employees		18,670,524	17,383,161
Interest Paid		440,734	389,447
Occupation Right Agreements Pay Outs		1,619,423	271,816
Net GST Paid		-	4,201
		<u>20,730,681</u>	<u>18,048,625</u>
Net Cashflow From/(To) Operating Activities	21	<u>3,630,504</u>	<u>4,606,249</u>
Cashflows From Investing Activities			
Cash was provided from			
Sale of Property, Plant and Equipment		4,369	-
Withdrawal from Term Deposits		738,112	4,134,613
		<u>742,481</u>	<u>4,134,613</u>
Cash was disbursed to			
Purchase of Property, Plant and Equipment		399,086	1,705,275
Purchase of Investment Property		3,075,278	6,861,861
Reinvestment of Term Deposits		500,000	1,254,314
		<u>3,974,364</u>	<u>9,821,450</u>
Net Cashflow From/(To) Investing Activities		<u>(3,231,883)</u>	<u>(5,686,837)</u>
Cashflows from Financing Activities			
Cash was provided from			
Loans from Waitaki District Council		700,000	234,221
Proceeds from Finance Leases		66,000	-
		<u>766,000</u>	<u>234,221</u>
Cash was disbursed to			
Repayment of Finance Leases		137,944	129,464
		<u>137,944</u>	<u>129,464</u>
Net Cashflow From/(To) Financing Activities		<u>628,056</u>	<u>104,757</u>
Net Increase (Decrease) in Cash and Cash Equivalents		1,026,677	(975,831)
Add Opening Cash and Cash Equivalents		749,766	1,725,597
Closing Cash and Cash Equivalents	6	<u>1,776,443</u>	<u>749,766</u>

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2020

1. Statement of Accounting Policies

Reporting Entity

Waitaki District Health Services Limited ("the Company") is a Council Controlled Organisation as defined in the Local Government Act 2002. The company is wholly owned by Waitaki District Council and is registered under the Companies Act 1993.

The primary objective of the company is to provide services or goods for the community or social benefit rather than making a financial return. The company owns and operates the Oamaru Hospital. Accordingly, the company has designated itself as a public benefit entity (PBE) for reporting purposes.

Waitaki District Health Services Trust ("the Trust") is a Charitable Trust as defined in the Charities Act 2005. The primary objective of the Trust is to hold and administer funds for the charitable purpose of providing health services within the Waitaki District in New Zealand. The Trustees of the Trust are the directors of Waitaki District Health Services Limited.

Observatory Village Group incorporates Observatory Village Lifecare Limited, Observatory Village Care Limited and the Observatory Village Charitable Trust. The primary purpose of the Observatory Village Group is to establish and provide affordable rest home and hospital level care to the elderly of Oamaru, New Zealand as a charitable organisation.

Waitaki District Health Services Limited Group ("the Group") incorporates the Company, Trust and the Observatory Village Group.

The Group Financial Statements are for the period ended 30 June 2020. The Financial Statements were authorised for issue by the Directors on 30 November 2020. The board does not have the power to amend the financial statements after issuance.

Basis of Preparation

The Group Financial Statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings and investment properties.

The Group Financial Statements are presented in New Zealand dollars, which is the functional currency of the Group, rounded to the nearest dollar.

The Group Financial Statements have been prepared on a going concern basis. The basis of the going concern assessment is based on the following assumptions:

- Ongoing letter of support from the Waitaki District Council (received post 22 September board meeting).
- The ability for cost reductions, especially in the area of replacing contracted staff with employed medical professionals and leadership staff. This has progressed since the end of the financial year.
- Access to long term funding from the Observatory Village Trust and the Waitaki District Health Services Trust by way of ongoing cashflow surpluses generated by the hospital.
- Ongoing contractual relationship with the Southern District Health Board, ACC and other customers.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2020

Statement of Compliance

The Group Financial Statements have been prepared in accordance with NZ GAAP. They comply with Tier 2 PBE (RDR) accounting standards on the basis the Group is not considered publically accountable or large with expenditure under \$30 million per annum. The statements meet the requirements of the Local Government Act 2002.

Subsidiaries

The Company consolidates its subsidiaries in the Group Financial Statements all entities where the Company has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the entity. This power exists where the company controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by the company or where the determination of such policies is unable to materially impact the level of potential ownership benefits that arise from the activities of the subsidiary.

Basis of Consolidation

The entities and the bases of their inclusion for consolidation in these financial statements are as follows:

Waitaki District Health Services Trust

The Company is the 100% beneficial owner of Waitaki District Health Services Trust.

The accounts have been consolidated using the acquisition method on a line by line basis.

The Trust is exempt as a Council Controlled Organisation under section 7 of the Local Government Act 2002.

Observatory Village Group

The Observatory Village Charitable Trust was incorporated in October 2015. The Trust was settled by Waitaki District Health Services Limited. Therefore the company has control over the Observatory Village Charitable Trust and the Trust is considered a public entity.

The Observatory Village Charitable Trust is the 100% beneficial owner of Observatory Village Lifecare Limited and Observatory Village Care Limited, Reed Street Healthcare Limited also 100% owned by the Trust was liquidated on the 8th of May 2020.

Observatory Village Lifecare Limited, Observatory Village Care Limited and the Observatory Village Charitable Trust are collectively known as the Observatory Village Group. These accounts have been consolidated using the acquisition method on a line by line basis.

Comparatives

Certain prior period property, plant and equipment has been reclassified between functional categories for consistency with the current period. Hospital leasehold improvements have been reported separately from land and buildings. Intangible assets have been separated from the property, plant and equipment register and recorded separately in the statement of financial position. ACC Non-Acute Rehabilitation revenue was reclassified to Southern District Health Board Revenue from Other Operating Revenue as the ACC Non-Acute Rehabilitation revenue is provided under the Health Board contract.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies which materially affect the measurement of results and financial position have been applied:

Revenue

Revenue is measured at the fair value of consideration received. Revenue is recorded either as revenue from exchange or revenue from non-exchange transactions. Non-exchange transactions refer to transactions where the Group gives value to another entity without directly receiving approximately equal value in exchange. This separation is set out in note 2 of the financial statements.

Southern District Health Board funding is set annually and relates to a 12 month period. All Southern District Health Board funding is invoiced within the financial year to which the funding has been set. Southern District Health Board revenue is recognised when eligibility has been established.

Operating revenues represent the gross revenue from commercial operations in the ordinary course of business and are recognised when earned.

Serviced Apartment, Villa, Hospital and Rest Home Fees from residents are recognised over the period in which the service is rendered.

Rental revenue is accounted for on a straight-line basis.

Village Contribution income has been recognised on a straight line basis over the expected period of occupancy.

Donations are recognised as revenue when received and can include donations from the general public.

Receipts for resident care and accommodation funded by other parties are recognised on an accruals basis. These revenues are recognised on a systematic basis over the periods in which the Group recognises as an expense the related costs for which the funding is intended to compensate. During the year ended 30 June 2020, and as a result of the COVID-19 pandemic, the Observatory Village Group received the wage subsidy.

Fees and charges are recognised when invoiced.

Interest income is recognised on an accruals basis using the effective interest method.

Consumables

Purchases of supplies are expensed in the period they are incurred.

Repairs and Maintenance

Repairs and maintenance costs are expensed in the period they are incurred.

Borrowing Costs

Borrowing costs are recognised as an expense in the period to which the charge relates.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2020

Finance Leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, finance leases where the Group is the lessee are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The lease is charged to the Statement of Comprehensive Revenue and Expense over the lease period so as to produce a consistent periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no reasonable certainty as to whether the Group will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating Leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Lease incentives received are recognised in the Statement of Comprehensive Revenue and Expense as a reduction of rental expenses over the lease term.

Goods and Services Tax

These accounts have been prepared on a GST exclusive basis and any net GST due or owing at balance date is included in trade and other receivables or trade and other payables (as appropriate). Trade receivables and payables are stated inclusive of GST. Where GST is not recoverable as an input tax then it is recognised as part of the related asset or expense.

The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as net operating cash flow in the statement of cash flows.

Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Investments

Investments in bank term deposits are initially measured at the amount invested.

After initial recognition, these investments are measured at amortised cost using the effective interest method, less any provision for impairment.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2020

Trade and Other Receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that the Company and Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

Property, Plant and Equipment

Property, Plant and Equipment consists of:

Operational assets – these include land, buildings, building fittings, leasehold improvements, motor vehicles, furniture & fittings and plant & equipment.

Land is measured at fair value, and buildings are measured at fair value less accumulated depreciation. All other assets are measured at cost, less accumulated depreciation and impairment losses.

Assets are considered cash-generating where their primary objective is to generate a commercial return. Conversely, non-cash generating assets are those assets that are not held with the primary objective of generating a commercial return.

The assets' residual values, useful lives and depreciation methods are reviewed annually and adjusted if appropriate at each financial year end.

Revaluations

Certain classes of assets, as detailed below, are re-valued.

Land and Buildings

Land and buildings (which are not classified as investment property or leasehold improvements) are initially recognised at cost and subsequently measured annually at fair value as determined by an independent registered valuer. Gains or losses arising from changes in the fair values of items of property, plant and equipment accounted for under the revaluation method are shown separately in the Consolidated Statement of Comprehensive Revenues and Expense. Gains in fair value are recognised within the Asset Revaluation Reserve within the Consolidated Statement of Changes in Equity.

Decreases in fair value are offset against the revaluation reserve to the extent that there is a credit balance. Any additional loss in fair value is recognised in the Statement of Comprehensive Revenue and Expense.

Where an item of property, plant and equipment is disposed of or when no further economic benefits are expected from its use, the gain or loss (calculated as the difference between net sales price and the carrying amount of the asset) is recognised in the Consolidated Statement of Comprehensive Revenue and Expense.

Additions to property, plant and equipment are recorded at their cost and are subsequently revalued annually where these fall within the revalued property category.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2020

Leasehold Improvements

The leasehold improvements were valued by Quotable Value on 30 June, 2020. The valuation was carried out for financial reporting purposes in accordance with the valuation requirements of PBE IPSAS 17. Leasehold improvements are revalued at three year intervals, but are reviewed at each balance date to ensure that their carrying value is not materially different from their fair value.

Leasehold improvement revaluation movements are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class of asset

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Company and the cost of the item can be measured reliably.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the Statement of Comprehensive Revenue and Expense.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when the future economic benefits are probable. The cost of day-to-day servicing property, plant and equipment are recognised in the statement of revenue and expense as they are incurred.

Depreciation

Depreciation is provided on a diminishing value basis for motor vehicles, and both diminishing value and straight line basis for land improvements, buildings, plant and equipment, and furniture and fittings at rates which will write off the cost (or revaluation) of the assets to their estimated residual values over their useful lives.

The applied rates are as follows:

	Straight Line	Diminishing Value
Buildings	1% to 2%	
Plant and Equipment	7% to 67%	4% to 60%
Furniture and Fittings	9% to 67%	3% to 60%
Motor Vehicles		20% to 30%

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2020

Intangible Assets

Intangible assets are recorded at cost and subsequently amortised on either a diminishing value or a straight line basis at rates which will write off the cost of the assets to their estimated residual values over their useful lives.

The applied rates are as follows:

	Straight Line	Diminishing Value
Computer Software	10% to 40%	48%

Impairment of Non-financial Assets

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have 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.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service.

The value in use for cash-generating assets is the present value of expected future cash flows. For non cash-generating assets, value in use is determined using an approach based on either a depreciated or replacement cost approach.

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. For re-valued assets the impairment loss is recognised against the revaluation reserve for that class of asset and in other comprehensive income. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the Statement of Comprehensive Revenue and Expense.

For assets not carried at a re-valued amount, the total impairment loss is recognised in the Statement of Comprehensive Revenue and Expense.

The reversal of an impairment loss on a re-valued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the Statement of Comprehensive Revenue and Expense and other comprehensive income, a reversal of the impairment loss is also recognised in the Statement of Comprehensive Revenue and Expense.

For assets not carried at a re-valued amount the reversal of an impairment loss is recognised in the Statement of Comprehensive Revenue and Expense.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2020

Impairment of Financial Assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

All impairment losses are recognised in the Consolidated Statement of Comprehensive Revenue and Expense. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. This reversal is recognised in the Consolidated Statement of Comprehensive Revenue and Expense.

Investment Properties

Investment properties include land and buildings relating to the retirement village operation intended to be held long term to earn rental income and for capital appreciation.

Investment properties are initially recorded at cost and subsequently measured annually at fair value as determined by an independent registered valuer. Gains or losses arising from changes in the fair values of investment properties are included in the Statement of Comprehensive Revenue and Expenses in the year in which they arise. Where an investment property is disposed of, the surplus or deficit recognised in the Statement of Comprehensive Revenue and Expense is the difference between the net sales price and the carrying value of the property.

No depreciation is provided for on investment properties.

Development in Progress

Development in progress is the cost incurred for buildings which are not yet completed as well as professional fees to date for development which have not been commenced. This will be transferred to Investment Properties on completion of the associated stage of construction.

Provisions

Provisions are recognised when the Group has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2020

Employee Entitlements

Short-term benefits

Employee benefits that the hospital expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and long service leave entitlements expected to be settled within 12 months, and sick leave.

The Group recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that the hospital anticipates it will be used by staff to cover those future absences.

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Long service leave

Entitlements that are payable beyond 12 months, such as long service leave have been calculated on an actuarial basis. The calculations are based on:

- Likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements and;
- The collective employment agreements using a probability of a 95% chance of staff reaching entitlement requirements. This probability is based upon the nature of the workforce and staff turnover in the past.

Financial Instruments

The Group is party to financial instrument arrangements as part of everyday operations. These financial instruments include bank overdraft facilities and draw-down facilities, current term deposits, financial assets, accounts receivable and accounts payable.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The Group has classified its financial assets as 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables and bank balances) are measured at amortised cost using the effective interest method, less any impairment or fair value adjustments.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2020

Impairment of Financial Instruments

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Comprehensive Revenue and Expense to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Critical Accounting Estimates and Assumptions

In preparing these financial statements the Group made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors including expectations or future events that are believed to be reasonable under the circumstances. The main areas of estimate are in the useful lives of items or property, plant and equipment (see 'Depreciation' above), revaluations and impairment of financial assets. Useful lives, impairment and discount rates are reviewed annually.

Village Contribution Revenue Recognition

Village contributions are recognised as revenue on a straight-line basis. This requires management to estimate the period of occupancy for Villas, Apartments and Care Suites.

The directors of Observatory Village in conjunction with the valuer estimate that the average period of occupancy for Apartments is 4 years (2019: 4 years), Care Suites is 3 years (2019: 3 years) and Villas 8 years (2019: 8 years), based on historical results and experience.

If actual occupancy periods differ significantly from the estimates, Village Contributions shown in the Financial Statements will be affected accordingly. However, this is unlikely to cause a material adjustment.

Taxation

The company and its subsidiaries are exempt from tax as charitable organisations.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2020

Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- Share capital
- Retained earnings
- Revaluation reserve

Revaluation Reserve

This reserve relates to the revaluation of property, plant and equipment to fair value.

Statement of Cashflows

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the company invests as part of its day-to-day cash management.

Operating activities include cash received from all income sources of the company and records the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise the change in equity and debt capital structure of the Group.

Change in Accounting Policies

There have been no changes in accounting policies. All policies have been applied on a basis consistent with those from previous financial statements.

2. Revenue

	2020 Actual \$	2019 Actual \$
Revenue from Exchange Transactions		
Gain on Revaluation of Investment Property	1,755,611	1,641,949
Interest Received	27,147	93,445
Resident Fees	2,611,491	1,926,794
Retirement Village Contributions	1,123,848	564,646
Other Operating Revenue	1,216,111	1,042,447
	<u>6,734,208</u>	<u>5,269,281</u>
Revenue from Non-Exchange Transactions		
District Health Board Revenue	11,251,705	10,593,787
Donations Received	67,189	122,420
Resident Fees	2,402,587	1,912,333
Other Operating Revenue	511,259	793,789
	<u>14,232,740</u>	<u>13,422,329</u>
Total Revenue	<u>20,966,948</u>	<u>18,691,610</u>

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2020

3. Personnel Costs

	2020 Actual	2019 Actual
	\$	\$
Salaries and wages	11,864,788	11,261,013
Employer Contributed Superannuation	287,667	225,271
Increase / (Decrease) in employee benefit entitlements	158,354	25,302
	<u>12,310,809</u>	<u>11,511,586</u>

4. Other Expenses

	2020 Actual	2019 Actual
	\$	\$
Includes the following items:		
Audit Fees paid to Audit New Zealand - Financial Statements	60,684	38,296
Audit Fees paid to PKF - Financial Statements	-	7,203
Audit Fees paid to Grant Thornton - Financial Statements	42,034	-
Director and Trustee Fees	147,999	170,499
Equipment Servicing	139,127	133,502
Food Costs	502,436	419,022
Insurance Premiums	134,179	125,836
Locums	2,338,929	1,571,290
Loss on Asset Disposal	2,410	851
Rental and Operating Lease Costs	109,013	68,443
Reporting and Licensing	298,931	262,034
Specialist Costs	298,776	304,872

5. Income Taxes

Sections CW41 and CW42 of the Income Tax Act 2007 provide tax exempt status for the company

6. Cash and Cash Equivalents

	2020 Actual	2019 Actual
	\$	\$
Cash on Hand	500	500
ANZ Bank	310,572	150,945
ANZ Bank Call Account	1,515,031	217,025
Diocesan Trust	1,026	1,026
Westpac Bank	383	369,190
Westpac Call Account	19,362	11,080
Cash and Cash Equivalents	<u>1,846,874</u>	<u>749,766</u>
Westpac Bank Overdraft	<u>70,431</u>	-
	<u>70,431</u>	-
Net cash and cash equivalents for purposes of the statement of cash flows	<u>1,776,443</u>	<u>749,766</u>

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2020

7. Current Term Deposits

	2020 Actual	2019 Actual
	\$	\$
ANZ Bank	500,000	-
Westpac Bank	516,202	1,254,314
	<u>1,016,202</u>	<u>1,254,314</u>

8. Trade and Other Receivables

	2020 Actual	2019 Actual
	\$	\$
Trade and other receivables from Exchange Transactions	257,128	237,270
Trade and other receivables from Non-Exchange Transactions	1,510,300	1,187,755
GST Receivable	-	36,417
Less provisions for Impairment	(60,000)	(732)
Total trade and other receivables	<u>1,707,428</u>	<u>1,460,710</u>

The carrying value of receivables approximates their fair value.

An exchange transaction is one in which the Group receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

The carrying amount of receivables that are past due, but not impaired, is \$223,593 (2019: \$69,332).

As at 30 June 2020 all overdue receivables have been assessed for impairment and appropriate provisions applied, as detailed below:

	Gross	2020 Impairment	Net	Gross	2019 Impairment	Net
	\$	\$	\$	\$	\$	\$
Current	1,543,835	-	1,543,835	1,392,110	-	1,392,110
Past due 0-30 days	43,270	-	43,270	49,777	-	49,777
Past due 31-60 days	53,127	-	53,127	14,884	-	14,884
Past due greater than 61 days	127,196	60,000	67,196	4,671	732	3,939
Total	<u>1,767,428</u>	<u>60,000</u>	<u>1,707,428</u>	<u>1,461,442</u>	<u>732</u>	<u>1,460,710</u>

	2020 Actual	2019 Actual
	\$	\$
Balance at 1 July	732	4,170
Additional provisions made during year	60,000	-
Less receivables written off during the period	(732)	(3,438)
Balance at 30 June	<u>60,000</u>	<u>732</u>

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2020

The provision for uncollectability has been calculated based on a review of specific overdue receivables and a collective assessment. The collective assessment is based on an analysis of past collection history and debt writeoffs.

9. Property, Plant & Equipment

	Land & Buildings	Leasehold Land /Improvements	Plant & Equipment	Fixtures & Fittings	Motor Vehicles	Total
Cost or Revaluation						
Opening Balance	5,992,155	10,192,631	3,990,995	1,160,150	242,160	21,578,091
Additions	1,390,833	-	889,853	590,780	-	2,871,466
Disposals	-	-	(1,096,721)	(1,145)	(4,348)	(1,102,214)
Gain/(Loss) on Revaluations	1,749,927	-	-	-	-	1,749,927
Balance at 30 June 2019	9,132,915	10,192,631	3,784,127	1,749,785	237,812	25,097,270
Opening Balance	9,132,915	10,192,631	3,784,127	1,749,785	237,812	25,097,270
Additions	54,845	-	310,012	169,529	7,739	542,125
Disposals	-	-	(9,050)	-	(21,413)	(30,463)
Gain/(Loss) on Revaluations	(206,090)	912,956	-	-	-	706,866
Balance at 30 June 2020	8,981,670	11,105,587	4,085,089	1,919,314	224,138	26,315,798
Accumulated depreciation and impairment losses						
Opening Balance	160,255	1,142,631	3,443,923	366,836	169,191	5,282,836
Depreciation Expense	147,660	381,478	211,105	101,844	7,845	849,932
Disposals	-	-	(1,096,721)	-	(3,497)	(1,100,218)
Balance at 30 June 2019	307,915	1,524,109	2,558,307	468,680	173,539	5,032,550
Opening Balance	307,915	1,524,109	2,558,307	468,680	173,539	5,032,550
Depreciation Expense	183,755	381,478	257,352	147,786	6,918	977,289
Disposals	-	-	(4,726)	-	(21,119)	(25,845)
Balance at 30 June 2020	491,670	1,905,587	2,810,933	616,466	159,338	5,983,994
Carrying amounts						
At 30 June 2018	5,831,900	9,050,000	547,072	793,314	72,969	16,295,255
At 30 June 2019	8,825,000	8,668,522	1,225,820	1,281,105	64,273	20,064,720
At 30 June 2020	8,490,000	9,200,000	1,274,156	1,302,848	64,800	20,331,804

Land and Buildings relating to Waitaki District Health Services Limited were revalued by Quotable Value at 30 June, 2020, who are independent of the Company and Group.

Land and Buildings relating to the Observatory Village Group were revalued at 30 June 2020 by Colliers International Valuation (chch) Limited.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2020

The Covid-19 pandemic has caused widespread economic and market uncertainty. This is a relatively recent event at the time of valuation of the hospital land and buildings and market information will provide a better understanding of its effect on the property market as it becomes available. As the hospital is specialist property that will always be required in the community, the group does not consider Covid 19 will have any detrimental impact on the value. This risk relates to leasehold land held at market value and not leasehold buildings which are held at optimised depreciated replacement cost.

The valuation, due to the Covid-19 pandemic, of land and buildings relating to the Observatory Village Group is inherently uncertain. In terms of the property markets it is difficult at the current time to determine if this is a short term liquidity issue or a longer term concern. The illiquidity in property markets means there will be a time delay in establishing transactional evidence to demonstrate actual pricing and what the adjustment from pre-pandemic values is likely to be.

The valuation methodology used in the valuation of the property plant and equipment is based on fair value of the asset. Where the fair value of an asset can be determined by reference to price in an active market for the same or similar asset, the fair value of the asset is determined using this information. Where fair value is unable to be reliably determined using market based evidence (apart from land which uses market value), optimised depreciated replacement cost is considered the most appropriate basis for determination of fair value. The land and buildings have been classified as specialised and therefore land is valued at market value and buildings use optimised depreciated replacement cost.

The net carrying amount of plant and equipment held under finance leases is \$404,174 (2019: \$402,270). Note 16 provides further information about finance leases.

10. Intangible Assets

	Computer Software
Cost	
Opening Balance	269,285
Additions	8,282
Balance at 30 June 2019	<u>277,567</u>
Opening Balance	277,567
Additions	-
Balance at 30 June 2020	<u>277,567</u>
Accumulated depreciation and impairment losses	
Opening Balance	97,267
Amortisation Expense	17,641
Balance at 30 June 2019	<u>114,908</u>
Opening Balance	114,908
Amortisation Expense	20,655
Balance at 30 June 2020	<u>135,563</u>

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2020

Computer Software

Carrying amounts

At 30 June 2018	172,018
At 30 June 2019	162,659
At 30 June 2020	142,004

Computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs that are directly attributable to the development of software for internal use are recognised as an intangible asset. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with development and maintenance of the websites are recognised as an expense when incurred.

11. Investment Property

	2020 Actual \$	2019 Actual \$
Revaluation		
Opening Balance	21,675,000	14,278,100
Additions/Transfers	2,734,389	5,754,952
Revaluation Gain/(Loss)	1,755,611	1,641,948
	<u>26,165,000</u>	<u>21,675,000</u>

Investment property was revalued by Colliers International Valuation (Chch) Limited at 30 June 2020.

The valuation was prepared by the above independent valuers in accordance with PBE IPSAS 16 Investment Properties. Colliers is appropriately qualified and experienced in valuing retirement village properties in New Zealand.

Fair values have been determined using a two-step approach. The determination of the value of the care facility is complex and is based on income capitalisation of the market rent adopting a 7.75% yield (2019: 7.5%).

The Care Suites, Apartments and Villas are valued using the discounted cash flow approach. The major assumptions used in the discounted cash flow analysis are a discount rate of 15.25% (2019: 15%), growth rates in unit values which range from -1% for year 1, 0% for year 2 and then positive growth from year 3 onwards over the term of the cash flow, with compounded growth rate at 2.27% per annum. For independent villas, a market value compounded growth rate at 2.68% has been adopted. This growth reflects negative growth rate of -2% for year 1, 0% for year 2 and then positive growth rate from year 3 onwards. A deduction for expenses such as refurbishment costs, marketing and capital expenditure has also been adopted.

Occupation Right Agreement contracts were reviewed and the valuation adjusted for residents' share, if any, of any capital gains when determining the market value to the proprietor. Other assumptions used by the valuer include the average age of entry of residents and average occupancy periods of units. The period of the discounted cash flow is 25 years.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2020

The above inputs calculate the proprietor's interest in Observatory Village Lifecare Limited which is then adjusted to take into account the residents Occupation Right Agreement liability as recorded in the Statement of Financial Position to determine the overall land and improvement value.

There is approximately 48,635 square metres of excess land remaining as undeveloped, and as shown within the report, has been valued at \$13.25 per square meter.

The outbreak of the Coronavirus (COVID-19) was declared by the World Health Organisation as a 'Global Pandemic' on 11 March 2020. Market activity is being impacted in almost every sector and there is a major reduction in liquidity across all investment markets. In terms of the property markets it is difficult at the current time to determine if this is a short term liquidity issue or a longer term concern. The illiquidity in property markets means there will be a time delay in establishing transactional evidence to demonstrate actual pricing and what the adjustment from pre-pandemic values is likely to be.

As at valuation date, the valuers consider it appropriate to attach less weight to previous market evidence for comparison purposes, to inform opinions of value. The valuation is reported on the basis of 'material valuation uncertainty'. Consequently, less certainty (and a higher degree of caution) should be attached to the valuation than would normally be the case.

12. Trade and Other Payables

	2020 Actual	2019 Actual
	\$	\$
Trade Creditors from Exchange Transactions	1,203,313	1,454,271
Accrued expenses from Exchange Transactions	392,815	206,444
Revenue Received in Advance from Exchange Transactions	41,667	4,930
Employment Deductions Payable	381,276	224,790
GST Payable	325,567	-
Total Trade and Other Payables	2,344,638	1,890,435

Trade and other payables are non-interest bearing and are normally settled on 30 day terms, therefore the carrying value of trade and other payables approximates their fair value

13. Employee Benefit Liabilities

	2020 Actual	2019 Actual
	\$	\$
Accrued Pay	479,010	486,532
Annual Leave	1,419,148	1,222,112
Long Service Leave	35,941	46,304
Sick Leave	20,921	23,527
Continuing Medical Education	12,350	30,541
Total Employee Benefit Liabilities	1,967,370	1,809,016

Comprising:

Current	1,944,812	1,692,877
Non-Current	22,558	116,139
Total Employee Benefit Liabilities	1,967,370	1,809,016

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2020

14. Loans and Borrowings

As at 30 June 2019

	Current	Non-current	Total
	\$	\$	\$
Waitaki District Council - OV Stage One	-	8,000,000	8,000,000
Waitaki District Council - OV Stage Two, Tranche I	156,637	-	156,637
Waitaki District Council - OV Stage Two, Tranche II	3,500,001	-	3,500,001
Total Loans and Borrowings	3,656,638	8,000,000	11,656,638

As at 30 June 2020

	Current	Non-current	Total
	\$	\$	\$
Waitaki District Council - Hospital Funding Loan	700,000	-	700,000
Waitaki District Council - OV Stage One	300,000	7,700,000	8,000,000
Waitaki District Council - OV Stage Two, Tranche I	156,637	-	156,637
Waitaki District Council - OV Stage Two, Tranche II	408,000	3,092,001	3,500,001
Total Loans and Borrowings	1,564,637	10,792,001	12,356,638

Waitaki District Council

Council holds a general security agreement over all assets of Observatory Village Lifecare Limited, at balance date assets totalled \$38,924,474 (2019: \$32,892,209).

OV Stage One

The Stage One loan has interest charged at a rate set by Council, at 30 June 2020 3.98% p.a. The loan term is for a period of 10 years maturing 20 February 2027 with set repayments.

OV Stage Two, Tranche I ("Stage Two Design")

The Stage Two, Tranche I loan is interest free and repayable on demand.

OV Stage Two, Tranche II ("Stage Two Construction")

The Stage Two, Tranche II loan has interest charged at a rate set by Council, at 30 June 2.99% p.a. The loan term is for a period of 10 years maturing 20 February 2029 with set repayments.

Hospital Funding Loan

The council has provided Waitaki District Health Services Limited with a temporary funding arrangement to support the company to ensure solvency and operational viability. Interest charge at 30 June 2020 is 2.96% p.a. The loan maturity date is 30 June 2021.

There were no defaults on either principal or interest for any loan undertaken with any party during the current financial year.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2020

15. Obligations to Residents

	2020 Actual	2019 Actual
	\$	\$
Occupation Right Agreements (ORA)	14,955,964	11,574,886
Revenue in Advance	991,110	625,471
	<u>15,947,074</u>	<u>12,200,357</u>

Covenant Trustee Services Limited is a first ranking charge holder in its capacity as the statutory supervisor, pursuant to the Retirement Villages Act 2003.

Fair Value

The occupation right agreement is refundable to the resident on vacating the unit or apartment or on termination of the licence (subject to new agreements being issued). Therefore, the fair value is equal to the face value being the amount that can be demanded by the resident.

The Obligations to Residents is classified as a current liability as the Group does not have an unconditional right to defer settlement. Settlement occurs when both a terminating event has occurred and there has been a subsequent resale of the licence.

Residents make interest free advances under the Occupation Right Agreements ("Occupancy Advances") to the retirement village in exchange for the right of occupancy to retirement village units. Under the terms of the Occupancy Agreement, an encumbrance is recorded over the land title by the statutory supervisor to secure the Group's obligation to the occupation license holders. The encumbrance ranks first ahead of any bank securities.

16. Finance Lease Liabilities

	2020 Actual	2019 Actual
	\$	\$
Current	99,847	56,923
Non-current	304,327	345,347
Total	<u>404,174</u>	<u>402,270</u>

Finance lease liabilities are secured by the related asset held under finance leases. The associated assets are included in the Property Plant and Equipment schedule and depreciated.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2020

17. Shareholders Equity

	2020 Actual \$	2019 Actual \$
(a) Capital		
100 Ordinary Shares		
Total Issued and Paid up Capital	100	100
Total issued shares	100	100
(b) Retained Earnings		
Opening Balance	8,623,420	8,689,803
Net Operating Deficit	(92,116)	(66,383)
Retained Earnings	8,531,304	8,623,420
(c) Revaluation Reserve		
Opening Balance	9,138,046	7,388,119
Gain/(Loss) on Revaluation of Property	706,866	1,749,927
Revaluation Reserve	9,844,912	9,138,046
Total Shareholder Equity	18,376,316	17,761,566

Waitaki District Health Services Limited has only issued one Ordinary Class share type. This class includes the right to one vote per share.

18. Related Party Transactions

	2020 Actual \$	2019 Actual \$
(a) Related Parties		
<u>Waitaki District Council</u>		
Services provided by Council (GST exclusive)	164,303	126,880
Interest paid to Council	409,773	389,000
Amounts payable at balance date (GST inclusive)	30,417	7,812
In addition to the transactions noted above, Waitaki District Council has advanced three loans to the Group (one to Waitaki District Health Services Limited and two to the Observatory Village Group). The balances and terms of these loans are disclosed in Note 14.		
<u>Whitestone Contracting Limited</u>		
Services provided by Whitestone Contracting (GST exclusive)	25,473	-
Amounts payable at balance date (GST inclusive)	1,887	-
<u>Waitaki District Health Services Trust</u>		
The Waitaki District Trust has an Unlimited Supported Guarantee dated 29 October 2019 with Waitaki District Health Services Limited relating to the overdraft facility		
<u>Andrew Wilson (Director of Waitaki District Health Services Limited)</u>		
Rental property provided by N & A Wilson (GST exclusive)	24,960	21,920
Amounts payable/(receivable) at balance date (GST inclusive)	2,080	2,080

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2020

(b) Key Management and Directors

Key management personnel comprise of Directors, the Chief Executive Officer and Clinical Director.

	2020		2019	
	FTE	Remuneration	FTE	Remuneration
		\$		\$
Directors	11.00	147,999	14.00	170,499
Leadership Team	3.50	596,937	3.73	674,421
Management Entity	1.00	227,224	1.00	114,310
Total		<u>972,160</u>		<u>959,230</u>

Due to the difficulty in determining the full-time equivalent for Directors/Trustees, the full-time equivalent figure is taken as the number of Directors/Trustees.

During the year WDHSL obtained key management personnel services from South Canterbury District Health Board for the Chief Executive Officer. This has been classed as transactions from a management entity.

19. Commitments

The group has the following capital commitments on balance date

	2020 Actual	2019 Actual
	\$	\$
- Swipe Card Security Door Upgrade	-	24,335
- Observatory Village Lifecare Limited Development	411,553	3,238,727
	<u>411,553</u>	<u>3,263,062</u>

Non-cancellable operating lease commitments:

Less than one year	41,730	41,730
One to Two years	41,730	41,730
Two to Five years	125,190	125,190
Five years and later	632,065	673,909
	<u>840,715</u>	<u>882,559</u>

The lease commitments consist of land owned by the Waitaki District Council which is occupied by the Group.

Operating leases as a lessor

Less than one year	22,700	22,700
One to Two years	22,700	22,700
Two to Five years	68,100	68,100
Five years and later	414,275	436,975
	<u>527,775</u>	<u>550,475</u>

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2020

The lease is to SCL Otago Southland Limited for rental of the hospital laboratory. The tenant is committed to paying all charges for electricity, telecommunication or other utility services used directly. The tenant shall also pay a fee in reasonable proportion to the landlord's general building outgoings.

20. Development in Progress

	2020 Actual	2019 Actual
	\$	\$
Opening Balance	49,326	-
Development Costs for the period	2,739,908	7,195,111
Transfer to Investment Property on Completion	(2,789,234)	(7,145,785)
	<u>49,326</u>	<u>49,326</u>

Development Work In Progress is the cost incurred for buildings which are not yet completed as well as professional fees to date for building development which have not been commenced.

21. Reconciliation of Net Surplus/(Deficit) from operations with Cashflows From Operating Activities

	2020 Actual	2019 Actual
	\$	\$
Net Surplus/(Deficit) from operations	(92,116)	(66,383)
Add/(less) non-cash items		
Depreciation and Amortisation	997,944	867,573
Loss/(Gain) on Disposal of Assets	249	851
Loss/(Gain) on Revaluation of Investment Property	(1,755,611)	(1,641,949)
Amortisation of Occupation Right Agreements	3,381,078	5,049,865
Interest and servicing cost on leases as shown in Lease Repayments	73,848	75,726
Add/(less) movements in working capital		
(Increase)/decrease in trade and other receivables	(317,044)	251,264
(Increase)/decrease in prepayments	(73,815)	(3,280)
(Increase)/decrease in accrued interest	16,186	30,310
(Increase)/decrease in inventory	106,952	(34,898)
Increase/(decrease) in trade and other payables	1,234,174	232,496
Increase/(decrease) in employee entitlements	58,659	(155,326)
Net Cashflow From/(To) Operating Activities	<u>3,630,504</u>	<u>4,606,249</u>

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2020

22. Contingent Assets and Liabilities

Waitaki District Health Services Limited and group has not granted any securities in respect of liabilities payable by any other party (2019: Nil).

Waitaki District Health Services Limited is currently subject to a potential litigation issue which relates to three HDC (The Health and Disability Commissioner) complaints. Claro NZ's Health Sector Lawyers were instructed on 05 July 2019 in relation to this litigation issue which is being overseen by Waitaki District Health Services Limited Group insurer, QBE. The insurance excess is \$60,000 or \$20,000 per claim.

There is a possibility that Waitaki District Health Services Limited will be required to back pay nurse hours relating to meal breaks. This investigation is currently underway, however the amount of back pay is not able to be quantified.

There were no contingent assets at balance date (2019: Nil).

23. Financial Instruments

Financial Instrument Categories

The carrying amounts of financial assets and liabilities in each of the financial instrument categories are as follows:

	2020 Actual \$	2019 Actual \$
<u>Financial Assets</u>		
Loans and Receivables		
Cash and cash equivalents	1,846,874	749,766
Receivables	1,707,428	1,460,710
Term deposits	1,016,202	1,254,314
	<u>4,570,504</u>	<u>3,464,790</u>
<u>Financial Liabilities</u>		
Financial Liabilities at Amortised Cost		
Payables	2,302,971	1,885,505
Bank Overdraft	70,431	-
Secured Loans	12,356,638	11,656,638
	<u>14,730,040</u>	<u>13,542,143</u>

(a) Credit Risk

Financial instruments which potentially subject the Group to credit risk principally consist of bank balances, short term deposits and accounts receivable. The maximum exposure to credit risk at balance date is the fair value for the financial instrument as stated in the Statement of Financial Position.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2020

Significant concentrations of credit risk apply principally in respect of bank balances and short term deposits. The Group reduces this risk by investing with high credit rating institutions. Concentrations of credit risk with respect to accounts receivable are high due to the reliance on the Southern District Health Board for a high proportion of Waitaki District Health Services Limited's revenue. However, Southern District Health Board is considered a high credit quality entity.

(b) Fair Value

The fair value of financial instruments is equivalent to the carrying amount as stated in the Statement of Financial Position.

(c) Currency Risk

The Group has no currency risk given that the financial instruments are transacted in New Zealand Dollars.

(d) Interest rate risk

Interest rate risk is the risk that interest rate will change, increasing or decreasing the cost of borrowing or lending. The Group's short term deposits are at a fixed rate with maturities not exceeding one year. Consequently the Group is not exposed to significant interest rate risk.

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

24. Covid-19 Pandemic

As a healthcare provider we continued to operate core services fully under Levels 2 – 4. Some non-core services, in particular allied and community outreach services were paused during the higher level of the lockdown, but these services have been reinstated since.

Not effect on core Ministry of Health funding as these services were continued. Where was saw a drop in demand was in our revenue from ACC as less people active in the community lead to a significant fall in accidents and therefore presentations to our services.

The Hospital also noted a pronounced drop in the number of non-core Radiology services (ultrasounds and CTs) performed.

No new or enhanced services were delivered during the period in response to the Covid-19 pandemic.

At this time the full financial impact of the Covid-19 pandemic is not able to be determined, but it is not expected to be significant to the group. Revenue streams are anticipated to remain materially unchanged and no impairment adjustments have been necessary.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2020

25. Events After Balance Date

Waitaki District Health Services Limited received an ongoing letter of support from the Waitaki District Council in regards to the going concern assessment. This was received on the 23rd of September 2020.

The Directors are not aware of any other items/events occurring between the year end and the date of the signing of the financial statements, that are significant.

Waitaki District Health Services Limited Group

Statement of Objectives and Performance

For the year ended 30 June 2020

Objectives and Performance

The principal objective of the Group is the charitable public purpose of operating a successful healthcare business to meet the healthcare needs of the Waitaki District Community by providing healthcare services beneficial to the community.

The objective of the Group for this financial year was specified in the statement of intent which was approved by the shareholder in its Annual Plan.

The objective is listed below with the relevant targets and measures of performance achieved during the financial year.

Waitaki District Health Services Limited

Objective

To maintain the long-term financial viability of the Group.

Statement of Intent Targets

2020
Actual
\$

Target

Operate and provide planned services within budgeted income, including services contract income with the Southern District Health Board and income from other contracted sources.

Achievement - Not Achieved

Net operating deficit before interest revenue, depreciation, taxation expense.

(1,627,432)

All planned services were provided

Target

Achieve a break even or better result after prudent provision for assets depreciation and replacement for future trading requirements

2020
Actual
\$

Achievement - Not Achieved

Net surplus/(deficit) from continuing operations

(2,298,860)

The company has not achieved the break even result for the financial year

Waitaki District Health Services Limited Group

Statement of Objectives and Performance

For the year ended 30 June 2020

Target

Update the Company's business plan annually.

Achievement - Achieved

The business plan was updated.

Target

Meet service standards required under the Southern District Health Board contractual arrangements with the Company, by maintaining the following certifications:

- a. Health & Disability Sector Standards Certification for the hospital
- b. Baby Friendly Hospital initiative Certification for Maternity
- c. International Accreditation New Zealand (IANZ) Certification for Radiology
- d. Building Warrant of Fitness Certification
- e. Building Act 2004 Compliance Schedule
- f. Registration for Food Control Plan for the hospital kitchen
- g. Stationary Container System Test Certificate
- h. Hazardous Substances Location Test Certificate
- i. Approved Handlers Test Certificate
- j. Cold Chain Accreditation

Achievement - Achieved

The hospital has met its requirement targets under the Ministry of Health contract and Southern District Health Board.

Target

Meet and observe adequate professional and technical standards in the delivery of Health Services by ensuring all employed regulated health professionals hold current Annual Practicing Certificates.

Achievement - Achieved

The hospital has met its requirement targets in relation to Annual Practicing Certificates.

Target

Maintain and monitor a Quality Assurance Programme to ensure adequate standards of care and services are maintained to the Company's patients.

Achievement - Achieved

The Company continues to implement and operate both a quality assurance programme and an accreditation programme to ensure that these standards continue to be met.

Target

Establish, where appropriate, strategic alliances with business partners and community groups in order to achieve desired outcomes for health services.

Achievement - Achieved

Ongoing community health forums have been held within the financial year. Forum participants include health related and other community organisations within the Waitaki District. GP forums and staff forums have also been held.

Waitaki District Health Services Limited Group

Statement of Objectives and Performance

For the year ended 30 June 2020

Target

Report to Council at six monthly intervals as required.

Achievement - Achieved

The hospital reports six monthly and annually to the Council.

Target

Communicate to staff via regular newsletters and with the wider community as and when necessary utilising the local media.

Achievement - Achieved

Distributed staff communication and informed the community as required.

Target

Ensure services are clinically excellent, financially sustainable and delivered by staff working in safe working environments.

Achievement - Achieved

Services provided were performed to the required standard during the period. The company promoted safe working environments for staff and patients.

Target

The Board commit to reviewing the Company governance policies within the 2019 financial year.

Achievement - Achieved

The board reviewed the company governance policies.

Target

Work with all parties having a professional or business interest in health care in the Waitaki District to maintain and improve the range and quality of health care services in the District. Such as the Safer Waitaki Group, the Emergency Services Coordinating Committee (ESCC), the Emergency Care Coordination Team (ECCT), the Electives Operational Meeting and Stroke Governance Group.

Achievement - Achieved

GP and staff forums held on a day to day basis and as required. Working in partnership and maintaining a close link with other health organisations such as Asthma Society, Stroke Support, Diabetes Society, Cardiac Society, Cancer Society, Regional and Local Hospice and St Johns. Partnership programme with parent centre for antenatal classes. Participating with Civil Defence at Welfare Committee and EOC levels.

Waitaki District Health Services Limited Group

Statement of Objectives and Performance

For the year ended 30 June 2020

Waitaki District Health Services Trust

Target

Provide financial assistance for the purchase of property and equipment to assist Oamaru Hospital.

Achievement - Achieved

Donations to the hospital totalling \$454,589 during year.

Target

Provide assistance to the provision of Health Services in Waitaki District.

Achievement - Achieved

Loan to Observatory in place and assistance to hospital by way of loans and donations.

Waitaki District Health Services Limited Group

Statement of Objectives and Performance

For the year ended 30 June 2020

Observatory Village Care Limited

Target

Key Performance Indicators (KPI's) are developed on an annual basis, monitored and achieved.

Achievement - Achieved

KPI's were well achieved therefore when targets have been established for the following year, the target level has been increased. The only KPI that was below target was the portion of hospital to rest home level residents being more focused to rest home than targeted. New admissions were predominately at rest home level care as this is what support level was required in the community and also rest home residents are who demanded and purchased the new care suites that were available.

Target

Delivery of care to Rest home and Hospital level residents, maintained at the highest of industry standards.

Achievement - Achieved

Observatory is focused on providing quality care to its residents. Occupancy of the facility demonstrates demand for care. Occupancy (including filling of new beds) was 96.4%. The industry average is 87.1%.

Observatory Village was awarded a four-year Certification level against the Southern DHB contracts and the Ministry of Health, Health and Disability Standards. The facility had no findings from this audit and was awarded with four continuous improvement achievements relating to good practice, the activities programme, the quality programme and education and training. The mid way Surveillance audit completed in October 2020 also saw no findings or non-compliance issues.

Target

Chattels and assets are to be maintained to high standards.

Achievement - Achieved

While chattels and assets are new, the high standard of these are continued, with the regular use of a maintenance contractor for servicing and minor repairs. Replacement of damaged items and purchase of new items for different needs of residents is completed immediately, with quality goods from reputable companies.

Target

Report regularly to the Trust in terms of the Company's annual plan; performance targets and insurances.

Achievement - Achieved

The Directors and Management Team have met with Trustees 3 times throughout the year, along with providing quarterly reports. Meetings have included discussions on the Statement of Intent, Budgets, Insurance Coverage and KPI's.

Waitaki District Health Services Limited Group

Statement of Objectives and Performance

For the year ended 30 June 2020

Target

Work with all parties who have a professional business Interest in aged care in the Waitaki District to maintain and improve the range and quality of aged care services in the district.

Achievement - Achieved

The General Manager has been the representative of Waitaki Aged Care providers with the Southern DHB, as part of a steering group relating to COVID-19 prevention and strategies.

Target

Support as appropriate initiatives for aged care services Involving care of the elderly.

Achievement - Achieved

Observatory Village Lifecare has an implemented Quality System along with a Clinical Governance group, to constantly improve the service provided to residents. Such initiatives include reduction of infection rates, reducing pressure injuries, promoting best practice and improving the clinical care for residents.

Residents have appreciated having a Caresuite, which is another option in their choice of room, therefore existing rooms have been converted into care suites to meet this request.

Target

To promote and market the Care Facilities with a view to securing high occupancy levels.

Achievement - Achieved

Appropriately related advertising has been completed on a minimal basis. The main form of advertising is word of mouth promotion from residents, family, staff and industry contractors. Observatory has a regular waiting list showing the demand for the facility.

Waitaki District Health Services Limited Group

Statement of Objectives and Performance

For the year ended 30 June 2020

Observatory Village Lifecare Limited

Target

Oversee the construction and ongoing development at the Observatory Village Retirement Village as per the Tender Agreements entered into with Roger Gilchrist Builders Ltd, along with variations as agreed with Project Manager Michael Forgie of Forgie Hollows and Associates (Oamaru) Ltd.

Achievement - Achieved

Stage 2 Serviced Apartments (10 units) were completed on time and under budget. Stage 3 Serviced Apartments (10 units) were completed by the end of the year and total cost will also be under budget. Construction of a staff car park was completed, after obtaining tenders.

Target

Ensure the operation of the Retirement Village operates on budget and to the standard established by management, Directors and Trustees.

Achievement - Achieved

Observatory provided facilities and services to the village residents. The only expense to be over budget was rates, due to a revaluation following development.

Target

Ensure that adequate and appropriate funding is available to ensure the project is completed in accordance with budgeted forecast.

Achievement - Achieved

Cash flow has been monitored before and during each development project. Loans have been reviewed to ensure capacity for construction of stage 2 villas.

Target

Update the Company business plan on an annual basis.

Achievement - Achieved

Company business plan updated.

Target

Report regularly to the Trust in terms of the Company's annual plan, performance targets and insurances.

Achievement - Achieved

Meetings were held 3 times throughout the year which included sign off from trustees on insurance, construction, budgets and loans.

Waitaki District Health Services Limited Group

Statement of Objectives and Performance

For the year ended 30 June 2020

Target

Work with all parties to have a professional business interest in aged care in the Waitaki District to maintain and improve the range and quality of aged care services in the district.

Achievement - Achieved

The company has worked with aged care services in the district and maintained aged care facilities.

Target

Support as appropriate initiatives for aged care services involving housing and care of the elderly.

Achievement - Achieved

Demand from the community for further apartments, directed the company to construct 20 further serviced apartments which have been completed.

Planning for further villas has also resulted in the application for resource consent of 52 units in Stage 2 Villas.

Providing a continuum of care within an environment of support and familiar people and surroundings has been demonstrated from residents transferring from villas to apartments as well as apartments to care or villas to care.

Target

Promote and market the Retirement Village with a view to securing high occupancy levels.

Achievement - Achieved

The village has extensively marketed to the existing interest list for selling of the units available. Prior to completion of the new Stage 2 Apartments, 9 of the 10 units were already contracted for purchase.

15 villas/apartments/care suites have been resold throughout the year, with an average resale time of 3.6 months.

Waitaki District Health Services Limited Group

Statement of Objectives and Performance

For the year ended 30 June 2020

Observatory Village Charitable Trust

Purpose: To use or employ both capital and income of the trust fund for the furtherance of the primary charitable purposes in New Zealand of housing and care of the aged and inform through owning and operating the Observatory Hill Retirement Village in Oamaru and related ownership of the village's operating companies.

Target

To assist groups and organisations which are providing or are endeavouring to promote activities designed to assist the provision of aged care, health and disability services to residents of Oamaru and Waitaki District.

Achievement - Achieved

The trust achieved this through its operating companies running Observatory Hill Retirement Village.

Target

To make gifts for or towards the advancement of education relating to the provision of health disability services for those needing such care or assistance which comprise charitable purposes in New Zealand as the trustees shall, from time to time, determine.

Achievement - Not Achieved

The trust did not make any gifts during the 2020 financial year.

Independent Auditor's Report

To the readers of Waitaki District Health Services Limited's Group financial statements and performance information for the year ended 30 June 2020

The Auditor-General is the auditor of Waitaki District Health Services Limited Group (the Group). The Auditor-General has appointed me, Rudie Tomlinson, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of the Group, on his behalf.

Opinion

We have audited:

- the financial statements of the Group on pages 10 to 38, that comprise the statement of financial position as at 30 June 2020, the statement of comprehensive revenue and expense, statement of changes in net assets/equity and statement of cashflows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Group on pages 39 to 47.

In our opinion:

- the financial statements of the Group on pages 10 to 38:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2020; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards Reduced Disclosure Regime; and
- the performance information of the Group on pages 39 to 47 presents fairly, in all material respects, the Group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Group's objectives for the year ended 30 June 2020.

Our audit was completed on 30 November 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to the impact of Covid-19 on the Group. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Emphasis of matter – impact of Covid-19

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the Group as set out in the note 24 on page 37 to the financial statements. We draw specific attention to the following matters due to the significant level of uncertainty caused by Covid-19:

- ***Investment Property***

Note 11 on pages 29 to 30 describes the material valuation uncertainties highlighted by the valuer, related to estimating the fair values of the Group's investment property.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the Group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the Group.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the Group's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible solely for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify in our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 3 to 9, but does not include the financial statements and the performance information, and our auditor's report thereon.

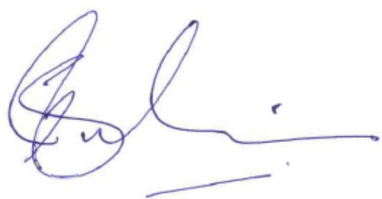
Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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

Independence

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners, issued by New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the Group.



Rudie Tomlinson
Audit New Zealand
On behalf of the Auditor-General
Dunedin, New Zealand