



ANNUAL REPORT PRESENTATION

YEAR ENDED

30 JUNE 2022

Public Session with Council

- 6th December 2022
- Amended 9th December 2022
to update for audit sign-off

SUMMARY

- Surplus at June 2022 is \$4.7M (compared to \$2.2M as at June 2021)
 - Audit opinion signed 9th December 2022
 - Audit delays meant that a audit opinion sign-off was after the statutory deadline of 30th November
 - Includes Observatory Village (OV) results per OAG audit decision
 - Includes repatriation of funds from Observatory Village to hospital
- Significant health sector, governance and management changes within the year
- Ongoing hospital financial sustainability issues, including the need for pay parity for all staff
- **COVID!**

ANNUAL ACCOUNTS

- We make no commentary about the affairs of Observatory Village (OV) simply because WDHSL has no legal control over OV despite their accounts being included within this annual report purely for auditing purposes as determined by the Auditor General (OAG) notwithstanding a collective objection to the practicality and sensibility of doing so by Council, OV and WDHSL.
- Accordingly, the overall result of a ‘good’ surplus obscures some considerable financial issues inherent in WDHSL hospital operations with an underlying operating deficit in excess of \$3m.
- Our chronic understaffing arises from massive health sector recruitment issues nationwide and which contribute to our deficit, and which in turn is heavily influenced by the considerable pay parity gap between our staff doing the exact same job as staff in the ‘public’ hospitals.

ANNUAL ACCOUNTS cont.

- During the year, we completed a full forensic review of our financial state. That review showed that the situation at WDHSL was worse than had been previously understood. Subsequently, we have:
 - Repatriated all loan funds from Observatory Village
 - Repaid and brought up-to-date most amounts owing
 - Stabilised our financial management
 - Completely rebuilt a detailed bottom-up budget in order to fully understand all cost structures against the funding provided
 - Asset valuation completed with an increase of \$3.8m
 - Identified our funding and cashflow needs for the coming period
 - Engaged in funding negotiations for our future contract(s)
 - Secured ongoing underwriting and an advance from Council

ANNUAL ACCOUNTS cont.

- Major health reforms are underway with a shift away from DHBs to a national health system under Te Whatu Ora and which provides considerable potential for WDHSL:
 - Moves are afoot nationally to address pay parity
 - Funding contract discussions open wider opportunities
 - Past 'history' can be positively 'put to bed'
- And, then there's COVID!
 - Getting less severe over time but still dangerous
 - New 'wave' expected but perhaps with lower impact
 - Constant level of admissions and presentations
 - Huge efforts already made and with continuing pressure on staff
- OUR PEOPLE HAVE BEEN, AND CONTINUE TO BE, ABSOLUTELY AMAZING EVEN UNDER ALL THESE CONDITIONS!

WAITAKI DISTRICT HEALTH SERVICES - CHAIR REPORT
01 July 2021 – June 30, 2022



Kia ora koutou,

We are pleased to present the Annual report for WDHSL for the year ending 30 June 2022.

In a speech by Queen Elizabeth the 2nd on the 40th anniversary of her succession in November 1992, she referred to the year as annus horribilis. The 2021-2022 year for WDHSL could also be described as our annus horribilis. During this period, we experienced unprecedented challenges which included but were not limited to the following:

The relentless impacts of the global pandemic that was, and is, COVID 19 across the organisation was substantial but this was exacerbated by the departures of our Chief Executive, Chief Financial Officer and three members of the Board including the Chair.

Add to this implementation of national health reforms, closed borders, chronic staff shortages and a significantly more dire financial position than anticipated and you will get some sense of the imperatives.

We responded quickly and positively with the appointment of a Chair and permanent CE. Three new Board members were recruited, inducted and in place by March 2021. We built a completely bottom-up budget which gives us a good insight into the financial constraints we are experiencing. With the support of Council, we secured the repatriation of loan monies from Observatory Village and have begun the not insurmountable task of unpicking each, and every issue and challenge the organisation faces.

They say adversity is the mother of invention and whilst we most certainly did not 'invent' anything, but what we did do was undertake a pragmatic systematic response that provided us with a logical pathway forward. As part of this we took the opportunity to undertake a ground up approach that has resulted in a resolution to some issues and a clear and considered pathway forward in others. We have met the audit timelines within statutory obligations, regulations, and contractual requirements.

Keith will walk you through the financial report but before he does so I would like to acknowledge each one of our staff and Board. These committed and to be frank, exhausted people, have worked above and beyond to keep the doors of Oamaru hospital open, despite COVID, a feat not always achieved by all hospitals across New Zealand.

It has been, and continues to be, a bumpy ride and we have made good progress on reestablishing community links and goodwill. Most especially we are making good progress on what comes next.

Lastly, thank you for your continued support at every level; it has been invaluable to us during the past year!

A handwritten signature in blue ink, appearing to read 'H. Algar'.

Helen Algar QSM, Chair,
Waitaki District Health Services Limited

Waitaki District Health Services Limited Group

Consolidated Financial Statements

For the year ended 30 June 2022



Waitaki District Health Services Limited Group

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For the year ended 30 June 2022

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Waitaki District Health Services Limited Group

Company Directory

For the year ended 30 June 2022

Issued Capital

100 Ordinary Shares

Postal Address

P O Box 94, Oamaru

Registered Office

8 Steward Street, Oamaru

Directors

Helen M Algar (Chair, effective 1 January 2022)

Andrew C F Wilson (resigned 28 February 2022)

Graeme A Blair (resigned 31 January 2022)

Kathy E Grant (Appointed 1 March 2022)

Mark F Rogers (Chair, to 31 December 2021) (resigned 31 December 2021)

Melanie J Tavendale (Appointed 1 March 2022)

Scott W Wilson

Trevor McGlinchey (Appointed 1 March 2022)

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 2022

The Directors are pleased to present the consolidated report for the Group for the year ended 30 June 2022.

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 and invests donations and 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. All donations comprise 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).

	2022 Actual \$	2021 Actual \$
Results		
Total Comprehensive Revenue and Expense	4,423,491	2,354,020

Directors

In accordance with the Company's constitution, Waitaki District Council has appointed Helen M Algar (Chair, appointed 01/1/22), Graeme A Blair (resigned 31/1/22), Mark F Rogers (Chairman, resigned 31/12/21), Andrew C F Wilson (resigned 28/2/22), Scott W Wilson, Kathy E Grant (appointed 01/03/2022), Trevor McGlinchey (appointed 01/03/2022) and Melanie J Tavendale (appointed 01/03/2022) as Directors of Waitaki District Health Services Limited. Directors are not shareholders and are appointed for terms determined by the shareholder.

Waitaki District Health Services Limited Group

Directors Report

For the year ended 30 June 2022

	2022 Actual	2021 Actual
Helen M Algar	\$ 35,000	\$ 27,917
Paul W Allison (Resigned 31/12/2020)	-	11,250
Graeme A Blair (Appointed 08/12/2020, Resigned 31/1/2022)	14,583	13,979
Mark F Rogers (Resigned 31/12/2021)	22,500	42,750
Andrew CF Wilson (Resigned 28/2/2022)	16,667	27,917
Scott W Wilson (Appointed 08/12/2020)	25,000	13,979
Trevor McGlinchey (Appointed 01/03/2022)	8,333	-
Kathy E Grant (Appointed 01/03/2022)	8,333	-
Melanie Tavendale (Appointed 01/03/2022)	8,333	-
	138,750	137,791

Employees' Remuneration

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

	2022 Actual	2021 Actual
	\$	\$
\$100,001 - \$110,000	7	6
\$110,001 - \$120,000	7	8
\$120,001 - \$130,000	2	1
\$130,001 - \$140,000	2	3
\$140,001 - \$150,000	-	1
\$180,001 - \$190,000	1	1
\$200,001 - \$210,000	2	-
\$210,001 - \$220,000	-	1
\$230,001 - \$240,000	-	1
\$280,001 - \$290,001	1	-
\$310,001 - \$320,000	-	1
\$350,001 - \$360,000	1	-
\$380,001 - \$390,000	-	1
	23	24

Waitaki District Health Services Limited Group

Directors Report

For the year ended 30 June 2022

Directors' Interests

Interests of the Directors of Waitaki District Health Services are recorded below:

Waitaki District Health Services Limited

Graeme (Andrew) Blair (resigned 31/1/22)

Andrew Blair Consulting Limited	Director and Shareholder
Chelsea Hospital Trust	Advisor
Queensland Government Investment corporation	Advisor
Queenstown Airport Corporation Limited	Director
Queenstown Lakes Community Housing Trust	Trustee, Chairman
Southern Cross CLT Limited	Advisor

Andrew Wilson (resigned 28/2/22)

Andrew and Nicky Wilson	Rental Property
Andrew Wilson GP Limited	Director
Otaki Three Limited	Shareholder
Wilson Family Trust	Trustee
Wilson Family Trust Number 2	Trustee

Helen Algar

Age Concern Otago	Board Member
FENZ Otago Local Advisory Committee	Deputy Chairperson
Stronger Waitaki	Manager
Waitaki District Council Community	Development Manager
Waitaki Safer Community Trust	Trustee

Kathy E Grant (appointed 1/03/2022)

Central Lakes Trust	Trustee
Central Lakes Direct Limited	Director
Nelson Marlborough Institute of Technology Ltd	Director
Southern Cross CLT Ltd	Director
Te Pukenga NZIST	Council Member
Various Private Trusts (Former Clients)	Trustee
Wellington Institute of Technology Ltd	Director
Whitireia Community Polytechnic Ltd	Director

Mark Rogers (resigned 31/12/21)

Adventure Development Limited	Board Member, Chairman
Cumberland Property Group Limited	Director
Cumberland Rural Properties Limited	Director
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
South Canterbury District Health Board Limited	Board Member - Ministerial Appointment
South Canterbury Eye Clinic Limited	Chairman
Te Runanga o Arowhenua Limited	Director
The Rogers Family Trust	Trustee
Timaru District Holdings Limited	Director
Venture Timaru Limited	Chairman
Westroads Limited	Director

Waitaki District Health Services Limited Group

Directors Report

For the year ended 30 June 2022

Directors' Interests Cont.

Melanie Tavendale (appointed 1/03/2022)

IHC North Otago	Patron
Oamaru Opera House Charitable Trust	Trustee
SR and MJ Tavendale Family Trust	Trustee
Waitaki District Council	Councillor/Deputy Mayor
Waitaki Whitestone Geopark Trust	Trustee

Scott Wilson

Canterbury District Health Board	Employee
Health and Disability Commissioner	Advisor
Scott Wilson Family Trust	Trustee
SLC investments Limited	Director
Te Whatu Ora - New Zealand Health	Employee

Trevor McGlinchey (appointed 1/03/2022)

Aukaha Ltd	Director
Moeraki Ltd	Chair
Nga Matanga Māori	Ministerial Appointment
Oranga Te Runanga o Ngai Tahu	General Manager
Te Runanga o Moeraki	Member
Waitaki Whitestone Geopark Trust	Council Appointed Trustee

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 \$53,819 (2021: \$52,332). 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 2022

The Board is responsible for the preparation of the Group Financial Statements and Statement of Performance and Measures 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 and Measures fairly reflect the financial position and operations of Waitaki District Health Services Limited Group for the year ended 30 June 2022.

For and on behalf of the Board of Directors,



Helen Algar, Chair



Melanie Tavendale, Deputy Chair

Dated this 8th day of December, 2022

Waitaki District Health Services Limited Group

Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2022

	Note	2022 Actual \$	2021 Actual \$
Revenue			
Southern District Health Board Revenue	2	11,357,211	10,918,685
Resident Fees and Retirement Village Contributions	2	7,348,773	7,135,216
Other Revenue	2	3,319,159	2,775,510
Interest Revenue	2	20,807	25,631
Gain on Revaluation of Investment Property	2,11	712,682	3,969,981
Total Revenue		<u>22,758,631</u>	<u>24,825,023</u>
Expenditure			
Personnel Costs	3	15,767,499	14,366,834
Depreciation and Amortisation Expense	9,10	1,075,164	1,013,770
Finance Costs		483,078	449,296
Other Expenses	4	6,729,310	6,641,103
Total Expenditure		<u>24,055,051</u>	<u>22,471,003</u>
Profit/(Loss) from operations		<u>(1,296,419)</u>	<u>2,354,020</u>
Other Comprehensive Revenue and Expense			
Gain on Revaluation of Property, Plant and Equipment	9	5,719,911	-
		<u>5,719,911</u>	<u>-</u>
Total Comprehensive Revenue and Expense		<u><u>4,423,491</u></u>	<u><u>2,354,020</u></u>

The accompanying notes form part of these financial statements and should be read in conjunction with the reports contained herein

Waitaki District Health Services Limited Group

Statement of changes in Equity

For the year ended 30 June 2022

	2022 Actual	2021 Actual
	\$	\$
Balance at Beginning of Period	20,730,336	18,376,316
Total Comprehensive Revenue and Expense	4,423,491	2,354,020
Balance at End of Period	<u>25,153,827</u>	<u>20,730,336</u>

The accompanying notes form part of these financial statements and should be read in conjunction with the reports contained herein

Waitaki District Health Services Limited Group

Statement of Financial Position

As at 30 June 2022

	Note	2022 Actual \$	2021 Actual \$
Current Assets			
Cash and Cash Equivalents	6	2,003,651	1,531,546
Term Deposits	7	812,569	2,609,745
Trade and Other Receivables	8	2,486,795	1,714,820
Inventory		129,911	128,010
Accrued Interest		245	1,046
Prepayments		218,515	237,934
Total Current Assets		5,651,685	6,223,101
Non-Current Assets			
Property, Plant and Equipment	9	25,381,506	19,918,922
Intangible Assets	10	38,840	52,577
Investment Property	11	37,040,000	31,450,000
Total Non-Current Assets		62,460,346	51,421,499
Total Assets		68,112,032	57,644,600
Current Liabilities			
Bank Overdraft	6	-	61,033
Trade and Other Payables	12	4,694,122	3,800,927
Loans and Borrowings	14	-	2,408,000
Finance Leases	16	152,917	87,310
Obligations to Residents	15	19,620,886	18,921,970
Employee Benefits	13	2,242,106	1,711,440
Total Current Liabilities		26,710,031	26,990,680
Non-Current Liabilities			
Loans and Borrowings	14	15,598,638	9,240,638
Finance Leases	16	616,099	497,950
Employee Benefits	13	33,436	184,996
Total Non-Current Liabilities		16,248,173	9,923,584
Total Liabilities		42,958,205	36,914,264
Net Assets		25,153,827	20,730,336
Equity			
Share Capital	17	100	100
Retained Earnings	17	9,516,959	10,885,324
Revaluation Reserve	17	15,636,768	9,844,912
Total Equity		25,153,827	20,730,336

The accompanying notes form part of these financial statements and should be read in conjunction with the reports contained herein

Waitaki District Health Services Limited Group

Statement of Cashflows

For the year ended 30 June 2022

	Note	2022 Actual \$	2021 Actual \$
Cashflows From Operating Activities			
<i>Cash was provided from</i>			
Receipts from DHB, Patients and Residents		19,810,989	18,601,078
Interest Received		21,607	27,164
Net GST Received		46,466	141,199
Occupation Right Agreements Sold		3,865,747	7,400,895
Donations Received		94,749	283,915
		<u>23,839,558</u>	<u>26,454,251</u>
<i>Cash was disbursed to</i>			
Payments to Suppliers and Employees		21,511,962	19,437,850
Interest Paid		519,121	422,122
Occupation Right Agreements Pay Outs		1,803,974	2,755,493
		<u>23,835,057</u>	<u>22,615,465</u>
Net Cashflow From/(To) Operating Activities	20	<u>4,501</u>	<u>3,838,786</u>
Cashflows From Investing Activities			
<i>Cash was provided from</i>			
Sale of Property, Plant and Equipment		23,827	-
Withdrawal from Term Deposits		2,109,745	207,193
		<u>2,133,572</u>	<u>207,193</u>
<i>Cash was disbursed to</i>			
Purchase of Property, Plant and Equipment		468,586	375,185
Purchase of Investment Property		4,589,532	1,563,838
Reinvestment of Term Deposits		312,569	1,800,736
		<u>5,370,687</u>	<u>3,739,759</u>
Net Cashflow From/(To) Investing Activities		<u>(3,237,115)</u>	<u>(3,532,566)</u>
Cashflows from Financing Activities			
<i>Cash was provided from</i>			
Proceeds from Asset or Loan Sold		4,600,000	-
Proceeds from Finance Leases		-	228,862
		<u>4,600,000</u>	<u>228,862</u>
<i>Cash was disbursed to</i>			
Repayment of Finance Leases		134,248	133,012
Repayment of Loans		700,000	708,000
		<u>834,248</u>	<u>841,012</u>
Net Cashflow From/(To) Financing Activities	21	<u>3,765,752</u>	<u>(612,150)</u>
Net Increase (Decrease) in Cash and Cash Equivalents		533,138	(305,930)
Add Opening Cash and Cash Equivalents		1,470,513	1,776,443
Closing Cash and Cash Equivalents	6	<u><u>2,003,651</u></u>	<u><u>1,470,513</u></u>

The accompanying notes form part of these financial statements and should be read in conjunction with the reports contained herein

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2022

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 provide support for aged care, health and disability services including housing in 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 year ended 30 June 2022. The Financial Statements were authorised for issue by the Directors on 08 December 2022. 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.
- Ongoing contractual relationship with Te Whatu Ora, ACC and other customers.
- Secured loan facilities to support normal business obligations and through the current reform.

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 2022

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 publicly 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 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.

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.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2022

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.

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.

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 2022, and as a result of the COVID-19 pandemic, the Group received Government funding.

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 2022

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 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. Significant financial difficulties of the bank, probability that the bank will enter into receivership or liquidation and default in payments are considered indicators that the deposit is impaired.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2022

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.

Leasehold Land

The leasehold land was valued by Quotable Value on 30 June, 2022. The valuation was carried out for financial reporting purposes in accordance with the valuation requirements of PBE IPSAS 17. Leasehold land is 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.

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

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2022

Land and Buildings

Land and buildings (which are not classified as investment property) are initially recognised at cost and subsequently measured in a three year cycle 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 Statement of Comprehensive Revenues and Expense. Gains in fair value are recognised within the Asset Revaluation Reserve within the 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 Statement of Comprehensive Revenue and Expense.

Additions to property, plant and equipment are recorded at their cost and are subsequently revalued in a three year cycle where these fall within the revalued property category.

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 Group 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 straight line basis for buildings, and both diminishing value and straight line basis for land improvements, motor vehicles, 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 (rounded to the nearest percentage point) are as follows:

	Straight Line	Diminishing Value
Buildings	1% to 9%	-
Plant and Equipment	6% to 67%	0% to 60%
Furniture and Fittings	9% to 67%	3% to 60%
Motor Vehicles	21%	26%

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2022

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 2022

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 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 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.

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 2022

Employee Entitlements

Short-term benefits

Employee benefits that the Group 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 Group 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 85% 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, accounts payable, occupation right agreements and other loans.

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 2022

Occupation Right Agreements confer the right of occupancy of the retirement village unit to the resident. The Occupation Right Agreements in the Statement of Financial Position represent the capital repayment due to the residents. Village contributions have been amortised in accordance with the individual contract so that the recorded liability at balance date reflects the total refundable portion of the contributions. Amounts payable under Occupation Right Agreements are non-interest bearing and are payable when an Occupation Right Agreement is terminated and there has been settlement of a new agreement for the same retirement village unit and the proceeds from the new settlement have been received.

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 of property, plant and equipment (see 'Depreciation' above), revaluations and fair value assessments, and impairment of financial assets. Useful lives, impairment and discount rates are reviewed annually.

Fair Value of Investment Property

The fair value of properties has been determined by an independent valuer, who has the appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. Given that a range of assumptions are used in determining the fair value of the investment property the subjectivity of these assumptions to changes could have significant impact on the profit and fair value.

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.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2022

Fair Value of Property, Plant and Equipment

The fair value of properties has been determined by an independent valuer, who has the appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. Given that a range of assumptions are used in determining the fair value of the Land and Buildings the subjectivity of these assumptions to changes could have significant impact on the profit and fair value.

The directors of Observatory Village Lifecare Limited in conjunction with the valuer estimate that the average period of occupancy for Apartments is 3 years (2021: 3 years), Care Suites is 2 years (2021: 2 years), and for Villas 8 years (2021: 8 years). These estimates are calculated based on industry historical results and experience.

Taxation

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

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.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2022

New accounting standards and interpretations adopted

Adoption of new and revised Standards and Interpretations

The group adopted all mandatory new and amended standards and interpretations in the current year. None of the new and amended standards and interpretations had a material impact on the measurement of the group's assets and liabilities.

New Accounting standards and interpretations issued but not yet adopted

At the date of authorisation of these Consolidated Financial Statements, certain new standards, amendments and interpretations to existing standards have been issued which were not yet effective at Consolidation Statement of Financial Position date, and which the group has not early adopted. The group has assessed the relevance of all such new standards, interpretations and amendments and has determined that there would be no material impact to the amounts recognised or disclosed in the consolidated financial statements.

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

	2022 Actual	2021 Actual
	\$	\$
Gain on Revaluation of Investment Property	712,682	3,969,981
Interest Received	20,807	25,631
Resident Fees	5,957,734	5,452,710
Retirement Village Contributions	1,391,039	1,682,506
Southern District Health Board Revenue	11,357,211	10,918,685
Donations Received	94,749	283,915
Other Operating Revenue	3,224,410	2,491,595
Total Revenue	<u>22,758,631</u>	<u>24,825,023</u>

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2022

3. Personnel Costs

	2022 Actual	2021 Actual
	\$	\$
Salaries and wages	14,935,131	14,064,182
Employer Contributed Superannuation	453,261	373,586
Increase / (Decrease) in employee benefit entitlements	379,106	(70,934)
	15,767,499	14,366,834

4. Other Expenses

	2022 Actual	2021 Actual
	\$	\$
<i>Includes the following items:</i>		
Director and Trustee Fees	224,994	206,597
Equipment Servicing	162,405	85,041
Food Costs	521,674	466,286
Insurance Premiums	163,591	143,087
Locums	715,904	806,880
Rental and Operating Lease Costs	102,643	175,025
Reporting and Licensing	537,076	571,539
Specialist Costs	326,978	343,429

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

	2022 Actual	2021 Actual
	\$	\$
Cash on Hand	2,799	500
ANZ Bank	872,778	669,385
ANZ Bank Call Account	-	855,757
Diocesan Trust	1,026	1,026
Westpac Bank	1,124,774	463
Westpac Call Account	2,275	4,415
Cash and Cash Equivalents	2,003,651	1,531,546
Westpac Bank Overdraft	-	61,033
	-	61,033
Net cash and cash equivalents for purposes of the statement of cash flows	2,003,651	1,470,513

General Security Agreement, dated October 2019 over all present and after acquired property. Supported, unlimited guarantee, dated 29 October 2019 from Waitaki District Health Services Trust.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2022

7. Term Deposits

	2022 Actual	2021 Actual
	\$	\$
ANZ Bank	500,000	2,300,736
Westpac Bank	312,569	309,009
	<u>812,569</u>	<u>2,609,745</u>

8. Trade and Other Receivables

	2022 Actual	2021 Actual
	\$	\$
Trade and other receivables from Exchange Transactions	101,153	149,113
Trade and other receivables from Non-Exchange Transactions	2,424,588	1,601,018
Less provisions for Impairment	(38,946)	(35,311)
Total trade and other receivables	<u>2,486,795</u>	<u>1,714,820</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 \$534,729 (2021: \$116,691).

As at 30 June 2022 all overdue receivables have been assessed for impairment and appropriate provisions applied, as detailed below:

	Gross	2022 Impairment	Net	Gross	2021 Impairment	Net
	\$	\$	\$	\$	\$	\$
Current	1,952,065	-	1,952,065	1,598,129	-	1,598,129
Past due 0-30 days	275,578	-	275,578	39,034	-	39,034
Past due 31-60 days	25,539	-	25,539	3,884	-	3,884
Past due greater than 61 days	272,559	38,946	233,612	109,084	35,311	73,773
Total	<u>2,525,741</u>	<u>38,946</u>	<u>2,486,795</u>	<u>1,750,131</u>	<u>35,311</u>	<u>1,714,820</u>

	2022 Actual	2021 Actual
	\$	\$
Balance at 1 July	35,311	60,000
Additional provisions made during year	9,481	35,311
Less receivables written off during the period	(5,846)	(60,000)
Balance at 30 June	<u>38,946</u>	<u>35,311</u>

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.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2022

9. Property, Plant & Equipment

	Land & Buildings	Leasehold Land	Plant & Equipment	Furniture & Fittings	Motor Vehicles	Total
Cost or Revaluation						
Opening Balance	17,410,000	280,000	4,085,089	1,919,314	224,138	23,918,541
Additions	34,500	-	530,051	32,238	56,676	653,465
Disposals	-	-	(195,522)	-	-	(195,522)
Balance at 30 June 2021	17,444,500	280,000	4,419,618	1,951,552	280,814	24,376,484
Opening Balance	17,444,500	280,000	4,419,618	1,951,552	280,814	24,376,484
Additions	1,850	-	253,635	171,090	388,616	815,191
Disposals	-	-	(8,952)	-	(119,362)	(128,314)
Reclassification	-	-	100,908	243,517	-	344,425
Revaluation	4,698,851	(30,000)	-	-	-	4,668,851
Balance at 30 June 2022	22,145,201	250,000	4,765,208	2,366,159	550,068	30,076,636
Accumulated depreciation and impairment losses						
Opening Balance	-	-	2,810,933	616,466	159,338	3,586,737
Depreciation Expense	561,760	-	270,504	159,985	8,322	1,000,571
Disposals	-	-	(129,746)	-	-	(129,746)
Balance at 30 June 2021	561,760	-	2,951,691	776,451	167,660	4,457,562
Opening Balance	561,760	-	2,951,691	776,451	167,660	4,457,562
Depreciation Expense	489,300	-	327,773	168,719	75,634	1,061,427
Disposals	-	-	(5,931)	-	(111,292)	(117,223)
Reclassification	-	-	100,908	243,517	-	344,425
Revaluation	(1,051,060)	-	-	-	-	(1,051,060)
Balance at 30 June 2022	-	-	3,374,441	1,188,688	132,002	4,695,130
Carrying amounts						
At 30 June 2020	17,410,000	280,000	1,274,156	1,302,848	64,800	20,331,804
At 30 June 2021	16,882,740	280,000	1,467,927	1,175,101	113,154	19,918,922
At 30 June 2022	22,145,201	250,000	1,390,768	1,177,472	418,066	25,381,506

During 2022 FY and upon review certain assets were reclassified to correctly align cost and accumulated depreciation values.

Leasehold Land and Buildings relating to Waitaki District Health Services Limited were revalued by Quotable Value at 30 June, 2022, who are independent of the Company and Group.

Land and Buildings relating to the Observatory Village Group were revalued by CVAS (CHC) Limited (trading as Colliers) at 30 June, 2022, who are independent of the Company and Group.

Leasehold Land

The lessee's interest in land has been assessed and included in the valuation at fair value. The leasehold interest has been calculated between 7% and 12% of the market value and relates to the Oamaru Hospital site.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2022

Land

Land is valued at market value.

Buildings

The valuation methodology used in the valuation of the hospital 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 hospital buildings have been classified as specialised and therefore use optimised depreciated replacement cost.

Assumptions regarding the 30 June 2022 valuation include:

- Replacement cost rates are derived from construction contracts of like assets (through various construction details and professional body information);
- There are no significant asbestos issues associated with the buildings;
- As structures near the end of their theoretical lives, minimum residual lives have been adopted to reflect the remaining base value still existing prior to any renovation or upgrading;
- We note that the current Covid-19 situation has caused widespread economic and market uncertainty. One negative impact of Covid-19 has been the rapid increase in building costs. This has impacted significantly on the value of specialist buildings where they are valued on an optimized depreciated replacement cost basis. These increases have been exacerbated by the Geopolitical issues currently playing out in Europe.

Fair values have been determined using a two-step approach. The value of the care facility complex is determined based on income capitalisation of the market rent adopting a 7.00% yield (2021: 7.50%). The Care Suites are valued using the discounted cash flow approach. The major assumptions used in the discounted cash flow analysis are a discount rate of 14.75% (2021: 14.75%), growth rates in care suite and serviced apartment values which range from 0.00% for year 1, 1% for year 2 and then 2.50% from year 3 onwards over the term of the cash flow, with a compounded growth rate at 2.34% per annum (2021: 2.34%).

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.

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.

The net carrying amount of plant and equipment held under finance leases is \$682,495 (2021: \$485,703). Note 16 provides further information about finance leases.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2022

10. Intangible Assets

	Computer Software
Cost	
Opening Balance	277,567
Additions	91,375
Disposals	(173,420)
Balance at 30 June 2021	<u>195,522</u>
Opening Balance	<u>195,522</u>
Balance at 30 June 2022	<u>195,522</u>
Accumulated depreciation and impairment losses	
Opening Balance	135,563
Amortisation Expense	13,199
Disposals	(5,817)
Balance at 30 June 2021	<u>142,945</u>
Opening Balance	142,945
Amortisation Expense	13,737
Balance at 30 June 2022	<u>156,682</u>
	Computer Software
Carrying amounts	
At 30 June 2020	142,004
At 30 June 2021	52,577
At 30 June 2022	38,840

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.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2022

11. Investment Property

	2022 Actual	2021 Actual
	\$	\$
Revaluation		
Opening Balance	31,450,000	26,165,000
Additions	4,877,318	1,315,019
Revaluation Gain/(Loss)	712,682	3,969,981
	<u>37,040,000</u>	<u>31,450,000</u>

Investment property was revalued by CVAS (CHC) Limited (trading as Colliers) at 30 June 2022.

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.

The Serviced Apartments and Independent Villas are valued using the discounted cash flow approach. The major assumptions used in the discounted cash flow analysis are a discount rate of 14.75% (2021: 14.75%), growth rates in serviced apartment values which range from 0.00% for year 1, 1% for year 2 and then 2.50% from year 3 onwards over the term of the cash flow, with a compounded growth rate at 2.34% per annum (2021: 2.34%). For the independent villas, a market value compounded growth rate at 2.80% has been adopted (2021: 2.84%). This reflects 0.00% growth in year 1, 2.00% for year 2 and then 3.00% for 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.

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 30,620 square metres of excess land remaining as undeveloped, and is shown within the report has been valued at \$35.00 per square metre (2021: \$15).

Colliers have reviewed market conditions in relation to the Covid-19 global pandemic impact upon value. With the level of uncertainty and unknown impacts decreasing, and markets becoming more used to operating under Covid-19 conditions, the specific adjustments made to discount rates and near term growth rates for Covid-19 in prior year valuations have been critically analysed and adjusted when determining value at 30 June 2022. Their view is that the longer-term economic impact of Covid-19 on the New Zealand aged care sector remains difficult to accurately predict, with only limited comparable transactions and market evidence since the outbreak to give guidance. They advise that because of these factors a higher degree of caution should be exercised when relying on valuations.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2022

12. Trade and Other Payables

	2022 Actual	2021 Actual
	\$	\$
Trade Creditors from Exchange Transactions	2,325,523	1,721,777
Accrued expenses from Exchange Transactions	265,661	180,040
Revenue Received in Advance from Exchange Transactions	1,377	-
Employment Deductions Payable	1,282,751	963,418
GST Payable	818,811	935,692
Total Trade and Other Payables	4,694,122	3,800,927

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

	2022 Actual	2021 Actual
	\$	\$
Accrued Pay	263,765	149,036
Annual Leave	1,825,234	1,519,483
Long Service Leave	55,648	93,082
Sick Leave	53,345	92,442
Continuing Medical Education	77,550	42,393
Total Employee Benefit Liabilities	2,275,542	1,896,436

Comprising:

Current	2,242,106	1,711,440
Non-Current	33,436	184,996
Total Employee Benefit Liabilities	2,275,542	1,896,436

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2022

14. Loans and Borrowings	Current	Non-current	Total
	\$	\$	\$
As at 30 June 2021			
Waitaki District Council - Hospital Funding Loan	700,000	-	700,000
Waitaki District Council - OV Stage One	1,300,000	6,400,000	7,700,000
Waitaki District Council - OV Stage Two, Tranche I	-	156,637	156,637
Waitaki District Council - OV Stage Two, Tranche II	408,000	2,684,001	3,092,001
Total Loans and Borrowings	<u>2,408,000</u>	<u>9,240,638</u>	<u>11,648,638</u>
As at 30 June 2022			
Waitaki District Council - OV Stage Two, Tranche I	-	156,637	156,637
Waitaki District Council - OV Combined Loans	-	15,442,001	15,442,001
Total Loans and Borrowings	<u>-</u>	<u>15,598,638</u>	<u>15,598,638</u>

Waitaki District Council

Council holds a general security agreement over all assets of Observatory Village Lifecare Limited, at balance date assets totalled \$51,518,655 (2021: \$47,057,181).

OV Stage One

The Stage One loan had interest charged at a rate set by Council, at 30 June 2021 3.46% p.a. The loan term is for a period of 10 years maturing 20 February 2027 with set repayments. This loan was fully repaid during the 2022 financial year.

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

The Stage Two, Tranche I loan is interest free. The loan maturity date is 30 June 2029.

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

The Stage Two, Tranche II loan had interest charged at a rate set by Council, at 30 June 2021 3.46% p.a. The loan term is for a period of 10 years maturing 20 February 2029 with set repayments. This loan was fully repaid during the 2022 financial year.

OV Combined Loans

The combined loan, has interest charged at a rate set by Council. At 30 June 2022 there was 4.67% p.a on \$1,500,000, 5.20% p.a. on \$1,500,000, and 5.32% on \$12,442,001. The loan is payable on demand with repayments commencing 30 June 2025.

Hospital Funding Loan

The council had 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 2021 was 2.30% p.a. The loan was fully repaid during the 2022 financial year.

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 2022

15. Obligations to Residents

	2022 Actual	2021 Actual
	\$	\$
Occupation Right Agreements (ORA)	18,876,500	17,983,069
Revenue in Advance	744,386	938,901
	<u>19,620,886</u>	<u>18,921,970</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. In many cases this may be more than 12 months.

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

	2022 Actual	2021 Actual
	\$	\$
Current	152,917	87,310
Non-current	616,099	497,950
Total	<u>769,017</u>	<u>585,260</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.

Minimum Lease Payments Payable

Less than one year	267,429	182,068
One to Two years	236,405	176,528
Two to Five years	646,052	448,493
Five years and later	105,700	211,400
<i>Total minimum lease payments</i>	<u>1,255,586</u>	<u>1,018,489</u>
Future finance charges and lease costs	<u>(486,569)</u>	<u>(433,229)</u>
Present value of minimum lease payments	<u>769,017</u>	<u>585,260</u>

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2022

Maia Financial - Phillips Scanner

This finance lease is for the purchase of a Phillips EPIQ Elite Diagnostic Ultrasound System. The lease term is for 60 months beginning 1 May 2021. Waitaki District Health Services Limited will fully own the asset at end of the lease. There are no restrictions imposed by the lease arrangement.

Maia Financial - Fujifilm Ultrasound System

This finance lease is for the purchase of a Fujifilm X-Porte Ultrasound System. The lease term is for 36 months beginning 1 July 2020. Waitaki District Health Services Limited will fully own the asset at end of the lease. There are no restrictions imposed by the lease arrangement.

Orix - Motor Vehicle Leases

This finance lease is for 13 Vehicles. The lease terms for these are 45 months with various start dates between May 2021 and February 2022. Waitaki District Health Services will return the vehicles to Orix at the end of the lease. There are no restrictions imposed by the lease arrangement.

Siemens Healthcare Limited - CT Scanner Lease

This finance lease is for the purchase of a Somatom Go.up CT Scanner. The lease term is for 120 months beginning 1 Feb 2019. Waitaki District Health Services Limited will fully own the asset at end of the lease. There are no restrictions imposed by the lease arrangements.

17. Shareholders Equity

	2022 Actual \$	2021 Actual \$
(a) Capital		
100 Ordinary Shares		
Total Issued and Paid up Capital	100	100
Total issued shares	<u>100</u>	<u>100</u>
(b) Retained Earnings		
Opening Balance	10,885,324	8,531,304
Net Operating Deficit	(1,296,419)	2,354,020
Reclassification of Reserves	(71,945)	-
Retained Earnings	<u>9,516,960</u>	<u>10,885,324</u>
(c) Revaluation Reserve		
Opening Balance	9,844,912	9,844,912
Gain/(Loss) on Revaluation of Property	5,719,911	-
Reclassification from Retained Earnings	71,945	-
Revaluation Reserve	<u>15,636,768</u>	<u>9,844,912</u>
Total Shareholder Equity	<u>25,153,827</u>	<u>20,730,336</u>

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

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2022

18. Related Party Transactions

	2022 Actual	2021 Actual
	\$	\$
(a) Related Parties		
<u>Waitaki District Council</u>		
Services provided by Council (GST exclusive)	446,142	242,482
Interest paid to Council	376,899	395,098
Amounts payable at balance date (GST inclusive)	170,596	34,431
<p>In addition to the transactions noted above, Waitaki District Council has advanced two (2021: four) loans to the Group. The balances and terms of these loans are disclosed in Note 14.</p> <p>During the year, the loan owing of \$4.6million from Observatory Village Group to Waitaki District Health Services Trust was purchased by the Waitaki District Council. The Waitaki District Council paid \$4.6million to Waitaki District Health Services Limited (on behalf of Waitaki District Health Services Trust) on the 25th of February 2022. As the loan is now owing to the Waitaki District Council, it is not eliminated on consolidation. As at 30 June 2022, this loan is outstanding from Observatory Village Group to Waitaki District Council and forms part of the Observatory Village Group combined loans. Details and terms of this loan is outlined in Note 14 to the financial statements.</p>		
<u>Whitestone Contracting Limited</u>		
Services provided by Whitestone Contracting (GST exclusive)	135	30,828
Amounts payable at balance date (GST inclusive)	-	-
<u>Waitaki District Health Services Trust</u>		
<p>The Waitaki District Trust has an Unlimited Supported Guarantee dated 29 October 2019 with Waitaki District Health Services Limited relating to the overdraft facility.</p>		
<u>Kite Consulting Limited</u>		
Services provided by Kite Consulting (GST exclusive)	4,501	9,540
Amounts payable/(receivable) at balance date (GST inclusive)	-	2,090
<u>Andrea Cairns</u>		
Purchases from A Cairns (GST exclusive)	-	135
Amounts payable/(receivable) at balance date (GST inclusive)	-	-
<u>Phil Jamieson (CEO of Waitaki District Health Services Limited)</u>		
<p>CEO Phil Jamieson received goods and services during the year in a private capacity to the value of \$637 (2021: 7,130). \$7,376 was repaid during the financial year, with the amount outstanding as at 30 June, 2022 being \$Nil (2021: \$6,739).</p>		
<u>Keith Marshall</u>		
Services provided by Keith Marshall (GST exclusive)	56,000	-
Amounts payable/(receivable) at balance date (GST inclusive)	-	-

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2022

Andrew Wilson (Director of Waitaki District Health Services Limited)

Rental property provided by N & A Wilson (GST exclusive)	16,640	24,960
Amounts payable at balance date (GST inclusive)	-	2,080

Andrew Wilson ceased to be a related party on 28 February 2022, when he resigned as a director of Waitaki District Health Services Limited.

Peter Robinson

Peter Robinson is a Director of Observatory Village Lifecare Limited and Observatory Care Limited, and is also a Director of North Otago Motor Group Limited. During the year the North Otago Motor Group Limited provided vehicle expense services to Observatory Village Lifecare Limited valued at \$nil (GST inclusive) (2021: \$794). The Company also provided vehicle expense services to Observatory Care Limited valued at \$1,414 (GST inclusive) (2021: \$404). The services were charged on normal terms and conditions. There was Nil balance owing at 30 June 2022. (2021:Nil).

Michelle Sintmaartensdyk

Michelle Sintmaartensdyk is a Director of Observatory Village Care Limited and is also a Director of Oamaru Physiotherapy Clinic Limited. During the year Oamaru Physiotherapy Clinic Limited provided patient welfare services to Observatory Village Care Limited valued at \$14,698 (GST inclusive) (2021: \$11,132). The services were charged on normal terms and conditions. There was a balance of \$654 owing at 30 June 2022 (2021: \$1,242).

(b) Key Management and Directors

Key management personal comprises members of the Board and leadership team.

	2022		2021	
	FTE	Remuneration	FTE	Remuneration
		\$		\$
Directors	17.00	224,965	13.00	206,597
Leadership Team	10.02	1,440,837	9.02	1,181,272
Management Entity	0.27	56,000	0.17	-
Total		<u>1,721,802</u>		<u>1,387,869</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.

Close members of the family of key management personnel have been included in the above disclosure.

During the 2022 financial year WDHSL obtained key management personnel services from Keith Marshall for an Acting CEO for four months for \$56,000. This has been included in the management entity above.

During the 2021 financial year WDHSL obtained key management personnel services from Southern District Health Board for an Acting CEO for two months on a cost free basis. This has been classed as transactions from a management entity for the 2021 financial year.

There were 2 severance payments made during the year: \$40,000; \$10,000 (2021: nil)

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2022

19. Commitments

	2022 Actual	2021 Actual
	\$	\$
The group has the following capital commitments at balance date		
- Toyota Hiace Van (North Otago Motor Group)	-	39,912
- Observatory Village Lifecare Limited Development	2,418,390	1,546,437
	<u>2,418,390</u>	<u>1,586,349</u>

Non-cancellable operating lease commitments:

Less than one year	87,080	85,000
One to Two years	85,000	85,000
Two to Five years	255,000	255,000
Five years and later	1,137,396	1,222,396
	<u>1,564,476</u>	<u>1,647,396</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
Five years and later	-	136,200
	<u>45,400</u>	<u>249,700</u>

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.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2022

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

	2022 Actual	2021 Actual
	\$	\$
Net Surplus/(Deficit) from operations	(1,296,419)	2,354,020
Add/(less) non-cash items		
Depreciation and Amortisation	1,075,164	1,013,770
Loss/(Gain) on Disposal of Assets	(12,736)	-
Loss/(Gain) on Revaluation of Investment Property	(712,682)	(3,969,981)
Amortisation of Occupation Right Agreements	893,431	3,027,105
Management Fees	50,000	-
Interest and servicing cost on leases as shown in Lease Repayments	39,000	71,853
Add/(less) movements in working capital		
(Increase)/decrease in trade and other receivables	(765,543)	102,700
(Increase)/decrease in prepayments	(9,180)	(89,195)
(Increase)/decrease in accrued interest	(9,578)	9,047
(Increase)/decrease in inventory	(1,902)	(22,000)
Increase/(decrease) in trade and other payables	412,600	1,459,594
Increase/(decrease) in employee entitlements	342,347	(118,127)
Net Cashflow From/(To) Operating Activities	<u>4,501</u>	<u>3,838,786</u>

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2022

21. Reconciliation of Liabilities Arising from Financing Activities

	2021	Cash Movements	Non-Cash Movements			2022
			Loan Consolidations	New Leases	Other Costs	
Loans						
WDC Hospital Funding	700,000	(700,000)	-	-	-	-
WDC Stage One	7,700,000	-	(7,700,000)	-	-	-
WDC Stage Two	3,248,638	-	(3,092,001)	-	-	156,637
WDC Combined Loans	-	4,600,000	10,842,001	-	-	15,442,001
Finance Leases						
CT Scanner	304,327	(35,966)	-	-	-	268,361
Philips Ultrasound	227,329	(37,099)	-	-	(28,601)	161,629
Fujifilm Ultrasound	53,604	(23,454)	-	-	-	30,150
ORIX Motor Vehicles	-	(37,729)	-	346,605	-	308,876
Total	12,233,898	3,765,752	50,000	346,605	(28,601)	16,367,654

	2020	Cash Movements	Non-Cash Movements			2021
			Loan Consolidations	New Leases	Other Costs	
Loans						
WDC Hospital Funding	700,000	-	-	-	-	700,000
WDC Stage One	7,700,000	-	-	-	-	7,700,000
WDC Stage Two	3,956,638	(708,000)	-	-	-	3,248,638
Finance Leases						
CT Scanner	338,174	(105,700)	-	-	71,853	304,327
Philips Ultrasound	-	213,946	-	-	13,383	227,329
Fujifilm Ultrasound	66,000	(12,396)	-	-	-	53,604
Total	12,760,812	(612,150)	-	-	85,236	12,233,898

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 (2021: Nil).

Waitaki District Health Services Limited is currently subject to a potential litigation issue which relates to two HDC (The Health and Disability Commissioner) complaints. The outcome or further investigation in relation to this litigation issue remains unknown. This is being overseen by Waitaki District Health Services Limited Group's insurer, QBE. The insurance excess is \$20,000 per claim.

Waitaki District Health Services Limited is currently completing a payroll hours analysis, to investigate any potential underpayments. At balance date the potential underpayment amounts are unknown.

There were no contingent assets at balance date (2021: Nil).

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2022

23. Financial Instruments

Financial Instrument Categories

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

	2022 Actual	2021 Actual
	\$	\$
<u>Financial Assets</u>		
Loans and Receivables		
Cash and cash equivalents	2,003,651	1,531,546
Receivables	2,486,795	1,714,820
Term deposits	812,569	2,609,745
	<u>5,303,015</u>	<u>5,856,111</u>
<u>Financial Liabilities</u>		
Financial Liabilities at Amortised Cost		
Payables	4,692,745	3,800,927
Bank Overdraft	-	61,033
Secured Loans	15,598,638	11,648,638
ORA	18,876,500	17,983,069
	<u>39,167,883</u>	<u>33,493,667</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.

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.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2022

(e) 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 all Covid and traffic light levels. Some non-core services, in particular allied and community outreach services were paused during the higher levels of the lockdown, but these services have been reinstated during alert Levels 1 & 2, and the current traffic light system.

There was no effect on core Ministry of Health funding as these services are ongoing.

The lasting impacts on the Observatory Village Charitable Trust Group of the COVID-19 pandemic are currently unknown. The Directors/Trustees' have incorporated the effects arising from COVID-19 into their consideration of the Group's ability to continue to adopt the going concern assumption in preparing the financial statements for the year ended 30 June 2022.

25. Health Sector Reform

Health Sector reforms were announced by Central Government in April 2021.

At 30 June 2022 the agreement is still in progress. Te Whatu Ora – Health NZ (ex SDHB) through a letter of comfort has agreed that funding will continue not less than the current level.

26. Events After Balance Date

On 21st of October 2022, Waitaki District Health Services Limited received a \$1.95m loan from the Waitaki District Council for casflow support.

On 28th of November 2022, the Government announced funding to introduce pay parity between private and non-Government employers in Healthcare and Government employers in healthcare.

There were no other significant events to disclose after balance date

27. Breach of Statutory Deadline

The Waitaki District Health Services Group was required under section 67(5) of the Local Government Act 2002 to complete its audited financial statements and service performance information by 30 November 2022. This timeframe was not met.

This has also resulted in a breach of section 13.4 of the Waitaki District Health Services Limited company constitution, which requires audited financial statements and service performance information be completed within 3 months after balance date.

Waitaki District Health Services Limited Group

Statement of Performance and Measures

For the year ended 30 June 2022

Performance and Measures

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

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.

2022 Actual	2021 Actual
\$	\$

(2,326,141) (752,632)

All planned services were provided

Operating deficit excludes donation from the Waitaki District Health Services Trust

Target

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

2022 Actual	2021 Actual
\$	\$

Achievement - Not Achieved

Net surplus/(deficit) from continuing operations

(3,125,228) (1,429,745)

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

Operating deficit excludes donation from the Waitaki District Health Services Trust

Waitaki District Health Services Limited Group

Statement of Performance and Measures

For the year ended 30 June 2022

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. Compliance with Food Act 2014, Food Regulations 2015, FSANZ Food Standards Code through a National Programme Level 3 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 Practising Certificates.

Achievement - Achieved

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

Waitaki District Health Services Limited Group

Statement of Performance and Measures

For the year ended 30 June 2022

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.

Target

Report to Council at half yearly and yearly intervals as required.

Achievement - Partially Achieved

Delay in reporting half yearly report due to Covid, staffing and system issues/pressures.

Target

Communicate to staff and the wider community as and when necessary. The Board have agreed to a minimum of two health forums annually.

Achievement - Partially Achieved

Communication to staff via regular newsletters, email and internal social media. Communication to the wider community when necessary, utilising the local media. Due to Covid restrictions, community health forums were not held.

Target

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

Achievement - Achieved

Health & Disability Sector Standards certification remains, expires April 2024. Surveillance audit scheduled for 13th September 2022.

Target

The Board commit to ongoing reviews of the Company governance policies.

Achievement - Achieved

The board reviewed the company governance policies.

Waitaki District Health Services Limited Group

Statement of Performance and Measures

For the year ended 30 June 2022

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

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.

Target

Optimise the return on investment in the Observatory Village Charitable Trust, to be used by the Company for the health and wellbeing of the Waitaki community.

Achievement - Not Achieved

The OAG has been made aware of WDHSL's view that, WDHSL has no legal control over Observatory Village actions. Notwithstanding that situation, WDHSL can confirm that no investment returns were made from the Observatory Village group to WDHSL in the course of the past financial year, but the loan funds were repatriated from Observatory Village to WDHST, then advanced to WDHSL within the financial year.

Waitaki District Health Services Trust

Target

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

Achievement - Achieved

Donations to the hospital totalling \$4,598,850 during year, including funding towards the purchase of a new vehicle.

Target

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

Achievement - Achieved

Assistance to hospital by way of loans and donations.

Waitaki District Health Services Limited Group

Statement of Performance and Measures

For the year ended 30 June 2022

Observatory Village Care Limited

Target

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

Achievement - Achieved

All KPIs have been reviewed by Governance and a focus has now been made on key areas of Financial, Customer, Staff and Strategic areas and the corresponding KPIs reflect this emphasis. Previous targets are now removed from Statement of Intent and reviewed at operational level.

KPI results have exceeded targets. These have been reviewed for the forthcoming year with higher target levels in some areas.

The only KPI that didn't achieve the target was the staff turnover. This didn't reach the KPI but was still within industry standards of 29% reflected by NZ Aged Care Association research.

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 was an average of 98.4% which is well above the industry average of 85.2%

Observatory Village was audited against the new Nga Paerewa Health and Disability Standards and received a four year certification period. The mid way Surveillance audit will be completed in 2024.

Target

Chattels and assets are to be maintained to high standards.

Achievement - Achieved

The facility is now 5 years old, therefore there has been an increase in overall maintenance required to plant and equipment. This is completed in a timely manner to ensure the facility remains operational at all times. 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 4 times throughout the year, along with providing quarterly reports. Meetings have included discussions on the effects of Covid, Statement of Intent, Budgets, Insurance Coverage and KPI's.

Waitaki District Health Services Limited Group

Statement of Performance and Measures

For the year ended 30 June 2022

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

Observatory Village staff communicate regularly with General Practitioners, Needs Assessors, Oamaru Hospital, Southern District Health Board and other aged care facilities to ensure that the needs of residents are met. There are multiple aged care task groups to ensure CoVid-19 strategies are in place and improvements in care are offered.

Target

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

Achievement - Achieved

The Clinical Governance Group continues to work on resident safety in reducing falls. Data indicates Falls are reducing with new interventions. Manual handling staff training has commenced "Training the trainer" to benefit staff and residents. "The Personal Care Watch Team" (Created to work collaboratively with staff to provide outstanding care) are a core group of senior Healthcare Assistants overseeing and supporting new and less experienced staff and report to the CGG.

Support is provided to 7 staff undertaking the NZ Health Workers Advanced Care and Support (Palliative Care) (Level 4) training. Improving knowledge and skills for improved resident satisfaction.

A MedComp floater 'model of care' has been initiated to provide the Clinical Manager and Registered Nurses with Clinical assistance on the floor.

A 'walking talking handover' for Healthcare Assistants commenced in July and has successfully been imbedded into daily practice. This focuses on resident's safety i.e. falls and provides an opportunity for staff to discuss with those responsible.

Target

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

Achievement - Achieved

The main form of advertising is word of mouth, promotion from residents, family, staff and industry contractors. Observatory has a waiting list of interested people wishing to enter the care facility.

Waitaki District Health Services Limited Group

Statement of Performance and Measures

For the year ended 30 June 2022

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 Villa infrastructure was extensively progressed to enable the construction of villas in the next stage. 2 villas were completed and 9 were in varying levels of completion to be available for occupation in July, August, October and December.

Target

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

Achievement - Achieved

Overall the company has met the budget while achieving high standard of facilities and services. Income was slightly lower than budget as new villas were not completed therefore fee income was not received at the predicted time. Directors fees have been increased to reflect the growth in size of the village. Rates were also higher than budget following a revaluation of the village.

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 both before and during each development project. A review of loans has been completed to defer loan repayments while extensive development occurs over next 2 years.

Target

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

Achievement - Achieved

Meetings were held 4 times throughout the year which included sign off from trustees on insurance, upcoming development stages, construction, budgets and review of loans.

Waitaki District Health Services Limited Group

Statement of Performance and Measures

For the year ended 30 June 2022

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

Observatory achieves this as per comments made earlier for the Care Company.

Target

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

Achievement - Achieved

A new villa floor plan has been designed to best capture the sunshine and views available in the next villas. Double garage options are being offered to residents. Plans for a further 12 unit apartment block and a large community centre are also underway. The apartment block will accommodate the extensive number of people on the waiting list for these units. The community centre will provide a further social hub with different activities as the number of residents within the village is increasing.

Regular bi-monthly meetings are held with Village Residents for discussions and feedback.

Providing a continuum of care within an environment of support and familiar people and surroundings has continued to be important with 5 residents transferring from either 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 when they come available. 13 villas/apartments/care suites have been resold throughout the year, with an average resale time of 2.4 months.

The 11 new villas being built during 2022 have all been presold prior to the concrete being poured.

The next 10 villas to be built in 2023 are now going through the process of being presold. The parties on the villa interest list have been given the first opportunity to secure one of the new villas.

Waitaki District Health Services Limited Group

Statement of Performance and Measures

For the year ended 30 June 2022

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

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 2022 financial year.

Independent Auditor's Report

To the readers of Waitaki District Health Services Limited's Group financial statements and the statement of performance and measures for the year ended 30 June 2022

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 statement of performance and measures of the Group, on his behalf.

Opinion

We have audited:

- the financial statements of the Group on pages 9 to 41, that comprise the statement of financial position as at 30 June 2022, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of performance and measures of the Group on pages 42 to 50.

In our opinion:

- the financial statements of the Group on pages 9 to 41:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2022; 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 statement of performance and measures of the Group on pages 42 to 50 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 2022.

Our audit was completed on 9 December 2022. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the statement of performance and measures, we comment on other information, and we explain our independence.

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 statement of performance and measures

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 statement of performance and measures 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 statement of performance and measures that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the statement of performance and measures, 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 statement of performance and measures

Our objectives are to obtain reasonable assurance about whether the financial statements and the statement of performance and measures, 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 statement of performance and measures.

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

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 statement of performance and measures, 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 statement of performance and measures 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 statement of performance and measures, including the disclosures, and whether the financial statements and the statement of performance and measures 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 statement of performance and measures of the entities or business activities within the Group to express an opinion on the financial statements and the statement of performance and measures. 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 2 to 8, but does not include the financial statements and the statement of performance and measures, and our auditor's report thereon.

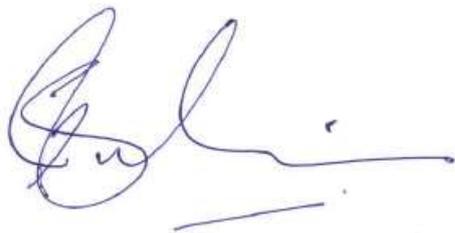
Our opinion on the financial statements and the statement of performance and measures does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the statement of performance and measures, 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 statement of performance and measures 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