

# Waitaki District Health Services Limited Group

**Consolidated Financial Statements**

**For the year ended 30 June 2019**



# Waitaki District Health Services Limited Group

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For the year ended 30 June 2019

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# Waitaki District Health Services Limited Group

## Company Directory

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For the year ended 30 June 2019

### Issued Capital

100 Ordinary Shares

### Postal Address

P O Box 94, Oamaru

### Registered Office

20 Eden Street, Oamaru

### Directors

Helen M Algar

Paul W Allison

Mark F Rogers (Chairman)

Andrew C F Wilson

### Company Number

DN 910387

### Bankers

Westpac

### Date of Formation

29th May 1998

### Shareholder

Waitaki District Council

### Auditors

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

### Solicitors

Berry & Co, Oamaru

# Waitaki District Health Services Limited Group

## Directors Report

### For the year ended 30 June 2019

The Directors are pleased to present the consolidated report for the Group for the year ended 30 June 2019.

#### Principal Activities

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

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

Observatory Village is a retirement village, situated in Oamaru, which was established to provide an environment where residents can live well; receive care and services that are appropriate to their needs; and feel part of a community. Construction of the Village began in 2016 and was substantially completed by 30 June 2018. Observatory Village Charitable Trust provides funding to the trading businesses (Observatory Village Lifecare Limited and Observatory Village Care Limited).

The Group also owned and operated Reed Street retirement home (Reed Street Healthcare Limited) for a short period during the 2018 financial year. The residents of the Reed Street facility were subsequently transferred to the Observatory Village facility and Reed Street Healthcare Limited was liquidated.

	2019 Actual	2018 Actual
	\$	\$
<b>Results</b>		
Total Comprehensive Revenue and Expense	1,683,544	(1,488,149)

#### Directors

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

# Waitaki District Health Services Limited Group

## Directors Report

For the year ended 30 June 2019

### Directors (continued)

	2019 Actual	2018 Actual
	\$	\$
Helen M Algar	22,500	22,500
Paul W Allison	22,500	9,899
Mark F Rogers (Appointed 01/01/2019) (Chairman)	11,250	-
Andrew CF Wilson	22,500	22,500
Ian A Hurst (Resigned 21/01/2019)	11,250	22,500
Dr James J Reid (Resigned 01/03/2018)	-	15,000
Christopher J Swann (Resigned 30/06/2019)	40,500	40,500
	<u>130,500</u>	<u>132,899</u>

### Employees' Remuneration

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

	2019 Actual	2018 Actual
	\$	\$
\$100,001 - \$110,000	1	2
\$110,001 - \$120,000	3	-
\$120,001 - \$130,000	1	-
\$130,001 - \$140,000	2	2
\$140,001 - \$150,000	-	1
\$200,001 - \$210,000	-	1
\$210,001 - \$220,000	1	1
\$230,001 - \$240,000	1	-
\$250,001 - \$260,000	1	-
\$280,001 - \$290,000	-	1
	<u>10</u>	<u>8</u>

### Directors' Interests

The Directors have not disclosed any conflicting interests.

### 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 is undertaken by Audit New Zealand on behalf of the Auditor-General. Audit remuneration for the period under review was \$38,296 (2018: \$27,610). There were no other services, apart from audit services, provided by Audit New Zealand.

### Future Trading

The Directors anticipate that the Company and group will continue to operate at the level required by the Statement of Intent.

# Waitaki District Health Services Limited Group

## Statement of Responsibility

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### For the year ended 30 June 2019

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

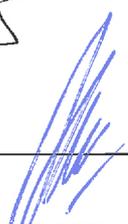
The Board is responsible for any half-year performance information provided by Waitaki District Health Services Limited Group under section 66 of the Local Government Act 2002.

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

In the opinion of the Board, these Group Financial Statements and Statement of Performance fairly reflect the financial position and operations of Waitaki District Health Services Limited Group for the year ended 30 June 2019.

For and on behalf of the Board of Directors,

Director  \_\_\_\_\_

Director \_\_\_\_\_ 

Dated this 6th day of October, 2020

## Waitaki District Health Services Limited Group

### Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2019

	Note	2019 Actual \$	2018 Actual \$
<b>Revenue</b>			
DHB Revenue	2	10,593,787	10,489,006
Resident Fees and Contributions	2	4,403,773	2,557,127
Other Revenue	2	1,958,656	2,233,445
Interest Revenue	2	93,445	117,034
Gain/(Loss) on Revaluation of Investment Property	11	1,641,949	9,044,508
<b>Total Revenue</b>		<u>18,691,610</u>	<u>24,441,120</u>
<b>Expenditure</b>			
Personnel Costs	3	11,511,586	10,637,264
Depreciation Expense	10	867,573	855,326
Finance Costs		412,980	291,238
Other Expenses	4	5,965,854	4,421,679
<b>Total Expenditure</b>		<u>18,757,993</u>	<u>16,205,507</u>
<b>Deficit from continuing operations</b>		<u>(66,383)</u>	<u>8,235,613</u>
<b>Other Comprehensive Revenue and Expense</b>			
Gain/(Loss) on Revaluation of Property	10	1,749,927	(9,723,762)
		<u>1,749,927</u>	<u>(9,723,762)</u>
<b>Total Comprehensive Revenue and Expense</b>		<u>1,683,544</u>	<u>(1,488,149)</u>

## Waitaki District Health Services Limited Group

### Statement of changes in Net Assets/Equity

For the year ended 30 June 2019

	2019 Actual	2018 Actual
	\$	\$
<b>Balance at Beginning of Period</b>	16,078,022	17,566,171
Total Comprehensive Revenue and Expense	1,683,544	(1,488,149)
<b>Balance at End of Period</b>	<u>17,761,566</u>	<u>16,078,022</u>

# Waitaki District Health Services Limited Group

## Statement of Financial Position

As at 30 June 2019

	Note	2019 Actual \$	2018 Actual \$
<b>Current Assets</b>			
Cash and Cash Equivalents	6	749,766	1,725,598
Current Term Deposits	7	1,254,314	4,134,613
Trade and Other Receivables	8	1,460,710	1,310,314
Inventory	9	212,962	178,064
Accrued Interest		15,900	46,210
Prepayments		74,925	70,037
Development in Progress	20	49,326	-
<b>Total Current Assets</b>		<b>3,817,903</b>	<b>7,464,836</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	10	20,227,379	16,467,273
Investment Property	11	21,675,000	14,278,100
<b>Total Non-Current Assets</b>		<b>41,902,379</b>	<b>30,745,373</b>
<b>Total Assets</b>		<b>45,720,282</b>	<b>38,210,209</b>
<b>Current Liabilities</b>			
Trade and Other Payables	12	1,890,435	1,719,558
Loans and Borrowings	14	3,656,638	3,422,417
Finance Leases	16	56,923	20,441
Obligations to Residents	15	12,200,357	7,150,490
Employee Benefits	13	1,692,877	1,696,523
<b>Total Current Liabilities</b>		<b>19,497,230</b>	<b>14,009,429</b>
<b>Non-Current Liabilities</b>			
Loans and Borrowings	14	8,000,000	8,000,000
Finance Leases	16	345,347	35,567
Employee Benefits	13	116,139	87,191
<b>Total Non-Current Liabilities</b>		<b>8,461,486</b>	<b>8,122,758</b>
<b>Total Liabilities</b>		<b>27,958,716</b>	<b>22,132,187</b>
<b>Net Assets</b>		<b>17,761,566</b>	<b>16,078,022</b>
<b>Equity</b>			
Share Capital	17	100	100
Retained Earnings	17	8,623,420	8,689,803
Revaluation Reserve	17	9,138,046	7,388,119
<b>Total Equity</b>		<b>17,761,566</b>	<b>16,078,022</b>

# Waitaki District Health Services Limited Group

## Statement of Cashflows

For the year ended 30 June 2019

Note	2019 Actual \$	2018 Actual \$
<b>Cashflows From Operating Activities</b>		
<i>Cash was provided from</i>		
Receipts from DHB, Patients and Residents	16,522,370	14,634,725
Interest Received	123,755	111,332
Net GST Received	-	209,956
Occupation Right Agreements	5,886,329	7,750,564
Donations Received	122,420	137,685
	<u>22,654,874</u>	<u>22,844,262</u>
<i>Cash was disbursed to</i>		
Payments to Suppliers and Employees	17,383,161	15,776,706
Interest Paid	389,447	291,236
Occupation Right Agreements	271,816	331,150
Net GST Paid	4,201	-
	<u>18,048,625</u>	<u>16,399,092</u>
Net Cashflow From/(To) Operating Activities	21 <u>4,606,249</u>	<u>6,445,170</u>
<b>Cashflows From Investing Activities</b>		
<i>Cash was provided from</i>		
Withdrawal from Term Deposits	<u>4,134,613</u>	<u>3,451,000</u>
	4,134,613	3,451,000
<i>Cash was disbursed to</i>		
Purchase of Property, Plant and Equipment and Investment Properties	8,567,136	8,511,538
Purchase and Reinvestment of Term Deposits	<u>1,254,314</u>	<u>4,134,613</u>
	9,821,450	12,646,151
Net Cashflow From/(To) Investing Activities	<u>(5,686,837)</u>	<u>(9,195,151)</u>
<b>Cashflows from Financing Activities</b>		
<i>Cash was provided from</i>		
Loans provided from Waitaki District Council	<u>234,221</u>	<u>3,864,358</u>
	234,221	3,864,358
<i>Cash was disbursed to</i>		
Finance Leases	<u>129,464</u>	-
	129,464	-
Net Cashflow From/(To) Financing Activities	<u>104,757</u>	<u>3,864,358</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(975,831)	1,114,377
Add Opening Cash and Cash Equivalents	<u>1,725,597</u>	<u>611,221</u>
<b>Closing Cash and Cash Equivalents</b>	6 <u><u>749,766</u></u>	<u><u>1,725,598</u></u>

# Waitaki District Health Services Limited Group

## Notes to the Financial Statements

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For the year ended 30 June 2019

### 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. Accordingly, the company has designated itself as a public benefit entity (PBE) for reporting purposes.

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

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

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

The Group Financial Statements are for the period ended 30 June 2019. The Financial Statements were authorised for issue by the Directors on 06 October 2020. The board has the power to amend the financial statements after issuance.

#### Basis of Preparation

The Group Financial Statements have been prepared on an historical cost basis, modified by the revaluation of certain fixed assets 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, and the accounting policies set out below have been applied consistently to all periods presented in these financial statements.

This is the first year that the Observatory Village Group has been consolidated into the Company accounts. Comparative values have been reinstated.

#### Statement of Compliance

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

# Waitaki District Health Services Limited Group

## Notes to the Financial Statements

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For the year ended 30 June 2019

### Subsidiaries

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

### Basis of Consolidation

The following 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 Observatroy 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 considered a public entity.

The Observatroy Village Charitable Trust is the 100% beneficial owner of Observatory Village Lifecare Limited, Observatory Village Care Limited and Reed Street Healthcare Limited (now liquidated).

Observatory Village Lifecare Limited, Observatory Village Care Limited, Reed Street Healthcare 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.

### Restatement of Financial Information

Upon re-assessment of the Groups interest in the Observatory Village Group it was identified that the group is controlled under the applicable accounting standards and should have been consolidated into the group financial statements since the entities were established. Accordingly the 2018 reported values have been restated to include the performance, cash flows and position of the Observatory Village Group, and to remove any inter-group transactions. Opening balances on the statement of financial position as at 1 July 2017 have also been restated.

## Waitaki District Health Services Limited Group

### Notes to the Financial Statements

For the year ended 30 June 2019

#### 2017 Opening Balance Restatement Statement of Financial Position

	2017 Restated	2017 Reported	2017 Adjustment
<b>Current Assets</b>			
Cash and Cash Equivalents	611,220	543,155	68,065
Current Term Deposits	3,451,000	3,451,000	-
Trade and Other Receivables	1,383,916	1,069,963	313,953
Inventory	166,127	166,127	-
Accrued Interest	40,508	40,508	-
Prepayments	73,363	68,553	4,810
<b>Total Current Assets</b>	<b>5,726,134</b>	<b>5,339,306</b>	<b>386,828</b>
<b>Non-Current Assets</b>			
Financial Assets	-	2,374,690	(2,374,690)
Property, Plant and Equipment	9,640,495	9,640,495	-
Capital Work In Progress	13,467,306	-	13,467,306
<b>Total Non-Current Assets</b>	<b>23,107,801</b>	<b>12,015,185</b>	<b>11,092,616</b>
<b>Total Assets</b>	<b>28,833,935</b>	<b>17,354,491</b>	<b>11,479,444</b>
<b>Current Liabilities</b>			
Trade and Other Payables	1,802,468	654,807	1,147,661
Loans and Borrowings	142,519	-	142,519
Employee Benefits	1,823,318	1,755,607	67,711
<b>Total Current Liabilities</b>	<b>3,768,305</b>	<b>2,410,414</b>	<b>1,357,891</b>
<b>Non-Current Liabilities</b>			
Loans and Borrowings	7,415,540	-	7,415,540
Employee Benefits	83,919	83,919	-
<b>Total Non-Current Liabilities</b>	<b>7,499,459</b>	<b>83,919</b>	<b>7,415,540</b>
<b>Total Liabilities</b>	<b>11,267,764</b>	<b>2,494,333</b>	<b>8,773,431</b>
<b>Net Assets</b>	<b>17,566,171</b>	<b>14,860,158</b>	<b>2,706,013</b>
<b>Equity</b>			
Share Capital	100	100	-
Retained Earnings	10,487,583	7,781,570	2,706,013
Revaluation Reserve	7,078,488	7,078,488	-
<b>Total Equity</b>	<b>17,566,171</b>	<b>14,860,158</b>	<b>2,706,013</b>

## Waitaki District Health Services Limited Group

### Notes to the Financial Statements

For the year ended 30 June 2019

2018 Restatement	2018	2018	2018
Statement of Comprehensive Revenue and Expense	Restated	Reported	Adjustment
<b>Revenue</b>			
DHB Revenue	10,489,006	10,489,006	-
Resident Fees and Contributions	2,557,127	-	2,557,127
Other Revenue	2,233,445	1,916,723	316,722
Interest Revenue	117,034	99,439	17,595
Gain/(Loss) on Revaluation of Investment Property	9,044,508	-	9,044,508
<b>Total Revenue</b>	<u>24,441,120</u>	<u>12,505,168</u>	<u>11,935,952</u>
<b>Expenditure</b>			
Personnel Costs	10,637,264	9,328,797	1,308,467
Depreciation Expense	855,326	588,918	266,408
Finance Costs	291,238	-	291,238
Other Expenses	4,421,679	3,276,108	1,145,571
<b>Total Expenditure</b>	<u>16,205,507</u>	<u>13,193,823</u>	<u>3,011,684</u>
<b>Deficit from continuing operations</b>	<u>8,235,613</u>	<u>(688,655)</u>	<u>8,924,268</u>
<b>Other Comprehensive Revenue and Expense</b>			
Interest Revenue Observatory Village Trust Loan	-	144,618	(144,618)
Gain/(Loss) on Revaluation of Property	(9,723,762)	309,631	(10,033,393)
	<u>(9,723,762)</u>	<u>454,249</u>	<u>(10,178,011)</u>
<b>Total Comprehensive Revenue and Expense</b>	<u>(1,488,149)</u>	<u>(234,406)</u>	<u>(1,253,743)</u>
<b>Statement of changes in Net Assets/Equity</b>			
	2018	2018	2018
	Restated	Reported	Adjustment
<b>Balance at Beginning of Period</b>	17,566,171	14,860,158	2,706,013
Total Comprehensive Revenue and Expense	(1,488,149)	(234,406)	(1,253,743)
<b>Balance at End of Period</b>	<u>16,078,022</u>	<u>14,625,752</u>	<u>1,452,270</u>

## Waitaki District Health Services Limited Group

### Notes to the Financial Statements

For the year ended 30 June 2019

#### Statement of Financial Position

	2018 Restated	2018 Reported	2018 Adjustment
<b>Current Assets</b>			
Cash and Cash Equivalents	1,725,598	924,675	800,923
Current Term Deposits	4,134,613	2,634,613	1,500,000
Trade and Other Receivables	1,310,314	1,157,456	152,858
Inventory	178,064	178,064	-
Accrued Interest	46,210	30,126	16,084
Prepayments	70,037	70,037	-
<b>Total Current Assets</b>	<b>7,464,836</b>	<b>4,994,971</b>	<b>2,469,865</b>
<b>Non-Current Assets</b>			
Financial Assets	-	2,519,308	(2,519,308)
Property, Plant and Equipment	16,467,273	9,657,439	6,809,834
Investment Property	14,278,100	-	14,278,100
<b>Total Non-Current Assets</b>	<b>30,745,373</b>	<b>12,176,747</b>	<b>18,568,626</b>
<b>Total Assets</b>	<b>38,210,209</b>	<b>17,171,718</b>	<b>21,038,491</b>
<b>Current Liabilities</b>			
Trade and Other Payables	1,719,558	814,380	905,178
Loans and Borrowings	3,422,417	-	3,422,417
Finance Leases	20,441	-	20,441
Obligations to Residents	7,150,490	-	7,150,490
Employee Benefits	1,696,523	1,644,395	52,128
<b>Total Current Liabilities</b>	<b>14,009,429</b>	<b>2,458,775</b>	<b>11,550,654</b>
<b>Non-Current Liabilities</b>			
Loans and Borrowings	8,000,000	-	8,000,000
Finance Leases	35,567	-	35,567
Employee Benefits	87,191	87,191	-
<b>Total Non-Current Liabilities</b>	<b>8,122,758</b>	<b>87,191</b>	<b>8,035,567</b>
<b>Total Liabilities</b>	<b>22,132,187</b>	<b>2,545,966</b>	<b>19,586,221</b>
<b>Net Assets</b>	<b>16,078,022</b>	<b>14,625,752</b>	<b>1,452,270</b>
<b>Equity</b>			
Share Capital	100	100	-
Retained Earnings	8,689,803	7,237,533	1,452,270
Revaluation Reserve	7,388,119	7,388,119	-
<b>Total Equity</b>	<b>16,078,022</b>	<b>14,625,752</b>	<b>1,452,270</b>

## Waitaki District Health Services Limited Group

### Notes to the Financial Statements

For the year ended 30 June 2019

Statement of Cashflows	2018 Restated	2018 Reported	2018 Adjustment
<b>Cashflows From Operating Activities</b>			
<i>Cash was provided from</i>			
Receipts from DHB, Patients and Residents	14,634,725	12,226,351	2,408,374
Interest Received	111,332	109,821	1,511
Net GST Received	209,956	40,367	169,589
Occupation Right Agreements	7,750,564	-	7,750,564
Donations Received	137,685	121,885	15,800
	<u>22,844,262</u>	<u>12,498,424</u>	<u>10,345,838</u>
<i>Cash was disbursed to</i>			
Payments to Suppliers and Employees	15,776,706	12,633,670	3,143,036
Interest Paid	291,236	-	291,236
Occupation Right Agreements	331,150	-	331,150
Net GST Paid	-	-	-
	<u>16,399,092</u>	<u>12,633,670</u>	<u>3,765,422</u>
Net Cashflow From/(To) Operating Activities	<u>6,445,170</u>	<u>(135,246)</u>	<u>6,580,416</u>
<b>Cashflows From Investing Activities</b>			
<i>Cash was provided from</i>			
Withdrawal from Term Deposits	3,451,000	3,451,000	-
	<u>3,451,000</u>	<u>3,451,000</u>	<u>-</u>
<i>Cash was disbursed to</i>			
Purchase of Property, Plant and Equipment and Investment Properties	8,511,538	299,621	8,211,917
Purchase and Reinvestment of Term Deposits	4,134,613	2,634,613	1,500,000
	<u>12,646,151</u>	<u>2,934,234</u>	<u>9,711,917</u>
Net Cashflow From/(To) Investing Activities	<u>(9,195,151)</u>	<u>516,766</u>	<u>(9,711,917)</u>
<b>Cashflows from Financing Activities</b>			
<i>Cash was provided from</i>			
Loans provided from Waitaki District Council	3,864,358	-	3,864,358
	<u>3,864,358</u>	<u>-</u>	<u>3,864,358</u>
<i>Cash was disbursed to</i>			
Finance Leases	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Net Cashflow From/(To) Financing Activities	<u>3,864,358</u>	<u>-</u>	<u>3,864,358</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,114,377	381,520	732,857
Add Opening Cash and Cash Equivalents	611,221	543,155	68,066
<b>Closing Cash and Cash Equivalents</b>	<u>1,725,598</u>	<u>924,675</u>	<u>800,923</u>

# Waitaki District Health Services Limited Group

## Notes to the Financial Statements

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For the year ended 30 June 2019

### 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.

DHB funding is set annually and relates to a financial year. All DHB funding is invoiced within the financial year to which the funding has been set. DHB funding 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.

Village Contributions are recognised as revenue on a straight-line basis over the estimated occupancy of the Villas, Apartments and Care Suites.

Fees and charges are recognised when invoiced.

Interest income is recognised when earned.

#### Borrowing Costs

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

#### 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 surplus or deficit 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 terms 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 surplus or deficit as a reduction of rental expenses over the lease term.



# Waitaki District Health Services Limited Group

## Notes to the Financial Statements

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For the year ended 30 June 2019

### 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 receivable or payables (as appropriate). Trade receivables and payables are stated inclusive of GST. Where GST is not recoverable as an input tax then it is recognised as part of the related asset or expense.

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

### Cash and Cash Equivalents

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

### Investments

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

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

### 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. The amount of trade and other receivables is split out based on exchange and non-exchange revenue.

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.

### Inventory

Inventories are held for distribution in the provision of services that are not supplied on a commercial basis are measured at cost (using the FIFO method), adjusted, when applicable, for any loss of service potential.

Inventories that are acquired through non-exchange transactions are measured at fair value at the date of acquisition.

### Property, Plant and Equipment

Property, Plant and Equipment consists of:

Operational assets – these include land, buildings, building fittings, 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.

# Waitaki District Health Services Limited Group

## Notes to the Financial Statements

For the year ended 30 June 2019

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.

### Revaluations

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

#### Land and Buildings

The land and buildings were valued by Quotable Value on 30 June, 2018. The valuation was carried out for financial reporting purposes in accordance with the valuation requirements of PBE IPSAS 17. Land and buildings are revalued at three year intervals, but are reviewed at each balance date to ensure that their carrying value is not materially different from their fair value.

Land and building revaluation movements are accounted for on a class-of-asset basis.

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

#### Additions

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

#### Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit.

#### Subsequent costs

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

### Depreciation

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

The applied rates are as follows:

	Straight Line	Diminishing Value
Buildings	2% to 10%	
Plant and Equipment	7% to 67%	4% to 60%
Furniture and Fittings	9% to 67%	3% to 60%
Motor Vehicles		20% to 30%

# Waitaki District Health Services Limited Group

## Notes to the Financial Statements

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For the year ended 30 June 2019

### 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 surplus or deficit.

For assets not carried at a re-valued amount, the total impairment loss is recognised in the surplus or deficit.

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 surplus or deficit and other comprehensive income, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at a re-valued amount the reversal of an impairment loss is recognised in the surplus or deficit.

### 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.

# Waitaki District Health Services Limited Group

## Notes to the Financial Statements

For the year ended 30 June 2019

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### Development in Progress

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

Investment properties will initially be recorded at cost and subsequently measured annually at fair value as determined by an independent registered valuer.

### 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.

### Employee Entitlements

#### Short-term benefits

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

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

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

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

#### Long service leave

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

Likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements and;

We have based our calculation on the collective employment agreements then used a probability of 95% chance of staff reaching entitlement requirements. This probability is based upon the nature of the workforce and staff turnover in the past.

# Waitaki District Health Services Limited Group

## Notes to the Financial Statements

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For the year ended 30 June 2019

### 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, debtors and creditors.

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, bank balances and loan to the Observatory Village Trust) are measured at amortised cost using the effective interest method, less any impairment or fair value adjustments.

### 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 surplus or deficit to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

### Critical Accounting Estimates and Assumptions

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

#### *Village Contribution Revenue Recognition*

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

The directors of Observatory Village in conjunction with the valuer estimate that the average period of occupancy for Apartments is 4 years (2018: 4 years), Care Suites is 3 years (2018: 2 years) and Villas 8 years (2018: 8 years), based on historical results and experience.

# Waitaki District Health Services Limited Group

## Notes to the Financial Statements

### For the year ended 30 June 2019

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

#### Taxation

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

#### 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 reserves

#### Revaluation Reserve

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

#### Statement of Cashflows

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

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

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

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

#### Change in Accounting Policies

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

## 2. Revenue

	2019 Actual	2018 Actual
	\$	\$
<i>Revenue from Exchange Transactions</i>		
Gain/(Loss) on Revaluation of Investment Property	1,641,949	9,044,508
Interest Received	93,445	117,034
Resident Fees	3,839,127	2,306,155
Retirement Village Contributions	564,646	250,972
Other Operating Revenue	1,836,236	2,141,560
	<u>7,975,403</u>	<u>13,860,229</u>

## Waitaki District Health Services Limited Group

### Notes to the Financial Statements

For the year ended 30 June 2019

#### Revenue from Non-Exchange Transactions

District Health Board Revenue	10,593,787	10,489,006
Donations Received	122,420	91,885
	<u>10,716,207</u>	<u>10,580,891</u>
Total Revenue	<u>18,691,610</u>	<u>24,441,120</u>

#### 3. Personnel Costs

	2019 Actual	2018 Actual
	\$	\$
Salaries and wages	11,261,013	10,618,048
Employer Contributed Superannuation	225,271	194,868
Increase / (Decrease) in employee benefit entitlements	25,302	(175,652)
	<u>11,511,586</u>	<u>10,637,264</u>

#### 4. Other Expenses

	2019 Actual	2018 Actual
	\$	\$
<i>Includes the following items:</i>		
Audit Fees paid to Audit NZ - Financial Statements	38,296	27,610
Audit Fees paid to PKF - Financial Statements	7,203	8,819
Director and Trustee Fees	170,499	176,899
Equipment Servicing	133,502	175,443
Food Costs	419,022	317,713
Insurance Premiums	125,836	102,147
Locums	1,571,290	371,245
Loss on Asset Disposal	851	3,390
Rental and Operating Lease Costs	68,443	48,278
Reporting and Licensing	262,034	279,526
Specialist Costs	304,872	395,935

#### 5. Income Taxes

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

#### 6. Cash & Cash Equivalents

	2019 Actual	2018 Actual
	\$	\$
Cash on Hand	500	560
ANZ Bank	150,945	418,428
ANZ Bank Call Account	217,025	380,621
Diocesan Trust	1,026	1,026
Westpac Bank	369,190	34,788
Westpac Call Account	11,080	890,175
Net cash and cash equivalents for purposes of the statement of cash flows	<u>749,766</u>	<u>1,725,598</u>

## Waitaki District Health Services Limited Group

### Notes to the Financial Statements

For the year ended 30 June 2019

#### 7. Current Term Deposits

	2019 Actual	2018 Actual
	\$	\$
ANZ Bank	-	1,500,000
Westpac Bank	1,254,314	2,634,613
	<u>1,254,314</u>	<u>4,134,613</u>

#### 8. Trade and Other Receivables

	2019 Actual	2018 Actual
	\$	\$
Trade and other receivables from Exchange Transactions	237,270	166,834
Trade and other receivables from Non-Exchange Transactions	1,187,755	1,092,942
GST Receivable	36,417	54,708
Less provisions for Impairment	(732)	(4,170)
Total and other receivables	<u>1,460,710</u>	<u>1,310,314</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, whose terms have been renegotiated is \$69,332 (2018: \$38,865).

As at 30 June 2019 all overdue receivables have been assessed for impairment and appropriate provisions applied, as detailed below:

	Gross	2019 Impairment	Net	Gross	2018 Impairment	Net
	\$	\$	\$	\$	\$	\$
Current	1,392,110	-	1,392,110	1,275,617	-	1,275,617
Past due 0-30 days	49,777	-	49,777	13,461	-	13,461
Past due 31-60 days	14,884	-	14,884	13,991	474	13,517
Past due greater than 61 days	4,671	732	3,939	11,415	3,696	7,719
<b>Total</b>	<u>1,461,442</u>	<u>732</u>	<u>1,460,710</u>	<u>1,314,484</u>	<u>4,170</u>	<u>1,310,314</u>

	2019 Actual	2018 Actual
	\$	\$
Balance at 1 July	4,170	4,170
Additional provisions made during year	-	-
Less receivables written off during the period	(3,438)	-
Balance at 30 June	<u>732</u>	<u>4,170</u>

## Waitaki District Health Services Limited Group

### Notes to the Financial Statements

For the year ended 30 June 2019

#### 9. Inventory

	2019 Actual	2018 Actual
	\$	\$
Medical Supplies	212,962	178,064

The write-down of inventories amounted to \$Nil (2018: \$Nil)

No inventories are pledged as security for liabilities; however some inventories are subject to retention of title clauses.

#### 10. Property, Plant & Equipment

	Land & Buildings	Plant & Equipment	Fixtures & Fittings	Motor Vehicles	Total
<b>Cost or Revaluation</b>					
Opening Balance	9,883,000	3,766,947	390,293	177,123	14,217,363
Additions	16,025,548	545,423	769,857	65,037	17,405,865
Disposals	-	(52,090)	-	-	(52,090)
Gain/(Loss) on Revaluations	(9,723,762)	-	-	-	(9,723,762)
<b>Balance at 30 June 2018</b>	<b>16,184,786</b>	<b>4,260,280</b>	<b>1,160,150</b>	<b>242,160</b>	<b>21,847,376</b>
Opening Balance	16,184,786	4,260,280	1,160,150	242,160	21,847,376
Additions	1,390,833	898,135	590,780	-	2,879,748
Disposals	-	(1,096,721)	(1,145)	(4,348)	(1,102,214)
Gain/(Loss) on Revaluations	1,749,927	-	-	-	1,749,927
<b>Balance at 30 June 2019</b>	<b>19,325,546</b>	<b>4,061,694</b>	<b>1,749,785</b>	<b>237,812</b>	<b>25,374,837</b>
<b>Accumulated depreciation and impairment losses</b>					
Opening Balance	761,152	3,379,266	286,359	150,090	4,576,867
Depreciation Expense	541,734	214,014	80,477	19,101	855,326
Disposals	-	(52,090)	-	-	(52,090)
<b>Balance at 30 June 2018</b>	<b>1,302,886</b>	<b>3,541,190</b>	<b>366,836</b>	<b>169,191</b>	<b>5,380,103</b>
Opening Balance	1,302,886	3,541,190	366,836	169,191	5,380,103
Depreciation Expense	529,138	228,746	101,844	7,845	867,573
Disposals	-	(1,096,721)	-	(3,497)	(1,100,218)
<b>Balance at 30 June 2019</b>	<b>1,832,024</b>	<b>2,673,215</b>	<b>468,680</b>	<b>173,539</b>	<b>5,147,458</b>
<b>Carrying amounts</b>					
At 30 June 2017	9,121,848	387,681	103,934	27,033	9,640,495
At 30 June 2018 and 1 July 2018	14,881,900	719,090	793,314	72,969	16,467,273
At 30 June 2019	17,493,522	1,388,479	1,281,105	64,273	20,227,379

# Waitaki District Health Services Limited Group

## Notes to the Financial Statements

For the year ended 30 June 2019

### 10. Property, Plant & Equipment (continued)

Land and Buildings relating to Waitaki District Health Services Limited were revalued by Quotable Value at 30 June, 2018, who are independent of the Company and Group.

Land and Buildings relating to the Observatory Village Group were revalued at 30 June 2019 by Colliers International Valuation (chch) Limited.

The valuation methodology used in the valuation of the property plant and equipment is based on fair value of the asset. Where the fair value of an asset can be determined by reference to price in an active market for the same or similar asset, the fair value of the asset is determined using this information. Where fair value is unable to be reliably determined using market based evidence, depreciated replacement cost is considered the most appropriate basis for determination of fair value. The land and building have been classified as specialised and therefore depreciated replacement cost has been used to determine valuation.

### 11. Investment Property

	2019 Actual	2018 Actual
	\$	\$
<b>Cost or Revaluation</b>		
Opening Balance	14,278,100	-
Additions/Transfers	5,754,952	5,233,592
Revaluation Gain/(Loss)	1,641,948	9,044,508
	<u>21,675,000</u>	<u>14,278,100</u>

Investment property was revalued by Colliers International Valuation (Chch) Limited at 30 June 2019

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

Fair values have been determined using a two-step approach. The value of the care facility is complex and determined based on income capitalisation of the market rent adopting a 7.5% yield (2018: 7.5%).

The Care Suites, Apartments and Villas are valued using the discounted cash flow approach. The major assumptions used in the discounted cash flow analysis are a discount rate of 15% (2018: 15%), growth rates in unit values which range from 0% to 3% per annum (2018: 0% to 3%) over the term of the cash flow, and a deduction for expenses such as refurbishment costs, marketing and capital expenditure. 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. Principal assumptions are unchanged from the prior year.

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.

## Waitaki District Health Services Limited Group

### Notes to the Financial Statements

#### For the year ended 30 June 2019

The excess land calculations shown within the report, reference market subdivisional costs and returns and have regard to the intensity of development in a retirement village situation, underpinned by subdivisional land sales. The excess land within the village which is currently available for immediate development of 10 serviced apartments over 2 levels has been valued at approximately \$25,000 per unit.

The under developed portion of land of circa 5.1550 hectares shown within the report has been valued at \$12.50 per square meter.

#### 12. Trade and Other Payables

	2019 Actual	2018 Actual
	\$	\$
Trade Creditors from Exchange Transactions	1,679,061	1,433,986
Accrued expenses	206,444	285,572
Revenue Received in Advance	4,930	-
<b>Total Payables &amp; Accruals</b>	<u>1,890,435</u>	<u>1,719,558</u>

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

	2019 Actual	2018 Actual
	\$	\$
Accrued Pay	486,532	410,020
Annual Leave	1,222,112	1,184,078
Long Service Leave	46,304	87,191
Sick Leave	23,527	23,527
Continuing Medical Education	30,541	78,898
<b>Total Employee Entitlements</b>	<u>1,809,016</u>	<u>1,783,714</u>

Comprising:

Current	1,692,877	1,696,523
Non-Current	116,139	87,191
<b>Total employee benefit liability</b>	<u>1,809,016</u>	<u>1,783,714</u>

#### 14. Loans and Borrowings

	Current	Non-current	Total
	\$	\$	\$
<b>As at 30 June 2018</b>			
Network Waitaki	335,599	-	335,599
Waitaki District Council - Stage One	-	8,000,000	8,000,000
Waitaki District Council - Stage Two, Tranche I	249,637	-	249,637
Waitaki District Council - Stage Two, Tranche II	2,837,181	-	2,837,181
<b>Total Loans and Borrowings</b>	<u>3,422,417</u>	<u>8,000,000</u>	<u>11,422,417</u>

## Waitaki District Health Services Limited Group

### Notes to the Financial Statements

For the year ended 30 June 2019

#### As at 30 June 2019

Network Waitaki	-	-	-
Waitaki District Council - Stage One	-	8,000,000	8,000,000
Waitaki District Council - Stage Two, Tranche I	156,637	-	156,637
Waitaki District Council - Stage Two, Tranche II	3,500,001	-	3,500,001
<b>Total Loans and Borrowings</b>	<b>3,656,638</b>	<b>8,000,000</b>	<b>11,656,638</b>

#### Network Waitaki

The loan from Network Waitaki Limited is interest free, has a second general security agreement over all assets and undertakings of the company, and is repayable no later than 31 January 2019.

#### Waitaki District Council

Council holds a general security agreement over all assets of Observatory Village Lifecare Limited.

#### *Stage One*

The Stage One loan has interest charged at a rate set by Council, currently 3.31% p.a. The loan term is for a period of 10 years from 18 August 2016.

#### *Stage Two, Tranche I ("Stage Two Design")*

The Stage Two, Tranche I loan is interest free and repayable on demand. However repayment is not expected before 30 June 2020.

#### *Stage Two, Tranche II ("Stage Two Construction")*

The Stage Two, Tranche II loan has interest charged at a rate set by Council, currently 3.58% p.a. The loan is repayable on demand. However repayment is not expected before 30 June 2020.

#### Other Borrowings

The Group also has an overdraft facility to utilise when required. The facility was not used as at 30 June 2019 (2018: \$nil).

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

### 15. Obligations to Residents

	2019 Actual	2018 Actual
Occupation Right Agreements (ORA)	\$ 11,574,886	\$ 6,927,704
Revenue in Advance	625,471	222,786
	<u>12,200,357</u>	<u>7,150,490</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.

Revenue in Advance is based on occupation rates of: 4 years recycle frequency for Serviced Apartments; 3 years for Care Suites; and 8 years for Independent Villas, based on an estimate of the Directors.

# Waitaki District Health Services Limited Group

## Notes to the Financial Statements

For the year ended 30 June 2019

ORA Amortisation is estimated as the occupancy period multiplied by the maximum contribution percentage (24% of the value of the occupation licence), amortised over 4 years for apartments and Care Suites, and 8 years for Villas.

### *Fair Value*

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

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

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

### 16. Finance Lease Liabilities

	2019 Actual	2018 Actual
	\$	\$
Current	56,923	20,441
Non-current	345,347	35,567
<b>Total</b>	<b>402,270</b>	<b>56,008</b>

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.

### 17. Shareholders Equity

	2019 Actual	2018 Actual
	\$	\$
<b>(a) Capital</b>		
Ordinary Shares	100	100
Total Issued and Paid up Capital	100	100
<b>Total number issued shares</b>	<b>100</b>	<b>100</b>
<b>(b) Retained Earnings</b>		
Opening Balance	8,689,803	10,487,583
Net Operating Deficit	(66,383)	8,235,613
Gain/(Loss) on Revaluation of Observatory Village Property	-	(10,033,393)
<b>Retained Earnings</b>	<b>8,623,420</b>	<b>8,689,803</b>

## Waitaki District Health Services Limited Group

### Notes to the Financial Statements

For the year ended 30 June 2019

#### (c) Revaluation Reserve

Opening Balance	7,388,119	7,078,488
Gain/(Loss) on Revaluation of Property	1,749,927	309,631
<b>Revaluation Reserve</b>	<b>9,138,046</b>	<b>7,388,119</b>

#### Total Shareholder Equity

17,761,566	16,078,022
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The valuation loss on Observatory Village Property in the 2018 financial year was taken to retained earnings as the opening balance of the revaluation reserve was nil. Consistent with PBE IPSAS 17 any remaining loss on valuation in excess of the revaluation reserve is shown through the surplus or deficit. This has been separated out from the net operating deficit for clarity of reporting.

#### 18. Related Party Transactions

##### (a) Related Parties

###### Waitaki District Council

	2019 Actual	2018 Actual
	\$	\$
Services provided by Council (GST exclusive)	126,880	72,502
Interest paid to Council	389,000	291,238
Amounts payable/(receivable) at 30 June 2019 (GST inclusive)	7,812	(3,675)

In addition to the transactions noted above, Waitaki District Council has advanced two loans to the Group. The funding was advanced for the construction of the Observatory Village Facility in Oamaru. The balances and terms of these loans are disclosed in Note 14.

###### Andrew Wilson (Director of Waitaki District Health Services Limited)

Rental property provided by N & A Wilson (GST exclusive)	21,920	-
Amounts payable/(receivable) at 30 June 2019 (GST inclusive)	2,080	-

##### (b) Key Management and Directors

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

	2019		2018	
	FTE	Remuneration	FTE	Remuneration
		\$		\$
Directors	14.00	170,499	14.00	172,899
Leadership Team	3.73	674,421	5.93	516,372
Management Entity	1.00	114,310	-	-
<b>Total</b>		<b>959,230</b>		<b>689,271</b>

The full-time equivalent for Board members has been determined based on the frequency and length of Board meetings and the estimated time for Board members to prepare for meetings.

## Waitaki District Health Services Limited Group

### Notes to the Financial Statements

For the year ended 30 June 2019

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

#### 19. Commitments

The group has the following capital commitments on balance date

- Swipe Card Security Door Upgrade

Completion of Stage 1 and 2 of Observatory Village

Retirement Village Development

	2019 Actual	2018 Actual
	\$	\$
	24,335	-
	-	3,487,859
	<u>24,335</u>	<u>3,487,859</u>

#### Non-cancellable operating lease commitments:

Less than one year

One to Two years

Two to Five years

Five years and later

	41,730	147,266
	41,730	126,527
	125,190	327,108
	673,909	497,467
	<u>882,559</u>	<u>1,098,368</u>

The lease commitments consist of land owned by the Waitaki District Council which is occupied by the Group (renewal dates December 2019 and January 2027).

#### 20. Development in Progress

Opening Balance

Development Costs for the period

Transfer to Investment Property on Completion

	2019 Actual	2018 Actual
	\$	\$
	-	-
	7,195,111	-
	(7,145,785)	-
	<u>49,326</u>	<u>-</u>

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

## Waitaki District Health Services Limited Group

### Notes to the Financial Statements

For the year ended 30 June 2019

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

	2019 Actual \$	2018 Actual \$
Net Surplus/(Deficit)	1,683,544	(1,488,149)
<b>Add/(less) non-cash items</b>		
Depreciation & loss on sale	867,573	855,326
Loss/(Gain) on Disposal of Assets	851	3,390
Loss/(Gain) on Revaluation of Buildings	(1,749,927)	9,723,762
Loss/ (Gain) on Revaluation of Investment Property	(1,641,949)	(9,044,508)
Amortisation of Occupation Right Agreements	5,049,865	7,184,976
Interest and servicing cost on leases as shown in Lease Repayments	75,726	-
<b>Add/(less) movements in working capital</b>		
(Increase)/decrease in accounts receivable	251,264	(585,362)
(Increase)/decrease in non-operating debtors	-	(3,918)
(Increase)/decrease in prepayments	(3,280)	3,325
(Increase)/decrease in accrued interest	30,310	(5,702)
(increase)/decrease in inventories	(34,898)	(11,937)
Increase/(decrease) in GST payable	18,293	131,672
Increase/(decrease) in GST on non-operating items	-	(34,495)
Increase/(decrease) in accounts payable	(70,053)	500,427
Increase/(decrease) in non-operating creditors	284,256	(607,985)
Increase/(decrease) in long service leave	(57,524)	3,272
Increase/(decrease) in employee entitlements	(97,802)	(178,924)
<b>Net Cashflow From/(To) Operating Activities</b>	<u>4,606,249</u>	<u>6,445,170</u>

#### 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 (2018: Nil).

##### Contingent Liabilities

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

There were no other contingent liabilities at balance date (2018: Nil).

There were no contingent assets at balance date (2018: Nil).

# Waitaki District Health Services Limited Group

## Notes to the Financial Statements

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For the year ended 30 June 2019

### 23. Financial Instruments

#### (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. The Group has no debt.

### 24. Events After Balance Date

The Directors have considered the impacts of Covid-19 on the operations of the Company and Group. There have been no material impacts recorded. The Directors are not aware of any other items/events occurring between the period and the signing of the financial statements that are significant.

### 25. Breach of Statutory Deadline

Section 67 of the Local Government Act 2002 requires that within three months after the end of the financial year, the Board must deliver to the shareholders, and make available to the public, an annual report for the operations during that year.

Waitaki District Health services Limited Group's annual report was not completed by 30 September 2019. As a result, the Company and Group has breached its statutory reporting deadline for 2019. This was due to the timing of the advice that the Company needed to consolidate the results of the Observatory Village Group. The annual report was adopted on 6 October 2020.

# Waitaki District Health Services Limited Group

## Notes to the Financial Statements

For the year ended 30 June 2019

### 26. Statement of Objectives and Performance

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

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

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

#### Objective

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

#### Statement of Intent Targets

- excludes Observatory Village operations

#### 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

Net operating surplus before interest revenue, depreciation, taxation expense.  
All planned services were provided

2019 Budget	2019 Actual
\$	\$

N/A	(1,910,355)
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#### Target

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

2019 Budget	2019 Actual
\$	\$

#### Achievement

Net surplus/(deficit) from continuing operations  
The company has not achieved the break even result for the financial year

N/A	(2,117,663)
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#### Target

Update the Company's business plan annually.

#### Achievement

The business plan was updated.

## Waitaki District Health Services Limited Group

### Notes to the Financial Statements

---

For the year ended 30 June 2019

#### Target

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

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

#### Achievement

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

#### Target

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

#### Achievement

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

#### Target

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

#### Achievement

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 in the future.

#### Target

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

#### Achievement

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 six monthly intervals as required.

#### Achievement

The hospital reports six monthly and annually to the Council.

## Waitaki District Health Services Limited Group

### Notes to the Financial Statements

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For the year ended 30 June 2019

#### Target

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

#### Achievement

Distributed staff communication and informed the community as required.

#### Target

Enhance and develop good community health services outcomes, particularly with regard to the elderly.

#### Achievement

Continuing strong focus on assessment, treatment and rehabilitation services for the elderly.

#### Target

Hold a Waitaki District Health Forum, under Terms of Reference approved by the Board, as a public meeting at least two times a year as a means of liaison and consultation between the Hospital and the community.

#### Achievement

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

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

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

## Independent Auditor's Report

### To the readers of Waitaki District Health Services Limited's Group financial statements and performance information for the year ended 30 June 2019

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

#### Opinion

We have audited:

- the financial statements of the Group on pages 7 to 34, that comprise the statement of financial position as at 30 June 2019, 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 performance information of the Group on pages 35 to 37.

In our opinion:

- the financial statements of the Group on pages 7 to 34:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2019; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards Reduced Disclosure Regime; and
- the performance information of the Group on pages 35 to 37 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 2019.

Our audit was completed on 6 October 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to the impact of COVID-19 on the Group. In addition, we outline the responsibilities of the Board of Directors (the Board) and our

responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

### **Emphasis of matter – Impact of COVID-19**

Without modifying our opinion, we draw attention to the disclosures about the impact of COVID-19 on the Group as set out in note 24 to the financial statements.

### **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 for the financial statements and the performance information**

The Board 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 is also responsible for preparing the performance information for the Group.

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

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

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

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

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

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

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

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

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

an opinion on the consolidated financial statements and the consolidated performance information. We are responsible solely for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board 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 is responsible for the other information. The other information comprises the information included on pages 3 to 6, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

## **Independence**

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

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



Dereck Ollsson  
Audit New Zealand  
On behalf of the Auditor-General  
Christchurch, New Zealand