

Waitaki District Health Services Limited Group

Consolidated Financial Statements

For the year ended 30 June 2021



Waitaki District Health Services Limited Group

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For the year ended 30 June 2021

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Waitaki District Health Services Limited Group

Company Directory

For the year ended 30 June 2021

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)

Graeme A Blair (resigned 31 January 2022)

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

Andrew C F Wilson (resigned 28 February 2022)

Scott W 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 2021

The Directors are pleased to present the consolidated report for the Group for the year ended 30 June 2021.

Principal Activities

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

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

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

	2021 Actual	2020 Actual
	\$	\$
Results		
Total Comprehensive Revenue and Expense	2,354,020	614,750

Directors

In accordance with the Company's constitution, Waitaki District Council has appointed Mrs Helen M Algar (Chair, appointed 1/1/22), Graeme A Blair (resigned 31/1/22), Mr Mark F Rogers (Chairman, resigned 31/12/21), Mr Andrew C F Wilson (resigned 28/2/22) and Scott W Wilson as Directors of Waitaki District Health Services Limited. Directors are not shareholders and remain in office until changed by shareholders.

	2021 Actual	2020 Actual
	\$	\$
Helen M Algar	27,917	22,500
Paul W Allison (Resigned 31/12/2020)	11,250	40,500
Graeme A Blair (Appointed 08/12/2020, Resigned 31/1/2022)	13,979	-
Mark F Rogers (Resigned 31/12/2021)	42,750	22,500
Andrew CF Wilson (Resigned 28/2/2022)	27,917	22,500
Scott W Wilson (Appointed 08/12/2020)	13,979	-
	137,791	108,000

Waitaki District Health Services Limited Group

Directors Report

For the year ended 30 June 2021

Employees' Remuneration

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

	2021 Actual	2020 Actual
	\$	\$
\$100,001 - \$110,000	6	2
\$110,001 - \$120,000	8	2
\$120,001 - \$130,000	1	2
\$130,001 - \$140,000	3	3
\$140,001 - \$150,000	1	-
\$180,001 - \$190,000	1	1
\$210,001 - \$220,000	1	-
\$230,001 - \$240,000	1	-
\$310,001 - \$320,000	1	-
\$330,001 - \$340,000	-	1
\$380,001 - \$390,000	1	-
	<u>24</u>	<u>11</u>

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
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
Waitaki Safer Community Trust	Trustee

Waitaki District Health Services Limited Group

Directors Report

For the year ended 30 June 2021

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
The Rogers Family Trust	Trustee
Timaru District Holdings Limited	Director
Venture Timaru Limited	Chairman
Westroads Limited	Director

Scott Wilson

Canterbury District Health Board	Employee
Health and Disability Commissioner	Advisor
Scott Wilson Family Trust	Trustee
SLC investments Limited	Director

Waitaki District Health Services Limited Group

Directors Report

For the year ended 30 June 2021

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 \$52,332 (2020: \$60,684). 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 2021

The Board is responsible for the preparation of the Group Financial Statements and Statement of Objectives and 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.

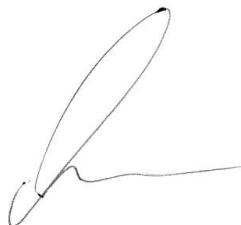
The Board has responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Board, these Group Financial Statements and Statement of Objectives and Performance fairly reflect the financial position and operations of Waitaki District Health Services Limited Group for the year ended 30 June 2021.

For and on behalf of the Board of Directors,



Helen Algar, Chair



Scott Wilson, Director

Dated this 28th day of March, 2022

Waitaki District Health Services Limited Group

Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2021

	Note	2021 Actual \$	2020 Actual \$
Revenue			
Southern District Health Board Revenue	2	11,361,697	11,251,705
Resident Fees and Retirement Village Contributions	2	7,135,216	6,137,926
Other Revenue	2	2,332,498	1,794,559
Interest Revenue	2	25,631	27,147
Gain on Revaluation of Investment Property	2,11	3,969,981	1,755,611
Total Revenue		24,825,023	20,966,948
Expenditure			
Personnel Costs	3	14,366,834	12,310,809
Depreciation and Amortisation Expense	9,10	1,013,770	997,944
Finance Costs		449,296	465,253
Other Expenses	4	6,641,103	7,285,058
Total Expenditure		22,471,003	21,059,064
Profit/(Loss) from operations		2,354,020	(92,116)
Other Comprehensive Revenue and Expense			
Gain on Revaluation of Property, Plant and Equipment	9	-	706,866
		-	706,866
Total Comprehensive Revenue and Expense		2,354,020	614,750

Waitaki District Health Services Limited Group

Statement of changes in Equity

For the year ended 30 June 2021

	2021 Actual	2020 Actual
	\$	\$
Balance at Beginning of Period	18,376,316	17,761,566
Total Comprehensive Revenue and Expense	2,354,020	614,750
Balance at End of Period	<u>20,730,336</u>	<u>18,376,316</u>

Waitaki District Health Services Limited Group

Statement of Financial Position

As at 30 June 2021

	Note	2021 Actual \$	2020 Actual \$
Current Assets			
Cash and Cash Equivalents	6	1,531,546	1,846,874
Term Deposits	7	2,609,745	1,016,202
Trade and Other Receivables	8	1,714,820	1,707,428
Inventory		128,010	106,010
Accrued Interest		1,046	2,579
Prepayments		237,934	148,740
Total Current Assets		6,223,101	4,827,833
Non-Current Assets			
Property, Plant and Equipment	9	19,918,922	20,331,804
Intangible Assets	10	52,577	142,004
Investment Property	11	31,450,000	26,165,000
Total Non-Current Assets		51,421,499	46,638,808
Total Assets		57,644,600	51,466,641
Current Liabilities			
Bank Overdraft	6	61,033	70,431
Trade and Other Payables	12	3,800,927	2,344,638
Loans and Borrowings	14	2,408,000	1,564,637
Finance Leases	16	87,310	99,847
Obligations to Residents	15	18,921,970	15,947,074
Employee Benefits	13	1,711,440	1,944,812
Total Current Liabilities		26,990,680	21,971,439
Non-Current Liabilities			
Loans and Borrowings	14	9,240,638	10,792,001
Finance Leases	16	497,950	304,327
Employee Benefits	13	184,996	22,558
Total Non-Current Liabilities		9,923,584	11,118,886
Total Liabilities		36,914,264	33,090,325
Net Assets		20,730,336	18,376,316
Equity			
Share Capital	17	100	100
Retained Earnings	17	10,885,324	8,531,304
Revaluation Reserve	17	9,844,912	9,844,912
Total Equity		20,730,336	18,376,316

Waitaki District Health Services Limited Group

Statement of Cashflows

For the year ended 30 June 2021

	Note	2021 Actual \$	2020 Actual \$
Cashflows From Operating Activities			
<i>Cash was provided from</i>			
Receipts from DHB, Patients and Residents		18,601,078	17,600,593
Interest Received		27,164	40,468
Net GST Received		141,199	162,947
Occupation Right Agreements Sold		7,400,895	6,489,988
Donations Received		283,915	67,189
		<u>26,454,251</u>	<u>24,361,185</u>
<i>Cash was disbursed to</i>			
Payments to Suppliers and Employees		19,437,850	18,670,524
Interest Paid		422,122	440,734
Occupation Right Agreements Pay Outs		2,755,493	1,619,423
		<u>22,615,465</u>	<u>20,730,681</u>
Net Cashflow From/(To) Operating Activities	21	<u>3,838,786</u>	<u>3,630,504</u>
Cashflows From Investing Activities			
<i>Cash was provided from</i>			
Sale of Property, Plant and Equipment		-	4,369
Withdrawal from Term Deposits		207,193	738,112
		<u>207,193</u>	<u>742,481</u>
<i>Cash was disbursed to</i>			
Purchase of Property, Plant and Equipment		375,185	399,086
Purchase of Investment Property		1,563,838	3,075,278
Reinvestment of Term Deposits		1,800,736	500,000
		<u>3,739,759</u>	<u>3,974,364</u>
Net Cashflow From/(To) Investing Activities		<u>(3,532,566)</u>	<u>(3,231,883)</u>
Cashflows from Financing Activities			
<i>Cash was provided from</i>			
Loans from Waitaki District Council		-	700,000
Proceeds from Finance Leases		228,862	66,000
		<u>228,862</u>	<u>766,000</u>
<i>Cash was disbursed to</i>			
Repayment of Finance Leases		133,012	137,944
Repayment of Loans		708,000	-
		<u>841,012</u>	<u>137,944</u>
Net Cashflow From/(To) Financing Activities		<u>(612,150)</u>	<u>628,056</u>
Net Increase (Decrease) in Cash and Cash Equivalents		(305,930)	1,026,677
Add Opening Cash and Cash Equivalents		1,776,443	749,766
Closing Cash and Cash Equivalents	6	<u><u>1,470,513</u></u>	<u><u>1,776,443</u></u>

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2021

1. Statement of Accounting Policies

Reporting Entity

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

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

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

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

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

The Group Financial Statements are for the year ended 30 June 2021. The Financial Statements were authorised for issue by the Directors on 28 March 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.
- The ability for cost reductions, especially in the area of replacing contracted staff with employed medical professionals and leadership staff. This has progressed since the end of the financial year.
- Access to long term funding from the Observatory Village Trust and the Waitaki District Health Services Trust.
- Ongoing contractual relationship with the Southern District Health Board, ACC and other customers.

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

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2021

Statement of Compliance

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

Subsidiaries

The Company consolidates 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2021

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 2021, and as a result of the COVID-19 pandemic, the Observatory Village Group received the wage subsidy.

Fees and charges are recognised when invoiced.

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

Consumables

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

Repairs and Maintenance

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

Borrowing Costs

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

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2021

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 2021

Trade and Other Receivables

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

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

Property, Plant and Equipment

Property, Plant and Equipment consists of:

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

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

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

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

Revaluations

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

Land and Buildings

Land and buildings (which are not classified as investment property) are initially recognised at cost and subsequently measured in a two 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 two year cycle where these fall within the revalued property category.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2021

Leasehold Improvements

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

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

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

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the 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	7% to 67%	4% to 60%
Furniture and Fittings	9% to 67%	3% to 60%
Motor Vehicles	5%	20% to 30%

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2021

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 2021

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.

Development in Progress

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

Provisions

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

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

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

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2021

Employee Entitlements

Short-term benefits

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

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

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

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

Long service leave

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

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

Financial Instruments

The Group is party to financial instrument arrangements as part of everyday operations. These financial instruments include bank overdraft facilities and draw-down facilities, current term deposits, financial assets, accounts receivable, 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 2021

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 2021

The directors of Observatory Village Lifecare Limited in conjunction with the valuer estimate that the average period of occupancy for Apartments is 3 years (2020: 4 years), Care Suites is 2 years (2020: 3 years), and for Villas 8 years (2020: 8 years). These estimates are calculated based on industry norms due to the relative infancy stage of the Village and a more accurate estimation will be able to be determined over a longer period of time, once the actual re-sales history is evidenced from trading.

The impact of this change in accounting estimate is that from 1 July 2020, the period over which the revenue for Apartment and Care Suite Occupation Right Agreement's is recognised has become shorter, and as such for any agreements currently in place, the proportion of total revenue recognised is \$356,040 greater than in the prior year.

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.

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.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2021

2. Revenue	2021 Actual	2020 Actual
	\$	\$
Gain on Revaluation of Investment Property	3,969,981	1,755,611
Interest Received	25,631	27,147
Resident Fees	5,452,710	5,014,078
Retirement Village Contributions	1,682,506	1,123,848
Southern District Health Board Revenue	11,361,697	11,251,705
Donations Received	283,915	67,189
Other Operating Revenue	2,048,583	1,727,370
Total Revenue	<u>24,825,023</u>	<u>20,966,948</u>

3. Personnel Costs	2021 Actual	2020 Actual
	\$	\$
Salaries and wages	14,064,182	11,864,788
Employer Contributed Superannuation	373,586	287,667
Increase / (Decrease) in employee benefit entitlements	(70,934)	158,354
	<u>14,366,834</u>	<u>12,310,809</u>

4. Other Expenses	2021 Actual	2020 Actual
	\$	\$
<i>Includes the following items:</i>		
Director and Trustee Fees	206,597	147,999
Equipment Servicing	85,041	139,127
Food Costs	466,286	502,436
Insurance Premiums	143,087	134,179
Locums	806,880	2,338,929
Loss on Asset Disposal	-	2,410
Rental and Operating Lease Costs	175,025	109,013
Reporting and Licensing	571,539	298,931
Specialist Costs	343,429	298,776

5. Income Taxes

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

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2021

6. Cash and Cash Equivalents

	2021 Actual	2020 Actual
	\$	\$
Cash on Hand	500	500
ANZ Bank	669,385	310,572
ANZ Bank Call Account	855,757	1,515,031
Diocesan Trust	1,026	1,026
Westpac Bank	463	383
Westpac Call Account	4,415	19,362
Cash and Cash Equivalents	<u>1,531,546</u>	<u>1,846,874</u>
Westpac Bank Overdraft	<u>61,033</u>	<u>70,431</u>
	<u>61,033</u>	<u>70,431</u>
Net cash and cash equivalents for purposes of the statement of cash flows	<u>1,470,513</u>	<u>1,776,443</u>

A general security agreement is held in relation to the overdraft facility, over the property assets of Waitaki District Health Services Limited.

7. Term Deposits

	2021 Actual	2020 Actual
	\$	\$
ANZ Bank	2,300,736	500,000
Westpac Bank	309,009	516,202
	<u>2,609,745</u>	<u>1,016,202</u>

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2021

8. Trade and Other Receivables

	2021 Actual	2020 Actual
	\$	\$
Trade and other receivables from Exchange Transactions	149,113	257,128
Trade and other receivables from Non-Exchange Transactions	1,601,018	1,510,300
Less provisions for Impairment	(35,311)	(60,000)
Total trade and other receivables	1,714,820	1,707,428

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 \$35,311 (2020: \$223,593).

As at 30 June 2021 all overdue receivables have been assessed for impairment and appropriate provisions applied, as detailed below:

	Gross	2021 Impairment	Net	Gross	2020 Impairment	Net
	\$	\$	\$	\$	\$	\$
Current	1,598,129	-	1,598,129	1,543,835	-	1,543,835
Past due 0-30 days	39,034	-	39,034	43,270	-	43,270
Past due 31-60 days	3,884	-	3,884	53,127	-	53,127
Past due greater than 61 days	109,084	35,311	73,773	127,196	60,000	67,196
Total	1,750,131	35,311	1,714,820	1,767,428	60,000	1,707,428

	2021 Actual	2020 Actual
	\$	\$
Balance at 1 July	60,000	732
Additional provisions made during year	35,311	60,000
Less receivables written off during the period	(60,000)	(732)
Balance at 30 June	35,311	60,000

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 2021

9. Property, Plant & Equipment

	Land & Buildings	Leasehold Land /Improvements	Plant & Equipment	Fixtures & Fittings	Motor Vehicles	Total
Cost or Revaluation						
Opening Balance	9,132,915	10,192,631	3,784,127	1,749,785	237,812	25,097,270
Additions	54,845	-	310,012	169,529	7,739	542,125
Disposals	-	-	(9,050)	-	(21,413)	(30,463)
Gain/(Loss) on Revaluations	(697,760)	(992,631)	-	-	-	(1,690,391)
Balance at 30 June 2020	8,490,000	9,200,000	4,085,089	1,919,314	224,138	23,918,541
Opening Balance	8,490,000	9,200,000	4,085,089	1,919,314	224,138	23,918,541
Additions	26,200	8,300	530,051	32,238	56,676	653,465
Disposals	-	-	(195,522)	-	-	(195,522)
Balance at 30 June 2021	8,516,200	9,208,300	4,419,618	1,951,552	280,814	24,376,484
Accumulated depreciation and impairment losses						
Opening Balance	307,915	1,524,109	2,558,307	468,680	173,539	5,032,550
Depreciation Expense	183,755	381,478	257,352	147,786	6,918	977,289
Disposals	-	-	(4,726)	-	(21,119)	(25,845)
Gain/(Loss) on Revaluations	(491,670)	(1,905,587)	-	-	-	(2,397,257)
Balance at 30 June 2020	-	-	2,810,933	616,466	159,338	3,586,737
Opening Balance	-	-	2,810,933	616,466	159,338	3,586,737
Depreciation Expense	180,157	381,603	270,504	159,985	8,322	1,000,571
Disposals	-	-	(129,746)	-	-	(129,746)
Balance at 30 June 2021	180,157	381,603	2,951,691	776,451	167,660	4,457,562
Carrying amounts						
At 30 June 2019	8,825,000	8,668,522	1,225,820	1,281,105	64,273	20,064,720
At 30 June 2020	8,490,000	9,200,000	1,274,156	1,302,848	64,800	20,331,804
At 30 June 2021	8,336,043	8,826,697	1,467,927	1,175,101	113,154	19,918,922

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

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

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2021

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

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

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

The net carrying amount of plant and equipment held under finance leases is \$322,900 (2020: \$404,174). Note 16 provides further information about finance leases.

10. Intangible Assets

	Computer Software
Cost	
Opening Balance	277,567
Additions	-
Balance at 30 June 2020	<u>277,567</u>
Opening Balance	277,567
Additions	91,375
Disposals	(173,420)
Balance at 30 June 2021	<u>195,522</u>
Accumulated depreciation and impairment losses	
Opening Balance	114,908
Amortisation Expense	20,655
Balance at 30 June 2020	<u>135,563</u>
Opening Balance	135,563
Amortisation Expense	13,199
Disposals	(5,817)
Balance at 30 June 2021	<u>142,945</u>

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2021

	Computer Software
Carrying amounts	
At 30 June 2019	162,659
At 30 June 2020	142,004
At 30 June 2021	52,577

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

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

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

11. Investment Property

	2021 Actual	2020 Actual
	\$	\$
Revaluation		
Opening Balance	26,165,000	21,675,000
Additions/Transfers	1,315,019	2,734,389
Revaluation Gain/(Loss)	3,969,981	1,755,611
	<u>31,450,000</u>	<u>26,165,000</u>

Investment property was revalued by CVAS (CHC) Limited (trading as Colliers) at 30 June 2021.

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 complex is determined based on income capitalisation of the market rent adopting a 7.50% yield (2020: 7.75%).

The Care Suites, 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% (2020: 15.25%), 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 (2020: 2.27%). For the independent villas, a market value compounded growth rate at 2.84% has been adopted (2020: 2.68%). 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.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2021

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

There is approximately 48,635 square metres of excess land remaining as undeveloped, and is shown within the report has been valued at \$15.00 per square meter (2020: \$13.25).

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 2021. 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.

12. Trade and Other Payables

	2021 Actual	2020 Actual
	\$	\$
Trade Creditors from Exchange Transactions	1,721,777	1,203,313
Accrued expenses from Exchange Transactions	180,040	392,815
Revenue Received in Advance from Exchange Transactions	-	41,667
Employment Deductions Payable	963,418	381,276
GST Payable	935,692	325,567
Total Trade and Other Payables	<u>3,800,927</u>	<u>2,344,638</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

	2021 Actual	2020 Actual
	\$	\$
Accrued Pay	149,036	479,010
Annual Leave	1,519,483	1,419,148
Long Service Leave	93,082	35,941
Sick Leave	92,442	20,921
Continuing Medical Education	42,393	12,350
Total Employee Benefit Liabilities	<u>1,896,436</u>	<u>1,967,370</u>

Comprising:

Current	1,711,440	1,944,812
Non-Current	184,996	22,558
Total Employee Benefit Liabilities	<u>1,896,436</u>	<u>1,967,370</u>

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2021

14. Loans and Borrowings	Current	Non-current	Total
	\$	\$	\$
As at 30 June 2020			
Waitaki District Council - Hospital Funding Loan	700,000	-	700,000
Waitaki District Council - OV Stage One	300,000	7,700,000	8,000,000
Waitaki District Council - OV Stage Two, Tranche I	156,637	-	156,637
Waitaki District Council - OV Stage Two, Tranche II	408,000	3,092,001	3,500,001
Total Loans and Borrowings	1,564,637	10,792,001	12,356,638
	\$	\$	\$
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	2,408,000	9,240,638	11,648,638

Waitaki District Council

Council holds a general security agreement over all assets of Observatory Village Lifecare Limited, at balance date assets totalled \$47,057,181 (2020: \$38,924,474).

OV Stage One

The Stage One loan has 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.

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 has 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.

Hospital Funding Loan

The council has provided Waitaki District Health Services Limited with a temporary funding arrangement to support the company to ensure solvency and operational viability. Interest charge at 30 June 2021 is 2.30% p.a. The loan maturity date is 30 June 2022.

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 2021

15. Obligations to Residents

	2021 Actual	2020 Actual
	\$	\$
Occupation Right Agreements (ORA)	17,983,069	14,955,964
Revenue in Advance	938,901	991,110
	<u>18,921,970</u>	<u>15,947,074</u>

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

Fair Value

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

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

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

16. Finance Lease Liabilities

	2021 Actual	2020 Actual
	\$	\$
Current	87,310	99,847
Non-current	497,950	304,327
Total	<u>585,260</u>	<u>404,174</u>

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

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2021

17. Shareholders Equity

	2021 Actual	2020 Actual
	\$	\$
(a) Capital		
100 Ordinary Shares		
Total Issued and Paid up Capital	100	100
Total issued shares	100	100
(b) Retained Earnings		
Opening Balance	8,531,304	8,623,420
Net Operating Deficit	2,354,020	(92,116)
Retained Earnings	10,885,324	8,531,304
(c) Revaluation Reserve		
Opening Balance	9,844,912	9,138,046
Gain/(Loss) on Revaluation of Property	-	706,866
Revaluation Reserve	9,844,912	9,844,912
Total Shareholder Equity	20,730,336	18,376,316

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

18. Related Party Transactions

	2021 Actual	2020 Actual
	\$	\$
(a) Related Parties		
<u>Waitaki District Council</u>		
Services provided by Council (GST exclusive)	242,482	164,303
Interest paid to Council	395,098	409,773
Amounts payable at balance date (GST inclusive)	34,431	30,417
In addition to the transactions noted above, Waitaki District Council has advanced three loans to the Group (one to Waitaki District Health Services Limited and two to the Observatory Village Group). The balances and terms of these loans are disclosed in Note 14.		
<u>Whitestone Contracting Limited</u>		
Services provided by Whitestone Contracting (GST exclusive)	30,828	25,473
Amounts payable at balance date (GST inclusive)	-	1,887
<u>Waitaki District Health Services Trust</u>		
The Waitaki District Trust has an Unlimited Supported Guarantee dated 29 October 2019 with Waitaki District Health Services Limited relating to the overdraft facility		
<u>Kite Consulting Limited</u>		
Services provided by Kite Consulting (GST exclusive)	9,540	-
Amounts payable/(receivable) at balance date (GST inclusive)	2,090	-

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2021

Andrea Cairns

Purchases from A Cairns (GST exclusive)	135	-
Amounts payable/(receivable) at balance date (GST inclusive)	-	-

Phil Jamieson (CEO of Waitaki District Health Services Limited)

CEO Phil Jamieson received goods and services during the year in a private capacity to the value of \$7,130 (2020: Nil). \$391 was repaid during the financial year, with the amount outstanding as at 30 June, 2021 being \$6,739 (2020: Nil)

Andrew Wilson (Director of Waitaki District Health Services Limited)

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

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 \$794 (GST inclusive) (2020: \$9,376). The Company also provided vehicle expense services to Observatory Care Limited valued at \$404 (GST inclusive) (2020: \$40). The services were charged on normal terms and conditions. There was Nil balance owing at 30 June 2021. (2020:Nil).

Michelle Sintmaarstensdyk

Michelle Sintmaarstensdyk 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 \$11,132 (GST inclusive) (2020: \$8,653). The services were charged on normal terms and conditions. There was a balance of \$1,242 owing at 30 June 2021 (2020: \$621).

(b) Key Management and Directors

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

	2021		2020	
	FTE	Remuneration	FTE	Remuneration
		\$		\$
Directors	13.00	206,597	11.00	147,999
Leadership Team	9.02	1,181,272	3.73	596,937
Management Entity	0.17	-	1.00	227,224
Total		<u>1,387,869</u>		<u>972,160</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.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2021

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. During the 2020 financial 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

2021	2020
Actual	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	1,546,437	411,553
	<u>1,586,349</u>	<u>411,553</u>

Non-cancellable operating lease commitments:

Less than one year	85,000	41,730
One to Two years	85,000	41,730
Two to Five years	255,000	125,190
Five years and later	1,222,396	632,065
	<u>1,647,396</u>	<u>840,715</u>

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

Operating leases as a lessor

Less than one year	22,700	22,700
One to Two years	22,700	22,700
Two to Five years	68,100	68,100
Five years and later	136,200	414,275
	<u>249,700</u>	<u>527,775</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.

20. Development in Progress

2021	2020
Actual	Actual
\$	\$

Opening Balance	-	49,326
Development Costs for the period	-	2,739,908
Transfer to Investment Property on Completion	-	(2,789,234)
	<u>-</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.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2021

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

	2021 Actual	2020 Actual
	\$	\$
Net Surplus/(Deficit) from operations	2,354,020	(92,116)
Add/(less) non-cash items		
Depreciation and Amortisation	1,013,770	997,944
Loss/(Gain) on Disposal of Assets	-	249
Loss/(Gain) on Revaluation of Investment Property	(3,969,981)	(1,755,611)
Amortisation of Occupation Right Agreements	3,027,105	3,381,078
Interest and servicing cost on leases as shown in Lease Repayments	71,853	73,848
Add/(less) movements in working capital		
(Increase)/decrease in trade and other receivables	102,700	(317,044)
(Increase)/decrease in prepayments	(89,195)	(73,815)
(Increase)/decrease in accrued interest	9,047	16,186
(Increase)/decrease in inventory	(22,000)	106,952
Increase/(decrease) in trade and other payables	1,459,594	1,234,174
Increase/(decrease) in employee entitlements	(118,127)	58,659
Net Cashflow From/(To) Operating Activities	<u>3,838,786</u>	<u>3,630,504</u>

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2021

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 (2020: Nil).

Waitaki District Health Services Limited is currently subject to a potential litigation issue which relates to one HDC (The Health and Disability Commissioner) complaint. 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.

There were no contingent assets at balance date (2020: Nil).

23. Financial Instruments

Financial Instrument Categories

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

	2021 Actual	2020 Actual
	\$	\$
<u>Financial Assets</u>		
Loans and Receivables		
Cash and cash equivalents	1,531,546	1,846,874
Receivables	1,714,820	1,707,428
Term deposits	2,609,745	1,016,202
	<u>5,856,111</u>	<u>4,570,504</u>
<u>Financial Liabilities</u>		
Financial Liabilities at Amortised Cost		
Payables	3,800,927	2,302,971
Bank Overdraft	61,033	70,431
Secured Loans	11,648,638	12,356,638
ORA	17,983,069	14,955,964
	<u>33,493,667</u>	<u>29,686,004</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.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2021

(c) Currency Risk

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

(d) Interest rate risk

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

(d) Liquidity risk

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

24. Covid-19 Pandemic

As a healthcare provider we continued to operate core services fully under all Covid Levels. Some non-core services, in particular allied and community outreach services are paused during the higher levels of the lockdown, but these services have been reinstated during alert Levels 1 & 2.

There was no effect on core Ministry of Health funding as these services are ongoing. The previous financial year saw a drop in our revenue from ACC as less people active in the community lead to a significant fall in accidents and therefore presentations to our services.

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

The Observatory Village Charitable Trust Group experienced no adverse effects on its operations arising from the Covid-19 pandemic and has continued to provide aged-care services for its residents at all levels of care and during all levels of Covid-19 lockdown.

25. Health Sector Reform

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

In response to this the Southern District Health Board intends to develop a single integrated Rural Hospital contract for the network of funded Rural Hospital providers, of which Waitaki District Health Services Limited is one. For clarity this does not mean contracting with one single entity, rather contracting jointly with the five rural hospital trusts, each having a provider specific funding schedule.

It is expected that this new multi-year agreement will be developed and implemented before 1 July 2022, when SDHB becomes part of Health NZ. We note the legislation to transfer DHB contracts as at 1 July 2022 to Health NZ is currently being developed by Central Government.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2021

26. Events After Balance Date

Covid-19

Due to the ongoing Covid-19 pandemic, on 17th August 2021, New Zealand's first case of Covid-19 community transition in six months and first community transmission of the Delta variant was confirmed. As a result the New Zealand Government declared a state of emergency and a nationwide lockdown commenced (Alert Level 4) effective immediately that night. On 1 September 2021, Auckland and Northland Region remained on Alert Level 4 while the rest of the country transitioned into Alert Level 3. On 8 September 2021 all of New Zealand moved into Alert Level 2 and on 22 September 2021 Auckland moved down to Alert Level 3.

On 3rd December 2021, New Zealand transitioned into the Covid-19 Protection Framework ("Traffic Light System"). Auckland and Northland started on the Red setting while the rest of the country commenced on the Orange setting. On 23rd January 2022 all of New Zealand transitioned to the Red setting.

Hospital Funding Loan

In October 2021 the loan maturity date was extended to 31 December 2022.

CEO Resignation

Subsequent to the balance date, the Chief Executive Officer tendered his resignation which was accepted by the Board.

CFO Resignation

Subsequent to the balance date, the Chief Financial Officer tendered his resignation which was accepted by the company management.

Chair Resignation

The Board Chair's tenure on the Board was due for completion, by rotation, on 31st December. Accordingly, the Chair of the Board role passed to the Deputy Chair. The shareholder has replacement Directorship appointments underway.

Board Member Resignation

In addition to the Board Chair's resignation, two further board members resigned (one by rotation). The shareholder has replacement Directorship appointments underway.

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

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 2021. 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 Objectives and Performance

For the year ended 30 June 2021

Objectives and Performance

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

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

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

Waitaki District Health Services Limited

Objective

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

Statement of Intent Targets

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.
All planned services were provided

Target

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

2021 Actual	2020 Actual
\$	\$

(752,632)	(1,627,432)
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2021 Actual	2020 Actual
\$	\$

Achievement - Not Achieved

Net surplus/(deficit) from continuing operations

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

(1,429,745)	(2,298,860)
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Waitaki District Health Services Limited Group

Statement of Objectives and Performance

For the year ended 30 June 2021

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 Practicing Certificates.

Achievement - Achieved

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

Target

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

Achievement - Achieved

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

Waitaki District Health Services Limited Group

Statement of Objectives and Performance

For the year ended 30 June 2021

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 six monthly intervals as required.

Achievement - Achieved

The hospital reports six monthly and annually to the Council.

Target

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

Achievement - Achieved

Distributed staff communication and informed the community as required.

Target

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

Achievement - Achieved

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

Target

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

Achievement - Achieved

The board reviewed the company governance policies.

Target

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

Achievement - Achieved

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

Waitaki District Health Services Limited Group

Statement of Objectives and Performance

For the year ended 30 June 2021

Waitaki District Health Services Trust

Target

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

Achievement - Achieved

Donations to the hospital totalling \$1,451,207 during year.

Target

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

Achievement - Achieved

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

Waitaki District Health Services Limited Group

Statement of Objectives and Performance

For the year ended 30 June 2021

Observatory Village Care Limited

Target

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

Achievement - Achieved

KPI's were well achieved therefore when targets have been established for the following year, the target level has been increased. A successful KPI was the reduction in Staff turnover which benefits the team atmosphere and reduces orientation costs. In the previous year the target of hospital to resthome level residents was not achieved as there were more resthome admissions, whereas this year we have increased from 28% to 41% receiving Hospital level care. The only KPI that was below target was the operational profit which is due to the increase in wage costs.

Target

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

Achievement - Achieved

Observatory is focused on providing quality care to its residents. Occupancy of the facility demonstrates demand for care. Occupancy (including filling of new beds) was 98.3%. The industry average is 87.3%.

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

Target

Chattels and assets are to be maintained to high standards.

Achievement - Achieved

As the facility is now 3 years old, there has been an increase in overall maintenance required to plant and equipment. Replacement of damaged items and purchase of new items for different needs of residents is completed immediately, with quality goods from reputable companies.

Target

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

Achievement - Achieved

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

Waitaki District Health Services Limited Group

Statement of Objectives and Performance

For the year ended 30 June 2021

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

Observatory Village operates a Quality System of regular audits along with a Clinical Governance group, to constantly improve the service provided to residents. Such initiatives include reduction of falls reductions, all residents having shared goals of care, all residents having proactive care from staff using the Supportive and Palliative Care Indicators Tool (SPICT) and an extensive review of the staff orientation programme, for the overall aim of improving clinical care for residents.

Quality Health & Safety New Zealand have been researching the use of antibiotics for the reduction of Uterine Infections. Alongwith only 11 other facilities in NZ, Observatory has been involved with this research. Residents have appreciated another option in their choice of room with Caresuites being offered, therefore a further 2 existing rooms have been converted into care suites to meet this request.

Target

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

Achievement - Achieved

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

Waitaki District Health Services Limited Group

Statement of Objectives and Performance

For the year ended 30 June 2021

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

The Skyline walkway was reinstated, improvements were made to the safety of some footpaths and Stage 2 Villa infrastructure has been progressing.

Target

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

Achievement - Achieved

Observatory provide facilities and services to the village residents. Insurance costs were higher than budget due to increasing coverage following a valuation of the cost for building replacement. Advertising was also higher due to units being staged which assisted with sales. Income was higher than budget and a lot of expenses were below budget, therefore the overall profit was better than budget.

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. Loan repayments have been achieved throughout the year of a total of \$1.7million.

Target

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

Achievement - Achieved

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

Waitaki District Health Services Limited Group

Statement of Objectives and Performance

For the year ended 30 June 2021

Target

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

Achievement - Achieved

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

Target

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

Achievement - Achieved

Planning for further villas is underway with resource consent for 52 units in Stage 2 Villa Development. Infrastructure and earthworks has been progressing. The villa floor plans have been refined to include double garage options as requested by residents.

Regular bi-monthly meetings are held with Village Residents for discussions and feedback. New activity options such as cubii exercise classes and various van excursions have eventuated from these meetings.

Providing a continuum of care within an environment of support and familiar people and surroundings has been demonstrated from 4 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 2.3 months. The resale time has reduced from 3.6 months in the previous year.

The 10 new stage 3 Apartments were all signed up with 6 months of completion.

The parties on the villa interest list will be given the first opportunity to secure one of the new villas.

Waitaki District Health Services Limited Group

Statement of Objectives and Performance

For the year ended 30 June 2021

Observatory Village Charitable Trust

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

Target

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

Achievement - Achieved

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

Target

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

Achievement - Not Achieved

The trust did not make any gifts during the 2021 financial year.

Independent Auditor's Report

To the readers of Waitaki District Health Services Limited's Group financial statements and the statement of objectives and performance for the year ended 30 June 2021

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 objectives and performance of the Group, on his behalf.

Opinion

We have audited:

- the financial statements of the Group on pages 9 to 39, that comprise the statement of financial position as at 30 June 2021, 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 objectives and performance of the Group on pages 40 to 48.

In our opinion:

- the financial statements of the Group on pages 9 to 39:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2021; 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 objectives and performance of the Group on pages 40 to 48 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 2021.

Our audit was completed on 28 March 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 objectives and performance, 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 objectives and performance

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

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

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

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

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 objectives and performance, 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 objectives and performance 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 objectives and performance, including the disclosures, and whether the financial statements and the statement of objectives and performance 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 objectives and performance of the entities or business activities within the Group to express an opinion on the financial statements and the statement of objectives and performance. 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 objectives and performance, and our auditor's report thereon.

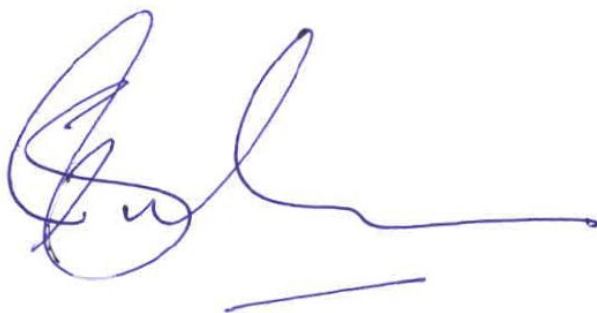
Our opinion on the financial statements and the statement of objectives and performance does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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

A handwritten signature in blue ink, consisting of a large, stylized initial 'R' followed by a long horizontal stroke.

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