



Wednesday, November 7, 2018

Mr F Power
Waitaki District Council
18 Thames Street
OAMARU 9400

Dear Fergus,

Please find enclosed the Waitaki District Health Services Limited 2018 Annual Report. We look forwards to presenting this report to the Council next week. We have emailed a copy to Paul Hope also.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Ruth Kibble". The signature is fluid and cursive, with a large initial 'R' and 'K'.

Ruth Kibble
CHIEF EXECUTIVE OFFICER
Waitaki District Health Services Limited

WAITAKI DISTRICT HEALTH SERVICES LTD

Annual Report Year End June 2018



Email: ruth.kibble@southerndhb.govt.nz

Website: www.oamaruhospital.co.nz

CONTENTS

The Year in Review	4
Company Ownership	6
Company Purpose & Vision	6
Services	7
Quality in Healthcare	8
Operating Highlights	8
Donations received	11
Looking Ahead	11
Financial Statement	13
Independent Auditor's Report	14

The Year in Review

The 2017-18 year was significant, due to it being a period where significant change for Waitaki District Health Services Limited were seeded. During the earlier part of this year we continued to work to implement the model of care that had been approved previously and entered discussions about how we align with the Southern DHB Primary and Community Strategy.

The changes driven by the model of care development have a strong focus on how we deliver our services, especially those within the community. This has provided opportunity and challenge to how we need to realign our services to work within this paradigm. An example of the outputs of this work include the development of the Waitaki District Health Services Directory which is now proudly available through the Safer Waitaki webpage.

A review of our strategic plan was undertaken and is now complete. It highlights five strategic goals which include; our people, advocacy, effective communication, provision of necessary infrastructure and sustainability. This will be the focus of our annual work plan to ensure we can deliver on this strategic plan. In delivering to this strategic plan, we will work to ensure that the right services are delivered by the right people in the right place and at right time. This will mean that we are working in a proactive manner to ensure our community has access to the services they require as close to home as possible. To achieve this we will be holding regular staff and community forums, enhancing our human resource management capabilities and ensuring our workforce is able to meet the current and future demand for services.

The company is forecasting a deficit for the 2018-19 year, which is a threat to our long term viability and sustainability. There is a plan to address this which involves opportunities to increase revenue through initiatives such as the establishment of a primary care facility on site, some efficiency initiatives and a material component being to ensure that the funding we receive from Southern DHB is adequate.

Health and Safety remains a strong focus for the organisation, with ongoing collaboration with the Council seeking to achieve a joint appointment across Council and the company of a Health and Safety Advisor. During the year there have been challenges with staff working long hours due to shortages, in particular medical. The appointment of a Clinical Leader has assisted to ensure we have appropriate coverage across the facility.

In addition, during this period, the longstanding CEO Robert Gonzales resigned after 17 years' service within the organisation. Janice Clayton - Nurse Manager was seconded into the Interim CEO role.

Quality and compliance remains a strong focus with achievement this year of three year certification under the Health and Disabilities services (Safety) Act 2001 and our annual IANZ Surveillance Audit

within Radiology Services. This work is being overseen by an active quality improvement committee.

This annual report covers the operations of the Company during the financial year and is accompanied by audited and consolidated financial statements for the financial year, the auditor's report on the financial statements, and commentary on performance targets and other measures by which the performance of the Company has been judged in relation to its objectives, Statement of Intent and performance in line with our service provision contracts.

The company has been governed by a board of directors consisting of; Chris Swann (Chairperson), Helen Algar (Deputy Chairperson), Ian Hurst, Dr. Andrew Wilson and Paul Allison. I would like to thank my fellow directors for their skill, drive and commitment to the Company. I would also like to thank all the staff for their skill and commitment in what has been and will continue to be a time of change. We cannot achieve what we need to without them.

C J Swann
Chairman

Company Ownership

All shares in Waitaki District Health Services Limited continue to be owned by the Waitaki District Council as the community agency which facilitated the local takeover of health services, when Health Care Otago withdrew from providing rural health services in 1998. The health service company took over operations at the Oamaru Hospital on 1st July 1999 operating from there until the new hospital was commissioned in 2000.

The Council represents and oversees the community interest in health services through the Company, Reporting to the Council as a shareholder, the Company is regarded as a Council controlled organization in terms of the Local Government Act 2002.

In terms of its constitution the Company has non-profit making and charitable objectives. The Company operates within a policy as approved by Council of returning any financial surplus that can be achieved to the Waitaki District Community in the form of additional or enhanced health services.

Company Purpose & Vision

Purpose

To champion and provide
trusted, high quality health
services within our
community

Vision

To be a progressive,
positive, and caring
organisation delivering a
responsive, accessible and
modern health service.

Services

Waitaki District Health Services Limited is contracted to provide the following services to the community

Community Rehabilitation and Older Persons Services:

Dietetics
Occupational Therapy
Physiotherapy
Social Work
Speech Language Therapy
Community Nursing (District)
Meals on Wheels
Assessment, Treatment and Rehabilitation - Inpatient
Assessment, Treatment and Rehabilitation - Outpatient
Assessment, Treatment and Rehabilitation - Day Hospital and Day Programmes
Needs Assessment
Diabetes Education and Care
Diabetes Fundus (Eye) Screening
Respiratory Education and Management
Cardiac Education and Management
Podiatry

Rural Hospital Medical and Surgical Services

Community Radiology, including X-Ray, CT scan and Ultrasound
Audiology
Emergency Department
General Medicine Outpatient Clinics
Dermatology Outpatient Clinics
Endocrinology Outpatient Clinics
Medical Oncology Outpatient Clinics
Rheumatology Outpatient Clinics
Nurse Led Outpatient Clinics
Chemotherapy Outpatient Clinics
Rural Hospital Inpatient Services
General Surgery Outpatient Clinics
Minor Operations
Ear, Nose and Throat Outpatient Clinics
Gynaecology Outpatient Clinics
Ophthalmology Outpatient Clinics
Orthopaedic Outpatient Clinics
Fracture Clinic

Primary Maternity Services

Quality in Healthcare

Waitaki District Health Services Limited takes pride in its achievement of attainment of quality standards. The focus on quality and compliance remains strong focus with achievement this year of three year certification under the Health and Disabilities services (Safety) Act 2001. Furthermore, our Radiological Services also successfully completed their annual IANZ Surveillance Audit within Radiology Services.

A Quality Improvement Committee oversees the various quality programmes across the organisation, led by our Quality Improvement Coordinator. Furthermore, in recent months there has been the re-establishment of clinical committees reviewing our quality of service. Such committees include Clinical Governance and the Morbidity and Mortality review Group.

Operating Highlights

Our services contract with Southern DHB was negotiated as a new five year contract commencing on 1st July 2017. This year saw the inclusion of further funding for additional CT Scans and to implement the agreed model of care.

Our work has been supported by investment in our infrastructure that has enabled the expansion of telehealth services. These services are being used across some outpatient clinics which is negating the need for the person to travel to Dunedin to see a specialist. During the telehealth consultation, the person is supported by a nurse. Furthermore, the recent roll-out of WIFI capability across the facility will enable us to introduce electronic clinical tools such as Medchart which increases medication safety. Further investment in IT has seen a significant upgrade of our computer system to enable us to move closer towards a paperless system. With the support of our community donors, a significant upgrade of our Patient Acuity Monitoring system was also completed.

The 2018-19 year was a busy year across Waitaki District Health Services Limited with strong activity in all areas.

“Oamaru Hospital has maintained the services available to our community and provided access in line with previous years.”

Activity within our services has remained high both in clinical and non-clinical services. The following table shows the significant reach into our community that Waitaki District Health Services Limited provide with **65,339 interactions with members of our community**.

Activity	Number
Medical Inpatient Bed Days - Takaro	4,601
AT&R Bed Days - Takaro	1,012
Outpatient Clinic Attendances	3,641
Emergency Department Attendances	7,661
Local births	54
Post-natal Admissions of Local Women	132
Minor Operations Completed	257
Meals on Wheels Delivered	12,600
District Nursing Visits	12,803
Day Chemotherapy treatments	291
Physiotherapy Outpatient or Community Contacts	3,672
Occupational Therapy Community Assessments	527
Social Work Contacts	454
Needs Assessments	203
Podiatry Treatments	742
Community Speech Language Therapy Contacts	194
Diabetic Patient Contacts and Education	740
Dietitian Contacts	567
Cardiac Education and Management	35
Respiratory Education and Management	133
CT Scans	518
X-Rays and Ultrasound	13,276
AT&R Outpatient or Community Contacts	654
Diabetes Eye Screening	505
Audiology Treatments	67

In order to support this activity there was a rollout of a new nursing structure including leadership in November 2017 and numerous clinical quality improvement projects undertaken throughout the year including; Advanced Care Planning, Bariatric Review, Restraint Review and Fall Prevention Programme implementation.

Organisational readiness for emergencies was developed and tested through an exercise with other health and community providers. This will be the subject of ongoing planning and regular exercises to maintain readiness.

Non-clinical areas were the focus of significant work to replace the ageing systems such as the Patient Acuity Monitoring System, telephony systems and to improve staff access to computers.



BUGS AWAY!
INFECTION CONTROL
DEMONSTRATION

Waitaki District Health Services Limited continues to enjoy a close relationship with our community. This is evidenced through the ongoing support through bequests, donations and fundraising activities. These valuable sources of revenue enable us to ensure that we are able to provide contemporary equipment and environment for our services.

Donations received

Financial donations received this year include:

- \$998 for front entrance carpet
- \$50,000 from the Otago Community Trust towards the Patient Acuity Monitoring System
- \$35,886 from the Lions Foundation towards the Patient Acuity Monitoring System and Flat Screen TVs for Takaro Lodge
- \$5,000 from Oamaru Rotary Club for CPR mannequin
- \$8,146 from J W Christie Charitable Trust for new slit lamp for eye clinics

Looking Ahead

We are currently facing a number of challenges which require us to reconsider how we structure our services so that we can offer sustainable services for our community. A number of these challenges relate to national settlements of collective employment agreements such as the recent nursing agreement which at the time of writing, we receive no additional funding to match what is being offered by the District Health Boards. As a Rural Hospital we are well networked with the other Rural Hospitals within the region and will seek to continue to explore how we can improve both our clinical and financial sustainability.

Without change, the current financial situation is not sustainable. There is a plan to get back to a break even position, which include ensuring that there is appropriate funding for the services we provide. A current major focus for us is our current Southern DHB contract negotiations. In addition, we are needing to take a multifaceted approach in order to maximize revenue and reduce expenses. In order to maximize revenue we will work to ensure the Southern DHB funding levels are appropriate, explore other revenue opportunities such as primary care, further ACC contracts and private revenue options. Simultaneously we are reviewing our cost structures to ensure the services we provide maintain quality, but are delivered in the most cost effective way. This will require us to ensure we have adequate staff and the appropriate skill mix.

A further component is looking at the opportunities that the Southern DHB Primary and Community strategy offers us. This strategy provides an exciting opportunity for Waitaki District Health Services Limited as we look to our future to ensure we continue to provide services that both meet the needs of our population and are sustainable.

This Strategy involves the creation of Community Health Hubs, which Waitaki District Health Services Limited would seek to become for our area. For Oamaru this would involve us building on our existing services so that we become a Community Health Hub with inpatient beds. This

exciting development is likely to see an extended range of services delivered from our site, and an increased diversity of our funding sources. Part of this development that is planned will see the location of a primary care practice on site, which will be established as a Health Care Home.

Health Care Home is adapted from a healthcare innovation model in the USA, which features a multidisciplinary approach, and utilizes electronic enablers so that health care can be delivered proactively to the population. Some of the features of such a model is the use of 'lean' quality improvement technology, increased use of technology to improve patient services and coordination of care for people with high or complex health needs. It has been suggested by research that such models of care are associated with significantly lower ambulatory sensitive hospitalisations (avoidable admissions) and Emergency Department presentations.

Community Health Hubs also provide opportunities to ensure our assets are fully utilized such as our new CT scanner which was installed in September 2018. This up-to-date scanner is now able to undertake scans of higher quality and is much faster than our previous aging scanner. Ensuring our community has access wherever possible to local services and diagnostics is an important function of our health services.

Furthermore the Community Health Hubs will enable us to review the range of services located on the current site, which may lead to additional services being co-located to support the community. This is one of the revenue initiatives mentioned earlier. This work will require us to be cognizant of the needs of our community and ensure that the future demands for health services are considered. Considerations such as the range of services; both public and private, services to meet specific population needs such as older persons and Pacific Peoples will be required.

Financial Statement

Waitaki District Health Services Limited Group

For the year ended 30 June 2018

Summary to the Waitaki District Council

The audited financial statements for the year ended 30 June 2018 accompany the annual report for Waitaki District Health Services Limited Group, which consolidates Waitaki District Health Services Limited and the Waitaki District Health Services Trust.

Group Results

The Group recorded an overall deficit from continuing operations of \$688,655, compared to the previous year deficit of \$558,095. Non-operating and other items including the revaluation gain of the hospital land and buildings \$309,631 and interest revenue from the loan with the Observatory Village Charitable Trust \$144,618 totalled \$454,249. The total comprehensive revenue and expense for the year was a \$234,406 deficit (\$1,505,191 last year). Total Group equity is \$14,625,752 compared to \$14,860,158 last year.

Company Results

The result for Waitaki District Health Services Limited recorded a net operating deficit of \$810,918 for the year (excluding Trust funds and donations received) compared to a deficit of \$597,243 last year.

Funding from the Southern District Health Board increased by \$679,519, to \$10,489,006 for the year. This was due to additional Model of Care and One-Off Funding combined with additional funding for the Radiology department to increase the number of annual scans.

ACC Income was \$830,538 compared to \$560,877 last year, an increase of \$269,661. The increase in ACC related income is expected to continue, albeit at a slower rate.

The combination of the above revenue items contributed to an increase in company revenue to \$12,596,297 compared to \$11,775,960 last year.

Total expenditure for the company increased from \$12,440,465 last year to \$13,407,215. Increased staff expenditure accounted for 77% of this increase. This is due to additional staffing and assistance needed to implement the new Model of Care.

Trust Results

The Waitaki District Health Services Trust recorded a surplus of \$117,461, an increase from the deficit of \$941,246 last year. This large movement is due to the fair value adjustments required on the loan between the Trust and the Observatory Village Charitable Trust. The loan is repayable to the Trust in 2027. Therefore, this year the present value of the loan has increased providing a fair value adjustment, recognised as interest income, totalling \$144,618. Trust equity at the end of the period was \$3,765,834.

The balance of the Observatory Village loan totalled \$5,600,000. After fair value adjustments the balance is \$2,519,308 compared to 2,374,690 last year. The Trust has no further funding obligations to Observatory village.

Independent Auditor's Report

To the readers of Waitaki District Health Services Limited Group's financial statements and performance information for the year ended 30 June 2018:

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

Opinion

We have audited:

- the financial statements of the Group on pages 7 to 27, that comprise the statement of financial position as at 30 June 2018, the statement of comprehensive revenue and expense, statement of changes in net assets/equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Group on pages 27 to 30.

In our opinion:

- the financial statements of the Group on pages 7 to 27:
- present fairly, in all material respects:
- its financial position as at 30 June 2018; 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 the Public Benefit Entity standards Reduced Disclosure Regime; and
- the performance information of the Group on pages 27 to 30 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 2018.

Our audit was completed on 9 October 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw your attention to the contingency for entitlements under the Holidays Act 2003. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Contingency for entitlements under the Holidays Act 2003

Without modifying our opinion, we draw your attention to the disclosure in note 19 on page 26 relating to the Group's contingent liability for possible issues associated with the calculation of employee entitlements under the Holidays Act 2003, which could be significant.

Basis for our Opinion

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

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

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

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

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

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a

material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

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

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 4 to 5, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

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

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



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

Waitaki District Health Services Limited Group

Consolidated Financial Statements

For the year ended 30 June 2018



Waitaki District Health Services Limited Group

Contents

For the year ended 30 June 2018

<u>Contents</u>	<u>Page</u>
Company Directory	3
Directors' Report	4
Statement of Responsibility	6
Statement of Comprehensive Revenue and Expense	7
Statement of Changes in Net Assets/Equity	8
Statement of Financial Position	9
Cashflow Statement	10
Notes to the Financial Statements	11
Independent Audit Report	30

Waitaki District Health Services Limited Group

Company Directory

For the year ended 30 June 2018

Issued Capital

100 Ordinary Shares

Postal Address

P O Box 94, Oamaru

Registered Office

20 Eden Street, Oamaru

Directors

Christopher J Swann

Helen M Algar

Paul W Allison

Ian A Hurst

Andrew C F Wilson

Company Number

DN 910387

Bankers

Westpac

Date of Formation

29th May 1998

Shareholder

Waitaki District Council

Share Registry

20 Eden Street, Oamaru

Accountants

Deloitte, Dunedin

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 2018

The Directors are pleased to present the consolidated report for the Company and Trust For the year ended 30 June 2018.

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.

Results

Total Comprehensive Revenue and Expense

2018 Actual	2017 Actual
\$	\$

(234,406)	(1,505,191)
-----------	-------------

Directors

In accordance with the Company's constitution, Waitaki District Council has appointed Mr Christopher J Swann (Chairman), Mrs Helen M Algar, Mr Paul W Allison, Mr Ian A Hurst and Mr Andrew C F Wilson as Directors. Directors are not shareholders and remain in office until changed by shareholders.

Christopher J Swann (Chairman)
Helen M Algar
Paul W Allison
Ian A Hurst
Andrew CF Wilson
George L Berry (Resigned)
Dr James J Reid (Resigned)

2018 Actual	2017 Actual
\$	\$
40,500	29,400
22,500	21,000
9,899	-
22,500	21,000
22,500	8,750
-	18,900
15,000	21,000
132,899	120,050

Waitaki District Health Services Limited Group

Directors Report

For the year ended 30 June 2018

Employees' Remuneration

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

	2018 Actual \$	2017 Actual \$
\$100,001 - \$110,000	2	2
\$110,001 - \$120,000	-	1
\$120,001 - \$130,000	-	-
\$130,001 - \$140,000	1	-
\$140,001 - \$150,000	1	-
\$150,001 - \$160,000	-	-
\$160,001 - \$170,000	-	1
\$170,001 - \$180,000	-	1
\$180,001 - \$190,000	-	1
\$190,001 - \$200,000	-	1
\$200,001 - \$210,000	1	1
\$210,001 - \$220,000	1	-
\$220,001 - \$230,000	1	-
	<u>7</u>	<u>8</u>

Directors' Interests

The Directors have disclosed the following interest.

- Ian A Hurst - is a director of Observatory Village Lifecare Limited, Hurst Lifecare Limited and a Trustee in the Observatory Village Charitable Trust.

Use of Company Information

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

Insurance of Directors

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

Audit

The audit is undertaken by Audit New Zealand on behalf of the Auditor-General. Audit remuneration for the period under review was \$27,610 (2017: \$27,287). There were no other services, apart from audit services, provided by Audit New Zealand.

Future Trading

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

Waitaki District Health Services Limited Group

Statement of Responsibility

For the year ended 30 June 2018

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

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

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

In the opinion of the Board, these Group Financial Statements and Statement of Performance fairly reflect the financial position and operations of Waitaki District Health Services Limited Group for the year ended 30 June 2018.

For and on behalf of the Board of Directors,

Director



Director



Dated this 30th Day of September, 2018

Waitaki District Health Services Limited Group

Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2018

	Note	2018 Actual \$	2018 Budget \$	2017 Actual \$
Revenue				
DHB Revenue	2	10,489,006	10,397,920	9,809,487
Other Revenue	2	1,916,723	1,709,339	1,818,636
Interest Revenue	2	99,439	102,602	109,227
Total Revenue		12,505,168	12,209,861	11,737,350
Expenditure				
Personnel Costs	3	9,328,797	9,033,543	8,581,958
Depreciation Expense	10	588,918	653,964	690,136
Other Expenses	4	3,276,108	3,352,311	3,023,351
Total Expenditure		13,193,823	13,039,818	12,295,445
Surplus/(Deficit) from continuing operations		<u>(688,655)</u>	<u>(829,957)</u>	<u>(558,095)</u>
Other non-operating items				
Interest Revenue Observatory Village Trust Loan	18	144,618	150,000	-
Fair Value Adjustment on Loans	18	-	-	(947,096)
Surplus (Deficit)		<u>(544,037)</u>	<u>(679,957)</u>	<u>(1,505,191)</u>
Other Comprehensive Revenue and Expense				
Gains on Property Revaluations	10	309,631	-	-
		309,631	-	-
Total Comprehensive Revenue and Expense		<u>(234,406)</u>	<u>(679,957)</u>	<u>(1,505,191)</u>

Waitaki District Health Services Limited Group

Statement of changes in Net Assets/Equity

For the year ended 30 June 2018

	Note	2018 Actual \$	2018 Budget \$	2017 Actual \$
Balance at Beginning of Period		14,860,158	14,860,158	16,365,349
Total Comprehensive Revenue and Expense		(234,406)	(679,957)	(1,505,191)
Balance at End of Period		<u>14,625,752</u>	<u>14,180,201</u>	<u>14,860,158</u>

Waitaki District Health Services Limited Group

Statement of Financial Position

As at 30 June 2018

	Note	2018 Actual \$	2017 Actual \$
Current Assets			
Cash and Cash Equivalents	6	924,675	543,155
Current Term Deposits	7	2,634,613	3,451,000
Trade and Other Receivables	8	1,157,456	1,069,963
Inventory	9	178,064	166,127
Accrued Interest		30,126	40,508
Prepayments		70,037	68,553
Total Current Assets		4,994,971	5,339,306
Non-Current Assets			
Financial Assets	18	2,519,308	2,374,690
Property, Plant and Equipment	10	9,657,439	9,640,495
Total Non-Current Assets		12,176,747	12,015,185
Total Assets		17,171,718	17,354,491
Current Liabilities			
Trade and Other Payables	11	814,380	654,807
Employee Benefits	12	1,644,395	1,755,607
Total Current Liabilities		2,458,775	2,410,414
Non-Current Liabilities			
Employee Benefits	12	87,191	83,919
Total Non - Current Liabilities		87,191	83,919
Total Liabilities		2,545,966	2,494,333
Net Assets		14,625,752	14,860,158
Represented by:			
Equity			
Share Capital	14	100	100
Retained Earnings	14	7,237,533	7,781,570
Revaluation Reserve	14	7,388,119	7,078,488
Total Equity		14,625,752	14,860,158

Waitaki District Health Services Limited Group

Statement of Cashflows

For the year ended 30 June 2018

	Note	2018 Actual \$	2017 Actual \$
Cashflows From Operating Activities			
<i>Cash was provided from</i>			
Receipts from DHB and Patients		12,226,351	11,645,198
Interest Received		109,821	93,050
Net GST Received		40,367	-
Donations Received		121,885	8,243
		<u>12,498,424</u>	<u>11,746,491</u>
<i>Cash was disbursed to</i>			
Payments to Suppliers and Employees		12,633,670	11,645,951
Net GST Paid		-	4,841
		<u>12,633,670</u>	<u>11,650,792</u>
Net Cashflow From Operating Activities	17	<u>(135,246)</u>	<u>95,699</u>
Cashflows From Investing Activities			
<i>Cash was provided from</i>			
Withdrawal from Term Deposits		3,451,000	-
		<u>3,451,000</u>	<u>-</u>
<i>Cash was disbursed to</i>			
<i>Other Comprehensive Income</i>			
Observatory Village Loan		-	1,459,000
Purchase of Property, Plant and Equipment		299,621	90,067
Reinvestments to Term Deposits		2,634,613	890,540
Net Cashflows from Investing Activities		<u>2,934,234</u>	<u>2,439,607</u>
Net Cashflow from Investing Activities		<u>516,766</u>	<u>(2,439,607)</u>
Cashflows from Financing Activities			
<i>Cash was provided from</i>			
Repayment of Advance from WDHS Trust		-	-
Net Cashflow from Financing Activities		<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents		381,520	(2,343,908)
Add Opening Cash and Cash Equivalents		543,155	2,887,063
Closing Cash and Cash Equivalents	6	<u>924,675</u>	<u>543,155</u>

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2018

1. Statement of Accounting Policies

Reporting Entity

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

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

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

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

The Group Financial Statements are for the period ended 30 June 2018. The Financial Statements were authorised for issue by the Directors on 30 September 2018.

Basis of Preparation

The Group Financial Statements have been prepared on an historical cost basis, modified by the revaluation of certain fixed assets.

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

The Group Financial Statements have been prepared on a going concern basis, and the accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2018

Basis of Consolidation

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

Waitaki District Health Services Trust

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

The accounts have been consolidated using the purchase 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Revenue

Revenue is measured at the fair value of consideration received.

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

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

Fees and charges are recognised when invoiced.

Interest income is recognised when earned.

Borrowing Costs

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

Finance Leases

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

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

The lease is charged to the surplus or deficit over the lease period so as to produce a consistent periodic rate of interest on the remaining balance of the liability.

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

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2018

Operating Leases

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

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

Lease incentives received are recognised in the surplus or deficit as a reduction of rental expenses over the lease term.

Goods and Services Tax

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

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

Cash and Cash Equivalents

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

Investments

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

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

Trade and Other Receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. The amount of trade and other receivables is split out based on exchange and non-exchange revenue.

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

Inventory

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

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

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2018

Property, Plant and Equipment

Property, Plant and Equipment consists of:

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

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

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

Revaluations

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

Land and Buildings

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

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

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

Additions

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

Disposals

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

Subsequent costs

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

Depreciation

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

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2018

The applied rates are as follows:

Land Improvements	2% (SL)
Buildings	2% to 9% (SL)
Plant and Equipment	4% to 60% (SL) & (DV)
Furniture and Fittings	3% to 60% (SL) & (DV)
Motor Vehicles	20% to 30% (DV)

Impairment of Non-financial Assets

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

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

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

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

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

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.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2018

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

Employee Entitlements

Short-term benefits

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

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

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

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

Long service leave

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

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

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

Financial Instruments

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

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

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

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

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2018

Impairment of Financial Instruments

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

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

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

Critical Accounting Estimates and Assumptions

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

The Group reviews financial assets for impairment at the end of each reporting period. The discount rate applied to loans is as follows:

- Observatory Village Loan	6.09%
----------------------------	-------

Taxation

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

Equity

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

- Share capital
- Retained earnings
- Revaluation reserves

Revaluation Reserve

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

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2018

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.

Budget Figures

The budget figures are those approved by the Group at the beginning of the year in the annual plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Group for the preparation of the financial statements.

Change in Accounting Policies

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

2. Revenue

	2018 Actual	2017 Actual
	\$	\$
District Health Board Revenue	10,489,006	9,809,487
Other Operating Revenue	1,824,838	1,810,393
Donations and Bequests Received	91,885	8,243
Interest Received	99,439	109,227
	<u>12,505,168</u>	<u>11,737,350</u>

3. Personnel Costs

	2018 Actual	2017 Actual
	\$	\$
Salaries and wages	9,241,869	8,385,722
Employer Contributed Superannuation	194,868	174,127
Increase / (Decrease) in employee benefit entitlements	(107,940)	22,109
	<u>9,328,797</u>	<u>8,581,958</u>

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2018

4. Other Expenses

Includes the following items:

Audit Fees - Financial Statements
Directors Fees
Rental & Operating Lease Costs
Loss on Asset Disposal
Insurance Premiums

2018 Actual	2017 Actual
\$	\$
27,610	27,287
132,899	120,050
48,278	51,761
3,390	-
70,314	66,523

5. Income Taxes

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

6. Cash & Cash Equivalents

Diocesan Trust
Cash on Hand
Westpac Bank
Westpac Call Account
Net cash and cash equivalents for purposes of the statement of cash flows

2018 Actual	2017 Actual
\$	\$
1,026	1,026
560	560
32,914	23,680
890,175	517,889
924,675	543,155

7. Current Term Deposits

Westpac Bank

2018 Actual	2017 Actual
\$	\$
2,634,613	3,451,000
2,634,613	3,451,000

8. Trade and Other Receivables

Trade and other receivables from Exchange Transactions
Trade and other receivables from Non-Exchange Transactions
Less provisions for Impairment
Total and other receivables

2018 Actual	2017 Actual
\$	\$
68,684	62,294
1,092,942	1,011,839
(4,170)	(4,170)
1,157,456	1,069,963

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.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2018

The carrying amount of receivables that are past due, but not impaired, whose terms have been renegotiated is \$30,193 (2017: \$33,878).

As at 30 June 2018 all overdue receivables have been assessed for impairment and appropriate provisions applied, as detailed below:

	Gross	2018 Impairment	Net	Gross	2017 Impairment	Net
	\$	\$	\$	\$	\$	\$
Current	1,131,433	-	1,131,433	1,040,255	-	1,040,255
Past due 0-30 days	12,610	-	12,610	21,731	-	21,731
Past due 31-60 days	13,887	474	13,413	653	-	653
Past due 61-90 days	3,696	3,696	-	11,494	4,170	7,324
Total	1,161,626	4,170	1,157,456	1,074,133	4,170	1,069,963

	2018 Actual	2017 Actual
	\$	\$
Balance at 1 July	4,170	4,850
Additional provisions made during year	-	-
Less receivables written off during the period	-	(680)
Balance at 30 June	4,170	4,170

9. Inventory

	2018 Actual	2017 Actual
	\$	\$
Medical Supplies	178,064	166,127

The write-down of inventories amounted to \$Nil (2017: \$Nil)

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

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2018

10. Property, Plant & Equipment

	Land & Buildings	Plant & Equipment	Fixtures & Fittings	Motor Vehicles	Total
Cost or Revaluation					
Opening Balance	9,883,000	3,697,797	377,365	177,123	14,135,285
Additions	-	77,139	12,928	-	90,067
Disposals	-	(7,993)	-	-	(7,993)
Vested Assets	-	-	-	-	-
Balance at 30 June 2017	9,883,000	3,766,943	390,293	177,123	14,217,359
Opening Balance	9,883,000	3,766,943	390,293	177,123	14,217,359
Additions	-	299,621	-	-	299,621
Disposals	-	(52,082)	-	-	(52,082)
Revaluation Gain/(Loss)	309,631	-	-	-	309,631
Balance at 30 June 2018	10,192,631	4,014,482	390,293	177,123	14,774,529
Accumulated depreciation and impairment losses					
Opening Balance	379,673	3,098,669	275,134	141,246	3,894,722
Depreciation Expense	381,479	288,588	11,225	8,844	690,136
Disposals	-	(7,993)	-	-	(7,993)
Revaluation Gain/(Loss)	-	-	-	-	-
Balance at 30 June 2017	761,152	3,379,264	286,359	150,090	4,576,865
Opening Balance	761,152	3,379,264	286,359	150,090	4,576,865
Depreciation Expense	381,479	191,112	9,746	6,581	588,918
Disposals	-	(48,700)	-	-	(48,700)
Balance at 30 June 2018	1,142,631	3,521,676	296,105	156,671	5,117,083
Carrying amounts					
At 30 June 2016	9,503,327	599,128	102,231	35,877	10,240,564
At 30 June 2017 and 1 July 2017	9,121,848	387,679	103,934	27,033	9,640,495
At 30 June 2018	9,050,000	492,806	94,188	20,452	9,657,439

Land and Buildings were revalued by Quotable Value at 30 June, 2018, who are independent of the Company and Group.

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

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2018

11. Trade and Other Payables

	2018 Actual	2017 Actual
	\$	\$
Trade Creditors	442,633	229,183
Accrued expenses	302,464	315,974
GST Payable	69,283	109,650
Total Payables & Accruals	814,380	654,807

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

12. Employee Benefit Liabilities

	2018 Actual	2017 Actual
	\$	\$
Accrued Pay	410,020	300,016
Annual Leave	1,131,950	1,260,572
Long Service Leave	87,191	83,919
Sick Leave	23,527	22,739
Continuing Medical Education	78,898	172,280
Total Employee Entitlements	1,731,586	1,839,526

Comprising:

Current	1,644,395	1,755,607
Non-Current	87,191	83,919
Total employee benefit liability	1,731,586	1,839,526

13. Borrowings

Security

The group does not have any term loans or overdraft facilities

14. Shareholders Equity

	2018 Actual	2017 Actual
	\$	\$
(a) Capital		
Ordinary Shares	100	100
Total Issued and Paid up Capital	100	100
Total number issued shares	100	100

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2018

(b) Retained Earnings

Opening Balance	7,781,570	9,286,761
Net Operating Surplus / (Deficit)	(544,037)	(1,505,191)
Retained Earnings	7,237,533	7,781,570

(c) Revaluation Reserve

Opening Balance	7,078,488	7,078,488
Revaluation	309,631	-
Revaluation Reserve	7,388,119	7,078,488

Total Shareholder Equity

14,625,752	14,860,158
-------------------	-------------------

15. Related Party Transactions

(a) Related Parties

	2018 Actual	2017 Actual
	\$	\$
Services provided by Waitaki District Council (GST exclusive)	62,400	67,798
Amounts payable/(receivable) at 30 June 2018 (GST inclusive)	(3,675)	4,232

Services provided by Waitaki District Council were supplied on normal commercial terms.

(b) Key Management and Directors

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

A close personal relation of a member of key management personnel is employed by the Group on the same terms as other comparable employees.

Salaries and short term employee benefits

Salaries and short term employee benefits	447,367	300,879
---	---------	---------

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2018

16. Commitments

The group has no capital commitments on balance date

Non-cancellable operating lease commitments:

	2018 Actual \$	2017 Actual \$
Less than one year	147,266	38,230
One to Two years	126,527	38,230
Two to Five years	327,108	17,492
Five years and later	497,467	-
	<u>1,098,368</u>	<u>93,951</u>

The lease commitments consist of land owned by the Waitaki District Council which is occupied by the Group (renewal dates December 2019 and January 2027) and the lease for the CT Scanner (renewal date January 2028).

17. Reconciliation of Net Surplus/ (Deficit) with cashflows from operating activities

	2018 Actual \$	2017 Actual \$
Net surplus/ (deficit)	(234,406)	(1,505,191)
Add/(less) non-cash items		
Depreciation & loss on sale	588,918	690,136
Loss/ (Gain) on Disposal of Assets	3,390	-
Fair Value Adjustment on Loans	-	947,096
Interest Revenue Observatory Village Trust Loan	(144,618)	-
Loss/ (Gain) on Revaluation of Buildings	(309,631)	-
Add/ (less) movements in working capital		
(Increase)/decrease in accounts receivable	(87,493)	25,318
(Increase)/decrease in prepayments	(1,484)	3,393
(Increase)/decrease in accrued interest	10,382	(16,177)
(Increase)/decrease in inventories	(11,937)	2,047
Increase/(decrease) in GST payable	(40,367)	4,091
Increase/(decrease) in accounts payable	199,940	(77,123)
Increase/(decrease) in long service leave	3,272	15,488
Increase/(decrease) in employee entitlements	(111,212)	6,621
Net cash inflow from operating activities	<u>(135,246)</u>	<u>95,699</u>

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2018

18. Financial Assets

	2018 Actual	2017 Actual
	\$	\$
Loan to Observatory Village Trust	5,600,000	5,600,000
Less: Fair Value Adjustments	(3,225,310)	(3,225,310)
Plus: Interest (Fair Value Adjustment)	144,618	-
	<u>2,519,308</u>	<u>2,374,690</u>

The loan to the Observatory Village Trust totalled \$5,600,000 at balance date. The loan is a financial asset classified as a loan and receivable. The loan was adjusted to its fair value at balance date in accordance with the relevant accounting policies in note 1.

Using a discounted cash flow model the loan was valued using a discount rate of 6.09%, consistent with long term mortgage rates (2017: 6.09%). The interest revenue from the reversal of the fair value adjustment for the year was \$144,648.

The loan is expected to be repaid by the Observatory Village Trust from 1 July 2027 at \$560,000 per annum based on projections of the Retirement Village business plan. There is estimation uncertainty due to the length of the loan and reliance on the Retirement Village business plan to be met. The fair value of the loan will be reviewed annually and any movement taken to the surplus and deficit. The loan is interest free on demand until repayments begin. Security for the loan is a GSA over all assets of the Observatory Village Group.

19. 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 (2017: Nil).

The company is conducting an investigation to address compliance with the Holidays Act 2003 due to specific employment situations where staff hours and patterns of work have varied.

Because of the nature and significance of the company's associated payroll cost coupled with the number of years in question, the investigation is ongoing. Any potential liability is not yet quantified due to the scale and complexity of the issues involved, but could be significant.

There were no other contingent liabilities at balance date.

20. Financial Instruments

(a) Credit Risk

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

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

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2018

(b) Fair Value

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

(c) Currency Risk

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

(d) Interest rate risk

Interest rate risk is the risk that interest rate will change, increasing or decreasing the cost of borrowing or lending. The Group's short term deposits are at a fixed rate with maturities not exceeding one year. Consequently the Group is not exposed to significant interest rate risk. The Group has no debt.

21. Events After Balance Date

The Board signed an agreement in July 2018 for the supply and service of the CT Scanner covering the period for the next 10 years.

22. Statement of Objectives and Performance

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

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

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

Objective

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

Statement of Intent Targets

Target

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

Achievement

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

All planned services were provided

2018 Budget	2018 Actual
\$	\$

(278,595)

(199,176)

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2018

Target

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

Achievement

Net surplus/(deficit) from continuing operations

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

2018 Budget	2018 Actual
\$	\$

(829,957)

(688,655)

Target

Update the Company's business plan annually.

Achievement

The business plan was updated.

Target

Meet and observe performance targets and services standards required under the Southern District Health Board and Ministry of Health contractual arrangements with the Company.

Achievement

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

Target

Meet and observe adequate professional and technical standards in the delivery of Waitaki District Health Services and investigate, identify and implement appropriate measurement standards to ensure this is achieved.

Achievement

The company has met all professional and technical standards. The hospital continues to implement and operate both a quality assurance programme and an accreditation programme to ensure that these standards continue to be met in the future. Compliance is confirmed regularly by independent audits.

Target

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

Achievement

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

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2018

Target

Undertake ongoing monitoring of the Quality Assurance Programme to ensure an adequate performance in provision of health care services and adherence to all the applicable statutory and industry imposed regulations by the Company.

Achievement

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

Target

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

Achievement

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

Target

Report regularly to Council and to the Community through the Waitaki District Health Forum on community health achievements and outcomes.

Achievement

The hospital reports six monthly and annually to the Council.

Target

Maintain the Waitaki District Health Forum in accordance with a community approved protocol for the Forum's operation and objectives as a means of liaison and communication between the hospital and community related health groups.

Achievement

Held target level of forum meetings.

Target

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

Achievement

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

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2018

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.

Achievement

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

Target

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

Achievement

The Waitaki District Health Services Trust has over the past year continued to support the development of the Observatory Hill Retirement Village and Elderly Care Facilities project/initiative.

Independent Auditor's Report

To the readers of Waitaki District Health Services Limited Group's financial statements and performance information for the year ended 30 June 2018

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

Opinion

We have audited:

- the financial statements of the Group on pages 7 to 27, that comprise the statement of financial position as at 30 June 2018, the statement of comprehensive revenue and expense, statement of changes in net assets/equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Group on pages 27 to 30.

In our opinion:

- the financial statements of the Group on pages 7 to 27:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2018; 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 the Public Benefit Entity standards Reduced Disclosure Regime; and
- the performance information of the Group on pages 27 to 30 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 2018.

Our audit was completed on 9 October 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw your attention to the contingency for entitlements under the Holidays Act 2003. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Contingency for entitlements under the Holidays Act 2003

Without modifying our opinion, we draw your attention to the disclosure in note 19 on page 26 relating to the Group's contingent liability for possible issues associated with the calculation of employee entitlements under the Holidays Act 2003, which could be significant.

Basis for our opinion

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

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

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

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

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

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures,

and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

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

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 4 to 5, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

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

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



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