

Waitaki District Health Services Limited Group

Consolidated Financial Statements

For the year ended 30 June 2024



Waitaki District Health Services Limited Group

Contents

For the year ended 30 June 2024

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Waitaki District Health Services Limited Group

Company Directory

For the year ended 30 June 2024

Issued Capital

100 Ordinary Shares

Postal Address

Private Bag 50059, Oamaru

Registered Office

8 Steward Street, Oamaru

Directors

Keith Marshall (appointed 01/01/2024)

Kathy E Grant

Melanie J Tavendale (resigned 31/12/2023)

Scott W Wilson

Trevor McGlinchey

Company Number

DN 910387

Bankers

Westpac

Date of Formation

29th May 1998

Shareholder

Waitaki District Council

Auditors

Grant Thornton

Solicitors

Berry & Co, Oamaru

Waitaki District Health Services Limited Group

Directors Report

For the year ended 30 June 2024

The Directors are pleased to present the consolidated report for the Group for the year ended 30 June 2024.

Principal Activities

Waitaki District Health Services Limited is the principal provider of health and disability services to the people living in the Waitaki 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 Te Whatu Ora - Southern that is the government-funded purchaser of health and disability support services.

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

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

Results

	2024 Actual \$	2023 Actual \$
Total Comprehensive Revenue and Expense	4,071,441	1,945,227

Directors

In accordance with the Company's constitution, Waitaki District Council has appointed Keith Marshall (Chair), Scott W Wilson, Kathy E Grant and Trevor McGlinchey as Directors of Waitaki District Health Services Limited. Directors are not shareholders and are appointed for terms determined by the shareholder.

Waitaki District Health Services Limited Group

Directors Report

For the year ended 30 June 2024

	2024 Actual	2023 Actual
	\$	\$
Helen M Algar (Resigned 30/06/2023, back pay)	3,924	45,000
Graeme A Blair (Resigned 31/01/2022, back pay)	68	-
Andrew CF Wilson (Resigned 28/02/2022, back pay)	138	-
Keith Marshall (Appointed 01/01/2024)	24,939	-
Scott W Wilson	29,890	25,000
Trevor McGlinchey	29,890	25,000
Kathy E Grant	29,890	25,000
Melanie Tavendale (Resigned 31/12/2023)	27,119	25,000
	145,858	145,000

Employees' Remuneration

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

	2024 Actual	2023 Actual
	\$	\$
\$100,001 - \$110,000	8	5
\$110,001 - \$120,000	8	6
\$120,001 - \$130,000	2	2
\$130,001 - \$140,000	9	4
\$140,001 - \$150,000	3	2
\$150,001 - \$160,000	1	1
\$160,001 - \$170,000	2	1
\$170,001 - \$180,000	2	-
\$180,001 - \$190,000	1	-
\$190,001 - \$200,000	1	2
\$200,001 - \$210,000	-	-
\$210,001 - \$220,000	-	1
\$230,001 - \$240,000	1	1
\$270,001 - \$280,000	-	1
\$280,001 - \$290,000	1	-
\$290,001 - \$300,000	-	1
\$300,001 - \$310,000	1	-
\$350,001 - \$360,000	-	1
\$390,001 - \$400,000	1	-
\$400,001 - \$410,000	-	1
\$420,001 - \$430,000	-	2
\$450,001 - \$460,000	1	-
\$480,001 - \$490,000	1	-
	43	31

Waitaki District Health Services Limited Group

Directors Report

For the year ended 30 June 2024

Directors' Interests

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

Waitaki District Health Services Limited

Kathy E Grant	
Central Lakes Trust	Trustee
Central Lakes Direct Limited	Director
Southern Cross CLT Ltd	Director
Various Private Trusts (Former Clients)	Trustee
Melanie Tavendale	
IHC North Otago	Patron
Oamaru Opera House Charitable Trust	Trustee
SR and MJ Tavendale Family Trust	Trustee
Waitaki District Council	Councillor/Deputy Mayor
Hub and Sprocket Cycles Ltd	Director
Scott Wilson	
Health and Disability Commissioner	Advisor
Scott Wilson Family Trust	Trustee
Te Whatu Ora - New Zealand Health	Employee
Trevor McGlinchey	
Aukaha Ltd	Director
Moeraki Ltd	Chair
Oranga Te Runanga o Ngai Tahu	General Manager
Te Ha O Maru Ltd	Director
Te Runanga o Moeraki	Member
Keith Marshall	
Observatory Village Trust	Trustee

Use of Company Information

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

Insurance of Directors

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

Audit

The audit of the Waitaki District Health Services Limited Group is undertaken by Grant Thornton. Audit remuneration for the period under review was \$118,598 (2023: \$67,396). There were no other services, apart from audit services, provided by Grant Thornton.

Waitaki District Health Services Limited Group

Statement of Responsibility

For the year ended 30 June 2024

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

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

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

In the opinion of the Board, these Group Financial Statements and Statement of Performance and Measures fairly reflect the financial position and operations of Waitaki District Health Services Limited Group for the year ended 30 June 2024.

For and on behalf of the Board of Directors,



Keith Marshall, Chair



Kathy Grant, Director & Chair of FARC

Dated this 24th day of October, 2024

Waitaki District Health Services Limited Group

Statement of Performance and Measures

For the year ended 30 June 2024

Performance and Measures

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

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

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

Waitaki District Health Services Limited

Objective

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

Statement of Intent Targets

Target

Operate and provide planned services within budgeted income, including services contract income with Te Whatu Ora - Southern and income from other contracted sources.

Achievement - Not Achieved (2023: Achieved)

Net operating surplus (deficit) before interest revenue, depreciation, taxation expense.

All planned services were provided

2024	2023
Actual	Actual
\$	\$

(512,624) 530,169

Target

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

2024	2023
Actual	Actual
\$	\$

Achievement - Not Achieved (2023: Not Achieved)

Net surplus/(deficit) from operations

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

(1,328,072) (563,862)

Waitaki District Health Services Limited Group

Statement of Performance and Measures

For the year ended 30 June 2024

Target

The ratio of consolidated shareholders' funds to total assets will be in the range of 60% to 90%.

Achievement - Achieved

The ratio of consolidated shareholders' funds to total assets is 76%.

Target

Update the Company's business plan annually.

Achievement - Not Achieved (2023: Achieved)

No business plan was completed for 2024.

Target

Meet service standards required under Health New Zealand (Te Whatu Ora) and Māori Health Authority (Te Aka Whai Ora) contractual arrangements with the Company, by maintaining the following certifications:

- Ngā Paerewa Health & Disability Services Standards NZS 8134:2021 Certification for WDHSL
- Baby Friendly Hospital Initiative Certification for Maternity
- International Accreditation New Zealand (IANZ) Certification for Radiology
- Building Warrant of Fitness certification
- Building Act 2004 Compliance Schedule
- Compliance with Section 88 of the Food Act 2014, Food Regulations 2015, FSANZ Food Standards Code through a National Programme Level 3 for the hospital kitchen
- Stationary Container System Test Certificate
- Hazardous Substances Location Test Certificate
- Approved Handlers Test Certificate – Not required for substances held on site.
- Cold Chain Accreditation

Achievement - Achieved (2023: Achieved)

The hospital has met its requirement targets under the Ministry of Health contract and Health New Zealand (Te Whatu Ora - Southern).

Target

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

Achievement - Achieved (2023: Achieved)

All regulated health professionals employed by WDHSL hold current Annual Practicing Certificates.

Target

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

Achievement - Achieved (2023: Achieved)

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

Waitaki District Health Services Limited Group

Statement of Performance and Measures

For the year ended 30 June 2024

Target

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

Achievement - Achieved (2023: Achieved)

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

Target

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

Achievement - Achieved (2023: Achieved)

Reporting to Council as required was achieved.

Target

Communicate to staff and to the wider community as and when necessary. The Board have agreed to a minimum of two health forums annually, while recognising this will be difficult due to ongoing issues following the covid pandemic.

Achievement - Partially Achieved (2023: Partially Achieved)

All communication channels were open and used. No community health forums were held.

Target

Ensure services are clinically excellent, financially sustainable and delivered by an engaged workforce, operating in safe working environments.

Achievement - Partially Achieved (2023: Achieved)

Ngā Paerewa Health & Disability Services Standards NZS 8134:2021 certification remains (renewed April 2024)

Surveillance Audit certified during the financial year and at the 18-month interval following certification.

Target

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

Achievement - Achieved (2023: Achieved)

The board reviewed the company governance policies.

Waitaki District Health Services Limited Group

Statement of Performance and Measures

For the year ended 30 June 2024

Target

Work with parties such as Stronger Waitaki, the Emergency Services Co-ordinating Committee (ESCC), the Emergency Care Co-ordination Team (ECCT), the Electives Operational Meeting, Stroke Governance Group and/or others that have 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 - Achieved (2023: Achieved)

Waitaki District Health Services Ltd worked with several other organisations with interests in health care to maintain and improve the range and quality of health care services on offer.

Target

Actively engage with the upcoming health reform processes to ensure opportunities for improved health outcomes for the community are maximised.

Achievement - Achieved (2023: Achieved)

The Board and Hospital Staff have actively engaged whenever possible with health reform processes to ensure opportunities for improved health outcomes for the community are maximised.

Waitaki District Health Services Trust

Target

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

Achievement - Not Achieved (2023: Not Achieved)

No financial assistance was provided

Target

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

Achievement - Not Achieved (2023: Not Achieved)

No assistance was provided

Waitaki District Health Services Limited Group

Statement of Performance and Measures

For the year ended 30 June 2024

Observatory Village Charitable Trust Group

Description of Entity's Outcomes:

Observatory Village Charitable Trust was established for the purposes of owning and operating the Observatory Hill Retirement Village in Oamaru, and for providing support for aged care, health and disability services, and related charitable purposes.

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 the greater Waitaki District.

Outcome

Observatory Village entities are continuing a focus this year on development of the Retirement Village by building villas to support the demand in North Otago. Extensive work has been completed on a further Community Lodge to provide more facilities to the Village residents. Observatory has supported within the care facility, over 100 people throughout the year who require full time residential support.

The total assets value of the Observatory Village group has increased from \$60.7million to \$69.1million. Net equity of the group has increased 14% to \$19.2million.

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.

Outcome

When development has been completed, then dividends will be available from the companies which will then enable the Trust to make distributions accordingly.

The Trust has commenced providing some financial support to the inter-regional transport for hospital appointments, so that this service can continue to be provided.

Observatory Village Lifecare's Objective is to operate a successful Retirement Village business. The company constructs, maintains and provides a mixture of Villas, Serviced Apartments and communal facilities, along with the provision of various services to meet the accommodation, security, social and care needs of those generally aged 70 years onwards.

Waitaki District Health Services Limited Group

Statement of Performance and Measures

For the year ended 30 June 2024

The Company's performance targets are to:

Target

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

Outcome

Construction of villas in the Stage 2 Villa development continued with the completion of 10 villas along with a group of 3 villas which were 86% finished at financial year end. Construction was delayed from time to time while awaiting settlement of completed units.

	Target	Achievement		2023 Target	2023 Achievement
Completed Villas	15	10 and a further 3 completed the following month	BELOW. Construction has been slowed and completed in smaller groups while there has been delays in settlements	10	11

Infrastructure for the remaining portion of the land has continued and will be completed accordingly when there is suitable seasonal weather in the new financial year.

Tenders and monthly invoicing have been reviewed by the Project Manager and Quantity Surveyor, Michael Forgie. Some pricing for the Community Lodge Project has gone to several subcontractors to ensure transparency in pricing. Construction costs have increased with the H1 Building regulations therefore sale prices are only set as the villas are being constructed to absorb the cost increases.

Roger Gilchrist Building Services has continued to be the main building contractor, who have completed all building work since the entire village project commenced.

Waitaki District Health Services Limited Group

Statement of Performance and Measures

For the year ended 30 June 2024

Target

Operate the Retirement Village to Budget.

Outcome

An annual budget is established and actual figures are reported and compared to budget and discussed with Directors at the monthly meetings. Overall the Lifecare Company has worked towards the budget while providing a high standard of facilities and services.

Resale income was higher due to 14 resales of apartments and caresuites, compared to the budgeted 11 units. Operational income was on budget even with delays in settlements of new villas.

Figures from Management Accounts	Target	Achievement		2023 Target	2023 Achievement
Lifecare Income (Fees & Interest)	\$576,124	\$575,622	SATISFACTORY in line with target which is an increase from previous years due to completion of new villas.	\$470,282	\$481,543
Operating Profit excluding interest, resales and intercompany	\$27,904	\$(38,881)	BELOW	\$2,218	\$(25,750)
Income from Resales (including Capital Gain, less refurbishment costs)	\$935,779	\$1,153,460	ACHIEVED More resales than budgeted	\$867,041	\$648,682

Operational expenses were kept within budget except one off costs involved with strategic plan review and legal expenses incurred for a new loan facility. The loan facility also incurred additional interest expense which was not forecasted.

Target

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

Outcome

Cash flow has been monitored both before and during each development project before tenders are accepted. As a result there has been a defer in the commencement of some construction groups when settlements have been delayed.

A temporary loan facility from Waitaki District Council has been used while awaiting settlement funds for completed villas. Only \$1.1million was used of the \$2.5million facility available. The facility was fully repaid before the end of financial year.

Waitaki District Health Services Limited Group

Statement of Performance and Measures

For the year ended 30 June 2024

Target

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

Outcome

Trustee Meetings were held 4 times throughout the year. Chairman of Company Directors along with Management representatives were present and involved at these Meetings.

Discussions included updated Strategic plan, tabling of the latest Statement of Intent and budgets, KPI achievements and new targets, 6 monthly financials, development of Villas and Apartments, review of management structure, support for obtaining temporary loan facility from Waitaki District Council, insurance renewals, updating financial authority levels, approving reappointment of Directors, site tours of construction area and viewing completed furnished villas.

Target

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

Outcome

A new villa design called Windsor has been constructed offering a 3 bedroom villa with living space along one sunny side of the villa. A very favourable response has been shown to this design and can be built on other sites.

Interest has continued for the Kakanui duplex therefore the master site plan has been amended to incorporate 4 further units that can be built in future staging. Building consent has been obtained for a further 10 unit apartment block and it is expected that construction will be well underway in the next financial year. There is strong interest for these apartments with a waiting list of residents who will be given the opportunity to secure a unit while it is under construction.

The Willow Park Community Lodge is under construction and will be completed November 2024. This will provide a further social hub with different activities as the number of residents within the village has increased. This will incorporate a spa, treatment room, function room, bar, kitchen, gym, lounge area and hobbies room as well as facilities in the landscaped areas.

Waitaki District Health Services Limited Group

Statement of Performance and Measures

For the year ended 30 June 2024

A resident working group has been formed from appointed residents who are being consulted with and assisting the development team with decisions regarding the fitting out and use of the lodge.

Regular bi-monthly meetings are held with Village Residents for discussions and feedback. An annual village survey is completed to encourage initiatives and feedback from the residents. The annual survey result was overall 92% of residents were satisfied with the Village (previous year 95%). Social resident groups have been established that facilitates and organises events and activities.

Providing a continuum of care within an environment of support and familiar people and surroundings has continued to be important with 8 residents transferring from apartments or villas into the care facility for increased levels of care and support. Previous year there were 3 village residents transferring into care.

Target

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

Outcome

Observatory maintains an interest list for selling units when they come available for resale. 8 apartments and 8 care suites have been resold throughout the year, with an average resale time of 4.0 months that is below the KPI for resale time. Previous year 10 units took an average resale time of 2.7 months.

11 new villas were sold and occupied throughout the year. The new villas have taken an average of 3.9 months to sell. This is longer than the KPI of 3 months as there has been a delay in settlement while the residents await a contract for their own house to be sold. This is a reflection of the NZ residential property market. Previous year, 11 villas took average 0.2 months to settle.

There are 3 completed villas at financial year end, of which 2 have contracts and are awaiting settlement. The remaining unsold villa has been staged with furniture, advertised in the newspaper and open homes held and was signed up the following month.

The next 3 villas to be completed has 2 units with contracts awaiting settlement and 1 further unit that will be promoted once it is in finished condition and fully landscaped.

Several newspaper advertisements have been completed throughout the year both locally and within the Otago region.

The first open day has been held to the general public, enabling them the opportunity to view 2 different villa designs which were staged with furniture. With a significant level of interest, current village residents assisted the open days and provided their insights into living in the Village.

The Observatory logo has been redesigned by a marketing company. The marketing leaflets have also been reviewed to ensure they provide comprehensive information to interested residents.

Waitaki District Health Services Limited Group

Statement of Performance and Measures

For the year ended 30 June 2024

Observatory Village Care maintains the care facility infrastructure and services to deliver residential aged care services and health care to its residents.

The performance objectives from the latest Statement of Intent have been used when reviewing the service achieved by Observatory Village Care Limited.

Target

Key Performance Indicator's (KPI's) are monitored and reported to Trustees.

Outcome

KPIs are established on an annual basis with key focus areas of Financial, Customer, Staff and Strategic reflected in the KPIs. The KPIs are discussed and reviewed throughout the year at monthly Director meetings.

KPI	Target	Achievement		2023 Target	2023 Achievement
Total Care Income to be not less than	\$6,252,039	\$6,500,590	ACHIEVED from higher occupancy, more residents at higher level care along with an increase in Government's contracted rates for care of 8.8%.	\$5,945,416	\$6,004,533
Minimum Operating Profit (excluding rental and management fees)	\$749,279	\$620,793	BELOW. Contributed by regulated nurse rates, increase in sick leave to 10 days and staffing required to meet the higher care needs. Overall operating expenses were maintained apart from increased maintenance requirements as the building reaches 7 years old and oneoff consultancy fees.	\$541,164	\$515,309
Operating Profit as return on Valuation	20%	18%	BELOW as profit lower	15%	16%
Customer					
Care Centre Occupancy (Occupied rooms measured daily of total 81 rooms)	98%	Rooms were occupied 98.4% of the year	ACHIEVED. High level of occupancy.	98%	98%
Certification Period	4 years	Surveillance audit completed in 2024 with some findings.	WORK IN PROGRESS. Completing work to remedy the findings	4 YEARS	Maintained, awaiting surveillance audit
Resident Survey Results	85%	100% of responses found their overall experience good/excellent	ACHIEVED in annual survey.	85%	96%

Waitaki District Health Services Limited Group

Statement of Performance and Measures

For the year ended 30 June 2024

STAFF					
Turnover of Permanent Staff (Resignations over year as a % of total permanent staff numbers)	<30%	17% of total permanent staff resigned during year and were replaced by new appointments.	ACHIEVED. Well below the previous turnover rates. Below the Industry average of 31%.	<30%	30%
Staff Satisfaction Index	85%	81%	BELOW target by 4.7% which has led to discussion work groups to encourage improvements.	85%	81%
STRATEGIC					
Maintain Profit levels with high occupancy, quality care in a high standard facility.	\$15,964	\$13,954 profit per care facility bed	BELOW as profit was lower.	\$12,000 profit per care facility bed	\$13,089 profit per care facility bed

Target

Delivery of care to Rest home and Hospital level residents, maintained to the Nga Paerewa Health and Disability Services Standard

Outcome

Observatory Village had the surveillance audit which is an unannounced audit against the Nga Paerewa Health and Disability Standards. Out of 165 criteria, 3 criteria had findings of which 2 were low and 1 moderate risk. All findings are being worked on to obtain sign off as fully compliant. The new Pacific Island and updated Māori criteria received full compliance.

Observatory is focused on providing quality care to its residents. Occupancy of the facility demonstrates demand for the provided care. Occupancy was an average of 98.4% which is well above the industry average of 86.7%. Covid and other infectious outbreaks have caused challenges and staff are to be commended for dealing with the additional workload demands.

Observatory supports caregiving staff to higher education levels. 70% of all carers are at level 2 and above. This rate has reduced from 86% due to 4 International staff becoming qualified as Registered Nurses.

13 staff were recognised throughout the year with a badge, certificate and voucher for their 5 year long service at Observatory.

Waitaki District Health Services Limited Group

Statement of Performance and Measures

For the year ended 30 June 2024

Target

Chattels and assets are to be maintained.

Outcome

The facility is now 7 years old, therefore there has been an increase in overall maintenance required to plant and equipment. This is completed in a timely manner to ensure the facility remains operational at all times. Replacement of damaged items and purchase of new items required for different needs of residents is completed immediately, with quality goods being ordered from reputable companies. A long term maintenance plan is being developed.

Target

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

Outcome

The Chairman of Directors' along with representatives of the Management Team have met with Trustees 4 times throughout the year, as well as providing quarterly reports prior to the meeting. Meetings have included discussions such as the effect of Covid, approval of the Statement of Intent and Budgets.

Waitaki District Health Services Limited Group

Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2024

	Note	2024 \$	2023 \$
Revenue			
Resident Fees and Retirement Village Contributions	4	8,294,902	7,437,416
Other Revenue	4	1,151,117	788,381
Interest Revenue	4	62,777	75,893
Gain on Revaluation of Investment Property	4,13	1,004,120	1,732,520
Total Revenue		10,512,916	10,034,210
Expenditure			
Personnel Costs	5	4,616,487	4,157,692
Depreciation and Amortisation Expense	11,12	1,083,993	1,047,649
Finance Costs		1,139,367	1,063,556
Other Expenses	6	2,902,016	2,584,230
Total Expenditure		9,741,862	8,853,126
Profit/(Loss) from Continuing Operations		<u>771,054</u>	<u>1,181,084</u>
Discontinued Operations			
Surplus/(Deficit) for the year from Discontinuing Operations	3	<u>1,200,434</u>	<u>764,143</u>
Surplus/(Deficit) from Operations		<u>1,971,488</u>	<u>1,945,227</u>
Other Comprehensive Revenue and Expense			
Gain on Revaluation of Property, Plant and Equipment	11	<u>2,099,954</u>	-
		<u>2,099,954</u>	-
Total Comprehensive Revenue and Expense		<u><u>4,071,441</u></u>	<u><u>1,945,227</u></u>

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

Waitaki District Health Services Limited Group

Statement of changes in Equity

For the year ended 30 June 2024

	Share Capital	Retained Earnings	Reserves	Total
			\$	\$
Balance at 30 June 2022	100	9,516,959	15,636,768	25,153,827
Surplus/(Deficit) from Operations	-	1,945,227	-	1,945,227
Reclassification of Equity	-	5,943	(5,943)	-
Balance at 30 June 2023	<u>100</u>	<u>11,468,130</u>	<u>15,630,824</u>	<u>27,099,054</u>
Surplus/(Deficit) from Operations	-	1,971,488	-	1,971,488
Other Comprehensive Revenue and Expense	-	-	2,099,954	2,099,954
Balance at 30 June 2024	<u>100</u>	<u>13,439,618</u>	<u>17,730,778</u>	<u>31,170,496</u>

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

Waitaki District Health Services Limited Group

Statement of Financial Position

As at 30 June 2024

	Note	2024 \$	2023 \$
Current Assets			
Cash and Cash Equivalents	8	686,437	2,457,151
Term Deposits	9	740,999	720,077
Trade and Other Receivables	10	2,340,207	2,694,272
Inventory		-	214,475
Accrued Interest		659	5,281
Prepayments		33,861	128,647
Total Current Assets		3,802,163	6,219,903
Non-Current Assets			
Property, Plant and Equipment	11	12,369,893	24,422,467
Intangible Assets	12	-	26,483
Investment Property	13	68,077,783	46,805,001
Total Non-Current Assets		80,447,676	71,253,951
Total Assets		84,249,839	77,473,854
Current Liabilities			
Trade and Other Payables	14	1,950,633	3,442,093
Loans and Borrowings	16	1,500,000	-
Finance Leases	18	-	138,528
Obligations to Residents	17	32,697,252	26,184,792
Employee Benefits	15	882,820	2,528,746
Total Current Liabilities		37,030,705	32,294,159
Non-Current Liabilities			
Loans and Borrowings	16	16,048,638	17,548,638
Finance Leases	18	-	484,979
Employee Benefits	15	-	47,025
Total Non-Current Liabilities		16,048,638	18,080,642
Total Liabilities		53,079,343	50,374,801
Net Assets		31,170,496	27,099,054
Equity			
Share Capital	19	100	100
Retained Earnings	19	13,439,618	11,468,130
Revaluation Reserve	19	17,730,778	15,630,825
Total Equity		31,170,496	27,099,054

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

Waitaki District Health Services Limited Group

Statement of Cashflows

For the year ended 30 June 2024

	Note	2024 \$	2023 \$
Cashflows From Operating Activities			
<i>Cash was provided from</i>			
Receipts from Te Whatu Ora - Southern, Patients and Residents		28,105,389	24,469,056
Interest Received		69,551	70,856
Net GST Received		277	-
Occupation Right Agreements Sold		10,474,470	9,502,201
Donations Received		607,356	463,495
		<u>39,257,043</u>	<u>34,505,608</u>
<i>Cash was disbursed to</i>			
Payments to Suppliers and Employees		28,782,119	24,705,357
Interest Paid		1,102,762	1,041,035
Occupation Right Agreements Pay Outs		2,001,507	2,267,955
Net GST Paid		-	58,448
		<u>31,886,388</u>	<u>28,072,795</u>
Net Cashflow From/(To) Operating Activities	22	<u>7,370,655</u>	<u>6,432,813</u>
Cashflows From Investing Activities			
<i>Cash was provided from</i>			
Sale of Property, Plant and Equipment		-	7,266
		<u>-</u>	<u>7,266</u>
<i>Cash was disbursed to</i>			
Purchase of Property, Plant and Equipment		199,222	449,462
Purchase of Investment Property		8,782,695	7,432,229
Reinvestment of Term Deposits		21,542	6,887
		<u>9,003,459</u>	<u>7,888,578</u>
Net Cashflow From/(To) Investing Activities		<u>(9,003,459)</u>	<u>(7,881,312)</u>
Cashflows from Financing Activities			
<i>Cash was provided from</i>			
Loans from Waitaki District Council		1,100,000	1,950,000
		<u>1,100,000</u>	<u>1,950,000</u>
<i>Cash was disbursed to</i>			
Repayment of Finance Leases		138,529	147,382
Repayment of Loans		1,100,000	-
		<u>1,238,529</u>	<u>147,382</u>
Net Cashflow From/(To) Financing Activities	23	<u>(138,529)</u>	<u>1,802,618</u>
Net Increase (Decrease) in Cash and Cash Equivalents		(1,771,333)	354,119
Add Opening Cash and Cash Equivalents		2,857,771	2,503,652
Closing Cash and Cash Equivalents	8	<u>1,086,437</u>	<u>2,857,771</u>

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

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2024

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 for financial year ending 30 June 2024 was to provide services or goods for the community or social benefit rather than making a financial return. The company owned and operated the Oamaru Hospital until the business was sold on a going concern to Health New Zealand Te Whatu Ora (HNZ) as at 30 June 2024. Accordingly, the company has designated itself as a public benefit entity (PBE) for reporting purposes.

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

Observatory Village Group incorporates Observatory Village Lifecare Limited, Observatory Village Care Limited and the Observatory Village Charitable Trust. The primary purpose of the Observatory Village Group is to provide support for aged care, health and disability services including housing in Oamaru, New Zealand as a charitable organisation.

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

The Group Financial Statements are for the year ended 30 June 2024. The Financial Statements were authorised for issue by the Directors on 24 October 2024. 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:

- The forecast prepared shows a positive cashflow and surplus from operations.
- The Lease agreement with HNZ to rent the property owned by WDHSL for a ten-year term.
- There are secured loan facilities in place with the shareholder and an overdraft facility with Westpac which provides appropriate funding availability for the foreseeable future.
- Prospective resident interest in the developing village remains positive and expected to be enhanced by the ongoing construction of the Willow Park Community Lodge, due to be open for resident use in November 2024. Progress in constructing the remaining villas along with the 10-unit Apartment Block showcases the village's commitment to expanding residential options. The village has settled 2 new Occupancy Right Agreements (ORAs) post year-end and has contracts for the sale of a further 6 villas, indicating sustained interest in the village's offerings.

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 2024

Events after reporting date: Future Uncertainty

In September 2024, the Council announced a review of the operating structure of the Company, which may affect the future operations of the Waitaki District Health Services Limited, including its disestablishment. The Council is expected to make a decision on this matter within the next 12 months of the accounts being signed. Any legal change process will only start thereafter and is dependent on what the Council decides. As of the date of this report, the potential impact of this review remains uncertain and cannot be quantified.

Statement of Compliance

The Group Financial Statements have been prepared in accordance with NZ GAAP. They comply with Tier 2 PBE (RDR) accounting standards on the basis the Group is not considered publicly accountable or large with expenditure under \$33 million per annum. The statements meet the requirements of the Local Government Act 2002.

Subsidiaries

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

Basis of Consolidation

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

Waitaki District Health Services Trust

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

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

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

Observatory Village Group

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

The Observatory Village Charitable Trust is the 100% beneficial owner of Observatory Village Lifecare Limited and Observatory Village Care Limited.

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

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2024

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Revenue

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

Te Whatu Ora - Southern funding is set annually and relates to a 12 month period. All Te Whatu Ora - Southern funding is invoiced within the financial year to which the funding has been set. Te Whatu Ora - Southern 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 2024, and as a result of the COVID-19 pandemic, the Group received Government funding.

Fees and charges are recognised when invoiced.

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

Consumables

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

Repairs and Maintenance

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

Borrowing Costs

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

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2024

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.

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 2024

Property, Plant and Equipment

Property, Plant and Equipment consists of:

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

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

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

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

Revaluations

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

Leasehold Land

The leasehold land was valued by Colliers at 30 June, 2024. The valuation was carried out for financial reporting purposes in accordance with the valuation requirements of PBE IPSAS 17. Leasehold land is revalued at three year intervals, but are reviewed at each balance date to ensure that their carrying value is not materially different from their fair value.

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

Land and Buildings

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

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

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

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

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2024

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 20%	-
Plant and Equipment	0% to 67%	0% to 60%
Furniture and Fittings	6% to 67%	3% to 60%
Motor Vehicles	21%	26%

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%

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2024

Impairment of Non-financial Assets

Assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the Consolidated Statement of Comprehensive Revenue and Expenses unless the asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Any reversal of the impairment loss is recognised as income immediately unless the asset is carried at fair value in which case it would be treated as a revaluation increase.

Investment Properties

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

Serviced apartments and Villas are contracted with an Occupation Right Agreements (ORA) and held to earn rental income and long term capital appreciation. To determine whether ancillary services are insignificant to the arrangement as a whole, the value of these services has been assessed and represents less than 20% over the expected life of the asset and such ancillary services are considered insignificant in comparison to the overarching ORA agreement. Subsequent reclassification of unit types between investment property or property, plant and equipment, occur only when there has been a change in use. Ancillary services are considered to be significant for care suites and as such they are classified as property, plant and equipment.

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

No depreciation is provided for on investment properties.

Provisions

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

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

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

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2024

Employee Entitlements

Short-term benefits

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

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

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

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

Long service leave

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

- Likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements and;
- The collective employment agreements using a probability of a 85% chance of staff reaching entitlement requirements. This probability is based upon the nature of the workforce and staff turnover in the past.

Financial Instruments

Recognition, initial measurement and derecognition

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 instruments are recognised initially in the Consolidated Statement of Financial Position on the date that the company becomes party to the contractual provisions of the financial instrument, and are measured at fair value plus transaction costs (except for instruments measured at fair value through surplus or deficit where transaction costs are expensed as incurred).

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

The estimated fair values of the company's financial assets and liabilities are considered to be materially the same as their carrying amounts as disclosed in the Consolidated Statement of Financial Position.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2024

Classification and subsequent measurement of financial assets

Financial instruments

Financial assets at amortised cost consist of accounts receivables from exchange transactions, accounts receivables from non-exchange transactions, term deposits, and cash and cash equivalents. Financial assets are recognised at amortised cost where the asset gives rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, and the asset is held in a business model with the objective to hold the asset to collect contractual cash flows. Accounts receivables represent the right to an amount of unconditional consideration (i.e. only the passage of time is required before payment of the consideration is due). Contract assets are the right to consideration in exchange for goods or services transferred to the customer. If the entity performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned conditional consideration.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method, and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired, as well as through the amortisation process. These are included within current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

Impairment of financial assets

An allowance for ECLs is recognised for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows expected to be received, discounted at an approximation of the original EIR. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. For accounts receivables and contract assets, a simplified approach is adopted in calculating ECLs. Therefore changes in credit risk are not tracked, but instead a loss allowance is recognised based on lifetime ECLs at each balance date. The allowance is based upon observed historical credit loss experience, adjusted for forward-looking factors specific to the Group.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2024

The Groups financial instruments comprise of:

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.

Term Deposits

Term deposits include fixed-term investments held with banks and other financial institutions with original maturities greater than three months. These investments are intended to be held to maturity and are not readily convertible to cash without a significant risk of change in value.

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.

Trade and Other Payables

Trade and other payables are held at amortised cost. This is equivalent to the face (or nominal) value of the payables, which is assumed to approximate their fair value. The amounts are unsecured and are usually paid within 30 days of recognition.

Occupation Right Agreements

Occupation Right Agreements confer the right of occupancy of the retirement village unit to the resident.

The Occupation Right Agreements in the Consolidated 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.

Interest Bearing Loans and Borrowing

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received plus directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. Gains or losses are recognised in the Consolidated Statement of Comprehensive Revenue and Expenses when liabilities are derecognised as well as through the amortisation process.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2024

Strategy in using Financial Instruments

The Group's activities expose it to a variety of financial instrument risks: credit risk, market risk (including market price risk, currency risk and interest rate risk) and liquidity risk. The Group have a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow the Group to enter into any transactions that are speculative in nature.

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 Te Whatu Ora - Southern for a high proportion of Waitaki District Health Services Limited's revenue. However, Te Whatu Ora - Southern is considered a high credit quality entity.

Fair Value

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

Currency Risk

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

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.

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.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2024

Discontinued Operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- Represents a separate major line of business or geographic area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- Is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as discontinued operation, the comparative statement of surplus or deficit of surplus or deficit and other comprehensive revenue and expense is re-presented as if the operation had been discontinued from the start of the comparative year.

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.

Statement of Service Performance

The Directors have made several judgments on what to include in the Statement of Service Performance. This statement summarises these judgments.

The Statement of Service Performance reports on the Group's non-financial performance against its core purpose:

Waitaki District Health Services Limited

Which was to own and operate the Oamaru Hospital and providing comprehensive health and disability services to the residents of the Waitaki District.

Observatory Village Group

To own and operate the Observatory Hill Retirement Village in Oamaru, and to provide support for aged care, health and disability services, and related charitable purposes in Oamaru and the greater Waitaki District.

The Statements were developed by the Group's Executive Leadership Teams and approved by the respective Boards.

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.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2024

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.

Oamaru Hospital Investment Property

The classification of Oamaru Hospital as an investment property involves significant judgement and estimates. With the transfer of operational assets to HNZ on 30 June 2024, the hospital buildings are no longer occupied by the Company, indicating a change in use. At the end of owner-occupation, properties intended to be held for rental income and capital appreciation are transferred to investment property.

Investment properties are measured annually at fair value as determined by an independent registered valuer. The Company engaged an independent valuation to determine the fair value at balance date. The subsequent lease agreement between WDHSL and Health NZ for the hospital buildings and car parks is classified as an operating lease. This classification is based on several indicators: the initial lease term of 10 years is not a substantial portion of the remaining expected useful life of the asset; extension options would reset rental payments to market prices; there is no purchase option for Health NZ; and the present value of minimum lease payments is significantly lower than the fair value of the buildings.

Operating lease revenue is recognised on a straight-line basis over the lease term. Lease payments

Fair Value of Property, Plant and Equipment

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

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.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2024

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

In the current financial year, the company has recognised the discontinuation of operations. As a result the previous year comparatives have been updated to reflect the nature of discontinued operations.

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

2. Material Change in Operations

During the 2024 financial year, the Board of Directors of Waitaki District Council (WDC) agreed to sell the business of the Oamaru Hospital to Health New Zealand (HNZ). An agreement was finalised between Waitaki District Health Services Limited (WDHSL) and HNZ to transfer the staff and services back to the government effective from 30 June 2024 at 11:59 pm.

Key points:

Effective Date: The transfer of operations will take place on 30 June 2024 at 11:59 pm.

Agreement: WDHSL and HNZ have agreed on the terms of the transfer.

Staff and Services: All staff and services currently under WDHSL will be transferred to HNZ.

Lease Agreement: Post-transfer, WDHSL will lease the hospital facility to HNZ.

This change is expected to have a significant impact on the operations of WDHSL moving forward. The financial implications of the transfer and the new lease agreement will be reflected in the financial statements for the year ending 30 June 2024.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2024

3. Discontinued Operations

As part of the sale (Note 2) the operation of Oamaru Hospital has been classified as a discontinued operation and the financial effects are disclosed accordingly. The major classes of assets and liabilities classified as held for sale are presented separately in the statement of financial position. At 30 June 2024, all assets and liabilities relating to the discontinued operations were fully disposed.

	2024	2023
	\$	\$
<u>Results of Discontinued Operations</u>		
Revenue	20,183,798	18,160,006
Expenses	(21,941,894)	(17,395,863)
Results from Operating Activity	(1,758,096)	764,143
Gain on sale of discontinued operations	2,958,530	-
Surplus (deficit) from discontinued operations	1,200,434	764,143
<u>Cashflows from (used in) discontinued operations</u>		
Net Cash used in operating activity	(620,816)	1,107,307
Net cash from investing activities	(131,270)	(130,745)
Net cash from financing activities	(138,529)	(147,382)
Net cash flows for the year	(890,615)	829,180
<u>Effect of disposal on the financial position of the Group</u>		
Property, plant and equipment	(951,587)	
Intangibles	(19,476)	
Inventory	(249,768)	
Employee entitlements	2,470,556	
Finance Leases	458,805	
Net (Assets) and Liabilities	1,708,530	
Consideration received, satisfied in cash after balance date	1,250,000	
Gain on Sale	2,958,530	

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2024

4. Revenue	2024	2023
	\$	\$
<i>Revenue from Continuing Operations</i>		
<i>Revenue from Exchange Transactions</i>		
Gain on Revaluation of Investment Property	1,004,120	1,732,520
Interest Received	62,777	75,893
Resident Fees	6,904,399	6,212,900
Retirement Village Contributions	1,390,503	1,224,516
Other Operating Revenue	186,623	1,511,241
	<u>9,548,422</u>	<u>9,245,829</u>
 <i>Revenue from Non-Exchange Transactions</i>		
Donations Received	615,115	463,495
Other Operating Revenue	349,379	324,886
	<u>964,494</u>	<u>788,381</u>
 Total Revenue from continuing operations	<u>10,512,916</u>	<u>10,034,210</u>
 <i>Revenue from discontinued operations</i>		
Te Whatu Ora - Southern Revenue (Non-Exchange)	16,387,901	14,709,062
Other Operating Revenue (Non-Exchange)	3,795,897	3,450,944
	<u>20,183,798</u>	<u>18,160,006</u>
 5. Personnel Costs	2024	2023
	\$	\$
Salaries and wages	18,963,536	16,021,619
Employer Contributed Superannuation	476,442	464,417
Increase in employee benefit entitlements	777,607	300,228
Total Personnel Costs	<u>20,217,585</u>	<u>16,786,264</u>
 Personnel Costs from Continuing Operations	4,616,487	4,157,692
Personnel Costs from Discontinued Operations	15,601,098	12,628,572
Total Personnel Costs	<u>20,217,585</u>	<u>16,786,264</u>

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2024

6. Other Expenses	2024	2023
	\$	\$
<i>Includes the following items:</i>		
Director and Trustee Fees	268,922	268,064
Food Costs	319,422	307,341
Insurance Premiums	254,772	205,295
Rental and Operating Lease Costs	103,479	99,079
Reporting and Licensing	5,427	3,639

7. Income Taxes

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

From 1 July 2024, sections CW41 and CW42 will no longer apply to the Company and therefore will no longer have a tax exempt status.

8. Cash and Cash Equivalents	2024	2023
	\$	\$
Cash on Hand	-	541
ANZ Bank	125,026	440,771
ANZ Bank Call Account	254,605	-
Diocesan Trust	1,026	1,026
Westpac Bank	305,500	1,041,263
Westpac Call Account	280	973,550
Cash and Cash Equivalents	686,437	2,457,151
ANZ Bank Short Term Deposit	400,000	400,620
	400,000	400,620
Net cash and cash equivalents for purposes of the statement of cash flows	1,086,437	2,857,771

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

9. Term Deposits	2024	2023
	\$	\$
ANZ Bank	400,000	400,620
Westpac Bank	340,999	319,457
	740,999	720,077

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2024

10. Trade and Other Receivables

	2024 Actual	2023 Actual
	\$	\$
Trade and other receivables from Exchange Transactions	1,436,662	730,701
Trade and other receivables from Non-Exchange Transactions	923,871	1,983,947
Less provisions for Impairment	(20,325)	(20,376)
Total trade and other receivables	<u>2,340,207</u>	<u>2,694,272</u>

The carrying value of receivables approximates their fair value.

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

The carrying amount of receivables that are past due, but not impaired, is \$79,868 (2023: \$442,219).

	2024 Actual	2023 Actual
	\$	\$
Balance at 1 July	20,376	38,946
Additional provisions made during year	20,325	19,864
Less receivables written off during the period	(20,376)	(38,434)
Balance at 30 June	<u>20,325</u>	<u>20,376</u>

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

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2024

12. Intangible Assets

	Computer Software
Cost	
Opening Balance	195,522
Balance at 30 June 2023	<u>195,522</u>
Opening Balance	195,522
Additions	6,420
Disposals	(201,942)
Balance at 30 June 2024	<u>-</u>
Accumulated depreciation and impairment losses	
Opening Balance	156,682
Amortisation Expense	12,357
Disposals	-
Gain/(Loss) on Revaluations	-
Balance at 30 June 2023	<u>169,039</u>
Opening Balance	169,039
Amortisation Expense	13,427
Disposals	(182,466)
Balance at 30 June 2024	<u>-</u>
	Computer Software
Carrying amounts	
At 30 June 2022	38,840
At 30 June 2023	26,483
At 30 June 2024	-

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.

As noted in Note 11, all Intangible Assets were sold to HNZ as part of the sale of operations.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2024

13. Investment Property	2024	2023
	\$	\$
Revaluation		
Opening Balance	46,805,001	37,040,000
Additions	8,100,879	8,032,481
Transfer from Property, Plant and Equipment	12,167,783	-
Revaluation Gain	1,004,120	1,732,520
	<u>68,077,783</u>	<u>46,805,001</u>

Investment property was revalued by CVAS (CHC) Limited (trading as Colliers) at 30 June 2024.

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 7.25% yield (2023: 7.00%).

The Serviced Apartments and Independent Villas are valued using the discounted cash flow approach. The major assumptions used in the discounted cash flow analysis are a discount rate of 15.00% (2023: 15.00%), with a compounded growth rate at 2.8% per annum (2023: 2.34%). For the independent villas, a market value compounded growth rate at 3.24% has been adopted (2023: 2.72%). A deduction for expenses such as refurbishment costs, marketing and capital expenditure has also been adopted.

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

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

There is approximately 12,000 square metres of excess land remaining as undeveloped, and is shown within the report has been valued at \$98.00 per square metre (2023: \$60).

During the 2024 financial year, Waitaki District Health Services Limited (WDHSL) transferred the Oamaru Hospital facility from Property, Plant and Equipment to Investment Property due to an agreement to lease it to Health New Zealand (HNZ) following the transfer of operational control effective 30 June 2024. This reclassification aligns with PBE IPSAS 16 as the hospital will now generate rental income.

The carrying amount of the building before the transfer was \$10,583,246, and it was remeasured at a fair value of \$ 12,167,783, resulting in a gain of \$2,099,954 recognised in the revaluation reserve via other comprehensive revenue and expenses.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2024

14. Trade and Other Payables	2024	2023
	\$	\$
Trade Creditors from Exchange Transactions	1,075,833	1,713,270
Accrued expenses from Exchange Transactions	312,901	319,277
Revenue Received in Advance from Exchange Transactions	13,701	9,368
Employment Deductions Payable	-	541,482
GST Payable	548,198	858,696
Total Trade and Other Payables	1,950,633	3,442,093

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

15. Employee Benefit Liabilities	2024	2023
	\$	\$
Accrued Pay	511,755	323,971
Annual Leave	371,065	2,035,959
Long Service Leave	-	91,783
Sick Leave	-	44,310
Continuing Medical Education	-	79,748
Total Employee Benefit Liabilities	882,820	2,575,771

Comprising:

Current	882,820	2,528,746
Non-Current	-	47,025
Total Employee Benefit Liabilities	882,820	2,575,771

As part of the sale of operations the Company has transferred the employee benefit liabilities to HNZ. At 30 June 2024 the balance of these was \$2,470,557

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2024

16. Loans and Borrowings	Current	Non-current	Total
	\$	\$	\$
As at 30 June 2024			
Waitaki District Council - Hospital Funding Loan	-	1,950,000	1,950,000
Waitaki District Council - OV Stage Two, Tranche I	-	156,637	156,637
Waitaki District Council - OV Combined Loans	1,500,000	13,942,001	15,442,001
Total Loans and Borrowings	1,500,000	16,048,638	17,548,638
	Current	Non-current	Total
	\$	\$	\$
As at 30 June 2023			
Waitaki District Council - Hospital Funding Loan	-	1,950,000	1,950,000
Waitaki District Council - OV Stage Two, Tranche I	-	156,637	156,637
Waitaki District Council - OV Combined Loans	-	15,442,001	15,442,001
Total Loans and Borrowings	-	17,548,638	17,548,638

Waitaki District Council

Council holds a general security agreement over all assets of Observatory Village Lifecare Limited, at balance date assets totalled \$69,061,209 (2023: \$60,676,577).

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 Combined Loans

The combined loan, has interest charged at rates set by Council. At 30 June 2024 there was 5.98% (2023: 4.67%) p.a on \$1,500,000, 5.20%(2023: 5.20%) p.a. on \$1,500,000, and 5.32% (2023: 5.32%) on \$12,442,001. The loan repayments commence 30 June 2025 with \$1,500,000 being due with in the next 12 months.

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. In May 2024 the Council has agreed to change the terms and conditions of the funding advance to a term loan for a period of five years. This is secured by the buildings and other assets. The interest rate at 30 June 2024 was 7.89% p.a (2023: 7.10%).

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 2024

17. Obligations to Residents	2024	2023
	\$	\$
Occupation Right Agreements (ORA)	30,934,464	25,222,260
Revenue in Advance	1,762,788	962,532
	<u>32,697,252</u>	<u>26,184,792</u>

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

Fair Value

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

The Obligations to Residents is classified as a current liability as the Group does not have an unconditional right to defer settlement. Settlement occurs when both a terminating event has occurred and there has been a subsequent resale of the licence. In many cases this may be more than 12 months.

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

18. Finance Lease Liabilities	2024	2023
	\$	\$
Current	-	138,528
Non-current	-	484,979
Total	<u>-</u>	<u>623,507</u>

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

Minimum Lease Payments Payable

Less than one year	-	244,309
One to Two years	-	325,030
Two to Five years	-	428,538
Five years and later	-	-
<i>Total minimum lease payments</i>	<u>-</u>	<u>997,877</u>
Future finance charges and lease costs	-	(374,370)
Present value of minimum lease payments	<u>-</u>	<u>623,507</u>

The finance leases remaining at 30 June 2024 were transferred to HNZ as part of the sale of operations. The UDC lease was repaid early with the vehicles being purchased and was transferred to HNZ at 30 June 2024

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2024

19. Shareholders Equity	2024	2023
	\$	\$
(a) Capital		
100 Ordinary Shares		
Total Issued and Paid up Capital	100	100
Total issued shares	100	100
(b) Retained Earnings		
Opening Balance	11,468,130	9,516,959
Surplus/(Deficit) from Operations	1,971,488	1,945,227
Reclassification of Reserves	-	5,943
Retained Earnings	13,439,618	11,468,130
(c) Revaluation Reserve		
Opening Balance	15,630,825	15,636,768
Gain on Revaluation of Property	2,099,954	-
Reclassification from Retained Earnings	-	(5,943)
Revaluation Reserve	17,730,778	15,630,825
Total Shareholder Equity	31,170,496	27,099,054

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

20. Related Party Transactions	2024	2023
	\$	\$
(a) Related Parties		
<u>Waitaki District Council</u>		
Services provided by Council (GST exclusive)	438,117	113,040
Interest paid to Council	1,046,063	84,093
Forgiveness of Debt (GST exclusive)	-	(119,247)
Amounts payable at balance date (GST inclusive)	73,170	66,974

In addition to the transactions noted above, Waitaki District Council has advanced three (2023: three) loans to the Group. The balances and terms of these loans are disclosed in Note 16.

Whitestone Contracting Limited

Services provided by Whitestone Contracting (GST exclusive)	-	135
Amounts payable at balance date (GST inclusive)	-	-

Waitaki District Health Services Trust

The Waitaki District Trust has an Unlimited Supported Guarantee dated 29 October 2019 with Waitaki District Health Services Limited relating to the overdraft facility.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2024

Willow Park Trust

Observatory Village Lifecare Limited received a donation of \$600,000 from Willow Park Trust. Willow Park Trust's Trustee is Ian Hurst, he is also a trustee if Observatory Village Charitable Trust. He has granted \$1,000,000 towards to construction of the Community Centre. An amount of \$400,000 was received last year.

Kathy Grant

Kathy Grant is a Director of Southern Cross CLT Ltd. Southern Cross Healthcare Ltd have a 50% shareholding in Southern Cross CLT Ltd. WDHSL receive private patient income from Southern Cross Healthcare Ltd and have received \$676 income this year (2023: 3,492) with \$nil owing at 30 June 2024 (2023: \$800).

Trevor McGlinchey

Trevor McGlinchey is a Director of Te Ha O Maru Ltd. Te Ha O Maru Ltd provided no services to WDHSL during the financial year (2023: 17,250). There was Nil balance owing at 30 June 2024 (2023: Nil).

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 (NOMG) provided vehicle expense services Observatory Care Limited valued at \$5,190 (GST inclusive) (2023: \$1,038). The services were charged on normal terms and conditions. There was Nil balance owing at 30 June 2024. (2023:Nil).

WDHSL purchased a hoist for the back of a motor vehicle through NOMG in May 2024 for \$15,525 (2023: 3,994); Services were provided by NOMG for \$2,567 with \$NIL owing at balance date. (2023: \$52).

Michelle Sintmaartensdyk

Michelle Sintmaartensdyk is a Director of Observatory Village Care Limited and is also a Director of Oamaru Physiotherapy Clinic Limited. During the year Oamaru Physiotherapy Clinic Limited provided no patient welfare services to Observatory Village Care Limited (GST inclusive) (2023: \$2,174). The services were charged on normal terms and conditions. There was a balance of \$Nil owing at 30 June 2024 (2023: \$Nil).

(b) Key Management and Directors

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

	2024		2023	
	FTE	Remuneration	FTE	Remuneration
		\$		\$
Directors	13.00	268,923	12.00	268,065
Leadership Team	13.00	1,741,116	12.00	1,473,328
Management Entity	-	-	-	-
Total		<u>2,010,039</u>		<u>1,741,393</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.

There were no severance payments made during the year (2023: \$8,111)

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2024

21. Commitments	2024	2023
	\$	\$
The group has the following capital commitments at balance date		
- Observatory Village Lifecare Limited Development	4,582,902	5,564,667
	<u>4,582,902</u>	<u>5,564,667</u>
Non-cancellable operating lease commitments:		
Less than one year	87,500	87,500
One to Two years	87,500	87,500
Two to Five years	262,500	262,500
Five years and later	991,354	1,078,854
	<u>1,428,854</u>	<u>1,516,354</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	1,026,581	22,700
One to Two years	1,026,581	-
Two to Five years	3,053,162	-
Five years and later	5,000,000	-
	<u>10,106,324</u>	<u>22,700</u>

The leases are with HNZ for the rental of the hospital facilities and SCL Otago Southland Limited for the rental of the hospital laboratory. The lease with HNZ is effective subsequent to balance date, at 1 July 2024, but has been disclosed as it is considered to be a material disclosure that relates to discontinued operations and a significant change in the nature of the entity.

The tenant is committed to paying all charges for electricity, telecommunication or other utility services used directly. The tenant shall also pay a fee in reasonable proportion to the landlord's general building outgoings.

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2024

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

	2024	2023
	\$	\$
Net Surplus/(Deficit) from operations	1,971,488	1,945,227
Add/(less) non-cash items		
Depreciation and Amortisation	1,386,846	1,347,365
Forgiveness of Debt	-	(598,709)
Loss/(Gain) on Disposal of Assets	(2,945,113)	43,449
Loss/(Gain) on Revaluation of Investment Property	(1,004,120)	(1,732,520)
Amortisation of Occupation Right Agreements	5,712,204	6,345,760
Interest and servicing cost on leases as shown in Lease Repayments	-	578
Add/(less) movements in working capital		
(Increase)/decrease in trade and other receivables	1,355,332	(218,095)
(Increase)/decrease in prepayments	68,613	89,868
(Increase)/decrease in accrued interest	5,165	17,153
(Increase)/decrease in inventory	214,708	(84,565)
Increase/(decrease) in trade and other payables	(102,539)	(1,022,928)
Increase/(decrease) in employee entitlements	708,071	300,228
Net Cashflow From/(To) Operating Activities	7,370,655	6,432,813

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2024

23. Reconciliation of Liabilities Arising from Financing Activities

	2023	Cash Movements	Non-Cash Movements			2024
			Loan Consolidations	New Leases (Cancelled)	Other Costs	
Loans						
WDC Hospital Funding	1,950,000	-	-	-	-	1,950,000
WDC Stage Two	156,637	-	-	-	-	156,637
WDC Combined Loans	15,442,001	-	-	-	-	15,442,001
Finance Leases						
CT Scanner	230,142	(40,613)	-	-	(189,529)	-
Philips Ultrasound	122,836	(40,578)	-	-	(82,258)	-
Fujifilm Ultrasound	5,468	(5,468)	-	-	-	-
ORIX Motor Vehicles	243,219	(45,966)	-	-	(197,253)	-
UDC Motor Vehicles	21,841	(5,904)	-	-	(15,937)	-
Total	18,172,144	(138,529)	-	-	(484,977)	17,548,638

	2022	Cash Movements	Non-Cash Movements			2023
			Loan Consolidations	New Leases	Other Costs	
Loans						
WDC Hospital Funding	-	1,950,000	-	-	-	1,950,000
WDC Stage Two	156,637	-	-	-	-	156,637
WDC Combined Loans	15,442,001	-	-	-	-	15,442,001
Finance Leases						
CT Scanner	268,361	(38,219)	-	-	-	230,142
Philips Ultrasound	161,629	(38,793)	-	-	-	122,836
Fujifilm Ultrasound	30,150	(24,682)	-	-	-	5,468
ORIX Motor Vehicles	308,876	(42,960)	-	(22,697)	-	243,219
UDC Motor Vehicles	-	(2,728)	-	23,990	579	21,841
Total	16,367,654	1,802,618	-	1,293	579	18,172,144

24. 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 (2023: Nil).

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

There were no contingent assets at balance date (2023: Nil).

Waitaki District Health Services Limited Group

Notes to the Financial Statements

For the year ended 30 June 2024

25. Financial Instruments

Financial Instrument Categories

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

	2024	2023
	\$	\$
Categories of Financial Assets		
Amortised Costs		
Cash and cash equivalents	686,437	2,457,150
Receivables	2,340,207	2,694,272
Term deposits	740,999	720,077
	<u>3,767,645</u>	<u>5,871,499</u>
Categories of Financial Liabilities		
Amortised Costs		
Payables (excluding revenue in advance)	1,936,932	3,432,725
Secured Loans	17,548,638	17,548,638
Occupation Right Agreements	30,934,464	25,222,260
	<u>50,820,034</u>	<u>46,203,623</u>

26. Events After Balance Date

Pending change to Board of Directors

As a result of the sale of the business of the Oamaru Hospital to HNZ, the shareholder has resolved to replace the entirety of the existing 4 directors of WDHSL with 3 new directors from 1st November 2024 due to the change of business operations.

There were no other significant events to disclose after balance date

27. Breach of Statutory Deadline

The Waitaki District Health Services Group was required under section 67(5) of the Local Government Act 2002 to complete its audited financial statements and service performance information by 30 September 2024. 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.

Independent Auditor's Report

TO THE READERS OF WAITAKI DISTRICT HEALTH SERVICES LIMITED'S GROUP FINANCIAL STATEMENTS AND THE STATEMENT OF PERFORMANCE AND MEASURES FOR THE YEAR ENDED 30 JUNE 2024

The Auditor-General is the auditor of Waitaki District Health Services Limited and its controlled entities (collectively referred to as 'the Group'). The Auditor-General has appointed me, Nathan Breckell, using the staff and resources of Grant Thornton New Zealand Audit Limited, to carry out the audit of the financial statements and the statement of performance and measures of the Group, on his behalf.

Opinion

We have audited:

- the financial statements of the Group on pages 20 to 53, that comprise the statement of financial position as at 30 June 2023, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of performance and measures of the Group on pages 8 to 19.

In our opinion:

- the financial statements of the Group:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2024; 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 Group's statement of service performance for the year ended 30 June 2024:
 - presents fairly, in all material respects, for each class of reportable outputs:
 - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
 - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
 - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 24 October 2024. 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 performance information, we comment on other information, and we explain our independence.

Emphasis of Matter

Uncertainty over the future of Waitaki District Health Services Limited

Without modifying our opinion, we draw attention to Note 1 Statement of Accounting Policies, which outlines uncertainties over the future of Waitaki District Health Services Limited (the company) due to the shareholder's announcement to review the operating structure of company going forward. The financial statements have been prepared on a going concern basis of accounting (see note 1), because a final decision has not yet been made by the shareholder at the date of the audit report.

The Group did not report within its statutory reporting deadlineOur audit was completed late

Without modifying our opinion, we draw attention to the fact that 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 September 2024. 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.

Basis for our opinion

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

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

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

Responsibilities of the Board of Directors for the financial statements and the statement of performance and measures

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

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

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

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

Responsibilities of the auditor for the audit of the financial statements and the statement of performance and measures

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

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

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

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

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

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

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

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

Independence

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

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



N Breckell

Grant Thornton New Zealand Audit Limited

On behalf of the Auditor-General

Christchurch, New Zealand