



Clutha Health Incorporated &
Clutha Community Health Company Limited

ANNUAL REPORT

For the year ended 30th June 2017

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Our Vision

To improve the health of our community through leadership and advocacy by being the most enterprising integrated health service in the country.

Our Objectives

- Our services and facilities will meet the health needs of our community. We will ensure that our services are clinically and financially sustainable and are modelled to offer better services, sooner and more conveniently.
- Our services and the other health care providers in our community work together in a cohesive and unified model placing the patient in the centre of what we do.
- We will advocate and be a leader in advancing our model of health that places the patient/person at the centre, resulting in the improvement of their health.
- We will build relationships with both our community and our health partners to ensure a co-ordinated service. We will communicate our achievements through various media locally, regionally and nationally.

Service Area

The service area of Clutha Health First covers the large area in blue below, the Clutha Constituency.



Clutha Health Incorporated Chairman's Review of the year ended 30 June 2017

On behalf of the Board of Clutha Health Incorporated I am pleased to present this the 19th Annual Report.

Redevelopment Projects

As you will be well aware from previous reports and as possible users of the facilities that the previous several years have seen considerable redevelopment work at the Clutha Health Incorporated buildings from which Clutha Community Health Company Ltd operate.



Mr Hamish Anderson

These included a major refurbishment and alteration project, the heating ventilation and air conditioning project. Both of these projects which I will point out were prior to this reporting period have greatly increased the usability of the facility.

By starting these projects we triggered new compliance and building standards which had to be met and signed off. At the present point and time we are finishing off the fire safety system, involving passive fire walls and correct sprinkler placement and size as well as making sure pipe sizes are correct and everything is fit for purpose. This seems to be a very long process but is very important to ensure insurance cover, building warranty standards but most importantly staff and patient safety in the rare chance of a fire event.

Cladding Issue

The James Hardie cladding issue is ongoing and still subject of a class action before the courts. CHI is reviewing what stance it will take and if continuation as part of the class action best serves our needs and what exposure to any product failure we actually face.

Policy Development

A process that had been initiated by earlier boards was the development of new policies where needed and reviewing and updating as required of existing policies. We have made some progress on this and have been concentrating on Health and Safety issues as they relate to landlords and our responsibilities to provide safe buildings for our tenants.

Community Support

Clutha Health Incorporated continued supporting the South Otago Health Support Trust to the level of \$2,500 pa and it was decided to continue this level of support for another two years. It was decided to discontinue the Clutha Wellness Programme at a cost of \$45,000. The Dallas Trust money has been transferred to the South Otago Nurses Trust to be used for assistance in Nurse training.

The Board

In October last year we went through our election process which aligns with the Local Government election process. This saw some new trustees come on to the board. We welcomed Dr David Mason, Kate Anderson, Paul Richardson, Michelle Kennedy, and

Jolene Ollerenshaw. Due to Grant Driver moving to Invercargill and resigning we co-opted Sarah Hayward to join us. We thank Grant for his valuable contribution.

I wish to thank all the board members for their ongoing work and dedication to CHI and ultimately the role it plays in delivering health services to our community.

Thank you to our secretary Karen Sinclair for her continuing high standard of work.

Clutha Community Health Company.

As Clutha Health Incorporated is the 100% owner of Clutha Community Health Company Ltd we congratulate them on another successful year of operation in delivering health services to the people of the Clutha District. We as a Board take very seriously our role of appointing the directors of CCHCL and work to ensure that we have good lines of communication so we understand the skill set that the CCHCL are looking for.

Financial Performance

This will be covered off in much greater detail in this annual report but to summarise we have had a successful financial year.

Revenues from interest and rent \$387,138, operating expenses (excluding depreciation) \$117,299 and accumulated funds of \$10,674,738 means that we are in a sound financial position.

Over the past year, we were very grateful to receive a grant of \$50,000 from the Community Trust of Otago which was applied towards the heating and ventilation project.

We as a board are pleased to have served you the people of the Clutha District and of being a part of providing you with health services.

A handwritten signature in black ink, reading "H. C. Anderson". The signature is written in a cursive, flowing style.

Hamish Anderson
Chairman, Clutha Health Incorporated.

Clutha Health Incorporated
Annual Report
For the Year ended 30 June 2017

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The Trustees hereby approve the financial statements for the year ended 30 June 2017
for and on behalf of the Board of Trustees:



Hamish Anderson (Chairman - Trustee)

26 September 2017

Independent Auditor's Report

to the Board of Trustees of Clutha Health Incorporated

Our Opinion

We have audited the financial statements of Clutha Health Incorporated (the Society) and the Group, comprising the Society and its subsidiary, Clutha Community Health Company Limited, which comprise the statements of financial position as at 30 June 2017 and the statements of comprehensive revenue and expense, the statements of changes in net assets/equity and the statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society and Group as at 30 June 2017 and their financial performance and cash flows for the year ended on that date in accordance with the accounting standard, Public Benefit Entities Standards Reduced Disclosure Regime (PBE Standards RDR).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Society and Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditors we have no relationship with, or interests in, the Society or its subsidiary.

Information Other than the Financial Statements and Auditor's Report

Other information included with the financial statements comprises the entity information and the statement of service performance. The Board is responsible for this other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. We are required to report any misstatement of other information. We have nothing to report in this regard.

Board's Responsibilities for the Financial Statements

The Board is responsible, on behalf of the Society, for the preparation and fair presentation of the financial statements in accordance with Public Benefit Entities Standards Reduced Disclosure Regime (PBE Standards RDR) and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material, if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the External Reporting Board website:

https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page7.aspx

This report is made solely to the Board of Trustees as a body. Our audit work has been undertaken so that we might state to the Society's Board of Trustees those matters which we are required to state in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's Board of Trustees, as a body, for our audit work, for this report or for the opinions we have formed.



Chartered Accountants
29 September 2017

Dunedin

Clutha Health Incorporated

Entity Information

As at 30 June 2017

Legal Name of Entity:	Clutha Health Incorporated
Entity Type:	The entity is incorporated under the Incorporated Societies Act No 887717. It is a registered charity under the Charities Act 2005.
Entity Structure:	10 person Board of Trustees; 5 elected by the community (residents of the area covered by the Clutha District), 3 elected by facility, 1 appointed by Clutha District Council, 1 appointed by Local Iwi.
Registration Numbers:	IRD: 069-423-620 Charities Commission: CC11365
Contact Details:	Physical Address: 9/11 Charlotte Street, Balclutha Postal Address: P O Box 46, Balclutha Phone: 03 4190500 Email: pete.karen@rivernet.co.nz Website: www.cluthahealth.co.nz
Board Members:	Hamish Anderson (Chairperson), Helen Keen, Jennifer O'Connell, Mervyn Jones, Jolene Ollerenshaw, Kate Anderson, Michelle Kennedy, Paul Richardson, David Mason, Sarah Hayward
Accountants:	Shand Thomson
Auditors:	Audit Professionals
Bankers:	Bank of New Zealand
Main Sources of Cash and Resources:	Rental Income Investment Income Grants from Charitable Funds

Entity's Reliance on Volunteers and Donated Goods and Services:

Trustees receive a modest honorarium

Clutha Health Incorporated

Statement of Service Performance For the Year Ended 30 June 2017

Description of the Entity's Outcomes

Clutha Health Incorporated's mission is to relieve sickness and ill health principally amongst the residents of the Clutha District.

To fulfil this objective the society built, owns and maintains a purpose built health facility, which it leases to Clutha Community Health Company Limited. It also owns Clutha Community Health Company Limited, which is the provider of hospital and a wide range of community health services, including General Practice to the Clutha District community.

In addition Clutha Health Incorporated has provided monetary scholarships to residents of the district who are studying for health related qualifications and until December 2016 funded a Wellness Programme that is contracted to Sport Otago.

Description and Quantification of the Entity's Outputs

- Maintenance and Upgrade of our Integrated Health Facility:
At balance date the society had almost completed a \$1.2 million major upgrade of the mechanical systems and as well as maintenance and refurbishment of the inpatient and maternity wards. This will provide improved conditions for staff and patients and public.
- Health Scholarship:
Payments totalling \$6,000 were made to six students from the Clutha District who are studying for health sector qualifications (2016 \$8,000 to eight students).
- Wellness Programme:
Until December 2016 monthly wellness programme flyers were sent out to households in the Clutha District encouraging participation in seminars, practical health related sessions and information events.
- Clutha Community Health Company Limited
The society appoints the directors of the company utilising a skills matrix designed to achieve effective governance. The matrix focuses on securing an appropriate mix of clinical, sector, commercial, financial, community and iwi representation, while also considering the benefits of diversity. The society receives monthly and annual reports about the company's activities and its progress in achieving its goals and objectives.

Clutha Health Incorporated

Statement of Cash Flows For the Year ended 30 June 2017

		Group		Parent	
	Note	2017 \$	2016 \$	2017 \$	2016 \$
Cash Flows from Operating Activities					
<i>Cash was received from:</i>					
Donations, fundraising & other similar receipts		51,643	1,459	50,000	-
Receipts from providing goods or services		9,840,290	9,255,023	385,164	385,164
Interest, dividends & other investment receipts		54,618	127,626	2,174	27,146
Net goods & services tax		129,811	(94,697)	89,592	(89,626)
		10,076,362	9,289,411	526,930	322,684
<i>Cash was applied to:</i>					
Payments to suppliers & employees		8,926,509	8,995,681	104,494	58,093
Donations or grants paid		-	2,500	-	2,500
		8,926,509	8,998,181	104,494	60,593
Net Cash Flows from Operating Activities	19	1,149,853	291,230	422,436	262,091
Cash Flows from Investing & Financing Activities					
<i>Cash was provided from:</i>					
Receipts from the sale of property, plant & equipment		1,304	9,461	-	-
Receipts from Term Deposit Maturities		1,380,524	20,000	-	-
Receipts from new related party loans		-	-	60,000	-
		1,381,828	29,461	60,000	-
<i>Cash was applied to:</i>					
Payments to acquire property, plant and equipment		725,471	739,610	514,332	528,794
Payments to purchase investments		1,765,060	101,748	184,536	1,748
		2,490,531	841,358	698,868	530,542
Net Cash Flows to Investing and Financing Activities		(1,108,703)	(811,897)	(638,868)	(530,542)
Net Increase (Decrease) in Cash Held		41,150	(520,667)	(216,432)	(268,451)
Opening Cash & Bank Balances		1,620,769	2,141,436	374,845	643,296
Closing Cash and Bank Balances		\$1,661,919	\$1,620,769	\$158,413	\$374,845
Represented by:					
Bank of New Zealand Current Account		299,019	396,230	50,713	165,954
Bank of New Zealand Call Account & Short Term Deposits		1,362,900	1,224,539	107,700	208,891
Total Cash at Bank		\$1,661,919	\$1,620,769	\$158,413	\$374,845

Clutha Health Incorporated

Statement of Comprehensive Revenue and Expense For the Year ended 30 June 2017

		Group		Parent	
	Note	2017	2016	2017	2016
		\$	\$	\$	\$
Revenue from Exchange Transactions					
Contract Services		684,274	771,948	-	-
District Health Board Funding		5,958,848	5,205,080	-	-
Gain on Disposal	9	1,304	9,036	-	-
General Practice Consultation Fees		1,287,450	1,095,917	-	-
General Practice Education Programme		10,511	-	-	-
Interest Revenue		69,798	108,025	1,974	19,238
PHO Revenue		1,672,967	1,449,363	-	-
Rental Revenue		139,813	143,376	385,164	385,164
Service Charges		-	142,452	-	-
Sundry Income		31,088	36,360	-	-
Tutoring Students		65,966	57,201	-	-
Revenue from Non-Exchange Transactions					
Grants Revenue		50,000	-	50,000	-
Total Revenue		9,972,019	9,018,758	437,138	404,402
Expenditure					
Admin/Office Expenses		193,601	211,595	9,723	13,155
Depreciation	9	466,731	423,315	273,470	256,205
Estate Expenses		355,620	383,607	21,577	6,157
External Clinical Contracts & Services		840,296	817,704	22,500	45,000
Governance Expenses	10	153,238	192,264	46,542	35,628
Household Expenses		261,585	258,585	-	-
Personnel Costs	10	6,660,890	6,212,563	-	-
Transport Expenses		93,596	87,950	-	-
Treatment Expenses		342,657	288,982	-	-
Distribution from Dallas Nursing Bursaries		16,957	-	16,957	-
		9,385,171	8,876,565	390,769	356,145
Surplus for the Year from Continuing Activities		586,848	142,193	46,369	48,257
Total Comprehensive Revenue & Expenses for the Year		\$586,848	\$142,193	\$46,369	\$48,257

Clutha Health Incorporated

Statement of Changes in Net Assets/Equity For the Year ended 30 June 2017

Group	Note	Charitable Trust Reserves	Building Revaluation Reserves	Accumulated Comprehensive Revenue & Expenses	Total Net Assets/Equity
Balance at 30 June 2015		45,720	3,800,656	9,347,860	13,194,236
Changes in Net Assets/Equity for 2016					
Total Comprehensive Revenue & Expenses for the Year		1,747	-	140,446	142,193
Balance at 30 June 2016 Carried Forward		47,467	3,800,656	9,488,306	13,336,429
Balance at 30 June 2016 Brought Forward		47,467	3,800,656	9,488,306	13,336,429
Changes in Net Assets/Equity for 2017					
Total Comprehensive Revenue & Expenses for the Year		(15,470)	-	602,318	586,848
Balance at 30 June 2017	21	<u>\$31,997</u>	<u>\$3,800,656</u>	<u>\$10,090,624</u>	<u>\$13,923,277</u>

Parent		Charitable Trust Reserves	Building Revaluation Reserves	Accumulated Comprehensive Revenue & Expenses	Total Net Assets/Equity
Balance at 30 June 2015		45,720	3,800,656	6,733,736	10,580,112
Changes in Net Assets/Equity for 2016					
Transfers					
Total Comprehensive Revenue & Expenses for the Year		1,747	-	46,510	48,257
Balance at 30 June 2016 Carried Forward		47,467	3,800,656	6,780,246	10,628,369
Balance at 30 June 2016 Brought Forward		47,467	3,800,656	6,780,246	10,628,369
Changes in Net Assets/Equity for 2017					
Total Comprehensive Revenue & Expenses for the Year		(15,470)	-	61,839	46,369
Balance at 30 June 2017	21	<u>\$31,997</u>	<u>\$3,800,656</u>	<u>\$6,842,085</u>	<u>\$10,674,738</u>

Clutha Health Incorporated
Statement of Financial Position
As at 30 June 2017

		Group		Parent	
	Note	2017	2016	2017	2016
		\$	\$	\$	\$
Assets					
Current Assets					
Cash & Cash Equivalents	11	1,661,919	1,620,769	158,413	374,845
Short Term Bank Deposits	12	1,195,958	927,946	231,958	47,422
Prepayments		41,894	46,280	-	-
Medical Supplies		80,477	73,692	-	-
Goods & Services Tax Accrued		-	-	-	70,834
Accounts Receivable	15	831,620	808,830	265	195,836
		<u>3,811,868</u>	<u>3,477,517</u>	<u>390,636</u>	<u>688,937</u>
Non Current Assets					
Property, Plant & Equipment	9	10,525,667	10,438,387	9,830,076	9,760,607
Intangibles & Goodwill	14	100,000	100,000	-	-
		<u>10,625,667</u>	<u>10,538,387</u>	<u>9,830,076</u>	<u>9,760,607</u>
Investments					
Long Term Bank Deposits	12	876,524	760,000	-	-
Shares Clutha Community Health Co Ltd		-	-	625,000	625,000
		<u>876,524</u>	<u>760,000</u>	<u>625,000</u>	<u>625,000</u>
Total Assets		<u>15,314,059</u>	<u>14,775,904</u>	<u>10,845,712</u>	<u>11,074,544</u>
Less Current Liabilities					
Accounts Payable	8	422,002	726,665	75,259	446,175
Employee Entitlements	17	755,701	646,499	-	-
Goods & Services Tax Accrued		196,122	66,311	18,758	-
South Otago Nurses Trust Fund (Dallas Fund)		16,957	-	16,957	-
Advance Clutha Community Health Co Ltd	7	-	-	60,000	-
		<u>1,390,782</u>	<u>1,439,475</u>	<u>170,974</u>	<u>446,175</u>
Total Net Assets		<u>\$13,923,277</u>	<u>\$13,336,429</u>	<u>\$10,674,738</u>	<u>\$10,628,369</u>
Net Assets/Equity					
Charitable Trust Reserves		31,997	47,467	31,997	47,467
Building Revaluation Reserves		3,800,656	3,800,656	3,800,656	3,800,656
Accumulated Comprehensive Revenue & Expenses		10,090,624	9,488,306	6,842,085	6,780,246
Total Net Assets/Equity	21	<u>\$13,923,277</u>	<u>\$13,336,429</u>	<u>\$10,674,738</u>	<u>\$10,628,369</u>

H.C. Anderson

Hamish Anderson (Chairman - Trustee)

26 September 2017

This information should be read in conjunction with the notes to the financial statements.

Clutha Health Incorporated

Notes to the Financial Statements For the Year ended 30 June 2017

Note 1 – Statement of Accounting Policies

Reporting Entity

The financial statements are for the reporting entity Clutha Health Incorporated (the Society) which was registered on the 18th December 1997 under the provisions of the Incorporated Societies Act 1908. The Society became a registered charity under the Charities Act 2005 on the 15 of October 2007.

The financial statements were authorised for issue by the Trustees on the date signed on page 8.

Basis of Preparation

The financial statements for the Society and its subsidiary Clutha Community Health Company Ltd (the 'Company'), together with the group, have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ('NZ GAAP'). They comply with the Public Benefit Entity Standards Reduced Disclosure Regime ('PBE Standards RDR') as appropriate for Tier 2 not-for-profit public benefit entities, for which all reduced disclosure regime exemptions have been adopted.

The Group qualifies as a Tier 2 reporting entity as for the two most recent reporting periods operating expenditure has been between \$2 million and \$30 million.

There is no public accountability.

Functional and Presentation Currency

The financial statements are presented in New Zealand dollars (\$) which is the Society's and Group's functional and presentation currency, rounded to the nearest dollar. There has been no change in the functional currency during the year.

Use of Judgements and Estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

- The judgement made in applying accounting policies that has had the most significant effect on the amounts recognised in the financial statements is to consider that residual balances of payments for goodwill made earlier than the current financial year are impaired to the point of no value.
- Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustments in the year ended 30th June 2017 include:
 - No expenses have been written off after two years without being invoiced (2016 \$22,991)
 - Provision for bad debts is \$16,000 (2016 \$17,000)
 - Useful life of depreciable assets (see below)

Particular Accounting Policies

The following particular accounting policies adopted in the financial statements have a significant effect on the results and financial position.

■ Revenue Recognition from Exchange Transactions

Funding for services performed is recognised as revenue in the year that the services are performed. Rental income and interest received are recorded as revenue in the period earned. Sales of services are recognised in the accounting period in which the services are rendered.

■ Goods & Services Tax (GST)

The group is registered for GST.

The financial statements have been prepared on a "GST exclusive" basis with the exception of accounts receivable and accounts payable, which are disclosed inclusively.

■ Inventories

Drugs and consumables on hand are valued at the lower of cost using the first in first out basis, or net realisable value.

■ Investments

Investments have been recorded at cost less impairment.

■ Accounts Receivable

Accounts receivable are recognised initially at fair value less provision for doubtful debts. Bad debts are written off in the year in which they are identified. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off.

A provision for doubtful receivables is established when there is objective evidence that the Society and Company will not be able to collect all amounts due according to the original terms of receivables with the amount of the provision recognised in the Statement of Financial Performance.

■ Taxation

Clutha Health Incorporated (the parent) and Clutha Community Health Company Ltd (the subsidiary) have charitable status and are therefore exempt from income tax. The Society became a registered charity under the Charities Act 2005 on the 15 of October 2007. The Company became a registered charity under the Charities Act 2005 on the 24 January 2008.

■ Employee Entitlements

Clutha Health Incorporated has no liability for annual, alternate or long service leave. Clutha Community Health Company Ltd makes provision for annual, alternate and long service leave. All leave has been calculated on an actual entitlement basis at current rates of pay.

■ Cash and Cash Equivalents

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

■ Intangible Assets

Goodwill represents the excess of the cost of acquisition over the fair value of the Company's share of the net identifiable assets of the acquired general practices at the date of acquisition. Goodwill on acquisition of practices is included in intangible assets. Goodwill is carried at cost less impairment losses. Impairment is reviewed at each reporting date and adjusted if appropriate.

■ **Property, Plant and Equipment**

Land and buildings are initially measured at cost and subsequently measured under the revaluation model at fair value and, for buildings, less accumulated depreciation and accumulated impairment loss. The most recent valuation was a market valuation in 2013. Other assets are stated at cost less accumulated depreciation and impairment.

■ **Investments**

Shares in Clutha Community Health Co Ltd are recorded in the Parent at cost less any impairment loss.

■ **Depreciation**

Depreciation on Property, Plant & Equipment, other than freehold land, is calculated so as to allocate the cost or value of the assets less their residual values over their estimated useful lives.

The depreciation rates used in the preparation of these statements are as follows:

Land	Nil
Buildings	40 Years Straight Line
Leasees Improvements Other	10 Years Straight Line
Leasees Improvements Helipad	50 Years Straight Line
Furniture & Fittings	10 Years Straight Line
Plant & Equipment	8 Years Straight Line
Office Equipment & IT	4 Years Straight Line
Motor Vehicles	4 Years Straight Line

Incomplete projects are not depreciated, and costs associated with projects that do not go ahead are written off.

■ **Basis of Consolidation**

Clutha Health Incorporated owns 100% of the shares in the subsidiary, Clutha Community Health Company Ltd.

Clutha Health Incorporated may benefit from the activities of Clutha Community Health Company Ltd in terms of being able to receive a distribution from the Company's surpluses. The Society is exposed to the risk of a potential loss by the Company by means of a cross guarantee. The Society also has the ability to achieve some of its social objectives through its ownership of Clutha Community Health Company Ltd.

The consolidated financial statements include Clutha Health Incorporated and Clutha Community Health Company Ltd which are accounted for using the purchase method. The effects of all inter-entity transactions have been eliminated on consolidation. In the parent's financial statements the investment in the subsidiary is recognised at cost.

Changes in Accounting Policies

There have been no significant changes in accounting policies from those applied last year.

Note 2 - Events Subsequent to Balance Date

The Trustees have accepted a construction contract of \$80,405 on the 7th July 2017. The construction commenced on the 14th August 2017 and was expected to be completed by the end of the 2018 financial year.

The Trustees are not aware of any matters or circumstances since the end of the financial year, not otherwise dealt with in this report, which has significantly or may significantly affect the operation of Clutha Health Incorporated or the Group, the results of these operations, or the state of affairs of the Society. In the opinion of the Trustees, the Society's affairs are in a satisfactory state.

Note 3 - Contingent Liabilities

Clutha Health Incorporated has a cross guarantee to the Bank of New Zealand for any borrowings by Clutha Community Health Company Ltd. As at balance date there is no indebtedness (2016 \$Nil).

The government specified suspensory loan of \$2,600,000 was remitted in June 2004, however the Ministry of Health continues to hold security for payment of \$2,600,000 on demand as a rental, which will only be activated in the event that Clutha Health Incorporated ceases to provide health or disability services from the premises (2016 \$2,600,000). There are no plans to move premises.

There are no other contingent liabilities at balance date (2016 limited to \$300,000).

Note 4 - Capital Commitments

Clutha Health Incorporated has a contractual commitment for the completion of works on the redevelopment of the Charlotte Street Building. The commitments post balance date are amounts yet to be certified of \$39,651 (2016 \$279,865).

A further \$60,000 is payable for goodwill in January 2018 to Dr Visagie, provided he is still working for the company in his current capacity in January 2018 (2016 \$60,000).

There are no capital commitments at balance date.

Note 5 - Directors & Officers Indemnity Insurance

In accordance with the Constitution and the Companies Act 1993, the Company has given indemnities to and effected insurance for, Directors and Officers of the Company relating to any liabilities or costs incurred for any act or omission in their capacity as Directors or Officers of the Company.

Note 6 – Leased Assets

Operating Leases

Clutha Health Incorporated has no operating leases.

Clutha Community Health Company Ltd leases premises from the Salvation Army on a nine year term for \$12,285 per annum, starting 1 August 2014.

	Group		Parent	
	2017	2016	2017	2016
The financial obligations under the above leases are:	\$	\$	\$	\$
Not later than one year	\$12,285	\$12,285	\$Nil	\$Nil
Later than one and not longer than five years	\$49,140	\$49,140	\$Nil	\$Nil
Later than five years	\$13,309	\$37,879	\$Nil	\$Nil

There are no other material operating leases.

Finance Leases

There are no finance leases.

Note 7 - Related Party Information

Clutha Health Incorporated is an Incorporated Society. Its major source of revenue is the rental of premises to Clutha Community Health Company Ltd, which is 100% owned by the Society. The annual rental was \$385,164 (2016 \$385,164), which has been eliminated on consolidation.

Clutha Health Community Company Ltd advanced \$60,000 to Clutha Health Incorporated during the year (2016 \$Nil) and this amount is owing to Clutha Health Community Company Ltd at 30 June 2017.

Note 7 - Related Party Information (continued)

The following interests are noted:

- Brian Dodds is a Director on the board of Clutha Community Health Company Ltd. He also holds the position of Chairperson.
- Helen Keen, David Mason and Jolene Ollerenshaw are employees of Clutha Health Community Health Company Ltd.
- Mervyn Jones is a Director of Peggydale Ltd. Clutha Health Incorporated purchases supplies from this business. These services are supplied on normal commercial terms.
- Mervyn Jones has a family connection with Southern Plumbing and Heating Ltd. Clutha Health Incorporated purchases services from this business. These services are supplied on normal commercial terms.
- Clutha Community Health Company Ltd purchases accountancy and advisory services from Shand Thomson, an accounting firm in which Brian Dodds, a Director, was a Director, Shareholder and consultant and Jim Johnstone, a Director, and his spouse are Directors and Shareholders. These services were supplied on normal commercial terms.
- Dr Branko Sijnja, a Director of Clutha Community Health Company Ltd, was paid wages during the year in his capacity of employee of \$49,156 (2016 \$40,721).
- SCL Otago Southland Ltd (SCLOS) is a tenant of the Company. Dr Branko Sijnja was a Director of SCLOS until 24 December 2015. The Company received rent and tenant recoveries during the year of \$14,886 (2016 \$13,455).
- Dr Conway Powell and his spouse are Directors and shareholders of Powell Consultancy Ltd, which provides services to the Royal New Zealand College of General Practitioners, Ministry of Health, District Health Boards and Primary Health Organisations.
- Dr Branko Sijnja was an elected board member of the Southern District Health Board (SDHB) (previously Otago District Health Board) until 17 June 2015. Jim Johnstone's spouse is a consultant to SDHB. The SDHB provides funding under the contractual agreement, as well as renting consultant rooms, and contracting services to be provided by the Company.

	Group		Parent	
	2017	2016	2017	2016
	\$	\$	\$	\$
Income Received	6,651,865	5,508,261	-	-
Owed by SDHB at balance date	533,374	557,956	-	-
Purchases Made	269,931	138,949	-	-
Owed to SDHB at balance date	48,820	67,453	-	-

- Paul Menzies, Director, is a Trustee of Wellsouth Primary Health Organisation (PHO). The Company received funding of \$1,677,477 from Wellsouth PHO during the year (2016 \$1,449,363).

	Group		Parent	
	2017	2016	2017	2016
	\$	\$	\$	\$
Income Received	1,677,477	1,449,363	-	-
Owed by Wellsouth at balance date	23,571	51,096	-	-

- Outstanding balances at 30 June 2017 owed to (from) related parties are as follows:

	Group		Parent	
	2017	2016	2017	2016
	\$	\$	\$	\$
Clutha Community Health Co Ltd	-	-	(97)	(194,370)
Clutha Community Health Co Ltd	-	-	2,275	1,437
Peggydale Ltd	-	74	-	74

Note 8 – Accounts Payable

	Group		Parent	
	2017	2016	2017	2016
	\$	\$	\$	\$
Trade Creditors	294,748	622,844	25,347	388,153
Retentions Withheld	44,736	51,122	44,736	51,122
Accruals	82,518	52,699	5,176	6,900
Payables under Exchange Transactions	\$422,002	\$726,665	\$75,259	\$446,175

Note 9 - Property, Plant & Equipment

Land is recorded at market value. Buildings have been recorded at depreciated replacement cost, as established in 2013 by Chapman Consultancy (registered valuers). Additions since that date have been recorded at cost. Buildings have then been depreciated. The depreciated replacement cost of buildings in 2013 was \$8,705,000, with the restatement cost being \$10,615,000 (both values provided by Chapman Consultancy).

The Society commissions a market valuation on a regular basis of three to five years, and adjusts the carrying value of land and buildings accordingly.

	Group		Parent	
	2017	2016	2017	2016
	\$	\$	\$	\$
Land				
Cost Price	548,693	548,693	548,693	548,693
Revaluation to Market Value	471,307	471,307	471,307	471,307
Less Accumulated Depreciation	-	-	-	-
Closing Book Value	<u>\$1,020,000</u>	<u>\$1,020,000</u>	<u>\$1,020,000</u>	<u>\$1,020,000</u>
Buildings				
Cost Price	6,780,635	6,780,635	6,780,635	6,780,635
Less Accumulated Depreciation to 2013	(1,404,984)	(1,404,984)	(1,404,984)	(1,404,984)
Plus Revaluation to Depreciated Replacement Cost Per Chapman Consultancy	3,329,349	3,329,349	3,329,349	3,329,349
Closing Book Value as at 30 June 2013	<u>8,705,000</u>	<u>8,705,000</u>	<u>8,705,000</u>	<u>8,705,000</u>
Plus 2014 Development at Cost Price	78,000	78,000	78,000	78,000
Less Depreciation 2014 Year	(253,725)	(253,725)	(253,725)	(253,725)
Plus 2015 Heating at Cost Price	17,281	17,281	17,281	17,281
Less Depreciation 2015 Year	(254,700)	(254,700)	(254,700)	(254,700)
Plus Building Redevelopment 2016 Year	704,956	704,956	704,956	704,956
Less Depreciation 2016 Year	(256,205)	(256,205)	(256,205)	(256,205)
Plus Building Redevelopment 2017 Year	342,939	-	342,939	-
Less Depreciation 2017 Year	(273,470)	-	(273,470)	-
	<u>8,810,076</u>	<u>\$8,740,607</u>	<u>8,810,076</u>	<u>\$8,740,607</u>
Total Closing Book Value	<u>\$9,830,076</u>	<u>\$9,760,607</u>	<u>\$9,830,076</u>	<u>\$9,760,607</u>

Note 9 - Property, Plant & Equipment (continued)

Other fixed assets are recorded at cost less accumulated depreciation, and have been assessed for impairment.

	Group		Parent	
	2017	2016	2017	2016
	\$	\$	\$	\$
Leasehold Improvements				
Opening Cost	224,883	59,936	-	-
Additions(Disposals)	58,531	164,948	-	-
Closing Cost	283,414	224,883	-	-
Less Accumulated Depreciation	56,820	36,787	-	-
Closing Book Value	<u>\$226,594</u>	<u>\$188,096</u>	<u>-</u>	<u>-</u>
Depreciation Current Year	\$20,033	\$6,379	-	-
Furniture & Fittings				
Opening Cost	285,348	258,601	-	-
Additions(Disposals)	66,096	26,747	-	-
Closing Cost	351,444	285,348	-	-
Less Accumulated Depreciation	238,260	220,599	-	-
Closing Book Value	<u>\$113,184</u>	<u>\$64,749</u>	<u>-</u>	<u>-</u>
Depreciation Current Year	\$17,661	\$11,244	-	-
General Plant/Equipment				
Opening Cost	779,219	734,106	-	-
Additions(Disposals)	29,523	45,113	-	-
Closing Cost	808,742	779,219	-	-
Less Accumulated Depreciation	599,932	545,490	-	-
Closing Book Value	<u>\$208,810</u>	<u>\$233,729</u>	<u>-</u>	<u>-</u>
Depreciation Current Year	\$54,442	\$59,381	-	-
Office Equipment & IT				
Opening Cost	270,536	250,586	-	-
Additions(Disposals)	35,934	19,950	-	-
Closing Cost	306,470	270,536	-	-
Less Accumulated Depreciation	252,758	220,477	-	-
Closing Book Value	<u>\$53,712</u>	<u>\$50,059</u>	<u>-</u>	<u>-</u>
Depreciation Current Year	\$32,278	\$33,856	-	-
Motor Vehicles				
Opening Cost	358,690	340,776	-	-
Additions(Disposals)	11,213	17,914	-	-
Closing Cost	369,903	358,690	-	-
Less Accumulated Depreciation	276,612	217,543	-	-
Closing Book Value	<u>\$93,291</u>	<u>\$141,147</u>	<u>-</u>	<u>-</u>
Depreciation Current Year	\$68,847	\$56,520	-	-

Note 9 - Property, Plant & Equipment (continued)

	Group		Parent	
	2017	2016	2017	2016
	\$	\$	\$	\$
Gain on Disposal	1,304	9,036	-	-
Total Depreciation for the Year	<u>\$466,731</u>	<u>\$423,315</u>	<u>\$273,470</u>	<u>\$256,205</u>
Total Property, Plant & Equipment	<u>\$10,525,667</u>	<u>\$10,438,387</u>	<u>\$9,830,076</u>	<u>\$9,760,607</u>

Note 10 – Remuneration

The amounts disclosed in the following table are recognised as expenses during the reporting period related to key management personnel (KMP) and include short-term benefits and directors' fees. The group has two key management personnel, determined on full-time equivalent basis, who received compensation from the group during the year (2016: two key management personnel on full time equivalent basis).

	2017	2016
	\$	\$
Trustees (0.15 FTE)	17,080	22,300
Board of Directors (0.36 FTE)	32,917	42,000
Executive Management (2 FTEs)	388,855	358,696
Total Paid to Key Management Personnel	<u>\$438,852</u>	<u>\$422,996</u>

The group did not provide any compensation at non-arm's length terms to key management personnel and close family members of key management personnel during the year (2016 \$Nil). The Company has no long-term benefits for its key management personnel.

There are no loans and advances transactions and outstanding balances made to/received from key management personnel during the year (2016 \$Nil).

Note 11 – Cash and Cash Equivalents

Per annum annual interest rate ranges applicable to components of cash and cash equivalent:

	2017	2016
	0.10%	0.55%
Call Deposits		

There are no restrictions over any of the cash and cash equivalent balances held by the group.

Note 12 – Investments

Per annum annual interest rate ranges applicable to components of short and long term deposits is 2.75% - 4.20% (2016 3.15% - 4.60%)

Parent

	2017			2016		
	Maturity Date	Amount	Interest Rate	Maturity Date	Amount	Interest Rate
BNZ #3014	14/11/17	\$31,958	3.15%	19/12/16	\$47,422	3.15%
BNZ #3041	21/09/17	\$100,000	2.75%	-	-	-
BNZ #3042	20/11/17	\$100,000	3.15%	-	-	-
		<u>\$231,958</u>			<u>\$47,422</u>	

Group

	2017			2016		
	Maturity Date	Amount	Interest Rate	Maturity Date	Amount	Interest Rate
ANZ #1001	01/10/18	\$350,000	3.60%	30/09/16	\$350,000	4.60%
ANZ #1002	13/07/17	\$250,000	4.20%	13/04/17	\$250,000	4.20%
ANZ #1004	26/03/18	\$200,000	3.80%	-	-	-
ANZ #1005	25/09/17	\$100,000	3.75%	-	-	-
BNZ #3014	14/11/17	\$31,958	3.15%	19/12/16	\$47,422	3.15%
BNZ #3041	21/09/17	\$100,000	2.75%	-	-	-
BNZ #3042	20/11/17	\$100,000	3.15%	-	-	-
BNZ #3123	01/03/19	\$276,524	3.85%	01/03/17	\$276,524	3.85%
BNZ #3124	09/11/17	\$154,000	3.60%	10/11/16	\$254,000	3.55%
Westpac #0001	16/10/17	\$260,000	3.77%	16/10/17	\$260,000	3.77%
Westpac #0002	14/01/19	\$250,000	3.70%	13/01/17	\$250,000	4.14%
		<u>\$2,072,482</u>			<u>\$1,687,946</u>	

Note 13 - Financial Instruments**Credit Risk**

Financial Instruments which potentially subject the Group to concentrations of credit risk consist principally of cash, short term deposits, receivables and investments. The Group places its cash and short term investments with high credit rated financial institutions. Receivables are presented net of the allowance for doubtful receivables. There are no collateral securities to support financial investments due to the quality of the receivables and investments dealt with.

Fair Value

Cash, short term deposits, managed funds, receivables, accounts payable and short term borrowings have a carrying amount that is equivalent to their fair value.

Currency & Interest Rate Risk

There is no currency risk as all transactions are in New Zealand dollars. Short term deposits are used to minimise interest risk. There are no off balance sheet financial instruments at balance date, nor have there been any during the financial year.

Note 13 - Financial Instruments (continued)

Categories of Financial Instruments

The following table summarises the categories of the group's financial instruments:

	Note	2017 \$	2016 \$
Loans & Receivables			
Cash & Cash Equivalents	11	1,661,919	1,620,769
Trade & Other Receivables	15	831,620	808,830
Investments in Bank Term Deposits	12	2,072,482	1,687,946
Total Financial Assets		<u>\$4,566,021</u>	<u>\$4,117,545</u>

	Note	2017 \$	2016 \$
Financial Liabilities at Amortised Cost			
Trade & Other Payables	8 & 17	1,177,703	1,373,164
Total Financial Liabilities		<u>\$1,177,703</u>	<u>\$1,373,164</u>

Financial Assets

The group's financial assets include its cash, short-term deposits, and various receivables. The group recognises financial assets when it becomes party to a contract. These assets may be classified into the categories of financial assets depending of the group's intention to hold them and the nature of the investments.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through surplus or deficit, transaction costs that are attributable to the acquisition of the financial asset. The subsequent measurement and presentation of the financial assets will vary depending on their category.

All financial assets held by the group in the years reported have been designated into the following classification, "loans and receivables". Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and these comprise cash and cash equivalents, trade and other receivables and short-term deposits. The financial assets are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The group's financial liabilities are classified as "financial liabilities measured at amortised cost", which are subsequently measured at amortised cost using the effective interest method. Financial liabilities at amortised cost comprise trade and other payables.

At each reporting date, the group assesses whether the financial assets are impaired and when there is objective evidence of impairment, the carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in surplus or deficit.

For financial assets carried at amortised cost, the criterion used to determine whether objective evidence of impairment exists is the asset's collectability. Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. An impairment provision is recognised when there is objective evidence that the group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment.

A financial asset is derecognised primarily when: (a) the rights to receive cash flows from the asset have expired, or (b) the group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party.

Note 14 – Intangible Assets

Intangible assets represent goodwill on the purchase of Dr Visagie's practice in February 2016, and has been assessed as cost price (no impairment).

	Cost	Purchase Date	2017 Closing Book Value	2016
	\$		\$	\$
Goodwill Dr A Visagie	100,000 ⁽¹⁾	01/02/2016	100,000	100,000

⁽¹⁾ In accordance with the agreement for the purchase of Dr Visagie's practice, he is to be paid a further \$60,000 in January 2018, provided he is still working for the company in his current capacity.

Note 15 – Accounts Receivable

	Group		Parent	
	2017	2016	2017	2016
	\$	\$	\$	\$
Gross Amounts Owing	847,620	825,830	265	195,836
Less Provision for Doubtful Debts	16,000	17,000	-	-
Receivables from Exchange Transactions	<u>\$831,620</u>	<u>\$808,830</u>	<u>\$265</u>	<u>\$195,836</u>

Note 16 - Disclosures

	Group		Parent	
	2017	2016	2017	2016
	\$	\$	\$	\$
Items requiring specific disclosures are:				
■ Interest Income	\$69,798	\$108,025	\$1,974	\$19,238
■ Donations Received	\$1,643	\$1,459	\$Nil	\$Nil
■ Audit Fees	\$13,775	\$20,475	\$4,800	\$6,000
■ Donations Made	\$Nil	\$2,500	\$Nil	\$2,500
■ Net Gain on Sale of Property, Plant & Equipment	\$1,304	\$9,036	\$Nil	\$Nil
■ Directors Fees	\$32,917	\$42,000	\$Nil	\$Nil
■ Provision for Doubtful Debts	\$16,000	\$17,000	\$Nil	\$Nil

All revenues were derived from continuing activities.

Note 17 – Employee Benefit Liability

The following employee entitlements exist at balance date:

Parent	2017	Increase (Decrease)	2016	Increase (Decrease)	2015
	\$	\$	\$	\$	\$
Long Service Leave	-	-	-	-	-
Annual Leave/Holiday Pay Accrual	-	-	-	-	-
Time in Lieu	-	-	-	-	-
Wages Accrued	-	-	-	-	-
Alternate Leave	-	-	-	-	-
Total Employee Benefit Liability	<u>\$Nil</u>		<u>\$Nil</u>		<u>\$Nil</u>

Note 17 – Employee Benefit Liability (continued)

Group	2017	Increase (Decrease)	2016	Increase (Decrease)	2015
	\$	\$	\$	\$	\$
Long Service Leave	13,290	(1,804)	15,094	(3,672)	18,766
Annual Leave/Holiday Pay Accrual	434,108	52,031	382,077	31,436	350,641
Time in Lieu	26,054	10,181	15,873	10,666	5,207
Wages Accrued	176,454	31,843	144,611	(193,864)	338,475
Alternate Leave	105,795	16,951	88,844	(7,507)	96,351
Total Employee Benefit Liability	\$755,701		\$646,499		\$809,440

Note 18 – Bank Security

The Bank of New Zealand has a debenture over the assets and undertakings of the Society and Company as security for any bank financing.

Note 19 – Reconciliation of Net Surplus with Net Cash Flows from Operating Activities

	Group		Parent	
	2017	2016	2017	2016
	\$	\$	\$	\$
Net Surplus	586,848	142,193	46,369	48,257
Add Depreciation & Gain on Disposal	465,427	414,279	273,470	256,205
	1,052,275	556,472	319,839	304,463
Plus/(Less) Movement in Working Capital Items				
(Increase)/Decrease in Receivables and Prepayments	(20,776)	(17,090)	200	7,908
(Increase)/Decrease in Stock on Hand	(6,785)	1,395	-	-
Increase/(Decrease) in GST Accrued	129,811	(46,870)	89,592	(63,201)
Increase/(Decrease) in Payables and Accruals	(4,672)	(202,677)	12,805	12,921
Net Working Capital Movement	97,578	(265,242)	102,597	(46,372)
Net Cash Flows from Operating Activities	\$1,149,853	\$291,230	\$422,436	\$262,091

Note 20 – Directors Fees

Directors Fees were paid as follows:

	Group		Parent	
	2017	2016	2017	2016
	\$	\$	\$	\$
Brian Dodds	12,500	12,500	-	-
Antony Dunstan	-	4,500	-	-
Dr Branko Sijnja	5,000	5,000	-	-
Jim Johnstone	5,000	5,000	-	-
Kaylene Holland	417	5,000	-	-
Dr Conway Powell	5,000	3,333	-	-
Ken Telford	-	1,667	-	-
Paul Menzies	1,667	5,000	-	-
George Benwell	3,333	-	-	-
	\$32,917	\$42,000	\$Nil	\$Nil

Note 21 – Total Accumulated Funds

	Group		Parent	
	2017	2016	2017	2016
	\$	\$	\$	\$
Accumulated Comprehensive Revenues & Expenses				
Opening Balance	9,488,306	9,347,860	6,780,246	6,733,736
Add Surplus for Year	602,318	140,446	61,839	46,510
Closing Balance	<u>\$10,090,624</u>	<u>\$9,488,306</u>	<u>\$6,842,085</u>	<u>\$6,780,246</u>
Charitable Trust Reserves				
Opening Balance	47,467	45,720	47,467	45,720
Add (Deficit)/Surplus for Year	(15,470)	1,747	(15,470)	1,747
Closing Balance	<u>\$31,997</u>	<u>\$47,467</u>	<u>\$31,997</u>	<u>\$47,467</u>
Building Revaluation Reserves	\$3,800,656	\$3,800,656	\$3,800,656	\$3,800,656
Total Accumulated Funds	<u>\$13,923,277</u>	<u>\$13,336,429</u>	<u>\$10,674,738</u>	<u>\$10,628,369</u>

Note 22 – Trustee Honorarium

Trustee honorariums were paid as follows (0.15 FTEs):

	Group		Parent	
	2017	2016	2017	2016
	\$	\$	\$	\$
Brian Dodds	600	1,350	600	1,350
Gary Reed	750	1,500	750	1,500
Grant Driver	750	3,600	750	3,600
Hamish Anderson	2,933	-	2,933	-
Helen Keen	1,500	1,500	1,500	1,500
Janice Sargent	750	1,200	750	1,200
Jennifer O'Connell	1,500	1,500	1,500	1,500
Ken Blair	1,847	6,400	1,847	6,400
Mervyn Jones	1,350	3,900	1,350	3,900
Peter McCrostie	750	1,350	750	1,350
David Mason	750	-	750	-
Kate Anderson	750	-	750	-
Paul Richardson	900	-	900	-
Michelle Kennedy	600	-	600	-
Jolene Ollerenshaw	900	-	900	-
Sarah Hayward	450	-	450	-
	<u>\$17,080</u>	<u>\$22,300</u>	<u>\$17,080</u>	<u>\$22,300</u>

Note 23 – Movement in Charitable Trust Funds

	Group		Parent	
	2017	2016	2017	2016
	\$	\$	\$	\$
General Purposes Fund				
Opening Balance	16,963	16,339	16,963	16,339
Add Interest	531	624	531	624
Deduct Transfer to Dallas Nursing Bursaries	(112)	-	(112)	-
Closing Balance	<u>17,382</u>	<u>16,963</u>	<u>17,382</u>	<u>16,963</u>

Note 23 – Movement in Charitable Trust Funds (continued)

	Group		Parent	
	2017	2016	2017	2016
	\$	\$	\$	\$
Hospital Ward Funds				
Opening Balance	7,675	7,392	7,675	7,392
Add Interest	240	283	240	283
Closing Balance	7,915	7,675	7,915	7,675
Dallas Nursing Bursaries				
Opening Balance	16,333	15,733	16,333	15,733
Add Interest	512	601	512	601
Deduct Distributions	(16,957)	-	(16,957)	-
Add Transfer from General Purpose Funds	112	-	112	-
Closing Balance	-	16,333	-	16,333
Chapel Fund				
Opening Balance	6,496	6,256	6,496	6,256
Add Interest	204	240	204	240
Closing Balance	6,700	6,496	6,700	6,496
Closing Balance	<u>\$31,997</u>	<u>\$47,467</u>	<u>\$31,997</u>	<u>\$47,467</u>

The Board of Trustees
Clutha Health Incorporated
P O Box 46
Balclutha 9240

29 September 2017

Dear Board Members

Audit of 30 June 2017 financial statements

We have completed our audit work on the financial statements of Clutha Health Incorporated (the Society) and the Group, comprising the Society and its controlled entity, Clutha Community Health Company Limited, for the year ended 30 June 2017 and issued an unmodified audit opinion. There are no matters that we wish to bring to your attention arising from our audit.

Our Audit Approach

Our audit procedures are tailored to our assessment of risk of material error in the financial statements. We consider accounting controls at various levels and in overall terms. Obviously we cannot in practice examine every operating activity or accounting procedure carried out by the Society and Group, nor can we substitute for management's responsibility to maintain adequate controls at all levels of operations.

As to the possibility of fraud or irregularity, we plan our audit to have reasonable expectations of its disclosure if the amounts would be material to the financial statements. However, there are potentially many kinds of fraudulent or irregular activities which the normal statutory audit is not designed to uncover.

Required Communications

In accordance with New Zealand auditing standards we are required to communicate significant findings from the audit. Accordingly, we advise:

- we encountered no significant difficulties in performing the audit;
- there were no disagreements on accounting policies, estimates and disclosures;
- no deficiencies in internal accounting controls were noted by us;
- no unadjusted errors were detected by us;
- we did not identify any significant matters concerning related party transactions;
- no unadjusted items were noted from our audit work;
- there are no significant matters discussed with management that we wish to bring to your attention; and
- no other matters that are significant to the oversight of the financial reporting process were identified.

Further, we are not aware of any relationships between Audit Professionals and the Society and Group that, in our professional judgement, may reasonably be thought to impair our independence.

General

We wish to thank Ray Anton, Bronwyn Campbell and other staff of the Company, as well as Tracey Murray and Nicole Edwards from Shand Thomson Limited, for their assistance during the course of our audit. Please contact me if you require any further information.

Yours faithfully


Phillip Tounson
Director

Clutha Community Health Company Limited

Chairman's Review of the year ended 30 June 2017

This is the nineteenth annual report for the company and it is pleasing to report on what has been another highly satisfactory year. We are a community owned organisation that has undertaken responsibility for the provision of health services to the residents of our district. The organisation has as its vision - "the improvement of the health of our community". This is achieved through leadership and advocacy and by being the most enterprising integrated health service in the country. We continue to add to the services provided and to benefit from the recent refurbishment of our facility.



Mr Brian Dodds

Facility

Following the redevelopment and upgrade of the facility, a reopening was held in August with a visit from the Minister of Health, the Honourable Dr Jonathan Coleman. It was a great opportunity to showcase the model of healthcare that has been developed here. We have recently undertaken changes to provide greater space and facilities to meet the growing demand for chemotherapy services. The facility is well presented and the upgrades are largely self-funded.

Financial

We have achieved an operating surplus for the year of \$540,479, better than the budgeted figure of \$407,145. Our result was inflated due to our being unable to achieve appointments that were part of our strategic plan. As a company it is important that we achieve some modest level of surplus to support further health initiatives and to strengthen existing services. Following a review of the level of complexity of cases handled in our inpatient ward, we received an increase to our Southern District Health Board (SDHB) contract sum. This was of material benefit to us.

It is significant that 40% of our gross income of \$9,920,045 now comes from sources other than our SDHB contract.

Capital expenditure undertaken during the year totalled \$211,073.

Southern District Health Board

We were offered and accepted a 1% increase in the contract sum for 2017/18, the second year of our five year contract term. While this does not match the level of cost increases we are incurring, we are still budgeting for a surplus for 2017/18. We will be continuing to look for innovative opportunities that will benefit both our community and SDHB. We have a constructive working relationship with SDHB and in our dealings with the Commissioners.

Strategic Goals

The Board as part of its meetings keeps its focus on the goals that have been set and on what progress has been made towards them. One objective was the inclusion of a Fellow of Rural Hospital Medicine to be part of our leadership team. We were unable to achieve this during

the year under review but we are delighted that this position has now been filled. Dr Yan Wong is now part of the leadership team, starting August 2017.

Services

Full details of new service initiatives and updates on other services are included in our CEO's (Ray Anton) Annual Report. I wish to draw attention to the table detailing services that have been provided from our facility. These would previously have required travel to Dunedin. This is very much in keeping with the "Better, Sooner, More Convenient" health objectives. The Company will continue to look for opportunities to add to this list.

I also draw attention to the Wellness initiatives that are undertaken by our G.P. Practice. These initiatives are part of preventative measures designed to reduce future demand for expensive health services. They are also very much in keeping with our strategic goals.

Staff and Service Providers

We have a very good team of staff and service providers. It would not have been possible to develop the current model of integrated health services without the willingness and commitment of our staff. This is shown in a number of ways with further study, up skilling, continuous training and above all a commitment to their patients. We acknowledge and thank them for this.

To Ray and his leadership team, we acknowledge the role you continue to play in the progress of our organisation. Your enthusiasm and experience has our organisation well positioned to meet evolving changes in the health sector.

Directors

Paul Menzies retired from the Board in November at the conclusion of his three year term. His legal background, governance experience, and health sector knowledge was valued by us and we wish him well in his future endeavours. Professor George Benwell was appointed at the AGM and his skills and experience are benefitting the Board.

During this year we reviewed the current size and diversity of the Board and also considered board succession. We invited the Trustees of Clutha Health Incorporated to meet with us where we shared our views on these important governance matters.

My sincere thanks to all Board members for their work and support during the year.

Clutha Health Incorporated

The three yearly elections took place with a new Board taking office after last year's AGM. Hamish Anderson is the new chairman and six new Trustees have joined their Board. Building matters continue to require Trustees' attention as they work to conclude matters arising from the building redevelopment and upgrade. Trustees are in the process of making further appointments to our Board. Our thanks to the new and retired Trustees for the role they have carried out during the past year.

Conclusion

The health sector is one that features prominently in the news, and often in a negative way. Health services matter to residents wherever they live. There are good stories to celebrate within the sector and in the Clutha District. The integrated health model we have developed and continue to build on is one of those positive stories. We are community owned organisations that have facilities to be proud of, and an integrated health service that continues to evolve to serve our people. There will always be challenges but this is normal in the health sector. We are well positioned to deal with the challenges ahead.

A handwritten signature in black ink, consisting of a series of loops and a long, sweeping tail that curves upwards and to the right.

Brian Dodds
Chairman

Clutha Health First Chief Executive Officers Annual Report for the year ended 30 June 2017

Introduction

I have the pleasure of presenting the Clutha Health First Annual Report. We have had a busy year that included building refurbishment work, new services and new faces joining our team. We have continued to develop our model of health service integration and have demonstrated its effectiveness to our partners including the Southern District Health Board.



Mr Ray Anton

Strategic Plan

Our vision: To improve the health of our community through leadership and advocacy by being the most enterprising health service in the country.

Our Goals:

- Services: Our services and Facilities meet the health needs of our community;
- Unified: We will work collaboratively with our health partners including St John, other GP Practices and local Health Trusts;
- Advocacy: We will advocate and be a leader in advancing our model of health;
- Communication: We will communicate with our health partners and the community and work together.

Our Values:

- Our People: We value our staff and our community's needs;
- Teamwork: We value staff, patients and family/whanau working together as a team to achieve the best outcome for our patients;
- Integrity: We value being honest and up front with our staff and patients;
- Excellence: We value our staff working at the top of their profession to enable them to deliver exceptional service;
- Respect: We value understanding and respecting our patients' wishes.

It is important to note our Goals and Values in this Annual Report as they support us to meet our stated vision of improving the health of our community. Our company's annual work plan links with our goals and our achievements throughout the year are measured against achieving our vision.

Medical Director

For a number of years we have been looking at the long term direction of the Medical Staff requirements in our Inpatient Ward. Specifically in New Zealand there is a specialty division of the College of General Practice that is dedicated to rural hospitals. This includes a training programme and eventual fellowship of the College of GPs that produces specially trained Doctors who are well suited as generalists to work in rural facilities.

So far Clutha Health First has generally employed foreign trained doctors with a background in Internal Medicine to staff our Inpatient Ward.



*Dr Yan Wong
Medical Director*

During the year we engaged the services of the Division of Rural Hospital Medicine to conduct a review of our inpatient service as well as management of acute and urgent medicine. Their report outlined a number of recommendations. After consultation and a recommendation to our Board we decided to introduce the role of Medical Director. This position was to be staffed with a Fellow of the Division of Rural Hospital Medicine and would take a leadership role.

After a period of recruitment we were able to secure the services of Dr Yan Wong who started in this new position in August 2017. Dr Wong is also a Fellow of the College of GPs and is able to work on either the Inpatient Ward or in General Practice. We are looking forward to working with Dr Wong in strengthening our service on the Ward and building additional links with the GPs and the way we manage our urgent cases through the Medical Assessment Unit.

Wellness

As it is stated in our vision statement it is important that we focus not only on providing a range of needed health services, but also pay attention to improving wellness in the community. This can take many forms and the focus will shift over time. Here are a number of activities focussing on wellness:



- **Childhood immunisation:** CHF has a dedicated Practice Nurse to ensure that all of our enrolled infants are offered the national recommended schedule of immunisations, that parents are fully informed as to the nature and benefits of immunisation and that no child is not immunised due to lack of opportunity. Immunisation rates for 8 month old and 2 year old children was at 100% completion rate for CHF compared to a national target of 95%.
- **Cardiovascular Risk Assessment:** Cardiovascular disease is the leading major cause of death in New Zealand and its risks can be significantly mitigated through the identification of risk and interventions such as stopping smoking, regular exercise, good nutrition and early treatment. CHF has achieved assessments on 86% of our eligible population against the national target of 90%.
- **Smoking Cessation Advice Programme:** Smoking is the principal cause of lung cancer and a major contributing factor in the development of cardiovascular health problems. As such it is a major initiative in both wellness promotion and in assisting patients to restore their health to its optimal potential. The general practice advises patients in smoking cessation and has a Stop Smoking nurse advisor who provides individualised education and support to patients wishing to stop smoking as well as ensuring that every patient recorded in its patient management system receives information regarding the resources and help available to them should they wish to give up smoking. CHF has provided advice to 100% of our targeted population meeting the national target of 90%.
- **Diabetes Annual Review:** The rate of diabetes is increasing rapidly across the world and NZ is amongst the highest ranked countries for the incidence of this disease in the developed world. The general practice runs a programme by which a well-controlled diabetic has the opportunity to participate in a systematic review of their health and to receive advice on how to best manage their disease. CHF has achieved an 88% completion rate of annual reviews compared to a national target of 90%.

The above are some of the examples of set programmes being delivered through our General Practice. CHF also has community based initiatives that include: World Diabetes Day, World Smoke Free Month, 'Movember' month, and participation in the South Otago A&P Show where CHF staff offered a stall undertaking wellness checks and offering point of care testing in blood pressures, blood sugar levels and cholesterol checking.

There are additional wellness activities being offered through our Community Team including Family Violence screening, nutrition education through our Day Rehabilitation Programme among others.

CHF takes our role in improving wellness seriously and has invested in this effort. We believe that in addition to improving the health of our community we also reduce future demand for expensive health services.

Local Health Services

The strength of our model of health service is our ability to identify and introduce local services that historically required a trip to Dunedin. There are a multitude of benefits from this strategy starting with improved access to our community, also provides opportunities for our clinical staff to develop their skills, and in fact ultimately reduces the cost overall for the health system. Here are the examples of programmes that have been introduced and the estimated number of avoided trips to Dunedin:



Service Name	Annual Volume
Breast Care Clinic	45
E-Medical	26
Fracture Clinic	252
Women's Health / GYN	144
Skin Lesion	84
Joint Injection Clinic	60
Travel Vaccine	24
Spirometry	84
Diabetes Insulin Initiation	84
Zolendronate	36
Total	839



We believe that in the future there will be many more opportunities to offer local services. Also it is important to note that these services are available to all South Otago residents whether they are registered with the CHF General Practice or not.

Facility Update

The Facility went through a significant refurbishment last year and we had a re-opening on the 2nd of August 2016 with a visit from the Minister of Health the Honourable Dr Jonathan Coleman. It was great to be able to showcase our model of health to the Minister. There has been a number of other opportunities in the past year to showcase our service to all kinds of visitors. Over the last year we have also had a few other facility improvements:

- **Chemotherapy:** This service has been growing steadily in demand as well as in complexity. The available space was becoming crowded creating an unsafe environment for patients and staff. For this reason we shifted some rooms around and more than doubled the available space for Chemotherapy. We also took advantage of the refurbishment to upgrade the quality of fittings and purchased two additional specialist chairs.



- **Inpatient Room Drug Room:** The Drug Room shelves in the Inpatient Ward were replaced with specially designed units that improved access and management of the drugs.

Training

CHF continues to support opportunities for training of health professionals. We believe that the training acquired in a rural setting like ours readies the professionals for their future careers in health and potentially encourages them to work in a rural setting in the future. We continued to host 5th year Medical Students as part of the Immersion Programme, Allied Health students, Midwifery Students as well as nurses. This year we also started taking Registrars as part of the GP training programme. We accepted two GPEP1 GP Registrars to our practice for the first year and welcomed Dr Ceara Harbinson and Dr Pardeep Viridi.

It is important to note that there is a national discussion regarding the setup of a Rural Medical (Health) training school in New Zealand. While Waikato DHB and University are proposing a third Medical School (in addition to Otago and Auckland), the latter two are proposing an expansion of the current rural programme. The government as part of the election promises has now supported making an investment in rural training. This is excellent news. We will be watching developments in the future.

General Practice

The General Practice was audited this year by the College of GPs under its Cornerstone Accreditation programme. While it is critical that CHF achieves this accreditation to demonstrate our commitment to quality, it is also necessary to be accredited as a teaching facility for trainees. It is pleasing to note that the outcome of the audit is that we achieved a four year accreditation compared to a normal period of three years. This is as a result of the effort of the staff in the Department as well as our Quality Co-ordinator Jolene Ollershaw.



Another change in General Practice is the introduction of an attached community Pharmacist working with our staff two days per week. This position is funded by Wellsouth Primary Network and works with our GPs to ensure that patients are prescribed the optimal medication regime for their condition.

Donations

We appreciate donations that are made to our organisation as these improve the care that we provide and increases the flexibility for patient management for our staff. In the past year we welcomed the donation from the Chalmers Family for the Molift to the Inpatient Ward. The equipment aids patients going from a sit to a stand position with minimum exertion for staff and patients.

We also appreciate the support of WellSouth Primary Network for placing Videoconferencing equipment at our Facility called Vidyo. This equipment has improved our access to education programmes as well as assisted in connecting a Vascular Surgeon from Dunedin to our Wound Care clinic, eliminating the need for the patient to travel to Dunedin for the consultation. We anticipate that there will be further opportunities for Video based clinics in the future.



SDHB Contract and Relationship

During the 15/16 fiscal year CHF accepted a reduced level of funding from the SDHB and agreed to sign a five year contract. The 16/17 fiscal year being the second year of our contract resulted in an offer from the SDHB for increased funding as a result of an increased level of complexity in our Inpatient Ward.



We continue to maintain a strong relationship with the SDHB and participate in a number of committees. The most important being the Alliance South which is an alliance between the SDHB and WellSouth Primary Network. The focus of the Alliance is to improve the integration between GPs, Specialists and Community Services. The Alliance has several Networks that have areas of focus and develop systems for improved integration and the introduction of services that provide care to patients closer to home and in General Practice wherever possible. These activities coincide well with our stated goals and vision. Clutha Health First's CEO sits on the Alliance South Committee representing rural hospitals.

We have also started to work more closely with other local health providers including St John, Milton Health Centre, West Otago Health and Tuapeka Health. This is being done under the umbrella of the Alliance.

Administration

The last year has seen a number of systems being implemented to improve our systems. These include:

- TimeTarget: This is staff rostering and time and attendance system;
- People Inc: This is a human resources system;
- Xero: This is a cloud based accounting package that has improved our account management and reduced paperwork;
- Asset Panda: This is a cloud based asset management system;
- Electronic Ordering: This is a system for improved handling and management of our inventories

We also completed a Memorandum of Understanding with the SDHB for Information Technology that clarifies our relationship and clarifies our disaster recovery approach.

Financial Results

The audited financial results are:

<i>Fiscal Year 2016 - 17</i>	<i>Actual</i>	<i>Budget</i>
<i>Total Revenue</i>	\$9,920,045	\$10,022,233
<i>Total Expenses</i>	(\$9,186,305)	(\$9,399,814)
<i>Depreciation</i>	<u>(\$193,261)</u>	<u>(\$215,275)</u>
Net Surplus	\$540,479	\$407,145

We are pleased with the financial results of the company which gives us the flexibility to continue to invest in staff development and the services that we offer to our community. It is important to note that 41% of our revenue is generated outside the Southern District Health Board contract.

Health and Safety

The safety of our staff and patients is critical in a healthcare environment, for this reason we have a robust Health and Safety process that also tracks infections within the Facility. CHF is compliant with the new Health and Safety legislation.



Quality Initiatives

Clutha Health First has a culture of continuous quality improvement and as such encourages staff and teams of staff to identify quality improvement opportunities and implement them. Here are some examples of these projects:

- **MoH Mobility Action Plan (MAP):** The general practice partnered with Southern Rehab, the provider of the MAP to identify and refer patients under the age of 45 years who had clinical symptoms of early stage osteoarthritis of the knee and hip. Referred patients were enrolled in a personalised programme which incorporated 1:1 sessions with dieticians, physiotherapists and allied health workers which sought to demonstrate that early preventive measures reduced the degree of long term deterioration in this patient group. The programme began in April 2017 and is funded as a pilot for 2 years.
- **Vensa Campaign Manager:** The general practice took up the opportunity to provide the offer of smoking brief intervention advice to patients registered as smokers. A trial run of 120 patients registered as smokers who had not received brief intervention advice in the previous 12 month period received a text that offered them the opportunity to receive advice and support by responding to the prompt within the received text. It was pleasing to note there was a 26% response rate from this campaign, with the appropriate referrals being made at the patients request to the Southern Stop Smoking Service.

Conclusion

Clutha Health First continues to evolve as a model of health care delivery in a rural setting that is recognised as best practice in New Zealand. Our model opens opportunities for continuous improvement and development that empowers our staff to identify and implement changes that benefit the health of our community.

I would like to thank my team at CHF. This includes our nurses, doctors and allied health staff who are working more and more as a team. I also thank our administration staff who make everyone's life easier, whether it is in matters of personnel, accounts, quality, education or information technology. Also, I would like to thank our cleaning staff who maintain our facility at a very high standard that is frequently appreciated by our patients. Finally a special thanks to Holmdene who prepare our patient meals and provide our laundry service. Our meals are freshly made and they are designed to meet our patients' needs by a trained dietician. I would be remiss to not thank our contractors Pacific Radiology and SPS Physio, who go over and above the call of duty in delivering and excellent and accessible service. The difference is our team.

I would like to thank Brian Dodds our Chairman for his support and counsel, and extend my appreciation to the Board for their professionalism. I would also like to thank Clutha Health Inc. Trustees for their effort and support of our Facility.

A handwritten signature in black ink, appearing to read "Ray Anton". The signature is fluid and cursive, with the first name "Ray" being more prominent than the last name "Anton".

Ray Anton

Chief Executive Officer

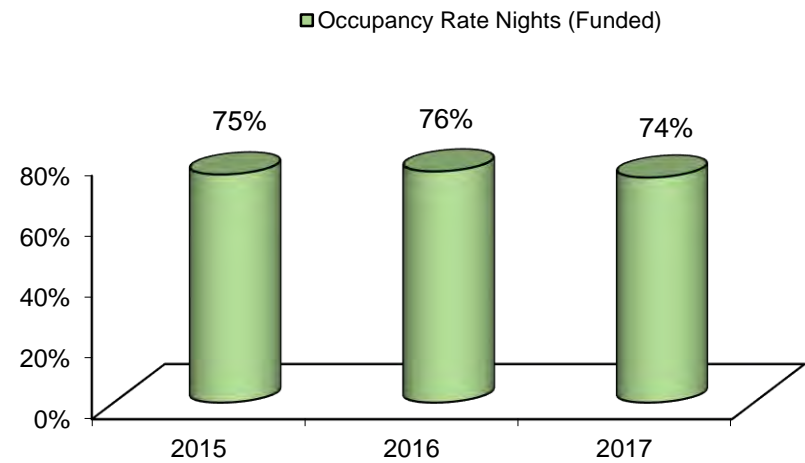
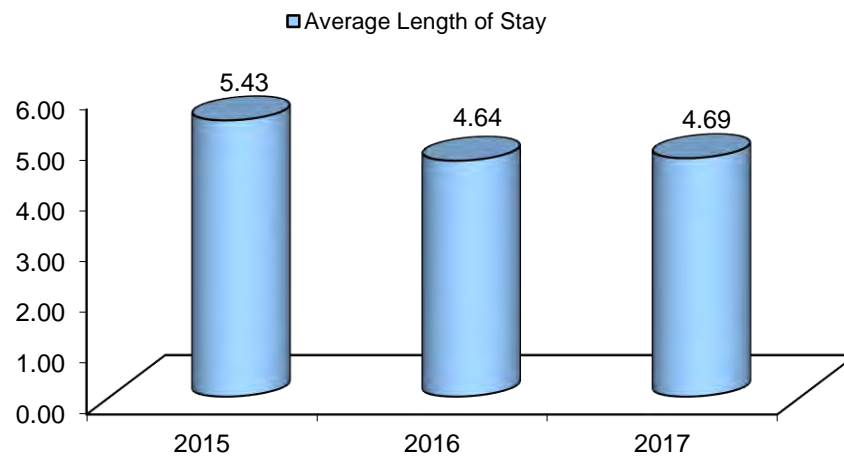
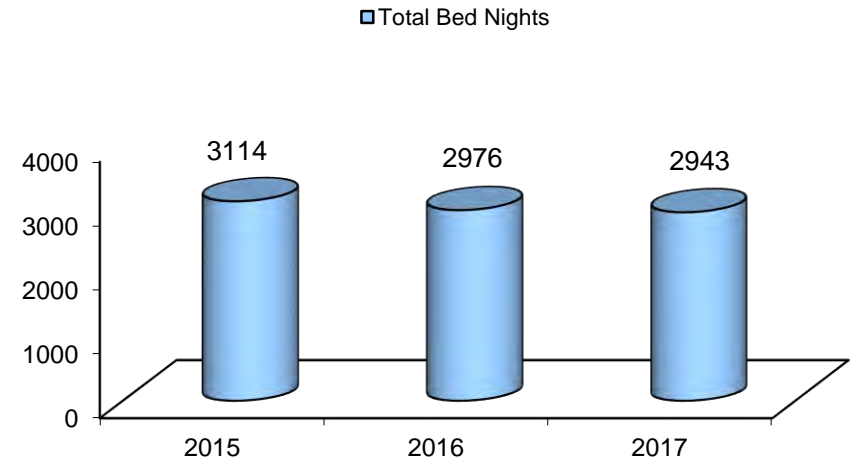
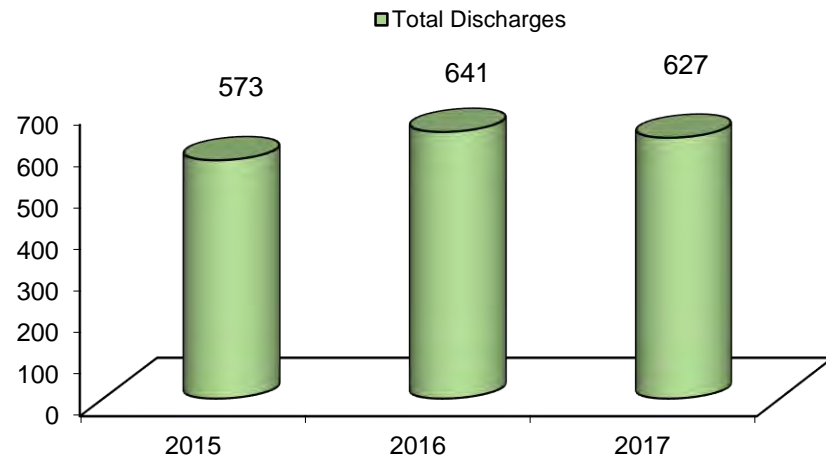


Clutha Community Health Company Ltd

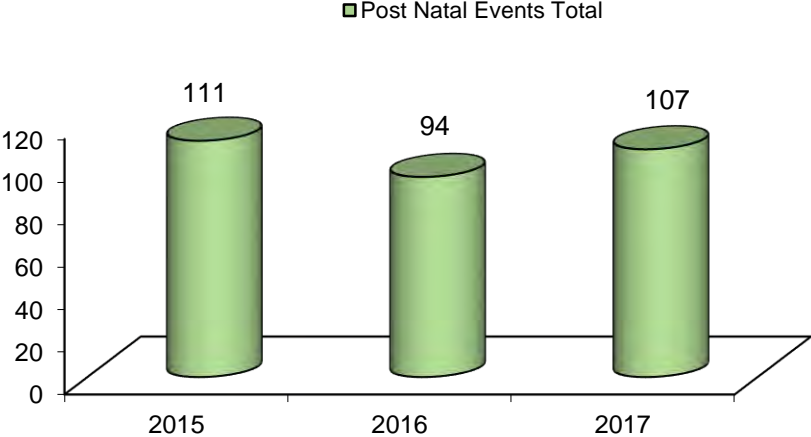
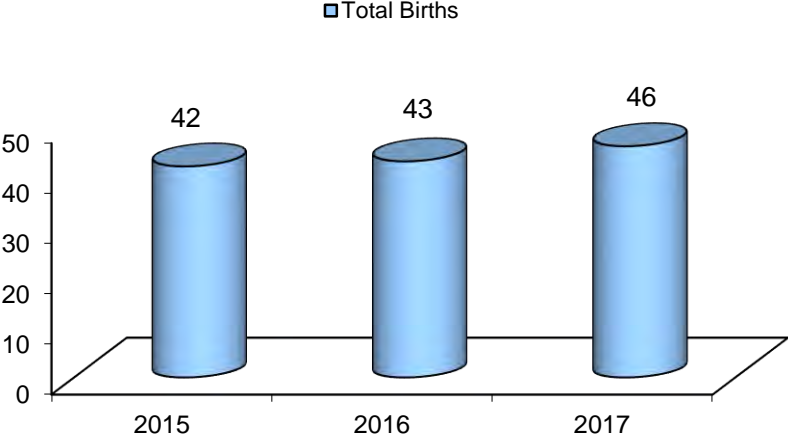
Annual Statistics

2016 - 2017

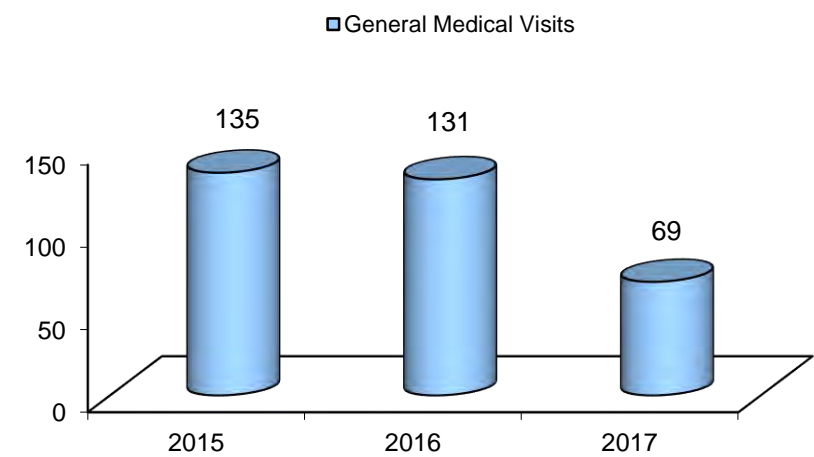
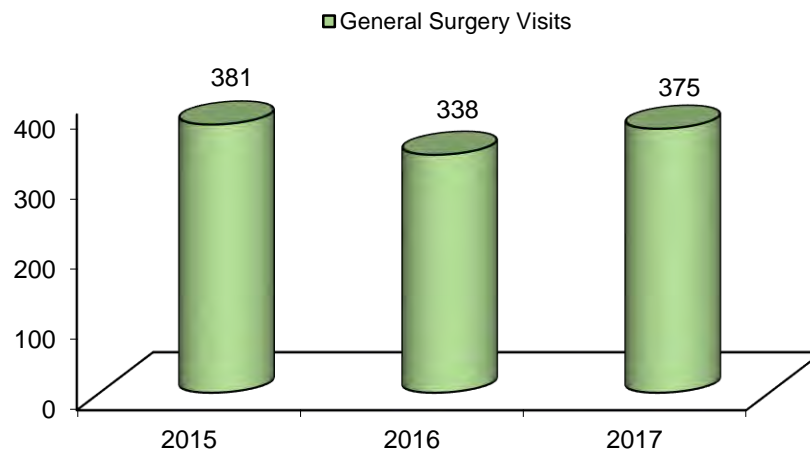
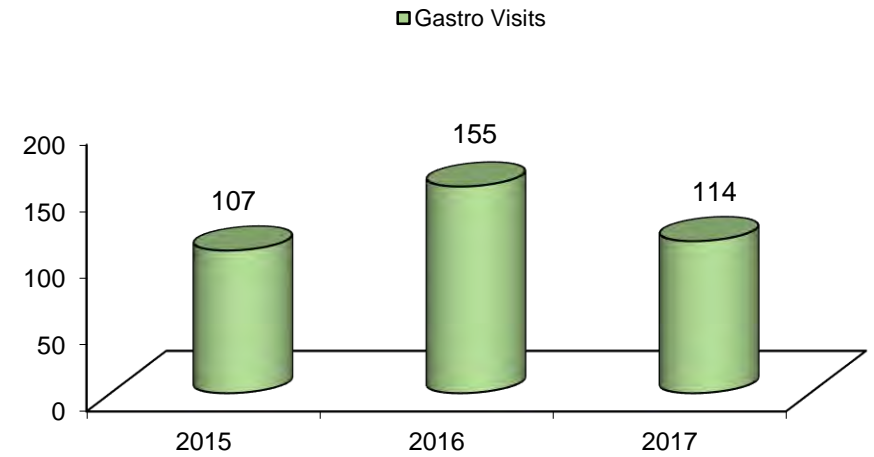
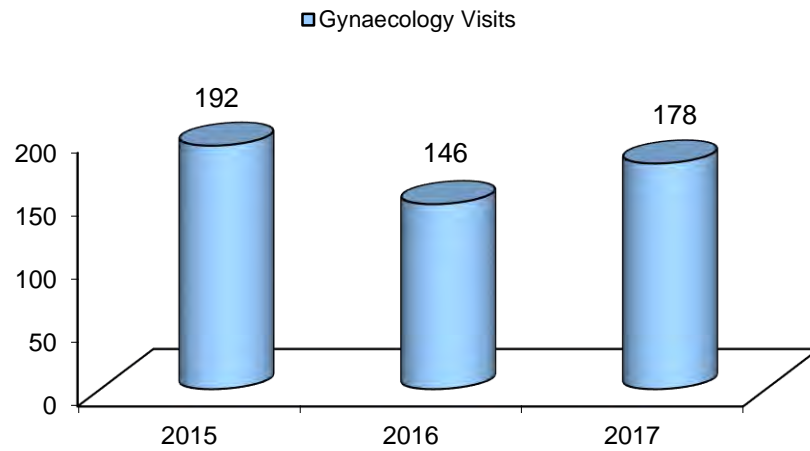
Inpatient Statistics



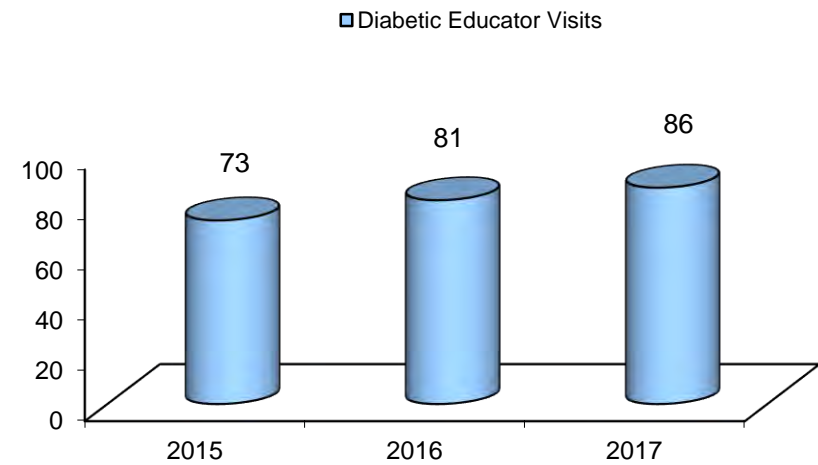
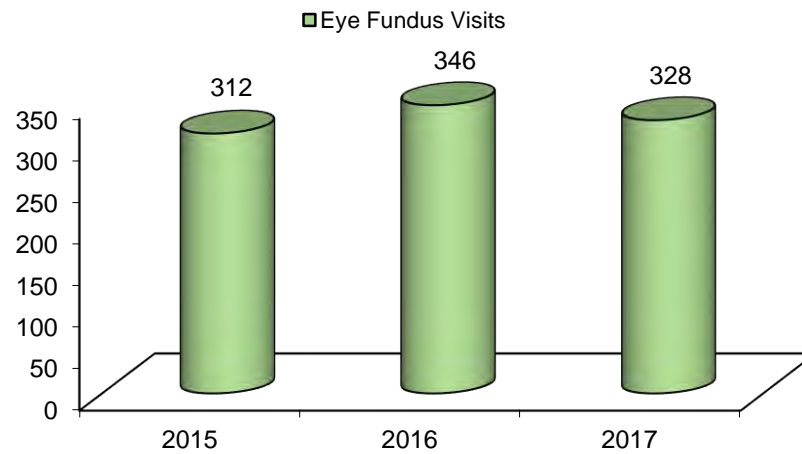
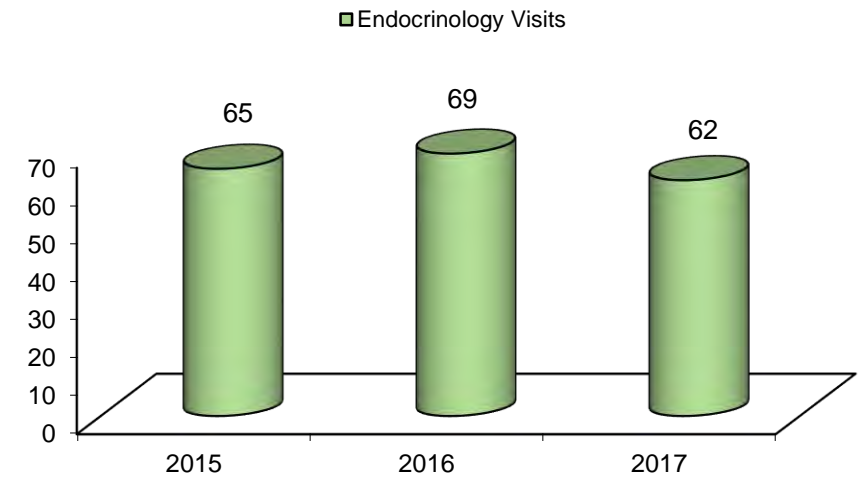
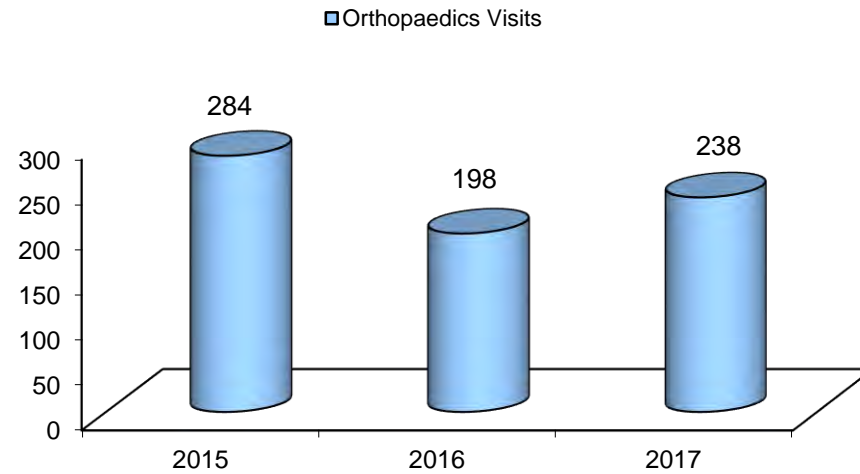
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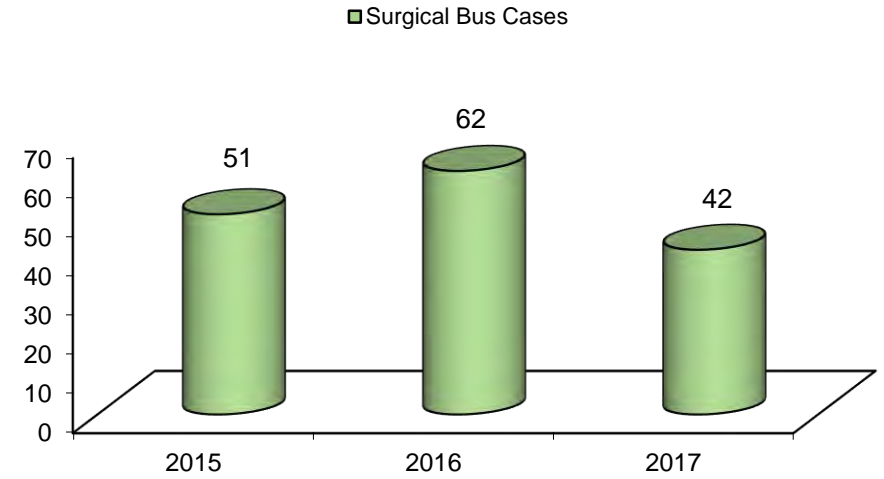
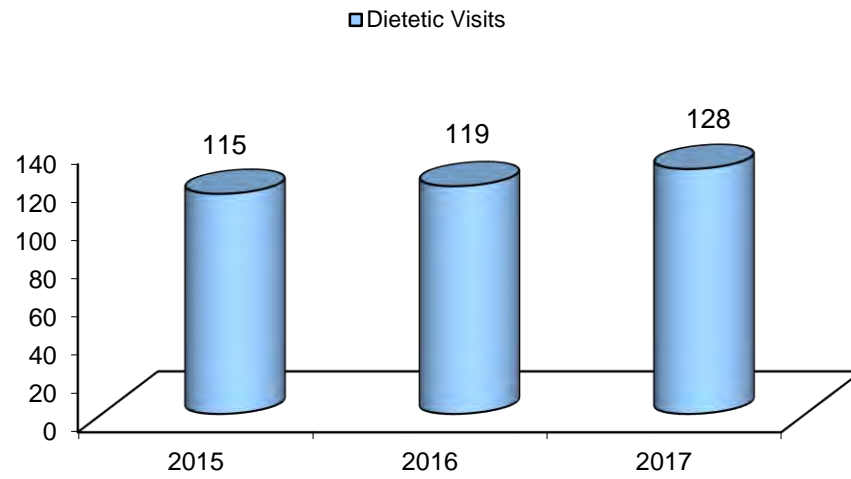
Outpatient Statistics



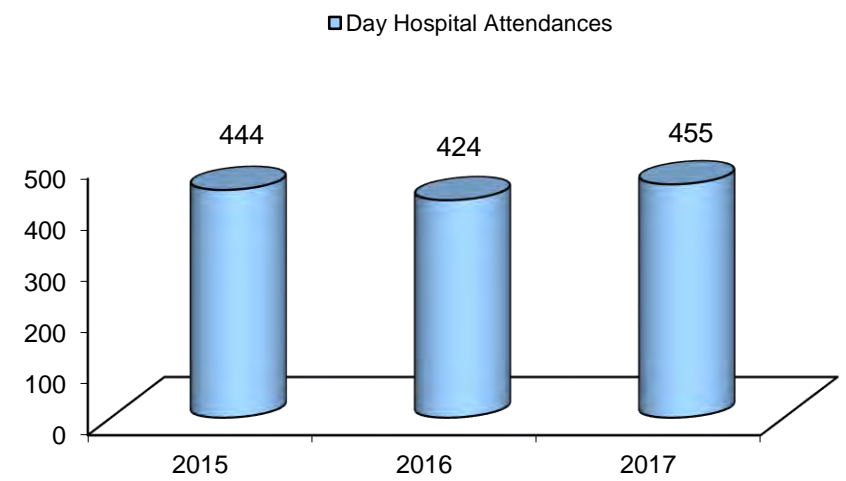
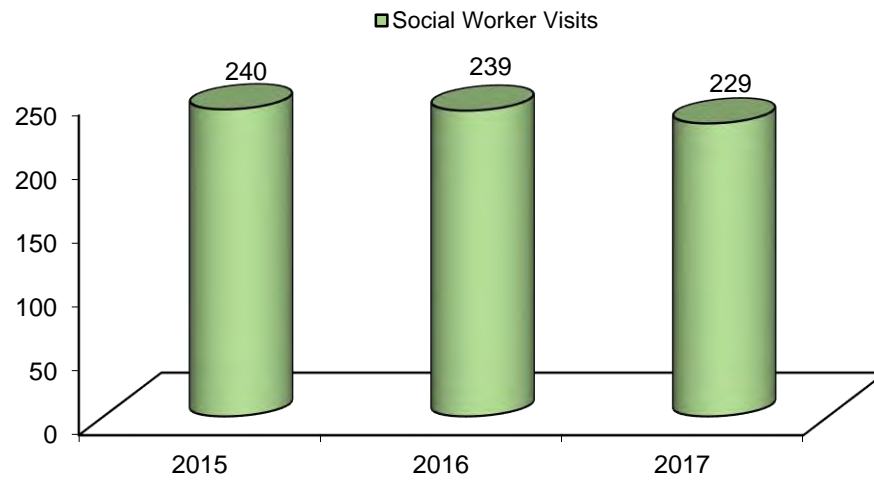
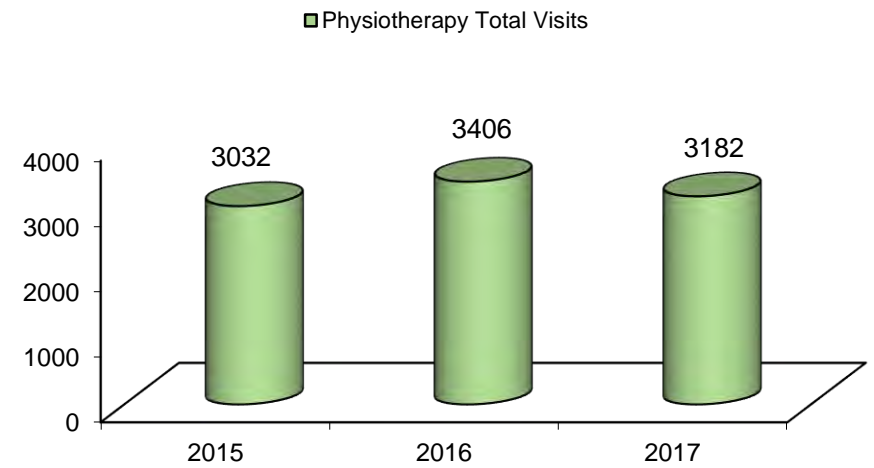
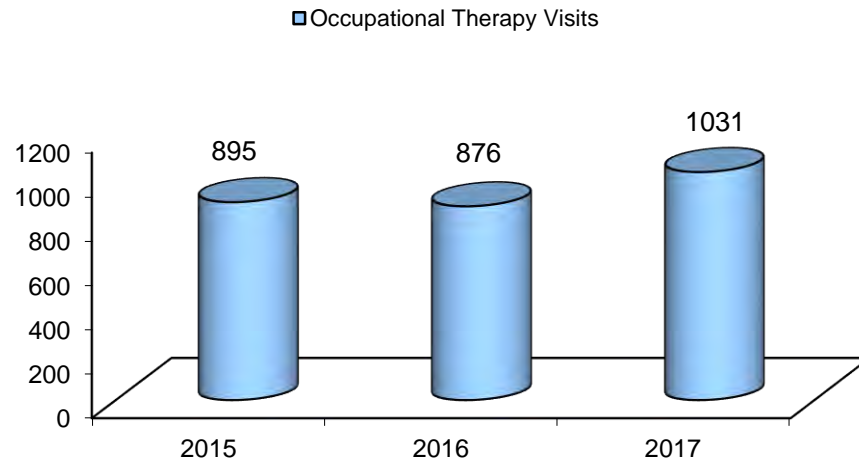
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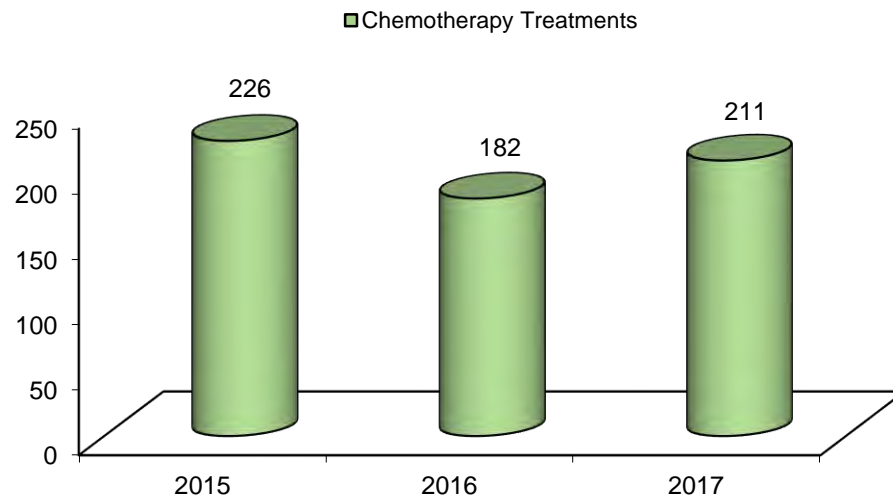
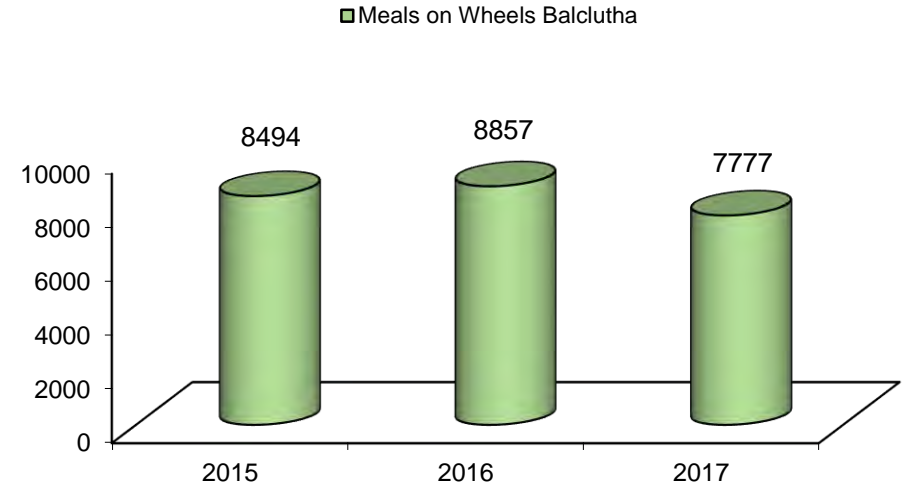
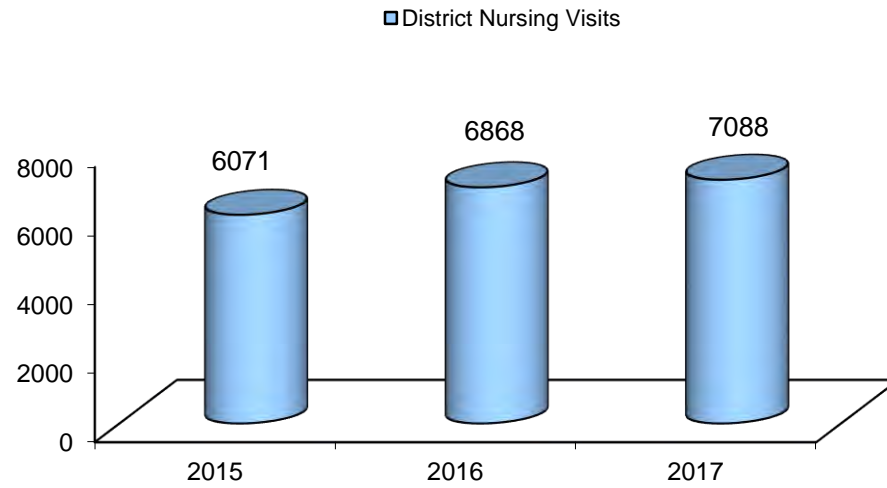
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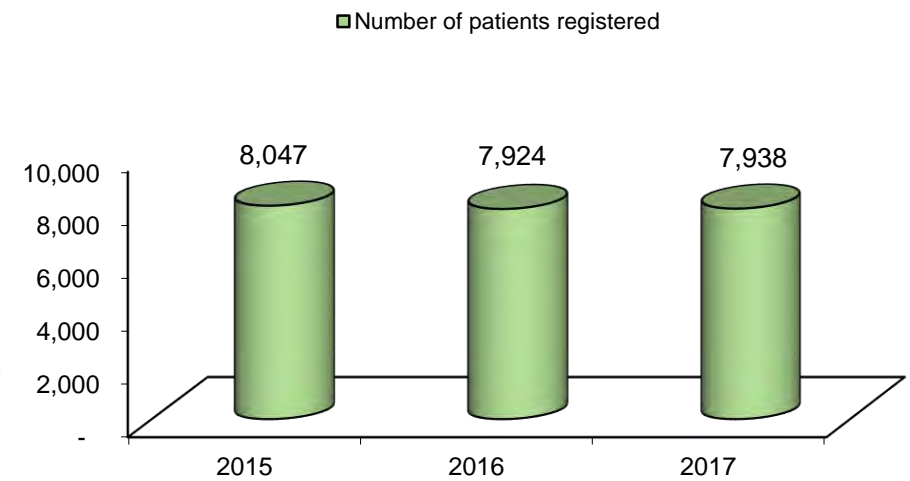
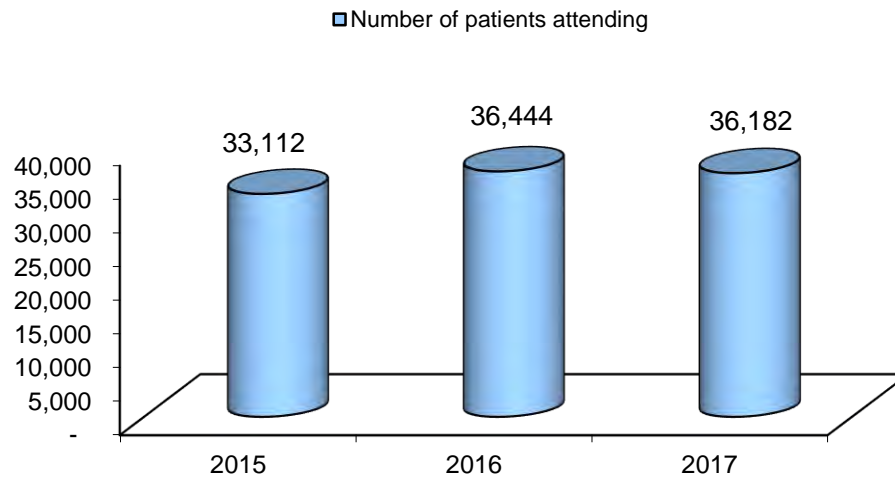
Allied Health Statistics



Allied Health Statistics



General Practice Statistics



Clutha Community Health Company Limited

Annual Report For the Year ended 30 June 2017

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Clutha Community Health Company Limited

Directory As at 30 June 2017

Nature of Business: Hospital and Health Services

Registration Number: 887714

NZ Business Number: 9429037944018

Incorporation Date: 18 December 1997

Directors: Brian Dodds (Chairman), BCom, FCA (retired), QSM
Dr Branko Sijnja, MBChB, Dip Obst, FRNZCGP, PG DipRPHP, Dip GP
Jim Johnstone, BCom, BAgCom, FCA, CPP
Dr Conway Powell, BSc (Hons), PhD, CMInstD
Prof George Benwell, BSurv, MPhil, PhD, LS, MIS, MInstD (appointed 9 November 2016)
Paul Menzies, LLB, CMInstD (replaced 9 November 2016)

Manager: Ray Anton, BSc, MMgt

Registered Office: 102 Clyde Street, Balclutha

Accountants: Shand Thomson, P O Box 2, Balclutha

Bankers: ANZ Bank, 33 Clyde Street, Balclutha
Bank of New Zealand, P O Box 24, Balclutha
Westpac, P O Box 182, Balclutha

Solicitors: Sumpter Moore, P O Box 89, Balclutha

Inland Revenue Department: Clutha Community Health Company Limited 069-397-913

Auditors: Audit Professionals, P O Box 620, Dunedin

Shareholder: Ordinary Shares
Clutha Health Incorporated

312,500

Independent Auditor's Report

to the Directors of Clutha Community Health Company Limited

Our Opinion

We have audited the financial statements of Clutha Community Health Company Limited (the Company) which comprise the statement of financial position as at 30 June 2017 and the statement of comprehensive revenue and expense, the statement of changes in net assets/equity and the statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2017 and its financial performance and cash flows for the year ended on that date in accordance with the accounting standard, Public Benefit Entities Standards Reduced Disclosure Regime (PBE Standards RDR).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditors we have no relationship with, or interests in, the Company.

Information Other than the Financial Statements and Auditor's Report

Other information included with the financial statements comprises the Annual Report. The Directors are responsible for this other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. We are required to report any misstatement of other information. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with Public Benefit Entities Standards Reduced Disclosure Regime (PBE Standards RDR) and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material, if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the External Reporting Board website:

https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page8.aspx

This report is made solely to the Directors as a body. Our audit work has been undertaken so that we might state to the Company's Directors those matters which we are required to state in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Directors, as a body, for our audit work, for this report or for the opinions we have formed.



Chartered Accountants
29 September 2017

Dunedin

Clutha Community Health Company Limited

Statutory Disclosures As at 30 June 2017

Introduction

The Directors present their annual report and financial statements for the year ended 30 June 2017. The financial statements are for the reporting entity Clutha Community Health Company Limited (the Company).

Principal Activities

The Company's principal activity is the provision of hospital and health services for residents of the Clutha District. There has been no material change in the Company's business activity during the year under review.

Financial Results

The net surplus for the year was \$540,479 (2016 \$93,936 surplus). A five year funding contract to 30 June 2020 has been agreed with the Southern District Health Board. However the Board has acknowledged that the Southern District Health Board may give six months notice of termination should it wish to change to a new contract model.

Financial Position

In the opinion of the Directors, the Company's affairs are in a satisfactory state.

As at 30 June 2017 the book value of assets totalled	<u>\$5,155,719</u>
And were financed by:	
Shareholders Equity	3,873,539
Liabilities	1,282,180
	<u>\$5,155,719</u>

Movement in Reserves

Retained Earnings

Opening Balance	2,708,060
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Plus

Net Surplus for the Year	540,479
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Revenue Reserves Carried Forward of:	<u>\$3,248,539</u>
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Directors

In accordance with the Company's Constitution, one third of the Directors retire each year at the annual general meeting. Jim Johnstone retires by rotation, and is not offering himself for re-appointment. Dr Branko Sijnja also retires by rotation.

Dividend

The Directors advise that no dividend was paid during the 2017 year.

Directors Disclosures

As required by section 211 of the Companies Act 1993 we disclose the following information:

(a) Directors' Interests:

The following transactions were entered into by the Directors of the Company:

- Brian Dodds was a Trustee of Clutha Health Incorporated until 23 November 2016, the sole shareholder of Clutha Community Health Company Limited and the owner of the health facility land and buildings.
- Brian Dodds was a Director and Shareholder of Shand Thomson until 31 March 2007. Shand Thomson provides accountancy services to the Company.
- Brian Dodds is the rural representative on the Otago University Medical School Admissions Board. The Admissions Board considers rural and post graduate applications for entrance into Medical School.
- Brian Dodds is a trustee of the South Otago Nurses Trust. The trust supports continuing professional education for nurses employed by Clutha Community Health Company Ltd.
- Jim Johnstone and his spouse are Directors and Shareholders of Shand Thomson. Shand Thomson provides accountancy services to the Company.
- Jim Johnstone acts as accountant and advisor to Tuapeka Community Health Company Ltd and Roxburgh Medical Services Trust.
- Jim Johnstone is the accountant for LakeMed Ltd, formerly Junction Health Ltd, which until 30th of November 2015 was also a health company.
- Jim Johnstone acted as accountant and advisor for West Otago Health Ltd and West Otago Health Trust until 7th of August 2017.
- Jim Johnstone's spouse, Susie Johnstone, is a consultant to the Commissioner of the Southern District Health Board.
- Dr Branko Sijnja is the Director of the Rural Medical Students Immersion Programme of the University of Otago. The programme places rural medical students at the Company.
- Dr Branko Sijnja is a casual employee of Clutha Community Health Company Ltd. Salaries paid were as follows:

	2017	2016
Dr Branko Sijnja	\$49,156	\$40,721
- Dr Conway Powell and his spouse are Directors and Shareholders of Powell Consultancy Ltd, which provides services to the Royal New Zealand College of General Practitioners, Ministry of Health, District Health Boards and Primary Health Organisations.
- Dr Conway Powell is a Director of the Health Research Council and Nursing Council of New Zealand.
- Dr Conway Powell's spouse, Dr Kathy Powell, is the GP owner of the Meridian Medical Centre, Dunedin.

Use of Company Information:

The Board received no notices during the year from Directors requesting to use company information received in their capacity as Directors which would not have been otherwise available to them.

(b) Share Dealing:

No Director owned, requested nor disposed of any interest in shares during the year.

(d) Directors Fees:

Directors fees were paid as follows:

	2017	2016
	\$	\$
Brian Dodds	12,500	12,500
Antony Dunstan	-	4,500
Dr Branko Sijnja	5,000	5,000
Jim Johnstone	5,000	5,000
Kaylene Holland	417	5,000
Dr Conway Powell	5,000	3,333
Ken Telford	-	1,667
Paul Menzies	1,667	5,000
George Benwell	3,333	-
	<u>\$32,917</u>	<u>\$42,000</u>

Auditors

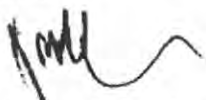
Audit Professionals were appointed auditors pursuant to section 207 of the Companies Act 1993 and fees payable to the auditor were \$8,975.

Employee Remuneration

The number of employees whose remuneration and benefits are within the defined bands are as follows:

Remuneration Range	2017	2016
	Number of Employees	
\$100,001 - \$110,000	1	1
\$110,001 - \$120,000	-	1
\$120,001 - \$130,000	2	-
\$130,001 - \$140,000	1	2
\$140,001 - \$150,000	-	1
\$150,001 - \$160,000	1	1
\$160,001 - \$170,000	1	-
\$170,001 - \$180,000	3	1
\$180,001 - \$190,000	-	-
\$190,001 - \$200,000	1	1
\$200,001 - \$210,000	-	1
\$210,001 - \$220,000	1	-
\$350,001 - \$360,000	1	-

The Directors hereby approve the financial statements for the year ended 30 June 2017. For and on behalf of the Board of Directors:


B R Dodds (Chairman)

26 September 2017


Dr B Sijnja (Director)

Clutha Community Health Company Limited

Statement of Cash Flows For the Year ended 30 June 2017

	Note	2017 \$	2016 \$
Cash Flows from Operating Activities			
<i>Cash was received from:</i>			
Donations, fundraising & other similar receipts		1,643	1,459
Receipts from providing goods or services		9,840,290	8,869,859
Interest, dividends & other investment receipts		52,444	100,480
Net goods & services tax		40,219	(5,071)
		9,934,596	8,966,727
<i>Cash was applied to:</i>			
Payments to suppliers & employees		9,207,244	8,937,588
Net Cash Flows from Operating Activities	21	727,352	29,139
Cash Flows from Investing & Financing Activities			
<i>Cash was provided from:</i>			
Receipts from the sale of property, plant & equipment		1,304	9,461
Receipts from the sale of investments		1,380,524	20,000
		1,381,828	29,461
<i>Cash was applied to:</i>			
Payments to acquire property, plant & equipment		211,073	210,816
Payments to purchase investments		1,580,524	100,000
Advance to Clutha Health Incorporated		60,000	-
		1,851,597	310,816
Net Cash Flows to Investing and Financing Activities		(469,769)	(281,355)
Net Increase (Decrease) in Cash Held		257,583	(252,216)
Opening Cash & Bank Balances		1,245,924	1,498,140
Closing Cash & Bank Balances		\$1,503,507	\$1,245,924
Represented by:			
Bank Current Accounts & Cash on Hand		248,307	230,276
Bank Call Account & Short Term Deposits		1,255,200	1,015,648
Total Cash at Bank		\$1,503,507	\$1,245,924



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Clutha Community Health Company Limited

Statement of Comprehensive Revenue and Expense For the Year Ended 30 June 2017

	Note	2017 \$	2016 \$
Revenue from Exchange Transactions			
Contract Services		684,274	771,948
District Health Board Funding		5,958,848	5,205,080
Gain on Disposal	11	1,304	9,036
General Practice Consultation Fees		1,287,450	1,095,917
General Practice Education Programme		10,511	-
Interest Revenue		67,824	88,787
PHO Revenue		1,672,967	1,449,363
Rental Revenue		139,813	143,376
Service Charges		-	142,452
Sundry Income		31,088	36,360
Tutoring Students		65,966	57,201
Total Revenue		9,920,045	8,999,520
Expenditure			
Admin/Office Expenses		183,878	198,440
Depreciation	11	193,261	167,110
Estate Expenses		719,207	762,614
External Clinical Contracts & Services		817,796	772,704
Governance Expenses	12	106,696	156,636
Household Expenses		261,585	258,585
Personnel Costs	12	6,660,890	6,212,563
Transport Expenses		93,596	87,950
Treatment Expenses		342,657	288,982
Total Expenses		9,379,566	8,905,584
Surplus for the Year from Continuing Activities		540,479	93,936
Other Comprehensive Revenue and Expenditure for the Year		-	-
Total Comprehensive Revenue and Expenditure for the Year		\$540,479	\$93,936

Clutha Community Health Company Limited

Statement of Changes in Net Assets/Equity For the Year Ended 30 June 2017

	Contributed Capital \$	Accumulated Comprehensive Revenue and Expense \$	Total Net Assets/Equity \$
Balance at 30 June 2015	625,000	2,614,124	3,239,124
Changes in Net Assets/Equity for 2016			
Transfers			
Total Comprehensive Revenue & Expenditure for the Year	-	93,936	93,936
Balance at 30 June 2016 Carried Forward	\$625,000	\$2,708,060	\$3,333,060
Balance at 30 June 2016 Brought Forward	625,000	2,708,060	3,333,060
Changes in Net Assets/Equity for 2017			
Transfers			
Total Comprehensive Revenue & Expenditure for the Year	-	540,479	540,479
Balance at 30 June 2017	<u>\$625,000</u>	<u>\$3,248,539</u>	<u>\$3,873,539</u>

Statement of Financial Position
As at 30 June 2017

	Note	2017 \$	2016 \$
Assets			
Current Assets			
Cash & Cash Equivalents	14	1,503,507	1,245,924
Term Bank Deposits	15	964,000	880,524
Related Party Advance	9	60,000	-
Prepayments		41,892	46,280
Medical Supplies		80,477	73,692
Accounts Receivable	18	833,728	808,364
		3,483,604	3,054,784
Non Current Assets			
Property, Plant & Equipment	11	695,591	677,780
Intangible Assets	17	100,000	100,000
Term Bank Deposits	15	876,524	760,000
		1,672,115	1,537,780
Total Assets		5,155,719	4,592,564
Liabilities			
Current Liabilities			
Accounts Payable	10	349,115	475,860
Employee Benefit Liability	19	755,701	646,499
Goods & Services Tax Accrued		177,364	137,145
Total Liabilities		1,282,180	1,259,504
Total Net Assets		\$3,873,539	\$3,333,060
Net Assets/Equity			
Contributed Capital	7	625,000	625,000
Accumulated Comprehensive Revenue & Expenses		3,248,539	2,708,060
Total Net Assets/Equity		\$3,873,539	\$3,333,060

B R Dodds (Chairman)

Dr B Sijnja (Director)

26 September 2017



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Clutha Community Health Company Limited

Statement of Accounting Policies and Notes For the Year ended 30 June 2017

Note 1 – Statement of Accounting Policies

Reporting Entity

Clutha Community Health Company Limited was incorporated on 18th December 1997 under the Companies Act 1993. The Company became a registered charity under the Charities Act 2005 on the 24th January 2008. The Company is wholly owned by Clutha Health Incorporated.

Nature of Business

The Company provides hospital and health services from premises situated on Charlotte and Clyde Streets, Balclutha.

Basis of Preparation

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ('NZ GAAP'). They comply with the Public Benefit Entity Standards Reduced Disclosure Regime ('PBE Standards RDR') as appropriate for Tier 2 not-for-profit public benefit entities, for which all reduced disclosure regime exemptions have been adopted.

The Company qualifies as a Tier 2 reporting entity as the two most recent reporting periods operating expenditure has been between \$2 million and \$30 million.

There is no public accountability.

These financial statements were authorised for issue by the Chairman Brian Dodds on 26 September 2017.

Measurement Base

The general accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis have been followed in the preparation of these financial statements. Accrual accounting is used to recognise expenses and revenues when they occur.

Functional and Presentation Currency

The financial statements are presented in New Zealand dollars (\$) which is the Company's functional and presentation currency, rounded to the nearest dollar. There has been no change in the functional currency during the year.

Use of Judgements and Estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Note 1 – Statement of Accounting Policies (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

- The judgement made in applying accounting policies that has had the most significant effect on the amounts recognised in the financial statements is to consider that residual balances of payments for goodwill made earlier than the current financial year are impaired to the point of no value.
- Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustments in the year ended 30th June 2017 include:
 - Expenses which have been written off after two years without being invoiced \$Nil (2016 \$22,991)
 - Provision for bad debts \$16,000 (2016 \$17,000)
 - Useful life of depreciable assets (see below)

Particular Accounting Policies

The following particular accounting policies adopted in the financial statements have a significant effect on the results and financial position:

■ Revenue Recognition from Exchange Transactions

Funding for services performed is recognised as revenue in the year that the services are performed. Rental income and interest received are recorded as revenue in the period earned. Sales of services are recognised in the accounting period in which the services are rendered.

■ Goods & Services Tax (GST)

The Company is registered for GST.

The financial statements have been prepared on a "GST exclusive" basis with the exception of accounts receivable and accounts payable which are disclosed inclusively.

■ Inventories

Drugs and consumables on hand are valued at the lower of cost using the first in first out basis, or net realisable value.

■ Investments

Investments have been recorded at cost less impairment.

■ Accounts Receivable

Accounts receivable are recognised initially at fair value less provision for doubtful debts. Bad debts are written off in the year in which they are identified. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off.

A provision for doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables with the amount of the provision is recognised in the Statement of Financial Performance.

■ Taxation

Clutha Community Health Company Limited is a charitable organisation and is therefore exempt from income tax. The Company became a registered charity under the Charities Act 2005 on the 24th January 2008.

Note 1 – Statement of Accounting Policies (continued)

Employee Entitlements

Provision is made in respect of liability for annual, alternate and long service leave. All leave has been calculated on an actual entitlement basis at current rates of pay.

Cash and Cash Equivalents

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

Intangible Assets

Goodwill represents the excess of the cost of acquisition over the fair value of the Company's share of the net identifiable assets of the acquired general practices at the date of acquisition. Goodwill on acquisition of practices is included in intangible assets. Goodwill is carried at cost less impairment losses. Impairment is reviewed at each reporting date and adjusted if appropriate.

Property, Plant & Equipment

Assets are stated at cost less accumulated depreciation and impairment.

Depreciation

Depreciation of property, plant & equipment is calculated so as to allocate the cost or value of the assets less their residual values over their estimated useful lives. The depreciation rates used in preparation of these financial statements are as follows:

Lessees Improvements Other	10 Years Straight Line
Lessees Improvements Helipad	50 Years Straight Line
Furniture & Fittings	10 Years Straight Line
Plant & Equipment	8 Years Straight Line
Office Equipment & IT	4 Years Straight Line
Motor Vehicles	4 Years Straight Line

Depreciation methods, useful lives, and residual values are reviewed at reporting date and adjusted if appropriate.

Changes in Accounting Policies

There have been no significant changes in accounting policies from those applied last year.

Note 2 - Inventory Commitments

No inventories are specifically and separately pledged as security for liabilities (2016 \$Nil). There were no reversals of previously written down inventory items (2016 \$Nil).

Note 3 – Events Subsequent to Balance Date

The Directors are not aware of any matter or circumstance since the end of the financial year, not otherwise dealt with in this report, which has significantly or may significantly affect the operation, the results of these operations, or the state of affairs of the Company.

Note 4 - Contingent Liabilities

A further \$60,000 is payable for goodwill in January 2018 to Dr Visagie, provided he is still working for the Company in his current capacity in January 2018.

There are no other contingent liabilities at balance date (2016 limited to \$300,000).

Note 5 - Capital Commitments

There were no capital commitments at balance date (2016 \$200,000 plus agreed variations for lessee improvements to Clutha Health Incorporated).

Note 6 - Directors & Officers Indemnity Insurance

In accordance with the Constitution and the Companies Act 1993, the Company has given indemnities to and effected insurance for Directors and officers of the Company relating to any liabilities or costs incurred for any act or omission in their capacity as Directors or officers of the Company.

Note 7 - Paid in Share Capital

■ Shares Issued

- Shares are classified and net assets/equity. The company has the following shares on issue:

	2017	2016
Fully Paid Ordinary Shares	312,500	312,500

- Rights Attaching to Shares Issued

All shares rank pari passu for dividend, voting, and winding up purposes and have no par value.

Note 8 – Leased Assets

Operating Leases

The premises at Charlotte Street, Balclutha are leased from Clutha Health Incorporated on a five year term commencing 1st July 2013, for \$350,000 per annum, with two five year renewal rights.

Premises are leased from the Salvation Army on a nine year term for \$12,285 per annum, starting 1 August 2014.

24 Clyde Street, Balclutha is leased from Clutha Health Incorporated for \$35,164 per annum. A formal lease agreement was entered into on the 20th April 2012. The lease commencement date was 1st December 2010, with a final expiry date of 30th November 2020. The first renewal date was the 30th November 2015.

The financial obligations under the above leases are:

	2017	2016
	\$	\$
Not later than one year	\$387,449	\$397,449
Later than one and not longer than five years	\$109,953	\$531,569
Later than five years	\$13,309	\$13,309

There are no other material operating leases.

Finance Leases

There are no finance leases.

Note 9 – Related Party Information

Clutha Community Health Company Limited rents the health facility land and buildings at an agreed rental from Clutha Health Incorporated which is the sole shareholder of the Company. The rental for the Charlotte Street property is \$350,000 per annum, the rental for the 24 Clyde Street property is \$35,164 per annum.

	2017	2016
	\$	\$
Rental Paid	385,164	385,164
Owed by Clutha Health Incorporated	2,275	1,437
Owed to Clutha Health Incorporated	97	195,370

Clutha Community Health Company Limited advanced \$60,000 to Clutha Health Incorporated during the year. The advance is unsecured, interest free with no fixed terms of repayment.

Clutha Community Health Company Limited purchases accountancy and advisory services from Shand Thomson Limited, an accounting firm in which Brian Dodds, a Director, was previously employed as a consultant and Jim Johnstone, a Director, and his spouse are directors and shareholders. These services were supplied on normal commercial terms.

Dr Branko Sijnja, a Director, was paid wages during the year in his capacity of employee of \$49,156 (2016 \$40,721).

Paul Menzies, Director, is a Trustee of Wellsouth Primary Health Organisation (PHO). The company received funding of \$1,677,477 from Wellsouth PHO during the year (2016 \$1,449,363).

	2017	2016
	\$	\$
Income Received	1,677,477	1,449,363
Owed by Wellsouth PHO at balance date	23,571	51,096

SCL Otago Southland Ltd (SCLOS) is a tenant of the Company. Branko Sijnja was a Director of SCLOS until 24 December 2015. The Company received rent and tenant recoveries during the year of \$14,886 (2016 \$13,455).

Dr Branko Sijnja was an elected board member of the Southern District Health Board (SDHB) (previously Otago District Health Board) until 17th June 2015. The SDHB provides funding under the contractual agreement, as well as renting consultant rooms, and contracting services to be provided by the Company.

	2017	2016
	\$	\$
Income Received	6,651,865	5,508,261
Owed by SDHB at balance date	533,374	557,956
Purchases Made	269,931	138,949
Owed to SDHB at balance date	48,820	67,453

Dr Conway Powell and his spouse are Directors and shareholders of Powell Consultancy Ltd, which provides services to the Royal New Zealand College of General Practitioners, Ministry of Health, District Health Boards and Primary Health Organisations.

Note 10 – Accounts Payable from Exchange Transactions

	2017	2016
	\$	\$
Trade Creditors	271,773	430,061
Accruals	77,342	45,799

\$349,115 \$475,860

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Note 11 - Property, Plant & Equipment

Property, plant & equipment are stated at cost less accumulated depreciation.

	2017 \$	2016 \$
Leasehold Improvements		
Opening Cost	224,882	59,936
Additions	58,532	164,948
Closing Cost	283,414	224,883
Less Accumulated Depreciation	56,820	36,787
Closing Book Value	<u>\$226,594</u>	<u>\$188,096</u>
Depreciation Current Year	\$20,033	\$6,379
Furniture & Fittings		
Opening Cost	285,348	258,601
Additions	66,096	26,747
Closing Cost	351,444	285,348
Less Accumulated Depreciation	238,260	220,599
Closing Book Value	<u>\$113,184</u>	<u>\$64,749</u>
Depreciation Current Year	\$17,661	\$11,244
General Plant/Equipment		
Opening Cost	779,219	734,106
Additions	29,523	45,113
Closing Cost	808,742	779,219
Less Accumulated Depreciation	599,932	545,490
Closing Book Value	<u>\$208,810</u>	<u>\$233,729</u>
Depreciation Current Year	\$54,442	\$59,381
Office Equipment & IT		
Opening Cost	270,536	250,586
Additions	35,934	19,950
Closing Cost	306,470	270,536
Less Accumulated Depreciation	252,758	220,477
Closing Book Value	<u>\$53,712</u>	<u>\$50,059</u>
Depreciation Current Year	\$32,278	\$33,856

Note 11 - Property, Plant & Equipment (continued)

	2017 \$	2016 \$
Motor Vehicles		
Opening Cost	358,690	340,776
Additions	11,213	17,914
Closing Cost	369,903	358,690
Less Accumulated Depreciation	276,612	217,543
Closing Book Value	\$93,291	\$141,147
Depreciation Current Year	\$68,847	\$56,520
Total Depreciation Current Year	193,261	167,110
Less		
Gain on Disposal	1,304	9,036
	\$191,957	\$158,074
Total Property, Plant & Equipment	\$695,591	\$677,780

Note 12 –Remuneration

The amounts disclosed in the following table are recognised as an expense during the reporting period related to key management personnel (KMPs) and include short-term benefits and directors' fees. The Company has two key management personnel, determined on full-time equivalent basis, which received compensation from the Company during the year (2016: 2 key management personnel on full time equivalent basis).

	2017 \$	2016 \$
Board of Directors (0.36 FTE)	32,917	42,000
Executive Management (2 FTEs)	388,855	358,696
Total Paid to Key Management Personnel	\$421,772	\$400,696

The Company did not provide any compensation at non-arm's length terms to key management personnel's and close family members of key management personnel's during the year (2016 \$Nil). The Company has no long-term benefits for its key management personnel.

There are no loans and advances transactions and outstanding balances made to/received from key management personnel during the year (2016 \$Nil).

Note 13 - Financial Instruments**Credit Risk**

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash, short term deposits, receivables and investments. The Company places its cash and short term investments with high credit rated financial institutions. The major receivable is for the District Health Board monthly grant. Credit risk is considered minimal as the Board is a Government agency. Receivables are presented net of the allowance for doubtful receivables. There are no collateral securities to support financial investments due to the quality of the receivables and investments dealt with.

Note 13 - Financial Instruments (continued)

Fair Value

Cash, short term deposits, receivables, accounts payable and short term borrowings have a carrying amount that is equivalent to their fair value.

Currency & Interest Rate Risk

There is no currency risk as all transactions are in New Zealand dollars. Short term deposits are used to minimise interest risk. There are no off balance sheet financial instruments at balance date, nor have there been any during the financial year.

Categories of Financial Instruments

The following table summaries the categories of the Company's financial instruments:

	Note	2017 \$	2016 \$
Loans & Receivables			
Cash & Cash Equivalents	14	1,503,507	1,245,924
Trade & Other Receivables	18	833,728	808,364
Investments in Bank Term Deposits	15	1,840,524	1,640,524
Total Financial Assets		<u>\$4,177,759</u>	<u>\$3,694,812</u>
	Note	2017 \$	2016 \$
Financial Liabilities at Amortised Cost			
Trade & Other Payables	10 & 19	1,104,816	1,122,359
Total Financial Liabilities		<u>\$1,104,816</u>	<u>\$1,122,359</u>

Financial Assets

The Company's financial assets include its cash, short-term deposits, and various receivables. The Company recognises financial assets when it becomes party to a contract. These assets may be classified into the categories of financial assets depending of the Company's intention to hold them and the nature of the investments.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through surplus or deficit, transaction costs that are attributable to the acquisition of the financial asset. The subsequent measurement and presentation of the financial assets will vary depending on their category.

All financial assets held by the Company in the years reported have been designated into the following classification, "loans and receivables". Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and these comprise cash and cash equivalents, trade and other receivables and short-term deposits. The financial assets are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Company's financial liabilities are classified as "financial liabilities measured at amortised cost", which are subsequently measured at amortised cost using the effective interest method. Financial liabilities at amortised cost comprise trade and other payables.

At each reporting date, the Company assesses whether the financial assets are impaired and when there is objective evidence of impairment, the carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in surplus or deficit.

Note 13 - Financial Instruments (continued)

For financial assets carried at amortised cost, the criterion used to determine whether objective evidence of impairment exists is the asset's collectability. Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. An impairment provision is recognised when there is objective evidence that the Company will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment.

A financial asset is derecognised primarily when: (a) the rights to receive cash flows from the asset have expired, or (b) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party.

Note 14 – Cash and Cash Equivalents

Per annum annual interest rate ranges applicable to components of cash and cash equivalent:

	2017	2016
Call deposits	0.10%	0.55%

There are no restrictions over any of the cash and cash equivalent balances held by the Company.

Note 15 – Investments

Per annum annual interest rate ranges applicable to components of short and long term deposits is 3.60 % - 4.20% (2016 3.55% - 4.60%)

	2017			2016		
	Maturity Date	Amount	Interest Rate	Maturity Date	Amount	Interest Rate
ANZ #1001	01/10/18	\$350,000	3.60%	30/09/16	\$350,000	4.60%
ANZ #1002	13/07/17	\$250,000	4.20%	13/04/17	\$250,000	4.20%
ANZ #1004	26/03/18	\$200,000	3.80%	-	-	-
ANZ #1005	25/09/17	\$100,000	3.75%	-	-	-
BNZ #3123	01/03/19	\$276,524	3.85%	01/03/17	\$276,524	3.85%
BNZ #3124	09/11/17	\$154,000	3.60%	10/11/16	\$254,000	3.55%
Westpac #0001	16/10/17	\$260,000	3.77%	16/10/17	\$260,000	3.77%
Westpac #0002	14/01/19	\$250,000	3.70%	13/01/17	\$250,000	4.14%
		<u>\$1,840,524</u>			<u>\$1,640,524</u>	

Note 16 - Disclosures

Items requiring specific disclosures are:

	2017	2016
■ Interest Income	\$67,824	\$88,787
■ Donations Received	\$1,643	\$1,459
■ Audit Fees	\$8,975	\$14,175
■ Net Gain on Sale of Property, Plant & Equipment	\$1,304	\$9,036
■ Operating Leases (Buildings)	\$393,175	\$393,175
■ Operating Leases (Other)	\$Nil	\$Nil
■ Directors Fees	\$32,917	\$42,000
■ Provision for Doubtful Debts	\$16,000	\$17,000

All revenues were derived from continuing activities.

Note 17 – Intangible Assets

Intangible assets represent goodwill on the purchase of Dr Visagie's practice in February 2016, and has been assessed as cost price (no impairment).

	Cost	Purchase Date	2017 Closing Book Value	2016 Closing Book Value
	\$		\$	\$
Goodwill Dr A Visagie	100,000 ⁽¹⁾	01/02/2016	100,000	100,000

⁽¹⁾ In accordance with the agreement for the purchase of Dr Visagie's practice, he is to be paid a further \$60,000 in January 2018, provided he is still working for the company in his current capacity.

Note 18 – Accounts Receivable from Exchange Transactions

	2017	2016
	\$	\$
Gross amounts owing	849,728	825,364
Less Provision for Doubtful Debts	16,000	17,000
	<u>\$833,728</u>	<u>\$808,364</u>

Note 19 – Employee Benefit Liability

The following employee entitlements exist at balance date

	2017	Increase (Decrease)	2016	Increase (Decrease)	2015
	\$	\$	\$	\$	\$
Long Service Leave	13,290	(1,804)	15,094	(3,672)	18,766
Annual Leave/Holiday Pay Accrual	434,108	52,031	382,077	31,436	350,641
Time in Lieu	26,054	10,181	15,873	10,666	5,207
Wages Accrued	176,454	31,843	144,611	(193,864)	338,475
Alternate Leave	105,795	16,951	88,844	(7,507)	96,351
Total Employee Benefit Liability	<u>\$755,701</u>		<u>\$646,499</u>		<u>\$809,440</u>

Note 20 – Bank Security

The Bank of New Zealand has a debenture over the assets and undertakings of the Company as security for any bank financing.

Note 21 – Reconciliation of Net Surplus with Net Cash Flows from Operating Activities

	2017	2016
	\$	\$
Net Surplus	540,479	93,936
Add Depreciation & Gain on Disposal	191,957	158,074
	<u>732,437</u>	<u>252,010</u>

Plus/(Less) Movement in Working Capital Items

(Increase) in Receivables & Prepayments	(20,976)	(24,998)
(Increase)/Decrease in Medical Supplies on Hand	(6,785)	1,395
Increase in GST Accrued	40,219	14,646
(Decrease) in Payables & Accruals	(17,543)	(213,912)
Net Working Capital Movement	<u>(5,085)</u>	<u>(222,870)</u>

Net Cash Flows from Operating Activities

	<u>\$727,352</u>	<u>\$29,140</u>
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The Board of Directors
Clutha Community Health Company Limited
P O Box 46
Balclutha 9240

29 September 2017

Dear Board Members

Audit of 30 June 2017 financial statements

We have completed our audit work on the financial statements of Clutha Community Health Company Limited, for the year ended 30 June 2017 and issued an unmodified audit opinion. There are no matters that we wish to bring to your attention arising from our audit.

Our Audit Approach

Our audit procedures are tailored to our assessment of risk of material error in the financial statements. We consider accounting controls at various levels and in overall terms. Obviously we cannot in practice examine every operating activity or accounting procedure carried out by the Company, nor can we substitute for management's responsibility to maintain adequate controls at all levels of operations.

As to the possibility of fraud or irregularity, we plan our audit to have reasonable expectations of its disclosure if the amounts would be material to the financial statements. However, there are potentially many kinds of fraudulent or irregular activities which the normal statutory audit is not designed to uncover.

Required Communications

In accordance with New Zealand auditing standards we are required to communicate significant findings from the audit. Accordingly, we advise:

- we encountered no significant difficulties in performing the audit;
- there were no disagreements on accounting policies, estimates and disclosures;
- no deficiencies in internal accounting controls were noted by us;
- no unadjusted errors were detected by us;
- we did not identify any significant matters concerning related party transactions;
- no unadjusted items were noted from our audit work;
- there are no significant matters discussed with management that we wish to bring to your attention; and
- no other matters that are significant to the oversight of the financial reporting process were identified.

Further, we are not aware of any relationships between Audit Professionals and the Company that, in our professional judgement, may reasonably be thought to impair our independence.

General

We wish to thank Ray Anton, Bronwyn Campbell, Lynda Miller, Trudie Farquhar and other staff of the Company, as well as Tracey Murray and Nicole Edwards from Shand Thomson Limited, for their assistance during the course of our audit. Please contact me if you require any further information.

Yours faithfully



Phillip Trounson
Director