



Clutha Health Incorporated

Treasury Policy

Purpose

The purpose of this policy is to promote prudent, effective and efficient financial management and set out the treasury function, framework and related policy guideline within which liquidity risk, cash and investments are managed by Clutha Health Incorporated (CHI).

Background

CHI is a risk averse entity and its treasury activities are carried out within the requirements of the Incorporated Societies Act 1908, the Charities Act 2005, and The Trustees Act 1956. These Act's along with CHI's Constitution, define the operating environment in relation to borrowing, investment and risk management activity. The Society owns all the shares in Clutha Community Health Company Limited (CCHCL) which operates as an integrated family health centre. CHI owns two properties in Balclutha that are used for the provision of health services by way of leases with Clutha Health First (CHF).

Principles

The broad principles of treasury management for CHI are:

- Financial matters are to be managed prudently and responsibly.
- Activity that could be construed as speculation on financial markets is expressly forbidden.
- All revenue, expenditure, assets and liabilities are to be managed in the best interests of CHI.
- The investment approach is moderately conservative, particularly since the Society is a non-taxpayer and therefore not driven to aggressively seek risk in order to achieve return. Non-taxpayer status means the portfolio derives greater benefit from investment in fixed interest than a taxpayer. Another characteristic of non-taxpayers is their inability to utilize imputation credits from equity investment. For these reasons, it is considered appropriate that the Fund's assets be entirely allocated to Fixed Interest Investments.

Objectives

The primary objectives of the treasury function are to safeguard financial resources by minimising exposure to various financial risks such as liquidity risk, foreign exchange risk and credit risk. CHI will achieve this through prudent financial management as follows:

- Establishing and regularly reviewing financial delegations and treasury matters.
- Cash flow forecasting and monitoring and managing liquidity risk.
- Adequate monitoring of financial matters through accurate and transparent accounting.
- Prudently optimising the return on monetary investments.

The Society does not engage in hedging activities and does not have direct foreign exchange exposure. It has no current borrowing requirement.

Responsibility

Board of Trustees

The Board has the ultimate responsibility for ensuring that the Society has an effective policy for management of its treasury risks. The Board determines the level and nature of risks which are acceptable to the Society. It has the following specific treasury risk responsibilities:

- Approve the Treasury Policy document bi-annually.
- Approve any activity outside the policy parameters.
- Appoints the Treasury Management Committee.

Treasury Management Committee (TMC)

"Promoting, Protecting and Conserving the Public Health Services in the Clutha District"



The Treasury Management Committee comprises the Board Chairperson and other appointed signatories to the Society's banking accounts. It will attend to the investment of the Society's funds.

Investing

The Public Finance Act 1989 (Section 65) specifies the types of investments in which Crown entities may invest. This has been adopted as appropriate for CHI. These are:

- Counterparties for short term investment (defined as investments with a maturity period of 12 months or less) with a credit rating of A1.
- Counterparties for long term investments (defined as investments with a maturity period of more than 12 months) must have a rating of A or better.

Investments with any one bank are limited to a maximum of 66% of the total amount invested including funds at call. Funds will be held at maturity to meet cash flow requirements as well as meeting the following criteria:

- The first \$50,000 will be held at call.
- Term investments to have staggered maturity dates.
- The maximum term investment in an approved counterparty is up to 5 years.

Funds held should reflect, the sum of the provision for depreciation on fixed assets held by CHI, plus such other reserve considered prudent.

Reporting Framework

The following report will be produced monthly for presentation to Board meetings:

- Summary of Amounts held, and interest rates accruing.

Operational Risk Management & Controls

The risk of financial loss is managed by:

- Organisational and procedural controls designed to mitigate risk in all situations including:
 - supporting documentation that is appropriately authorised will be required for all expenditure.
 - records will be maintained for a seven year term.
 - segregation of duties in the financial process.
 - approval of payments at Trustee Board meetings.
 - annual external audit of financial statements.
 - prohibition of speculative trading.
 - no contracts may be entered into unless approved at a Trustee Board meeting.

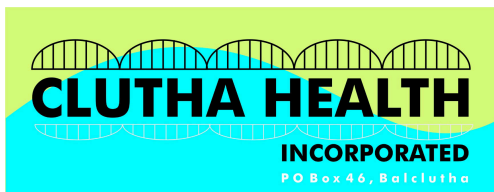
Bank Account Management

Bank accounts will be managed carefully to avoid any risk of inappropriate transactions or use of funds as follows:

- Two signatories/authorisers are required for all bank transactions.
- Appropriate security around any online banking to preserve the two signatory principle.
- Segregation of duties for payment of accounts.
- Board approval for all new or changes to bank accounts and signatories.

Tax Compliance

CHI will comply with all NZ tax legislation.



Clutha Health Incorporated
3-7 Charlotte Street, PO Box 46
Balclutha, South Otago

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APPENDIX A

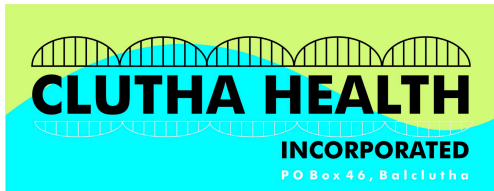
Section 13B The Trustees Act

“...a trustee exercising any power of investment shall exercise the care, diligence and skill that a prudent person of business would exercise in managing the affairs of others”.

The Amendment Act, section 13E lists a number of specific issues which should be addressed by the trustee of public funds.

“without limiting the matters that a trustee may take into account, a trustee exercising any power of investment may have regard to the following matters so far as they are appropriate to the circumstances of the trust:

- a. The desirability of diversifying trust investments;
- b. The nature of existing trust investments and other trust property;
- c. The need to maintain the real value of the capital or income of the trust;
- d. The risk of capital loss or depreciation;
- e. The potential for capital appreciation;
- f. The likely income return;
- g. The length of the term of the proposed investment;
- h. The probable duration of the trust;
- i. The marketability of the proposed investment during, and on the determination of, the term of the proposed investment;
- j. The aggregate value of the trust estate;
- k. The effect of the proposed investment in relation to the tax liability of the trust; and
- l. The likelihood of inflation affecting the value of the proposed investment or other trust property.



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DEFINITIONS

“Local Authority” means any City, District or Regional Council or wholly owned subsidiary of such a body and the NZ Fire Services Commission.

“Registered Bank” means as defined in Section 2 of the Reserve Bank of New Zealand Act 1989 and is rated A1 by S & P – Australian Ratings or the equivalent rating by a recognized rating agency. A list of Registered Banks is attached (Appendix B).

“Rating” means any credit rating issued by S & P Australian Ratings or the equivalent rating by a recognized rating service. A list of Standard and Poors credit ratings is enclosed. (Appendix C).



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APPENDIX B

Credit Ratings

S & P Australian Ratings (Updated 2 February 2012)

Issuer	Short	Long	Issuer	Short	Long
ABN Amro	A1	A+	Kiwi Co-op Dairy		Fonterra
Air New Zealand Ltd	N/A	N/A	Kookmin	A1	A
Auckland City Council	A1+	AA	Lion Nathan	N/A	N/A
Auckland Healthcare	A1+	AA	Mighty River PWR		BBB+
Auckland Int'l Airport	A2	A-	Mortgage Corporation	N/A	N/A
AMP Bank	A1	A	Medical Mortgages	N/A	N/A
ANZ Banking Group	A1+	AA-	MTF Securities	N/A	N/A
ASB Bank	A1+	AA-	Natural Gas Corporation	N/A	N/A
ASB Finance	A1+	AA-	Natural Gas Holdings	N/A	N/A
BK Toyko Mitsubishi	A1	A+	National Bank of NZ	A1+	AA-
BNP Paribas	A+	AA-	NBNZ International	A1+	AA-
BNZ	A1+	AA-	NZ Co-op Dairy	N/A	N/A
Brierley Investments	N/A	N/A	NZ Dairy Board	N/A	N/A
Capital Coast Health	N/A	N/A	NZ Post	A1+	AA-
Carter Holt	N/A	N/A	NZ Receivables	N/A	N/A
CBA Funding	A1+	AA-	Pacific Dunlop	N/A	N/A
Christchurch City Council	A1+	AA	Ports of Auckland		Akl Council
Christchurch Int'l Airport	A2	A-	Powerco	A2	BBB
Citibank N A	A1	A	Primus Financial		BB+
Coca-Cola Amatil	A2	A-	Rabobank	A1+	AA
Commonwealth Bank	A1+	AA-	Retail Financial Services	N/A	N/A
Contact Energy	A2	BBB	Sabre NZ	N/A	N/A
Counties Manukau		Akl Council	Spiers Securities	N/A	N/A
Deutsche Bank AG	A1	A+	TCNZ Finance	A2	A-
Dunedin City Council	A1+	AA	Telecom Corporation	A2	A-
Dunedin City Treasury	A1+	AA	Telecom NZ Finance	A2	A-
Endeavour Mortgages		N/A	Tower Limited	N/A	N/A
FCIL Watch N		N/A	Toyota Finance	A1+	AA-
BCL Watch N	N/A	N/A	Transpower Finance	A1+	AA-
Fisher & Paykel	N/A	BB	Transpower NZ	A1+	AA-
Fonterra Co-op Group	A1	A+	Transalta		BBB
GF Finance	N/A		Tranz Rail	N/A	N/A
GMAC		B	United Networks	N/A	N/A
Goodman Fielder		N/A	Utilicorp Finance	N/A	N/A
Guardian Assurance	A1		Vector		BBB+
H J Heinz		BBB+	Watercare	A1+	AA-
Housing New Zealand	A1+	AA-	Wellington Int'l Airport	A2	BBB+
HSBC	A1+	AA-	Wellington Regional Council	A1+	AA
Hutt City Council	A1+	AA	Westpac NZ Ltd	A1+	AA-