



Annual Report 2009-10

Taranaki District Health Board



Taranaki Together, a Healthy Community
Taranaki Whanui, He Rohe Oranga



OUR AIMS

A Matou Wawata

- To promote healthy lifestyles and self responsibility
- To have the people and infrastructure to meet changing health needs
- To have people as healthy as they can be through promotion, prevention, early intervention and rehabilitation
- To have services that are people-centred and accessible, where the health sector works as one
- To have a multi-agency approach to health
- To improve the health of Māori and groups with poor health status
- To lead and support the health and disability sector and provide stability throughout change
- To make the best use of the resources available

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Our Shared Vision / Te Matakite

How We Work Together and with Others (Nga Tikanga)

Me Pehea nga mahi ngatahi me etehi atu

The actions and behaviours described below are how we aim to contribute to all our relationships including those with our patients, clients, whanau, funded agencies, staff and members of the public.

We will work together by:

- ☝ Treating people with trust, respect and compassion
- ☝ Communicating openly, honestly and acting with integrity
- ☝ Enabling professional and organisational standards to be met
- ☝ Supporting achievement and acknowledging successes
- ☝ Creating healthy and safe environments
- ☝ Welcoming new ideas

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INTRODUCTION BY CHAIRMAN AND CHIEF EXECUTIVE



Welcome to the Annual Report for the Taranaki District Health Board for 2009/2010.

In addition to the Board we would like to thank the various co-opted members of our Board committees, who have generously offered their knowledge and skills. Our Māori relationship partner, the Te Whare Punanga Korero Trust representing the eight iwi of Taranaki, have also provided members of our committees, in addition to contributing to various planning activities, as they support the governance of the DHB and our goals of improving Māori health and reducing health inequalities.

Our effort in this critical area has increased in the past year with the collaborative development of Te Kawanui Maro – Taranaki Māori Health Strategy, and our Māori Health Investment plan continuing to support new initiatives to build capacity in the Māori health sector, and laying key foundations to improve the health of Māori.

Health is becoming increasingly embedded in the community as we take responsibility individually and collectively for our health and wellbeing. We would like to

acknowledge and thank the Primary Health Organisations, and wide range of other organisations and individuals who have worked tirelessly for local people.

The hospital and specialist services have continued to experience cost growth as complexity and demand for services continue to increase. Nevertheless, we're proud of the team involved in these services who have done an admirable job in continuing to deliver good quality care and in many instances more services than before, whilst also balancing the resources available.

Significant progress has been made in the year on the design work of "Project Maunga" Base Hospital redevelopment. Staff and user groups have done tremendous work together with an internationally renowned design team on plans for new operating theatres, day stay services, and inpatient wards. These exciting developments will provide a better quality environment for patients and staff, improved patient flows, more capacity and a facility fit for purpose

with new models of care for the future.

We're looking forward to being able to let a construction contract in 2010/11 and begin building in mid 2011, for a facility and services to benefit all Taranaki people.

Whilst the national Health Targets capture perhaps only a small part of what is necessary and important to our community's health – they do provide a focus for action and improved performance in priority health and disability areas. Taranaki has contributed to the significant progress made in these areas, and other indicators as shown in the Statement of Service Performance section of this report.

Our strong collaborative approach with other DHBs has also continued through our joint venture companies, including; HealthShare with Tairāwhiti, Bay of Plenty, Lakes and Waikato DHBs which audits services in personal health, mental health and health of older people; Allied Laundry Services providing a shared laundry with Whanganui, MidCentral and Hawkes Bay DHBs.



John Young ONZM JP, sadly passed away in September 2010 and before publication of this report.

John joined the Taranaki DHB in 2001 as a Board member, and was appointed as Chairman in 2007. He was a well respected and highly regarded member of the community. His integrity and approachable manner was appreciated by all who met him. Within the Board he

took on many roles including Chairman of the Hospital Advisory Committee, Finance & Audit Committee & Fulford Radiology.

John gave a lifetime of passion and commitment to make a positive difference to our community. This wonderful contribution was always made in his characteristic modest yet effective manner.

He will be greatly missed as a leader by everyone, and as a friend to many.



Our innovative approach to information systems services through HIQ Limited enables support to clinical and business services. This valuable vehicle for leadership and collaboration will help deliver of the new National Health IT Plan.

Partnership with other DHBs is very important to ensure we can provide access to appropriate care and treatment for Taranaki people, as well as avoiding duplication wherever possible and getting the best value for money. Gains to date include strategic directions and priorities developed for the health workforce, greater alignment of employment relations activity with workforce requirements, and opportunities to improve the quality of service delivery, and savings and efficiencies through shared procurement. We expect this activity to continue by working with the new National Health Board and other shared service agencies.

During the year joint service planning developed a draft Midland Regional Clinical Services Plan with four other DHBs, and we expect once finalized in the coming year this will help maintain access to more vulnerable services across the region and support the development of others.

It is very pleasing to note that services to the value of nearly \$300m continued to be funded and provided for the people of Taranaki in the year. As we aim to balance high quality health services with our share of the national population funding there continues to be challenges. It is therefore pleasing to note that the consolidated financial result for the Board and associated companies was only a small deficit, slightly greater than the planned budget. The financial result was significantly assisted by less than planned expenditure for some areas of funding responsibility in the period itself, and us unfortunately not being able to make the level of strategic service investments we would have liked.

It was very pleasing that once again the Ministry of Health has acknowledged our hospital's performance in elective services as 'outstanding'. We expect to continue our good performance in this area as well as focus others including improving waiting times in emergency departments, continuing to support clinical leadership and workforce development, and work with others to accelerate the implementation of the primary health care strategy.

Significant progress occurred in the year with the Midlands Health Network of PHOs and providers, and the Coalition of Māori PHOs receiving support for progressing business cases for developing primary care services. We look forward to working with these groups to translate the plans into service improvements for Taranaki.

Given the wider economic environment and the reducing proportion of the national population, Taranaki DHB is likely to face significant financial pressure in coming years. This will require us to continue to work with others in the Taranaki health sector and beyond, looking at how we organise ourselves with a willingness to change, in order to enable access to the services our community will need in the future.

The following pages provide a brief snapshot of the busy life and some of the exciting developments from the past year. Thank you to everyone who played a part in working day and night for our patients and community. We look forward to working with and for the people of Taranaki in the year ahead.

| | | |
|-----------------|------------------------|------------------------|
| John Young | Tony Foulkes | DR Peter Catt |
| CHAIRMAN | CHIEF EXECUTIVE | ACTING CHAIRMAN |

Going the Extra Mile

Patients often appreciate the efforts of our staff. Here is a selection of their feedback.

“I was so very pleased with all staff who went out of their way to help with any requests made. All had a happy attitude, and I thank every single one of them.”

“Having had many visits to the hospital over the years, I can honestly say I've never had any complaints. From the surgeons down, all have been great. Near and far, I've often had the chance to praise our NP hospital.”

“I was impressed by the fantastic care and attention given to me by Hawera staff – always there when you needed them. They are all dedicated to the job. No way can I complain, the service is wonderful.”

“How helpful and friendly the staff were. They took time to introduce themselves and I was always aware who was available to help each shift. The staff were supportive of my needs, took my questions and concerns seriously, and offered good advice and information as needed. Great job!”



“The care, sensitivity and consideration for my family and baby shown by the midwives was just amazing.”

“I was impressed by the care of the doctors and nurses and the people bringing me meals. You all are to be congratulated by the concern and care you all have shown to me.”

“Very efficient, confident staff. All were friendly, and I felt safe and well looked after. No waiting for CT scan. All of the staff should be applauded for their service, and I thank them very much for the great care I was given.”

Community Volunteers Help Too

A dedicated group of volunteers help our patients and visitors find their way around the hospital.

The number of meet and greet volunteers, who are distinctive in their bright blue coats, has grown to 23. The service is in its infancy and there are plans to grow it in the future.

On Target

The Taranaki health sector continues working towards the health targets, which are indicative of a wider range of services and efforts in priority areas. We are committed to meeting the targets, while recognising there are areas for improvement.

1. Shorter Stays in ED:



Target 95%
Achieved 93%

An acute pathway project is underway that identifies and reduces the barriers to achieve shorter stays in the emergency departments. We aim to have 95% of all patients seen and discharged within 6 hours. The Ministry has endorsed our approach, however achieving the last few percent to reach the 95% target will be difficult and require a concentrated and focused effort. This challenge is accepted by our team as we focus on the ongoing work to improve the flow of patients in our acute pathway work.

2. Improved Access to Elective Surgery:

Taranaki residents received higher than planned levels of elective surgery – 104% for the year – with 4,238 people receiving elective surgery across all providers. This is a very pleasing result but we will continue to be vigilant in our efforts to maintain our target.



Target 100%
Achieved 104%

3. Shorter Waits for Cancer Treatment:

We plan to maintain our collaborative relationship with MidCentral DHB to maintain the 100% cancer waiting time target.



Target 100%
Achieved 100%



Target 80%
Achieved 40%

4. Better Help for Smokers to Quit:

Whilst the result for quarter 4 was disappointing, there was a significant improvement in July 2010 (73%) which is expected to continue in 2010-11. A training package has now been offered to all nursing staff in inpatient areas of the hospital and a training plan has been developed and is currently being implemented within the primary care general practice.

5. Better Diabetes and Cardiovascular Services:

Diabetes and cardiovascular disease are among the main causes of ill health in Taranaki. The DHB continues to support the PHOs in ensuring there are services in place to meet this target.

Achieved 74%

Target 85%
Achieved 85%

6. Increased Immunisation:

Increasing immunisation rates are a priority in order to reduce the incidence of preventable disease in our community. Taranaki continued to meet its target in this area and is well set up for achievement of the 2010-11 target. The DHB is working closely with the three PHOs in Taranaki to educate and inform the community on the benefits and importance of immunisation.

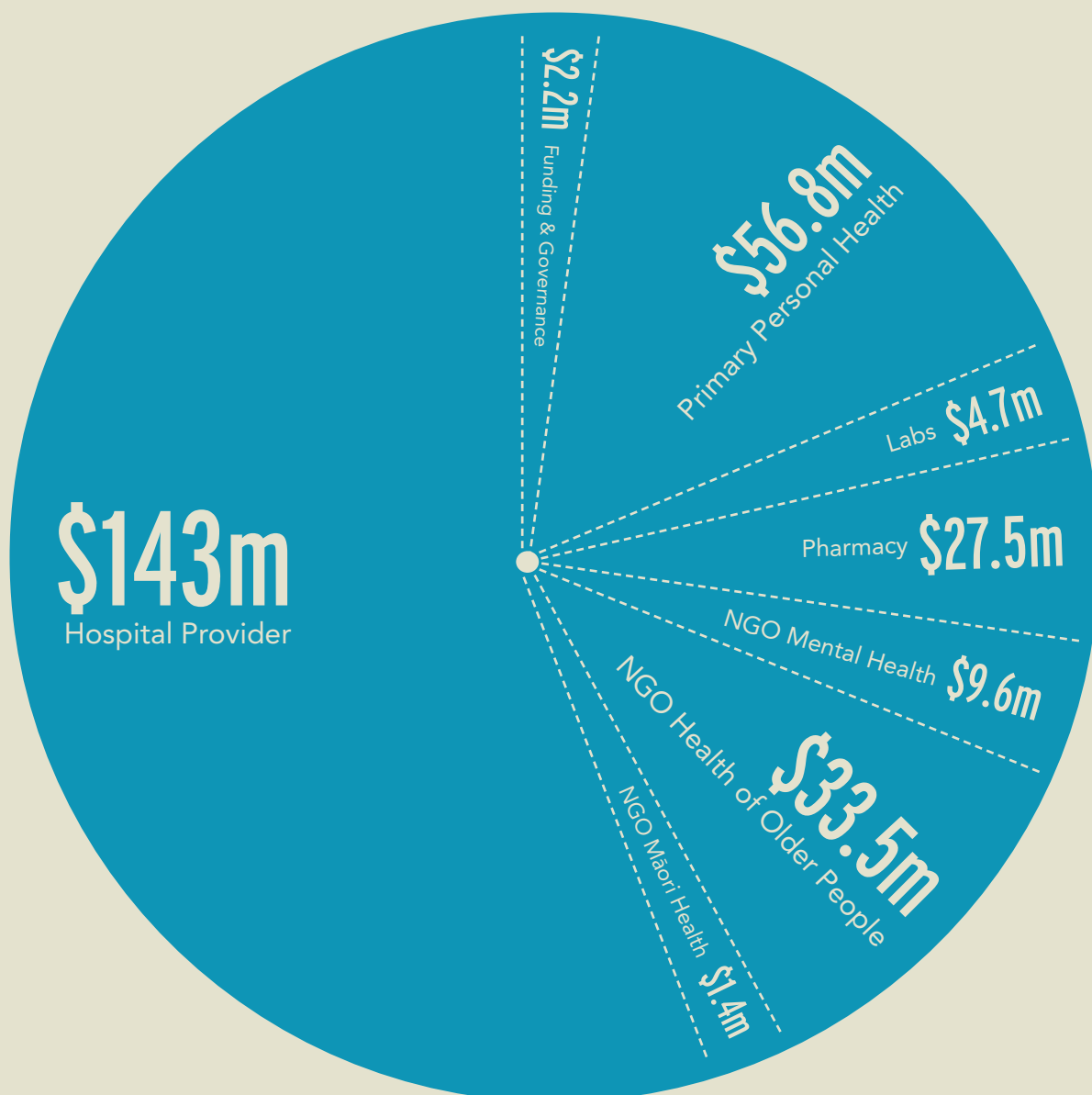
WHERE THE MONEY GOES

2009/10



The Taranaki DHB is the funder, planner and a key provider of health and disability services of the Taranaki region.

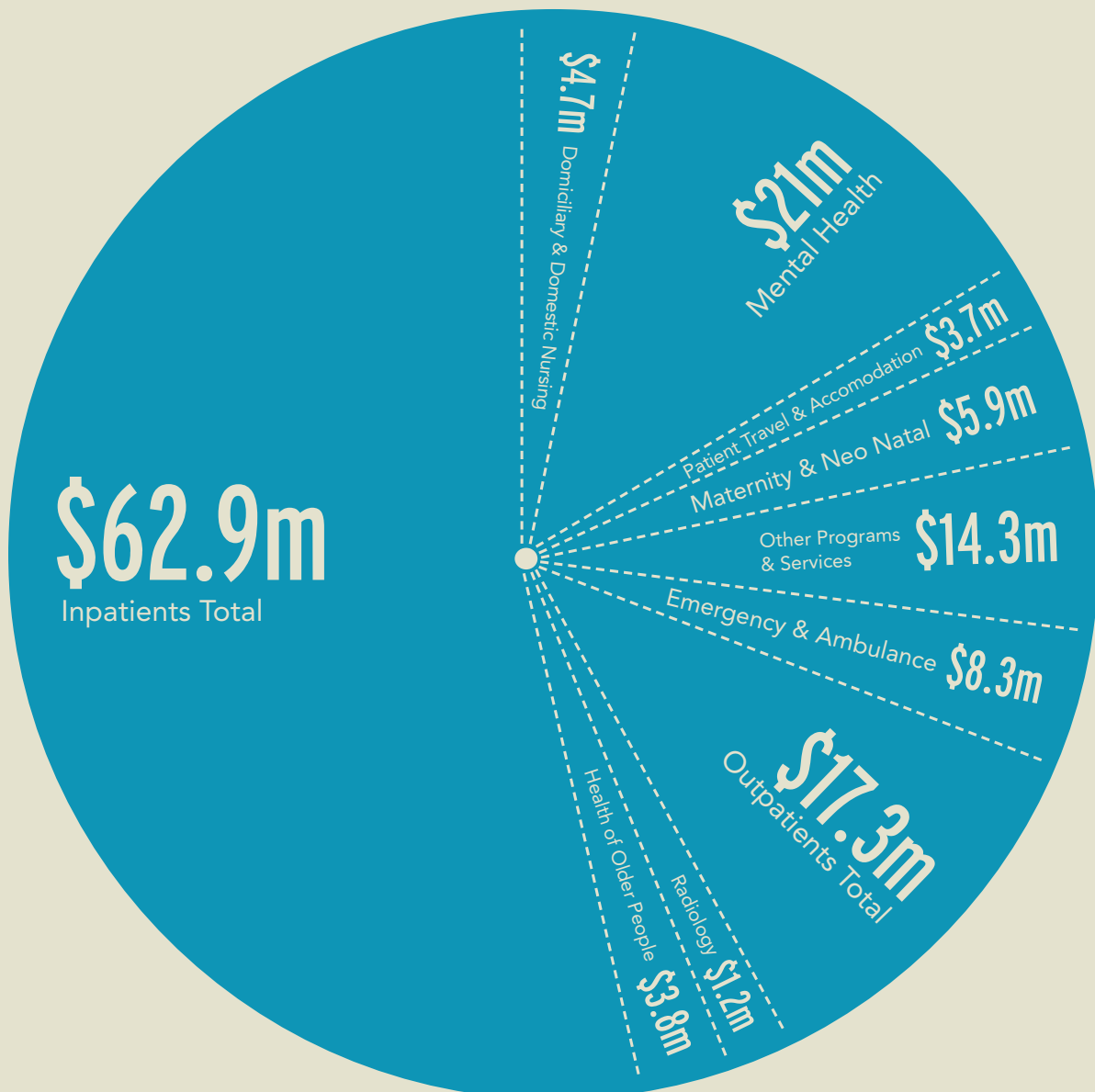
Taranaki DHB Funding Allocation





We have **104,280** Taranaki residents. We planned, funded and provided nearly **\$279** million of health and disability services. Of this, **\$143** million was allocated to the Hospital Provider.

Hospital Provider Services Allocation



WHO GETS IT

2009/10

\$4.7m

\$19.9m

\$6.7m

\$22.8m

Community
Laboratory
Services

Community,
Rehabilitation
& Rural Services
including

Maternity
including

Primary Health
Organisation
& GP Services
including

Laboratory

Services for children
and youth

District nursing

Immunisation

Hospital and community
maternity services

GP services including
chronic disease
management and
immunisation

\$33.1m

\$29.1m

\$27.5m

\$30.1m

Residential
Care and Home
Support

Mental Health
Services including

Hospital and
Community
Pharmaceuticals

Inter District
Flows

Residential care

Home support

Caregiver support

Palliative care

Inpatient, outpatient and
community based services
for children, youth and
adults

Kaupapa Māori services

Subsidising pharmaceuticals
accessed through
pharmacies

Taranaki residents who
access health services
outside the province

\$4.7m

\$2m

\$1.2m

Other Programmes
& Services
including

Hospital Clinical
Support Services

Disability Information

Māori service development
Whanau Ora services
ACC
Clinical Training Agency

Radiology
Laboratory

Needs assessment and service
coordination
Meals on Wheels

\$42.8m

\$44.8m

\$8.3m

\$1m

Hospital Surgical
Services including

Hospital
Medical Services

Emergency
Department

Public Health
Services including

Surgical inpatients and
outpatients

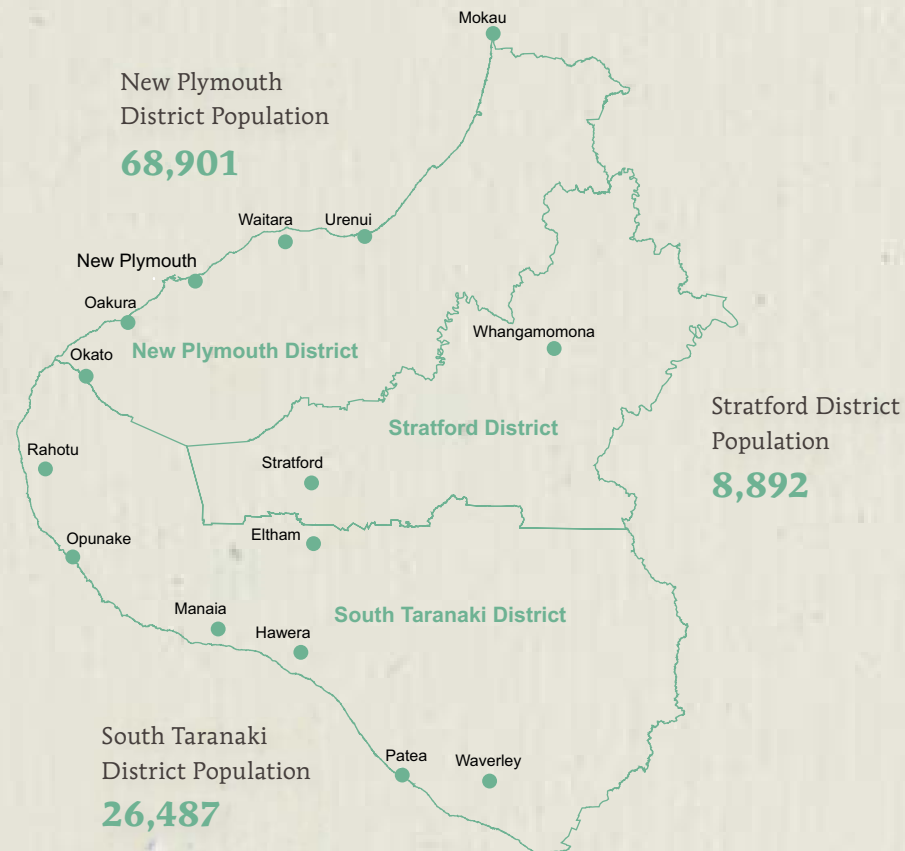
Medical inpatients and
outpatients
Paediatric inpatients and
outpatients
Assessment, treatment
and rehabilitation

Emergency services
Ambulance services

Nutrition and physical
activity
Smoking prevention
Screening programmes

PROFILING TARANAKI

Taranaki DHB delivers health services in Taranaki and in the Mokau area, which is part of the Waikato District Health Board. The district covers more than 7,000 square kilometres. There are a few densely populated centres in Taranaki such as New Plymouth, Stratford and Hawera. The rest of the population is scattered in and around small rural centres.



Population Profile

According to Statistics New Zealand, Taranaki DHB serves a population of 104,280 people, or 2.8% of New Zealand's population. Between the 2001 and 2006 Census, the population usually resident in the region increased by 1,266 or 1.2%.

This increase is projected to reverse - from 2006 to 2026 the population is projected to decrease by 1,400 or 1.3%. The Māori population is projected to increase to 21.1% of the total population by 2026. The Māori, Pacific and Asian populations have grown slightly since 2001 and the population identified as European has declined, as at the 2006 Census. Taranaki has 81% identified as European and other, 15.2% as Māori, 1.3% as Pacific and 2.1% as Asian.

Age Structure

Our population is ageing. The proportion of people over the age of 64 is higher than the national average. The proportion of people aged between 15 and 39 is lower than the national average. A total of 21.8% are aged under 15 in Taranaki, while 47% of the Māori population is under 20.

Socio-Economic Indicators

The Taranaki population sits towards the centre of the socio-economic range. There are higher percentages of people living in deciles 5-7 and lower in the decile four compared to the New Zealand average. Approximately 82% of the Māori population is resident in deciles 6-10 compared to 69% of non-Māori. Māori in decile four and five have a lower life expectancy than the most deprived non-Māori.

WE HAVE

24 Pharmacies

☺ Māori primary health providers

11 Community-based mental health, and alcohol and addictions Service providers, and a further six Tui Ora affiliated Māori mental health and alcohol and addictions service providers

31 Providers of support services for older people

69 General practitioners

☺ Support services for people with disability

3 Primary Health Organisations

☺ Hospital Provider - facilities include Taranaki Base Hospital, Hawera Hospital and community health centres in Waitara, Stratford, Opunake, Patea and Mokau

23 Dental practices

☺ Providers of community laboratory and radiology services

19 Community personal health providers

WORKING TOGETHER



Taranaki DHB, along with Bay of Plenty, Lakes, Tairāwhiti and Waikato DHBs, is a member of the Midland Group of DHBs. The focus on regional collaboration has involved an increasing delegation of authority for regional decision-making to occur.

Regional Clinical Services Plan

While a number of regional service plans have been developed over the years, such as for mental health and addictions, our focus is now on developing a regional clinical services plan. This plan will be reflected in the development of strategic, annual and other plans developed by Taranaki DHB and the other Midland DHBs.

The Midland region is currently implementing two vulnerable service plans in the areas of obstetrics/gynaecology and rural primary care. These services were identified as initial focus areas based on work that was completed in early 2009.

Primary Mental Health Initiative

During the 2009/2010 financial year additional funding was put into this service with the result being additional Primary Mental Health services being made available to all GP Practices associated with a PHO.



Primary Health Organisations (PHOs)

PHOs are funded by DHBs to provide primary health care services to people who are enrolled with the PHO. PHOs bring together doctors, nurses and other health professionals in the community to service the health needs of their enrolled populations. The four PHOs in Taranaki are Peak Health Taranaki PHO, Hauora Taranaki PHO, Te Tihi Hauora o Taranaki PHO and Te Oranganui Iwi Health Authority PHO. Taranaki DHB works with the PHOs and Māori development organisation Tui Ora Ltd to ensure health and disability services meet the needs of local people. Examples of the close working relationship is evident in the following projects:

👤 The Expressions of Interest were the first step in the Ministry of Health's call for the Better, Sooner more Convenient proposals from Primary Health Organisations. Taranaki has been successful with two Expressions of Interest - the Midland Regional Health Network (MRHN) and the National Māori Coalition. MRHN involves Peak Health PHO and Hauora Taranaki PHO. Also included is Tui Ora Trust. The MRHN involves five PHOs from across the Midland Region and will merge to become one entity. Te Tihi Hauora O Taranaki PHO is part

of the National Māori Coalition. Taranaki DHB is involved with both of the successful organisations as implementation of the business cases moves forward. This is a fundamental change to the way primary health services are planned and contracted.

👤 Optimising the Patient Journey (phase 2) is a national pilot project being led by Counties Manukau DHB and jointly undertaken in Taranaki by Hauora Taranaki PHO and Taranaki DHB. The project involves trialling a new model

of service delivery for people living in the community with long term conditions. They are encouraged to take control of their health by working with a facilitator/life coach and GP practice staff to learn new techniques to improve their quality of life.

👤 The Taranaki Enhanced Healthline Pilot Project has been jointly run by Ministry of Health, McKesson NZ Ltd, Taranaki DHB, Hauora Taranaki PHO and Peak Health PHO. The implementation has been project managed jointly by the two PHOs.

LOCAL COLLABORATION



We work with health professionals, local authorities, DHBs and many other organisations and groups to achieve our goal of a healthy community.

Stratford Health Centre

The DHB, Stratford Health Trust and Stratford District Council have been working together to establish a health centre in Stratford.

The expanded health centre will accommodate general practice, physiotherapy, community midwifery, audiology services and current DHB services.

The aim is to establish a community centered health service offering an extensive range of primary and secondary health services from a single location for the people of Stratford.

Whakatipuranga Rima Rau

Whakatipuranga Rima Rau aims to create 500 employment opportunities for Māori within the Taranaki health and disability sector over the next 10 years.

Incubator is the first of many programmes to work towards this goal by encouraging Māori participation in the health workforce.

Taranaki is piloting its first two high schools in 2010. It is anticipated that Incubator will grow to include more Taranaki high schools and even Marae in the future.

Partners include the Ministry of Social Development, Te Whare Punanga Korero, TSB Community Trust, and Te Puni Kokiri.



Māori Health Strategy Addresses Inequalities

The DHB has endorsed a strategy to address the poor health status of Māori in Taranaki.

The board, with the endorsement of the iwi representative group Te Whare Punanga Korero (TWPK), adopted Te Kawau Maro Taranaki Māori Health Strategy after many months work between the Māori Health Team, Māori providers, Tui Ora Māori Development Organisation, Te Tihi Hauora O Taranaki PHO and TWPK.

The board recognises that Māori fare worst in virtually every indicator of health status and socio-economic inequality. The pathway ahead is to work on changing these disparities as a whole community.

Child Adolescent and Maternal Mental Health and Addictions Continuum Project

This project aims to assess, review and address the key aspects of the continuum of service delivery through a client and family-centred approach.

The process seeks to lead the sector to a more cohesive and supportive approach for all NGO/Iwi and mainstream providers by developing a 'one service in joint venture'.

A fundamental aspect of this project is the commitment of Taranaki DHB and the Mental Health and Addictions sector to provide direction and implementation plan for how services will be delivered now and into the future.



CLINICAL LEADERSHIP

We understand the importance of clinicians being at the forefront of decision making, and encourage the input of our valued staff.

Clinical Board

The TDHB Clinical Board, led by local clinicians, has been operating since June 2009.

Its role includes ensuring the DHB has appropriate systems in place for good quality clinical practice.

It also aims to promote collaborative clinical projects between the primary and secondary sectors, and provides advice to the DHB on clinical governance issues.

Clinical Input into Project Maunga

The Clinical Reference Group continues to provide clinical advice and oversight to Project Maunga and the CEO about the design of the new facility and related processes for new models of care.

User groups, made up mainly of staff members, have also put in a lot of time and energy over the year, and their contribution is appreciated.

Training Supports Staff

An interactive paediatric training programme is giving staff greater skills and confidence to work with children.

The six-month programme is available to nurses, doctors, paediatric house surgeons and registrars who want to learn more about children's health.

The paediatric team, along with other specialists including the ED nurse educator and resuscitation co-ordinator, is delivering the training on a weekly basis.



Medicines Reconciliation

A new project looking at the process of medicines reconciliation is set to reduce medication errors, improve efficiencies and provide safer transcribing - from admission to discharge.

Moving towards an electronic reconciliation process will result in better tracking of patients' medication changes during their stay in hospital.

This is a national pilot undertaken in conjunction with the Safe Medication Management Project and the National Health IT Board.

Clinical Director Leads Mental Health Services

We are continuing to build on clinical leadership principles with delivery of work streams to clinical staff. This includes restructuring mental health services to be led by Executive Clinical Director Dr Samir Heble.

Dr Heble believes in a holistic model of health care delivery that will be consumer and family inclusive, multidisciplinary and achieves the best outcomes for our communities.



IMPROVING SERVICES

Better, sooner, more convenient health care.

Oral Health

The Community Oral Health Service is progressing well, with the Te Henui dental facility in New Plymouth opening and two others well underway.

Most of the 22 school dental clinics in the region will eventually be replaced with six centralised community clinics, supported by mobile units.

Dental services will become more community based, with the potential to expand to adolescents and people experiencing inequalities in outcome (Māori, Pacific and low income populations).

Project Splice

Project Splice was initiated by the DHB to address the projected health needs of older people and those with chronic/long term conditions living in the community.

This involves building on the strengths of general practice and existing community based service delivery.

It is expected more services will be based locally, and once someone has visited their GP it will be easier for them to navigate other services they need.



Older People's Health and Rehabilitation Service

A review of the Older People's Health and Rehabilitation Service's Day Ward Service has led to changes that better meet the needs of our patients.

The model gives patients more options and provides opportunities for social interaction and reduces barriers to access.

Rehabilitation is now available through day clinics and home visits, which was identified as the most appropriate way forward for the service.

X-ray Room a Welcome Addition

Patients who attend the Emergency Department at Base Hospital can now have plain film x-ray examinations performed in the new x-ray facility in ED, instead of being transferred to the Radiology Department on another level.

The dedicated x-ray room is a joint initiative between Taranaki DHB and Fulford Radiology Services Ltd.



STAFF DRIVE CHANGES FOR PATIENTS

The majority of Taranaki DHB staff members are employed in Hospital and Specialist Services, providing a range of inpatient, outpatient and community based health services across many different specialities.

Antenatal Service

Changes to the antenatal service have resulted in a more collaborative approach to coordinating the care of high needs pregnant women.

There are now better links with the Diabetes Service, Social Work, Speech and Language Therapy, and the Maternal Fetal Medicine Unit in Wellington.

The clinic has been relocated to a larger, refurbished area at Taranaki Base Hospital.

Nintendo Wii Part of Rehabilitation

Video games are speeding up the rehabilitation process for patients at Taranaki Base Hospital.

The Wii, donated to the DHB, simulates sports and activities such as tennis, bowling and balance board.

Research shows the Wii can be successful in rehabilitating people recovering from strokes, broken bones, surgery or who have Parkinson's disease or cerebral palsy.

Centralised Approach to Bookings and Referrals

The DHB has introduced a centralised approach for outpatient bookings and referrals.

The centralised booking system ensures waiting times are consistent across all DHB sites and makes it easier for patients, consultants and staff to find out about elective and outpatient appointments.



New Pool for New Mums

Pregnant women can now experience a water birth in a purpose built pool at Taranaki Base Hospital.

Taranaki DHB has installed a new birthing pool after requests from women in the community.

The pool was one of the recommendations of the Maternity Review.



Testing Up to Standard

Nurses, medical staff and diabetes educators have proved they meet international standards in diagnostic testing outside the laboratory.

The DHB has introduced accreditation for Point of Care Testing through International Accreditation New Zealand.

The tests are undertaken in patient care areas such as at the bedside, treatment rooms or clinics rather than in the laboratory.



OUR PEOPLE

Healthcare is about people helping people. We have a great team of health professionals and support staff all working together for our community.

Workplace Profile

As of 30 June 2010, Taranaki DHB employed 1412 people, which is 1209.41 FTEs.

Of those, 1116 were female and 296 were male.

We had 87 Māori, 5 Pacific Islanders, 44 Asians, 220 New Europeans, 897 New Zealanders and 8 who identified themselves as "other". The ethnicity of 151 employees was unknown.

Scholarships Awarded

Seventeen students received a Taranaki DHB health scholarship. They are studying in a range of areas including nursing, medicine, occupational therapy, physiotherapy, medical laboratory science, midwifery, pharmacy, dietetics and dental surgery.

Five scholarship recipients from previous years graduated and four were employed in occupational therapy, pharmacy, medical radiation imaging and nursing.

Senior Medical Officer Recruitment

Senior Medical Officer vacancies have reduced after being at high levels throughout 2008 and 2009.

We have obtained signed acceptances of offers of employment from two internal medicine physicians with a renal subspecialty.



Recruitment Project for Māori

Taranaki high school students are being given a unique insight into what it's really like working in a hospital.

The DHB is taking part in the Whakapiki Ake Project, a University of Auckland recruitment initiative designed to encourage year 12 and 13 Māori Students to pursue a career in health.

About 15 students visited Base Hospital to see health professionals at work. They spoke to junior doctors and staff in the Emergency Department, Ambulance Service, Occupational Therapy, Pathology and Paediatrics.

Nurses Go Back to What They Love

Former nurses are rediscovering their passion working in health and returning to the workforce in droves thanks to the DHB's Nursing Reconnect Programme.

More than 70 nurses have undertaken the programme since it started in 2007.

The Nursing Reconnect Programme is a Nursing Council of New Zealand approved competence assessment programme for enrolled and registered nurses. It takes 6-12 weeks to complete and nurses are matched to senior nurses for clinical placements.

Customer Service Awards

There was a wonderful response to the organisation-wide invitation for nominations honouring Outstanding Customer Service Awards for 2009.

In all, 52 nominations were received for staff across a range of departments throughout the organisation.

The opportunity to honour fellow staff members for their outstanding customer service skills proved to be a popular and effective way to acknowledge staff.



Governance

2009/2010



GOVERNANCE STRUCTURE

The governance structure for DHBs is set out in NZ Public Health and Disability (NZPHD) Act 2000. The Board consists of up to 11 members and they have overall responsibility for the operation of Taranaki DHB. Seven of the members are elected as part of the three-yearly local body election process (last held in 2007) and up to four are appointed by the Minister of Health.

The Board is responsible for the overall governance of the Taranaki DHB. Within this role the functions carried out directly by the board include:

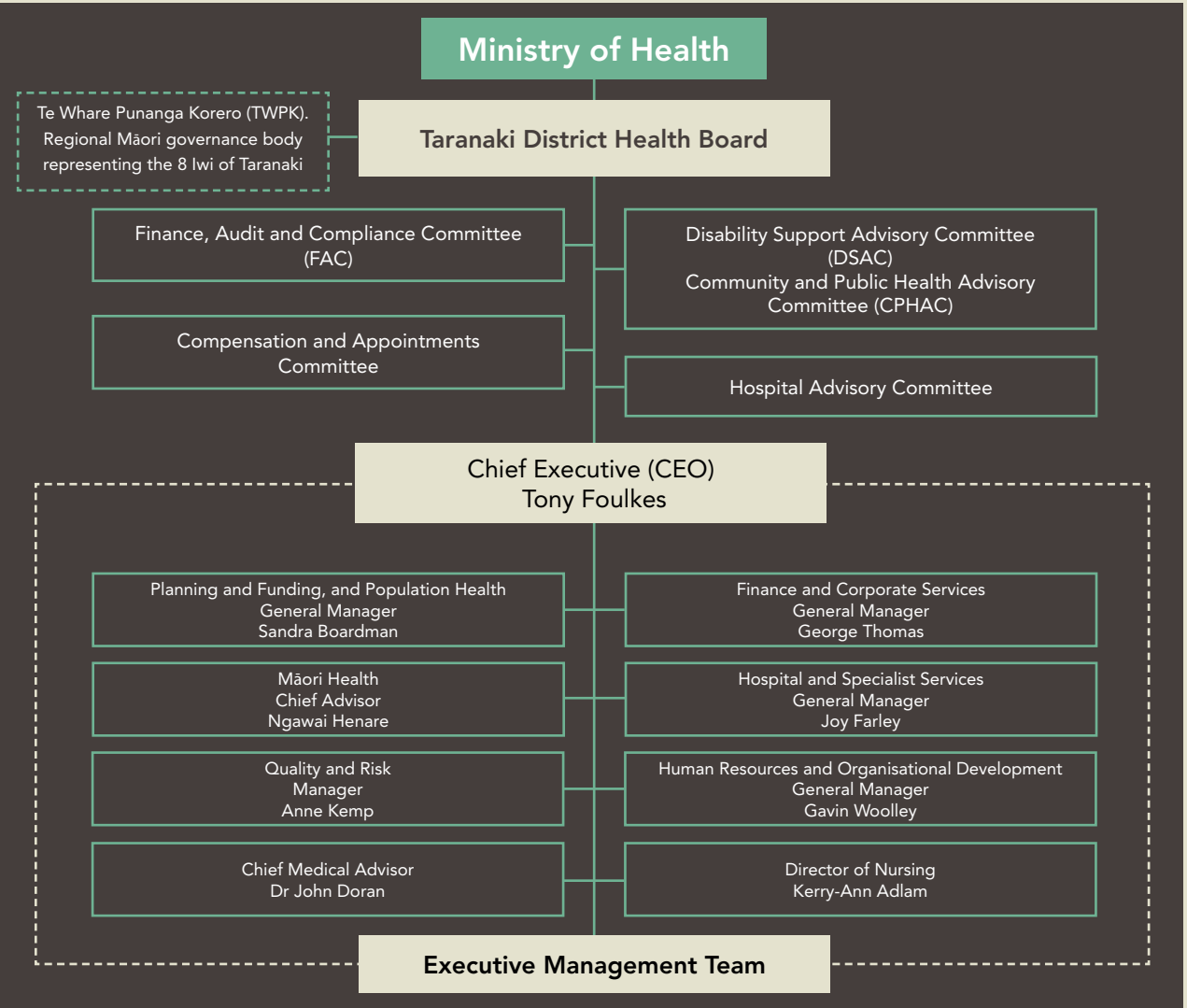
- Approving major strategic and policy documents including the District Strategic Plan, District Annual Plan, Budget and considering recommendations on key issues.
- Monitoring the implementations of the District Annual Plan and Budget.
- Monitoring the operating performance of the organisation.
- Maintaining and developing an effective

working relationship with Te Whare Punanga Korero, its Iwi partner.

- Ensuring the Taranaki DHB acts legally and responsibly.
- Appoints, evaluates and supports the performance of the Chief Executive.

The governance of a district health board is a diverse and complex undertaking and the board has established committees so that it can carry out its responsibilities effectively, recognising the requirements of the NZPHD Act 2000.

The balance of skills and experience of the Board is kept under regular review. Additional knowledge and expertise has been recruited to assist where needed with the work of the Advisory Committees. The Board publishes when and where it or its Advisory Committees meet and members of the public are welcome to observe most of the meetings, other than items of a confidential or commercial nature.



BOARD MEMBER PROFILES



JOHN YOUNG (CHAIRMAN)

John was a farmer and a former Chairman of Kiwi Co-operative Dairies Ltd. His key enterprises included Chairman of Venture Taranaki, Chairman of Port Taranaki Ltd and Director of Lactanz, an Australian farming operation and a Board member of PKW Farms Ltd. He was a Trustee of the Bishop's Action Foundation and the South Taranaki,

Stratford and Patea Veterinary Clubs.

John was an ex officio member of the Hospital Advisory Committee and Community & Public Health & Disability Support Advisory Committee. He was also a member of the Finance, Audit and Compliance Committee and Chairman of the Compensation and Appointments Committee.

Interest Register: None declared.



PETER CATT (DEPUTY CHAIRMAN)

Peter has been a GP with the Family Health Centre in New Plymouth for more than 20 years. He was elected to the Board and is Deputy Chairman. He is Chairman of the Hospital Advisory Committee, a member of the Finance, Audit and Compliance Committee, and a member of the Compensation and Appointments Committee. He is also

Chairman of HIQ Ltd.

Interest Register: General Practitioner in New Plymouth, Clinical Director Hauora Taranaki PHO, Director and Shareholder Family Health Centre Ltd. Secretary/Treasurer Taranaki Sub Faculty Royal New Zealand College GP.



ALEX BALLANTYNE

Alex lives in Eltham in South Taranaki. He is married and has four children. His community involvement includes District Councillor STDC, Trustee TSB Community Trust, Chairman/Advocate Central and South Taranaki Advocacy Service and Parish Worker St Joseph's Eltham. He is also a member of the Peak Health Taranaki Local Management

Group. Alex is a member of the Finance Audit and Compliance Committee and Deputy Chairman of the Community and Public Health and Disability Support Advisory Committee.

Interest Register: Peak Health Taranaki – Central and Coastal Local Management Group (formerly Pinnacle), Member TSB Community Trust, Councillor South Taranaki District Council.



KURA DENNESS

Kura Denness MBA CA has a background in corporate finance. She is a director of the following organisations: Te Matai Whetu Ltd, PHARMAC, Te Atiawa (Taranaki) Holdings Ltd and Te Atiawa (Taranaki) Settlements Trust, and is on the Council of Massey University. Kura is also Chairman of Tui Ora Ltd and Hauora Taranaki PHO Ltd. Kura is Deputy Chairman of the Hospital Advisory Committee and Chairman of the Finance, Audit and Compliance

Committee. She is also a member of the Allied Laundry Services Ltd. Kura is the mother of two young sons and is of Te Atiawa descent.

Interest Register: Chair Taranaki Hauora PHO Ltd, Chair Tui Ora Ltd, Chair Te Aroha Medcare, Director PHARMAC, Director Te Matai Whetu Ltd, Chairman Midcentral Zone Rugby League, Director Allied Laundry Services Ltd, Trustee Bayly Road Trust, Member of Council – Massey University.



JENNY NAGER

Prior to election to the District Health Board, Jenny took an active interest in health matters, particularly those that affect the people of South and Central Taranaki. She has been secretary of Grey Power South Taranaki since 2002. Jenny is a member of the Hospital Advisory Committee and the Community & Public Health and Disability Support

Advisory Committee. She is also Board representative on the Hawera Hospital Community Committee.

Interest Register: Daughter-in-law works as carer for Mary Ann Rest Home Stratford, Secretary Grey Power South Taranaki (entered 5 June 2008).



TONY RUAKERE

Tony is a GP for Te Atiawa Medical Runanga Medical Trust in New Plymouth, Chief Advisor for Māori Health – Ministry of Health, appointed to Medical Practitioners Disciplinary Tribunal, the Competency Review Committee, Medical Council of NZ Teacher and Examiner for the Royal NZ College of General Practitioners. He is on the Pharmacology and Therapeutic

Advisory Committee of Pharmac and Cancer Control Taskforce. Tony is a member of the Community & Public Health Advisory and Disability Support Advisory Committee.

Interest Register: General Practitioner New Plymouth - Te Atiawa Medical Centre, Candidate Māori Party in General Election 2005, Member Te Pou Heretaunga Disability Committee of Tui Ora (entered 7 February 2008).



GRANT KNUKEY

Grant has worked in community health for the last 15 years and currently manages three medical clinics in New Plymouth, Bell Block and Waitara. He is married with two adult children and has lived in the district all his life. Grant is a member of the Hospital Advisory Committee and the Finance, Audit and Compliance Committee.

Interest Register: Chief Executive Te Atiawa Medical Trust, Chairman Te Tihi Hauora Taranaki PHO.



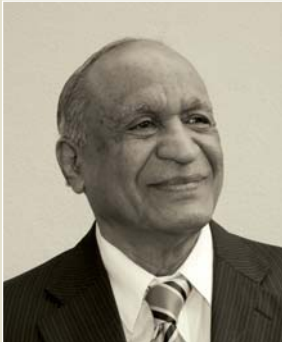
FLORA GILKISON

Flora has lived in New Plymouth for more than 20 years. Flora is an elected member of the District Health Board, where she is Chairman of the Community & Public Health Committee and Disability Support Advisory Committee, and a member of the Compensation and Appointments Committee. Flora is also a board member of the Fulford Radiology Services Ltd. Flora has a Doctorate in Management and a strong senior management background including past Director General for New

Zealand Red Cross and Dean of Faculty of Business and Technology at the Waikato Institute of Technology. She is currently working as Principal of Pacific International Hotel Management School in Bell Block.

Interest Register: Husband employed as General Surgeon at Taranaki DHB.

BOARD MEMBER PROFILES



DAN DEVADHAR

Dan has lived in South Taranaki for more than 30 years during which time he has worked as a General Surgeon and GP in the Hawera region. He is currently practising medical law. Dan was elected to the Board and is a member of the Hospital Advisory Committee. He is a community representative for Benefit

Review Committee, Grey Power South Taranaki President, Independent ACC Advocate and is a Methodist church lay preacher. Dan Devadhar was awarded the Member of the New Zealand Order of Merit in the New Year's Queen's Honours List in January 2010.

[Interest Register:](#) Independent Health Advocate, ACC Advocate.



KAREN EAGLES

Karen has had a wide community involvement since settling in Taranaki in 1972 and prior to being elected to the DHB was the Health and Disability Commissioner Advocate for Taranaki. Karen is a member of the Hospital Advisory Committee and the Community & Public Health and Disability Support Advisory Committee.

Since 2008 she has taken a leadership role with Royal New Zealand Plunket Society as a Councillor.

[Interest Register:](#) Husband John Eagles is a Senior Partner at Govett Quilliam providing legal services to Taranaki DHB, National Councillor Taranaki for Plunket NZ.



MARY BOURKE

Mary Bourke is a former Mayor of the South Taranaki District and a long-term advocate for health services in the region. Her committee roles at the health board include the Hospital Advisory Committee and the Community Public Health and Disability Support Advisory Committee. Mary is a Trustee of the Bishop's Action Foundation in Taranaki and the TSB

Community Trust. She chairs the WITT (Western Institute of Technology in Taranaki) Council, and has recently accepted a role on the Interim Governance Board for a New Families Centre (locally).

[Interest Register:](#) Member: Bishops Action Foundation, TSB Community Trust, and New Families Centre. Chair: WITT Council, Former Chair and founding member of Southcare.

ADDITIONAL INTERESTS DECLARED



TONY FOULKES (CHIEF EXECUTIVE)

[Interest Register:](#) Wife employed as General Practitioner by Te Aroha Medcare in New Plymouth, Director HIQ Ltd and HealthShare Ltd. Member of National Health IT Board.

TE WHARE PUNANGA KORERO

Māori health governance group for Taranaki

The members of this trust represent the eight iwi of Taranaki. The Memorandum of Understanding between Taranaki DHB and Te Whare Punanga Korero (TWPK), is the vehicle through which Māori influence the strategic agenda for improving Māori health outcomes.

Te Whare Punanga Korero interacts with Taranaki DHB and the wider sector through various Taranaki DHB, NGO and iwi Māori forums to advance its purposes. Some of those interactions include:

- Regular meetings with Taranaki DHB Board Chair, members and DHB officials to discuss, monitor and develop responses to Māori health needs
- Participation in the Taranaki DHB's strategic planning and governance training
- Participation in a range of project-based steering group activities where projects impact significantly on Māori
- Participation in Māori health collective strategic planning for Māori health gain

An important role of Te Whare Punanga Korero is to work with Taranaki DHB in achieving the objectives of our Māori Health and Reducing Inequalities Plan and Māori health objectives of the District Annual Plan and District Strategic Plan.



Members of TWPK

Hinemoerangi Ngatai-Tangirua (Ngati Ruanui), Pam Ritai (Te Atiawa), Rona Hancock (Ngati Maru), Peter Moeahu (Ngaruahine), Chairman David Tamatea (Taranaki), Marty Davis (Nga Rauru), Vicki Kershaw (Ngati Mutunga).
Absent: Greg White (Ngati Tama).



Board

2009/2010

Members' Responsibilities and Fees



BOARD MEMBERS, COMMITTEE MEMBERS AND DIRECTORS SCHEDULE

| Name | Board Meetings | Hospital Advisory Committee | Community & Public Health & Disability Support Advisory Committees | Finance, Audit & Compliance Committee | Compensation & Appointments Committee | Board & Advisory Committee Fees | Allied Laundry Services Ltd | Fulford Radiology Services Ltd | HealthShare Ltd | HIO Ltd | Fees Paid (\$) |
|--|----------------|-----------------------------|--|---------------------------------------|---------------------------------------|---------------------------------|-----------------------------|--------------------------------|-----------------|---------|----------------|
| Board Members | | | | | | | | | | | |
| John Young | * 11 of 11 | # 6 of 10 | # 2 of 6 | ✓ | | | | | ✓ | | 38,999.96 |
| Peter Catt | ^ 9 of 11 | * 8 of 10 | | ✓ | | | | | * ✓ | | 25,937.46 |
| Alex Ballantyne | 11 of 11 | | ^ 5 of 6 | ✓ | | | | | | | 19,750.04 |
| Kura Denness | 11 of 11 | ^ 6 of 10 + | | * ✓ | | | ✓ | | | | 27,500.04 |
| Dan Devadhar | 5 of 11 | 0 of 10 | | | | | | | | | 18,500.04 |
| Flora Gilkison | 9 of 11 | | * 6 of 6 | | | | ✓ | | | | 27,500.04 |
| Mary Bourke | 7 of 7 | 5 of 6 | | | | | | | | | 14,294.90 |
| Karen Eagles | 10 of 11 | 8 of 10 | 5 of 6 | | | | | | | | 22,000.04 |
| Jenny Nager | 11 of 11 | 10 of 10 | 6 of 6 | | | | | | | | 22,750.04 |
| Grant Knuckey | 6 of 11 | 2 of 10 | | ✓ | | | | | | | 19,250.04 |
| Tony Ruakere | 7 of 11 | | 4 of 6 | | | | | | | | 19,750.04 |
| Co-opted Committee Members | | | | | | | | | | | |
| Nic Boheimer | | 5 of 10 | | | | | | | | | Nil |
| Brian Jeffares | | 9 of 10 | | | | | | | | | 2,500.00 |
| Jan Dunlop | | 8 of 10 | | | | | | | | | 2,250.00 |
| Peter Moeahu | | 9 of 10 | | | | | | | | | 2,500.00 |
| Donna Leatherby | | | 2 of 6 | | | | | | | | 250.00 |
| Brian Mathieson | | | 6 of 6 | | | | | | | | 1,500.00 |
| David Tamatea | | | 5 of 6 | | | | | | | | 1,250.00 |
| Tom Ryder | | | 6 of 6 | | | | | | | | 1,500.00 |
| Tony Waghorn | | | 5 of 6 | | | | | | | | 1,500.00 |
| Marion Wellington | | | 6 of 6 | | | | | | | | 1,500.00 |
| Other Directors | | | | | | | | | | | |
| Tony Foulkes, Chief Executive | | | | | | | | ✓ | ✓ | | Nil |
| George Thomas, GM Finance and Commercial Services | | | | | | | | | ✓ | | Nil |
| Simon Barrett, Group Financial Manager | | | | | | ✓ | ✓ | | | | Nil |

Mary Bourke appointed 19 October 2009

June Hospital Advisory Committee not held June 2009 due to a lack of a quorum

Key:

* = Chairman

^ = Deputy Chairman

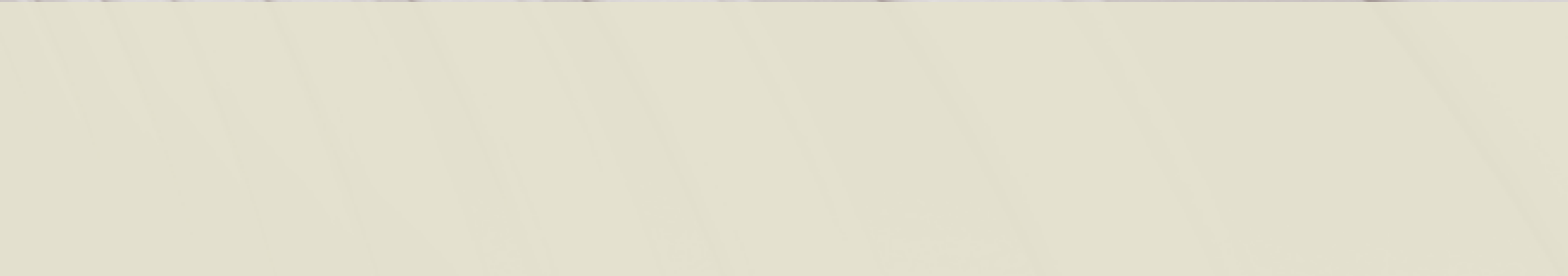
= Board Chairman Ex Officio Member

+ = Absence for three meetings due to attendance at Allied Laundry meetings



Audit Report

2009/2010



Audit Report

AUDIT REPORT TO THE READERS OF TARANKI DISTRICT HEALTH BOARD AND GROUP'S FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

The Auditor-General is the auditor of Taranaki District Health Board (the Health Board) and group. The Auditor-General has appointed me, Lloyd Bunyan, using the staff and resources of Ernst & Young, to carry out the audit on her behalf. The audit covers the financial statements and statement of service performance included in the annual report of the Health Board and group for the year ended 30 June 2010.

Unqualified opinion

In our opinion:

- The financial statements of the Health Board and group on pages 43 to 74:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the Health Board and group's financial position as at 30 June 2010 ; and
 - the results of operations and cash flows for the year ended on that date.
- The statement of service performance of the Health Board and group on pages 76 to 80:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects for each class of outputs:
 - its standards of delivery performance achieved, as compared with the forecast standards included in the statement of forecast service performance at the start of the financial year; and
 - its actual revenue earned and output expenses incurred, as compared with the expected revenues and proposed output expenses included in the statement of forecast service performance at the start of the financial year.

The audit was completed on 26 October 2010 and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board and the Auditor, and explain our independence.

Basis of opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and statement of service performance did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and statement of service performance. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement and statement of service performance disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance.

We evaluated the overall adequacy of the presentation of information in the financial statements and statement of service performance. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Board and the Auditor

The Board is responsible for preparing the financial statements and statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Health Board and group as at 30 June 2010 and the results of operations and cash flows for the year ended on that date. The statement of service performance must fairly reflect, for each class of outputs, the Health Board and group's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses at the start of the financial year. The Board's responsibilities arise from the New Zealand Public Health and Disability Act 2000 and the Crown Entities Act 2004.

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in the Health Board or any of its subsidiaries.



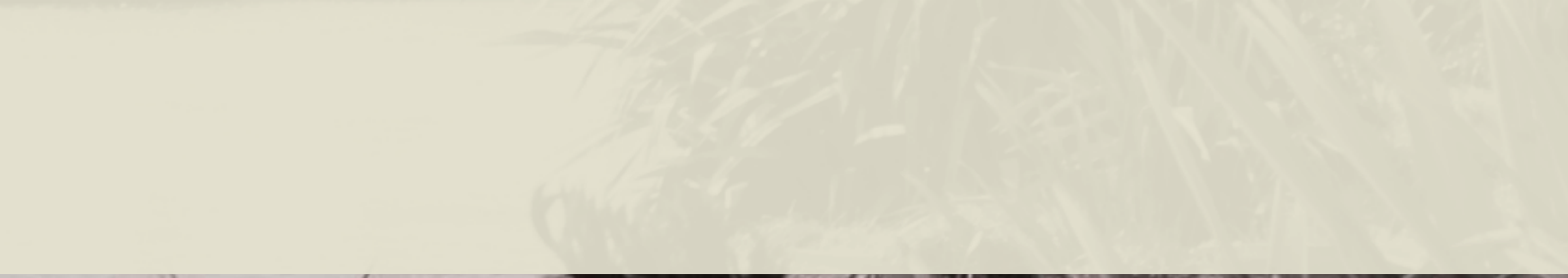
Lloyd Bunyan
Ernst & Young
On behalf of the Auditor-General
Auckland, New Zealand



Financial Report

2009/2010





Statement of Responsibility

For the Year Ended 30 June 2010


- 1 The Board and management of the Taranaki District Health Board accepts responsibility for the preparation of the Financial Statements and the judgments used in them.
- 2 The Board and management of the Taranaki District Health Board accepts responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.
- 3 In the opinion of the Board and management of the Taranaki District Health Board, the Financial Statements for the twelve months ended 30 June 2010, fairly reflect the financial position, operations, cash flows and service performance of the Taranaki District Health Board.



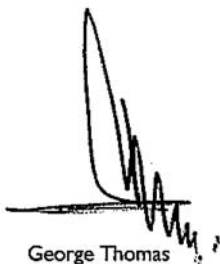
Peter Catt
Acting Chairman



Kura Denness
Board Member



Tony Foulkes
Chief Executive



George Thomas
Chief Financial Officer

Statement of Comprehensive Income

For the Year Ended 30 June 2010

| | Notes | Group | | | Parent | |
|--|-------|----------------|----------------|----------------|----------------|----------------|
| | | Actual | Budget | Actual | Actual | Actual |
| | | June 2010 | June 2010 | June 2009 | June 2010 | June 2009 |
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Revenue | 1 | 304,948 | 298,402 | 289,212 | 304,177 | 289,212 |
| Other income | 2 | 835 | 20 | 29 | 835 | 29 |
| Total income | | 305,783 | 298,422 | 289,241 | 305,012 | 289,241 |
| Employee benefit costs | 3 | 99,863 | 96,045 | 92,651 | 96,928 | 92,651 |
| Depreciation expense | | 9,398 | 10,444 | 8,351 | 9,398 | 8,351 |
| Outsourced services | | 24,583 | 20,498 | 22,952 | 24,583 | 22,952 |
| Clinical supplies | | 20,559 | 21,743 | 20,104 | 20,559 | 20,104 |
| Infrastructure and non-clinical expenses | | 11,088 | 14,366 | 15,451 | 13,701 | 15,503 |
| Payments to non-health board providers | | 133,582 | 127,991 | 121,208 | 133,582 | 121,208 |
| Other expenses | 4 | 1,513 | 1,318 | 1,286 | 1,023 | 1,286 |
| Capital charge | 5 | 5,946 | 6,075 | 5,715 | 5,946 | 5,715 |
| Financing costs | 6 | 2,047 | 2,045 | 2,054 | 2,047 | 2,054 |
| Total expenses | | 308,579 | 300,525 | 289,772 | 307,767 | 289,824 |
| Surplus/(Loss) before share of associates | | (2,796) | (2,103) | (531) | (2,755) | (583) |
| Share of surplus/(loss) of associates | 13(c) | (196) | - | (123) | - | - |
| Surplus/(Loss) after surplus/(loss) of associates | | (2,992) | (2,103) | (654) | (2,755) | (583) |
| Other comprehensive income | | - | - | - | - | - |
| Total comprehensive surplus/(loss) for the period | | (2,992) | (2,103) | (654) | (2,755) | (583) |

The above income statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2010

Consolidated

| | Public Equity \$000 | Retained Earnings / (Losses) \$000 | Asset Revaluation Reserve \$000 | Trust Fund Reserve \$000 | Total \$000 |
|---|------------------------|---|--|--------------------------------|----------------|
| At 1 July 2008 | 23,897 | (1,529) | 51,905 | 671 | 74,944 |
| Total comprehensive surplus/(loss) for the period | - | (654) | - | - | (654) |
| Transfer from/(to) Trust Funds Reserves | - | (52) | - | 52 | - |
| | - | (706) | - | 52 | (654) |
| Transactions with the Crown | | | | | |
| Equity Injections | 252 | - | - | - | 252 |
| Equity repaid to the Crown | (959) | - | - | - | (959) |
| | (707) | - | - | - | (707) |
| At 30 June 2009 | 23,190 | (2,235) | 51,905 | 723 | 73,583 |
| Total comprehensive surplus/(loss) for the period | - | (2,992) | - | - | (2,992) |
| Transfer from/(to) Trust Funds Reserves | - | 42 | - | (42) | - |
| | - | (2,950) | - | (42) | (2,992) |
| Transactions with the Crown | | | | | |
| Equity Injections | 2,328 | - | - | - | 2,328 |
| Equity repaid to the Crown | (959) | - | - | - | (959) |
| | 1,369 | - | - | - | 1,369 |
| At 30 June 2010 | 24,559 | (5,185) | 51,905 | 681 | 71,960 |

The above changes in equity statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2010

| | Parent | | | | |
|---|---------------|------------------------------|---------------------------|--------------------|---------|
| | Public Equity | Retained Earnings / (Losses) | Asset Revaluation Reserve | Trust Fund Reserve | Total |
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| At 1 July 2008 | 23,897 | (1,211) | 51,905 | - | 74,591 |
| Total comprehensive surplus/(loss) for the period | - | (583) | - | - | (583) |
| Transactions with the Crown | | | | | |
| Equity Injections | 252 | - | - | - | 252 |
| Equity repaid to the Crown | (959) | - | - | - | (959) |
| | (707) | - | - | - | (707) |
| At 30 June 2009 | 23,190 | (1,794) | 51,905 | - | 73,301 |
| Total comprehensive surplus/(loss) for the period | - | (2,755) | - | - | (2,755) |
| Transactions with the Crown | | | | | |
| Equity Injections | 2,328 | - | - | - | 2,328 |
| Equity repaid to the Crown | (959) | - | - | - | (959) |
| | 1,369 | - | - | - | 1,369 |
| At 30 June 2010 | 24,559 | (4,549) | 51,905 | - | 71,915 |

Nature and purpose of reserves

Trust fund reserve

Restricted assets are funds donated and bequeathed for specific purposes. The use of these assets must comply with the specific terms of the sources from which the funds were derived.

The above changes in equity statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position


As at 30 June 2010

| | | Group | | | Parent | |
|---------------------------------------|-------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | Notes | Actual June 2010 \$000 | Budget June 2010 \$000 | Actual June 2009 \$000 | Actual June 2010 \$000 | Actual June 2009 \$000 |
| ASSETS | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | 7 | 2,825 | 3,704 | 3,321 | 2,776 | 3,321 |
| Trade and other receivables | 8 | 7,921 | 10,200 | 7,487 | 7,608 | 7,487 |
| Inventories | 9 | 2,574 | 2,395 | 2,527 | 2,574 | 2,527 |
| Other financial assets | 10 | 31,055 | 35,000 | 31,052 | 31,055 | 31,052 |
| Assets classified as held for sale | 11 | - | 97 | 106 | - | 106 |
| Total current assets | | 44,375 | 51,396 | 44,493 | 44,013 | 44,493 |
| Non-current assets | | | | | | |
| Investments in subsidiaries | 12 | - | - | - | 4,936 | - |
| Investments in associates | 13 | 814 | 4,575 | 5,938 | 1,451 | 6,378 |
| Other financial assets | 10 | 67 | 22 | 100 | 67 | 100 |
| Property, plant and equipment | 14 | 99,667 | 85,740 | 91,058 | 99,667 | 91,058 |
| Restricted assets & trust funds | 15 | 681 | 671 | 723 | - | - |
| Total non-current assets | | 101,229 | 91,008 | 97,819 | 106,121 | 97,536 |
| TOTAL ASSETS | | 145,604 | 142,404 | 142,312 | 150,134 | 142,029 |
| LIABILITIES | | | | | | |
| Current liabilities | | | | | | |
| Trade and other payables | 16 | 26,082 | 18,830 | 20,812 | 31,038 | 20,811 |
| Interest bearing loans and borrowings | 17 | 273 | 244 | 244 | 273 | 244 |
| Employee benefits | 18 | 17,237 | 18,447 | 17,614 | 16,856 | 17,614 |
| Provisions | 19 | 12 | 10 | 3 | 12 | 3 |
| Total Current Liabilities | | 43,604 | 37,531 | 38,673 | 48,179 | 38,672 |
| Non current liabilities | | | | | | |
| Interest bearing loans and borrowings | 17 | 29,253 | 29,185 | 29,386 | 29,253 | 29,386 |
| Employee benefits | 18 | 787 | 580 | 670 | 787 | 670 |
| Total non current liabilities | | 30,040 | 29,765 | 30,056 | 30,040 | 30,056 |
| TOTAL LIABILITIES | | 73,644 | 67,296 | 68,729 | 78,219 | 68,728 |
| NET ASSETS | | 71,960 | 75,108 | 73,583 | 71,915 | 73,301 |
| EQUITY | | | | | | |
| Public equity | | 24,559 | 26,769 | 23,190 | 24,559 | 23,190 |
| Retained earnings/(losses) | | (5,185) | (4,237) | (2,235) | (4,549) | (1,794) |
| Asset revaluation reserve | | 51,905 | 51,905 | 51,905 | 51,905 | 51,905 |
| Trust fund reserve | 15 | 681 | 671 | 723 | - | - |
| TOTAL EQUITY | | 71,960 | 75,108 | 73,583 | 71,915 | 73,301 |

The above statement of financial position should be read in conjunction with the accompanying notes.

For and on behalf of the Board, who authorised the issue of these financial statements on the 26th October 2010


 Peter Catt
 ACTING CHAIRMAN


 Kura Denness
 BOARD MEMBER

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2010

| | Notes | Group | | | Parent | |
|--|-------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | | Actual June 2010 \$000 | Budget June 2010 \$000 | Actual June 2009 \$000 | Actual June 2010 \$000 | Actual June 2009 \$000 |
| CASHFLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Cash was provided from: | | | | | | |
| Receipts from Government and Public | | 303,961 | 297,062 | 289,258 | 303,034 | 289,258 |
| Interest Received | | 1,870 | 1,360 | 2,715 | 1,866 | 2,715 |
| GST (Net) | | 54 | - | 269 | 13 | 269 |
| | | <u>305,885</u> | <u>298,422</u> | <u>292,242</u> | <u>304,913</u> | <u>292,242</u> |
| Cash was disbursed to: | | | | | | |
| Payments to Suppliers | | 190,949 | 187,333 | 180,300 | 192,945 | 180,230 |
| Payments to Employees | | 100,530 | 94,845 | 92,518 | 97,569 | 92,518 |
| Capital Charge Paid | | 5,247 | 6,162 | 5,146 | 5,247 | 5,146 |
| Interest Paid | | 2,042 | 1,651 | 2,047 | 2,042 | 2,047 |
| | | <u>298,768</u> | <u>289,991</u> | <u>280,011</u> | <u>297,803</u> | <u>279,941</u> |
| Net Cash Inflow from Operating Activities | 20 | <u>7,117</u> | <u>8,431</u> | <u>12,231</u> | <u>7,110</u> | <u>12,301</u> |
| CASHFLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Cash was provided from: | | | | | | |
| Dividends Received | | 1 | - | 1 | 1 | 1 |
| Proceeds from Restricted Assets | | 42 | - | - | - | - |
| Proceeds from loan repayments from associate company | | 52 | - | - | 52 | - |
| Proceeds from Sale of Property, Plant & Equipment | | 815 | 50 | 18 | 815 | 18 |
| Proceeds from Assets held for Sale | | 106 | - | - | 106 | - |
| | | <u>1,016</u> | <u>50</u> | <u>19</u> | <u>974</u> | <u>19</u> |
| Cash was applied to: | | | | | | |
| Purchase of Property, Plant & Equipment | | 9,893 | 5,500 | 4,665 | 9,893 | 4,665 |
| Investment in Subsidiaries | | - | - | - | - | - |
| Investment in Associates | | - | 50 | 1,388 | - | 1,510 |
| Assets classified as held for sale | | - | - | 9 | - | 9 |
| Other Investments | | - | - | 65 | - | 13 |
| Short Term Deposit | | - | 5,000 | 8,000 | - | 8,000 |
| | | <u>9,893</u> | <u>10,550</u> | <u>14,127</u> | <u>9,893</u> | <u>14,197</u> |
| Net Cash Outflow from Investing Activities | | <u>(8,877)</u> | <u>(10,500)</u> | <u>(14,108)</u> | <u>(8,919)</u> | <u>(14,178)</u> |
| CASHFLOWS FROM FINANCING ACTIVITIES | | | | | | |
| Cash was provided from: | | | | | | |
| Equity vested by Crown | | 2,328 | 2,871 | 252 | 2,328 | 252 |
| Proceeds from Debt Financing | | - | - | 142 | - | 142 |
| | | <u>2,328</u> | <u>2,871</u> | <u>394</u> | <u>2,328</u> | <u>394</u> |
| Cash was applied to: | | | | | | |
| Repayment of Finance Leases | | 105 | 202 | 208 | 105 | 208 |
| Repayment of Equity | | 959 | - | 959 | 959 | 959 |
| | | <u>1,064</u> | <u>202</u> | <u>1,167</u> | <u>1,064</u> | <u>1,167</u> |
| Net Cash Outflow from Financing Activities | | <u>1,264</u> | <u>2,669</u> | <u>(773)</u> | <u>1,264</u> | <u>(773)</u> |
| Net Increase/(Decrease) in Cash Held | | (496) | 600 | (2,650) | (545) | (2,650) |
| Cash and cash equivalents at beginning of year | | 3,321 | 3,104 | 5,971 | 3,321 | 5,971 |
| Cash and cash equivalents at end of year | | <u>2,825</u> | <u>3,704</u> | <u>3,321</u> | <u>2,776</u> | <u>3,321</u> |

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2010

Significant accounting policies for the year ended 30 June 2010

(a) Reporting entity

Taranaki District Health Board is a Health Board established by the New Zealand Public Health and Disability Act 2000. Taranaki District Health Board is a crown entity in terms of the Crown Entities Act 2004, owned by the Crown and domiciled in New Zealand.

The financial statements of Taranaki District Health Board have been prepared in accordance with the requirements of the New Zealand Public Health and Disability Act 2000 and Finance Act 1989.

Taranaki District Health Board is a public benefit entity, as defined by NZIAS 1.

The Taranaki District Health Board consolidated financial statements comprise Taranaki District Health Board, a 100% investment in HIQ Limited, a 50% investment in Fulford Radiology Services Limited, a 25% investment in Allied Laundry Services Limited and a 20% investment in HealthShare Limited.

Taranaki District Health Board operates in Taranaki. It has three key roles, namely (i) Planning to determine the health needs of Taranaki and how these can be met, (ii) Funding organisations and individuals to provide specific health services and (iii) Providing specific health services to the Taranaki community.

The financial statements of Taranaki District Health Board are for the year ended 30 June 2010. The financial statements were authorised for issue by the Board on 26 October 2010.

(b) Statement of compliance and basis of preparation

These financial statements have been prepared in accordance with NZ GAAP (generally accepted accounting principles). They comply with the New Zealand equivalents to International Financial Reporting Standards ("NZIFRS"), and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings, certain investments and derivative financial instruments.

(i) Functional and presentation currency

The financial statements are presented in New Zealand dollars which is the functional currency of Taranaki District Health Board. All financial information presented in New Zealand dollars has been rounded to the nearest thousand (\$'000) unless stated otherwise.

(ii) Use of estimates and judgements

In preparing these financial statements Taranaki District Health Board has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Allowance for impairment loss on trade receivables (note 8)

A monthly assessment of non commercial debtors is made, with an impairment allowance being provided for based on the age of these debts. In June of each year all non commercial debts that are aged over 12 months that are not being paid off by the debtor is written off. Refer to note 8 for the amount per year of non commercial debt after the impairment allowance.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2010

Fair value of buildings

Taranaki District Health Board revalues land and buildings on either a five year cycle or when there is a material (10% or over) change between the independent valuation and the carrying value of the land and buildings. The independent valuation also determines the remaining life of buildings, and therefore the annual depreciation cost in future years.

An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset, thereby impacting on the depreciation expense recognised in the statement of financial performance, and carrying amount of the asset in the statement of financial position.

The carrying amounts of land and buildings are disclosed in note 14.

(c) Basis of consolidation

Subsidiaries

Subsidiaries are all those entities over which Taranaki District Health Board has the power to govern the financial and operating policies so as to obtain benefits from their activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceased.

The financial statements of subsidiaries are prepared for the same reporting period as Taranaki District Health Board, using consistent accounting policies.

In preparing consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions are eliminated in full.

Taranaki District Health Board held a 100% shareholding in HIQ Limited as at 30 June 2010.

Associates

An associate is an entity over which Taranaki District Health Board has significant influence, but not control. Taranaki District Health Board has shareholdings in the following associates:

- Fulford Radiology Services Limited 50% held
- Allied Laundry Services Limited 25% held
- HealthShare Limited 20% held

Taranaki District Health Board accounts for an investment in an associate in the group financial statements using the equity method, from the date that significant influence commences until the date that significant influence ceases. The investment in an associate is initially recognised at cost and the carrying amount is increased or decreased to recognise Taranaki District Health Board's share of the surplus or deficit of the associate after the date of acquisition. Taranaki District Health Board's share of the surplus or deficit of the associate is recognised in Taranaki District Health Board's income statement. Distributions received from an associate reduce the carrying amount of the investment. If Taranaki District Health Board's share of losses exceed its interest in an associate, Taranaki District Health Board's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that Taranaki District Health Board has incurred legal or constructive obligations or made payments on behalf of an associate.

(d) Budget figures

The budget figures are those approved by Taranaki District Health Board in its District Annual Plan and included in the Statement of Intent tabled in Parliament. The budget figures have been prepared using accounting policies that are consistent with those adopted by Taranaki District Health Board for the preparation of the financial statements.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2010

(e) Revenue

Revenue is recognised and measured at the fair value of consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before the revenue is recognised:

(i) Health and disability services (MoH contracted revenue)

The majority of revenue earned is related to the provision of services associated with planning, funding and the provision of health services and disability services. This revenue is provided through an appropriation in association with a Crown Funding Agreement. Revenue is recognised monthly in accordance with the Crown Funding Agreement payment schedule, which allocates the appropriation equally throughout the year.

(ii) ACC revenue

Taranaki District Health Board has a number of contracts with the Accident Compensation Corporation. Revenue on these contracts is recognised when it is probable that the economic benefits will flow to Taranaki District Health Board, and this revenue can be reliably measured.

(iii) Inter district patient inflows

Inter district patient inflow revenue occurs when a patient treated within the Taranaki District Health Board region is domiciled outside of Taranaki. The Ministry of Health credits Taranaki District Health Board with a budgeted monthly amount based on expected patient treatment for non Taranaki residents within Taranaki. An annual wash up occurs to reflect the actual non Taranaki patients treated at Taranaki.

(iv) Interest received

Revenue is recognised using the effective interest method.

(v) Dividends received

Revenue is recognised when the right to receive payment has been established.

(vi) Sale of goods

Revenue from goods sold is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

(vii) Rental revenue

Revenue is recognised in the income statement on a straight-line basis over the term of the lease.

(viii) Donation revenue

Donations and bequests to Taranaki District Health Board are recognised as revenue when control over assets is obtained. Donations and bequests received are treated as revenue on receipt in the statement of comprehensive income. Those with restrictive conditions are subsequently appropriated to trust funds forming part of equity.

(f) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash in hand, cash at bank, deposits held with an original maturity of three months or less.

Any bank overdrafts that are repayable on demand and form an integral part of Taranaki District Health Board's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(g) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for patient bad debts is made on a percentage basis against the age of debts greater than 30 days. At year end all debts that are over 365 days are written off against the provision for bad debts, the exception being where an invoice is currently being paid off by instalment.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2010

(h) Inventories

Inventories are valued at the lower of cost, determined at weighted average value, and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. This valuation includes allowances for slow moving and obsolete inventories.

(i) Non-current Assets held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the income statement.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

(j) Investments and Other Financial Assets

Financial assets are initially measured at fair value plus transaction costs unless they are carried at fair value through profit or loss in which case the transaction costs are recognised in the income statement.

Purchases and sales of investments are recognised on trade-date, the date on which Taranaki District Health Board commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired, or have been transferred and Taranaki District Health Board has transferred substantially all the risks and rewards of ownership.

The fair value of financial instruments traded in active markets is based on quoted market prices at balance date. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Such techniques include: using arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

Taranaki District Health Board classifies its financial assets into the following category. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired.

(k) Property, Plant and Equipment

Owned assets

Except for land and buildings, items of property, plant and equipment is stated at historical cost less any accumulated depreciation and any accumulated impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of direct overheads.

Leased assets

Leases where Taranaki District Health Board assumes substantially all of the risks and benefits incident to ownership of the leased item, are capitalised at the lower of the fair value at the inception of the lease, or the present value of the minimum lease payments.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2010

Land and buildings revalued

Land and buildings were revalued as at 30 June 2008 by an independent valuer on the basis of fair value. Changes in valuations are transferred to an asset revaluation reserve for that class of asset. Where such transfer results in a debit balance in the revaluation reserve the deficit is transferred to the income statement. Any subsequent revaluation gains are written back through the income statement only to the extent of past deficits written off. Land and buildings are revalued every five years with the next revaluation due as at 30th June 2013, unless the value of land and buildings materially alter prior to that date.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable the future economic benefits or service potential associated with the item will flow to Taranaki District Health Board and the cost of the item can be measured reliably. In most instances, an item of property, plant and equipment is recognised at its cost.

Subsequent costs

Subsequent costs are added to the carrying value of an item of property, plant and equipment when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to Taranaki District Health Board and the cost of the item can be measured reliably. All other costs are recognised in the income statement an expense as incurred.

Disposals

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Depreciation

Depreciation is calculated on a straight line basis on all tangible property, plant and equipment other than freehold land, at rates which will write off the cost or valuation of the assets, less estimated residual values, over their estimated useful lives as follows:

Capitalised leases are depreciated over the shorter of the estimated life of the asset and the lease term if there is no reasonable certainty that Taranaki District Health Board will obtain ownership by the end of the lease term.

| Class of Asset | Estimated life | Depreciation rate |
|---------------------------|-----------------|-------------------|
| Land | not depreciated | n/a |
| Buildings | 5 to 33 years | 3-20% |
| Plant and equipment | 2 to 18 years | 5.5-48% |
| Leased assets capitalised | 5 years | 20% |
| Motor vehicles | 3 to 10 years | 10-33.3% |

(l) Finance Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to Taranaki District Health Board substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

(m) Operating Leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2010

(n) Trade and Other Payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to Taranaki District Health Board prior to the end of the financial year that are unpaid and arise when Taranaki District Health Board becomes obliged to make future payments in respect of these goods and services. The amounts are unsecured and generally paid within 30 days of recognition.

(o) Interest-bearing Loans and Borrowings

All loans and borrowings are initially recognised at fair value less transaction costs. After initial recognition, all borrowings are measured at amortised cost using the effective interest method. Borrowing costs are recognised as an expense when incurred.

Borrowings are classified as current liabilities unless Taranaki District Health Board has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

(p) Employee Leave Benefits

Short-term benefits

Employee benefits that Taranaki District Health Board expects to be settled within 12 months of the reporting date are measured at nominal values based on accrued entitlements at current rates of pay.

These include (i) salaries and wages accrued up to balance date, (ii) annual leave earned to, but not yet taken at balance date, (iii) continuing medical education, (iv) retiring and long-service leave entitlements (v) sabbatical leave expecting to be settled within 12 months, and (vi) sick leave. Taranaki District Health Board recognises a liability for sick leave that is vested to employee's to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that Taranaki District Health Board anticipates it will be used by staff to cover those future absences.

Long-term benefits

Entitlements that are payable beyond 12 months are calculated and included here.

Long service leave and retirement gratuities is calculated based on the probability of long service leave being liable after employees achieve certain service periods.

Sabbatical leave is calculated based on employee entitlements to this leave against what has been used historically.

(q) Provisions

Taranaki District Health Board recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

ACC Partnership Program

Taranaki District Health Board belongs to the ACC Partnership Program whereby Taranaki District Health Board accepts the management and financial responsibility of work related illnesses and accidents of employees. Under the ACC Partnership Program Taranaki District Health Board is effectively providing accident insurance to employees and this is accounted for as an insurance contract. The value of this liability represents the expected future payments in relation to accidents and illnesses occurring up to balance date for which Taranaki District Health Board has responsibility under the terms of the Partnership Program. The liability for claims reported prior to balance date has been determined by an assessment from our workplace claims provider.

(r) Income Tax

Taranaki District Health Board is a public authority under the New Zealand Public Health and Disability Act 2000 and is exempt from income tax under Section CB3 of the Income Tax Act 1994.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2010

(s) Goods and Services Tax (GST)

The Financial Statements have been prepared exclusive of goods and services tax (GST) apart from receivables and payables which are stated inclusive of GST. Where GST is irrecoverable as an input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department is included as part of receivables or payables in the balance sheet.

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

Commitments and contingencies are disclosed exclusive of GST.

(t) New standards adopted and interpretations not yet adopted

(i) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

Taranaki District Health Board has adopted the following new and amended New Zealand Equivalents to International Financial Reporting Standards and interpretations as of 1 July 2009.

* NZ IAS 1 Presentation of Financial Statements effective 1 July 2009

* NZ IAS 23 Borrowing costs effective 1 July 2009

* NZ IFRS 3R Business combinations (revised standard)

* Amendments to NZ IFRS 1 and NZ IAS 27 - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate effective 1 July 2009

None of the standards adopted above have materially impacted on Taranaki District Health Board during the financial year ended 30th June 2010.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2010

1 REVENUE

| | Group | | Parent | |
|---|----------------|----------------|----------------|----------------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$000 | \$000 | \$000 | \$000 |
| Health and disability services (MoH contracted revenue) | 286,705 | 271,223 | 286,611 | 271,223 |
| ACC revenue | 8,400 | 8,268 | 8,400 | 8,268 |
| Inter District Patient Inflows | 4,137 | 4,188 | 4,137 | 4,188 |
| Interest received | 1,870 | 2,715 | 1,866 | 2,715 |
| Dividends received | 1 | 1 | 1 | 1 |
| Bad debts recovered | 6 | 7 | 6 | 7 |
| Other revenue | 3,829 | 2,810 | 3,156 | 2,810 |
| | 304,948 | 289,212 | 304,177 | 289,212 |

2 OTHER INCOME

| | Group | | Parent | |
|---|------------|-----------|------------|-----------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$000 | \$000 | \$000 | \$000 |
| Donations and bequests received | 831 | 26 | 831 | 26 |
| Gain on sale of property, plant and equipment | 4 | 3 | 4 | 3 |
| | 835 | 29 | 835 | 29 |

3 EMPLOYEE BENEFIT COSTS

| | Group | | Parent | |
|---|---------------|---------------|---------------|---------------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$000 | \$000 | \$000 | \$000 |
| Wages and salaries | 98,660 | 90,655 | 96,014 | 90,655 |
| Increase/(Decrease) in employee benefits provisions | 1,203 | 1,996 | 914 | 1,996 |
| | 99,863 | 92,651 | 96,928 | 92,651 |

4 OTHER EXPENSES

| | Group | | Parent | |
|---|--------------|--------------|--------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$000 | \$000 | \$000 | \$000 |
| Impairment of trade receivables (bad and doubtful debts) | 51 | 53 | 51 | 53 |
| Loss on sale of property, plant and equipment | 206 | 2 | 206 | 2 |
| Audit fees - Ernst & Young (for the audit of the annual financial statements) | 205 | 173 | 181 | 173 |
| Audit fees - Ernst & Young (for the audit of the IFRS transition) | - | 14 | - | 14 |
| Audit fees (internal audit) | - | - | - | - |
| Audit fees - Verification New Zealand Limited (ACC partnership plan) | 3 | 3 | 3 | 3 |
| Audit fees - Healthshare Limited (Pharmacy Quality Audits) | 21 | 5 | 21 | 5 |
| Board members fees | 220 | 208 | 220 | 208 |
| Operating lease expenses | 807 | 828 | 341 | 828 |
| | 1,513 | 1,286 | 1,023 | 1,286 |

5 CAPITAL CHARGE

District Health Boards are required to pay a capital charge to the Crown based on the greater of its actual or budgeted closing equity at year end, less adjustments for donated assets. The capital charge rate for the period ended 30 June 2010 was 8% (2009: 8%).

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2010

6 FINANCING COSTS

| | Group | | Parent | |
|---|--------------|--------------|--------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$000 | \$000 | \$000 | \$000 |
| Interest on bank overdraft | 4 | 7 | 4 | 7 |
| Finance charges payable under finance leases | 54 | 55 | 54 | 55 |
| Interest on loans - Crown Health Financing Agency | 1,989 | 1,992 | 1,989 | 1,992 |
| | <u>2,047</u> | <u>2,054</u> | <u>2,047</u> | <u>2,054</u> |

7 CASH AND CASH EQUIVALENTS

| | Group | | Parent | |
|---|--------------|--------------|--------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$000 | \$000 | \$000 | \$000 |
| Cash at bank and in hand | 2,825 | 3,321 | 2,776 | 3,321 |
| Short-term deposits maturing within 3 months of acquisition | - | - | - | - |
| Cash and cash equivalents | <u>2,825</u> | <u>3,321</u> | <u>2,776</u> | <u>3,321</u> |

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represent fair value.

8 TRADE AND OTHER RECEIVABLES

| | Group | | Parent | |
|---|--------------|--------------|--------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$000 | \$000 | \$000 | \$000 |
| Ministry of Health | 4,792 | 4,169 | 4,792 | 4,169 |
| Due from subsidiaries | - | - | 84 | - |
| Due from associates | 202 | 538 | 202 | 538 |
| Due from non-related parties | 2,602 | 2,760 | 2,500 | 2,760 |
| Prepayments | 363 | 56 | 68 | 56 |
| | <u>7,959</u> | <u>7,523</u> | <u>7,646</u> | <u>7,523</u> |
| Allowance for impairment loss (a) | (38) | (36) | (38) | (36) |
| Carrying amount of trade and other receivables | <u>7,921</u> | <u>7,487</u> | <u>7,608</u> | <u>7,487</u> |

(a) Allowance for Impairment Loss

Trade receivables are non-interest bearing and are generally on terms of 20th of month following invoice. An allowance for impairment is calculated on non commercial debt based on the balance in age bands of the debts as follows: over 30 days (10%), over 60 days (50%), over 90 days (50%).

Movements in the allowance for impairment loss were as follows:

| | Group | | Parent | |
|--|-----------|-----------|-----------|-----------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$000 | \$000 | \$000 | \$000 |
| At 1 July | 36 | 42 | 36 | 42 |
| Charge for the year | 52 | 52 | 52 | 52 |
| Amounts written off | (50) | (58) | (50) | (58) |
| At 30 June | <u>38</u> | <u>36</u> | <u>38</u> | <u>36</u> |
| Total non commercial debt | 180 | 236 | 180 | 236 |
| Non commercial debt with no impairment allowance | 142 | 200 | 142 | 198 |

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2010

As at 30 June 2010 and 2009, all overdue receivables have been assessed for impairment and appropriate provisions applied, as detailed below:

| | Actual | | Actual | |
|--|---------------|-------------|---------------|-------------|
| | 2010 | 2010 | 2009 | 2009 |
| | Gross | Impairment | Gross | Impairment |
| | \$000 | \$000 | \$000 | \$000 |
| Taranaki District Health Board Parent | | | | |
| Not past due | 7,262 | - | 6,775 | - |
| Past due 1 - 60 days | 89 | (1) | 619 | (4) |
| Past due 61 - 90 days | 15 | (5) | 18 | (2) |
| Past due > 90 days | 280 | (32) | 111 | (30) |
| | <u>7,646</u> | <u>(38)</u> | <u>7,523</u> | <u>(36)</u> |
| Taranaki District Health Board Group | | | | |
| Not past due | 7,539 | - | 6,775 | - |
| Past due 1 - 60 days | 93 | (1) | 619 | (4) |
| Past due 61 - 90 days | 15 | (5) | 18 | (2) |
| Past due > 90 days | 312 | (32) | 111 | (30) |
| | <u>7,959</u> | <u>(38)</u> | <u>7,523</u> | <u>(36)</u> |

(b) Related Party Receivables

For specific amounts owing from related parties, including associate companies refer to note 21.

(c) Credit Risk and Effective Interest Rate Risk

Details regarding the credit risk and effective interest rate of current receivables is disclosed in note 24.

9 INVENTORIES

| | Group | | Parent | |
|-------------------------------|--------------|--------------|---------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$000 | \$000 | \$000 | \$000 |
| Pharmaceuticals | 583 | 569 | 583 | 569 |
| Surgical and Medical Supplies | 1,438 | 1,418 | 1,438 | 1,418 |
| Other Supplies | 553 | 540 | 553 | 540 |
| | <u>2,574</u> | <u>2,527</u> | <u>2,574</u> | <u>2,527</u> |

Write-down of inventories amounted to \$67k for 2010 (2009 \$32k).

No inventories are pledged as security for liabilities.

10 OTHER FINANCIAL ASSETS

| | Group | | Parent | |
|--|---------------|---------------|---------------|---------------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$000 | \$000 | \$000 | \$000 |
| Current portion | | | | |
| Loan - Allied Laundry Services Limited | 55 | 52 | 55 | 52 |
| Short-term deposits with maturities of 3-12 months | 31,000 | 31,000 | 31,000 | 31,000 |
| | <u>31,055</u> | <u>31,052</u> | <u>31,055</u> | <u>31,052</u> |
| Non-current portion | | | | |
| Loan - Allied Laundry Services Limited | 10 | 65 | 10 | 65 |
| Shares in King Country Energy Limited | 1 | 1 | 1 | 1 |
| Shares in Pharmacy Wholesalers Limited | 56 | 34 | 56 | 34 |
| | <u>67</u> | <u>100</u> | <u>67</u> | <u>100</u> |

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2010

11 ASSETS CLASSIFIED AS HELD FOR SALE

| | Group | | Parent | |
|---|-------|-------|--------|-------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$000 | \$000 | \$000 | \$000 |
| Surplus Investment Property held for Sale | - | 106 | - | 106 |

SURPLUS PROPERTY HELD FOR SALE

Property for sale was independently valued as at 30th June 2008 as part of the revaluation of Land & Buildings as per Note 14.

12 INVESTMENT IN SUBSIDIARY COMPANY

| | Group | | Parent | |
|--------------------------------------|-------|-------|--------|-------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$000 | \$000 | \$000 | \$000 |
| Investment details | | | | |
| HIQ Limited unlisted ordinary shares | - | - | 4,936 | - |
| | - | - | 4,936 | - |

The principal activity of the subsidiary is the provision of IT services.

Up until the 30th June 2009 HIQ Limited was a joint venture company formed by Taranaki District Health Board and Capital Coast District Health Board. On the 1st July 2009 Capital Coast District Health Board withdrew from the joint venture. HIQ Limited purchased the shares owned by Capital Coast District Health Board in lieu of distributing IT assets and IT work in progress that HIQ Limited had acquired on behalf of Capital Coast District Health Board. As a result of these actions Taranaki District Health Board owned 100% of HIQ Limited effective 1st July 2009.

On the 1st July 2009 all IT assets and IT work in progress that HIQ Limited had acquired on behalf of Taranaki District Health Board were transferred to Taranaki District Health Board at net book value. This was a non cash transaction effected through the Intercompany account operated by Taranaki District Health Board and HIQ Limited.

Taranaki District Health Board owns 100% of HIQ Limited effective the 1st July 2009.

13 INVESTMENT IN ASSOCIATE COMPANIES

| | Group | | Parent | |
|---|-------|-------|--------|-------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$000 | \$000 | \$000 | \$000 |
| (a) Investment details | | | | |
| HealthShare Limited | - | - | - | - |
| Allied Laundry Services Limited unlisted ordinary shares | 750 | 750 | 750 | 750 |
| Fulford Radiology Services Limited unlisted ordinary shares | 201 | 201 | 201 | 201 |
| Fulford Radiology Services Limited Share of Accumulated Deficit | (637) | (440) | - | - |
| Fulford Radiology Services Limited loan to purchase assets | 500 | 500 | 500 | 500 |
| HIQ Limited unlisted ordinary shares | - | 4,936 | - | 4,936 |
| HIQ Limited Current Account | - | (9) | - | (9) |
| | 814 | 5,938 | 1,451 | 6,378 |

There is no intention to seek repayment of the Fulford Radiology Services Limited loan of \$500k. On the 1st July 2010 \$200k of the loan to Fulford Radiology Services Limited was converted to Equity.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2010

| Details of each Associate Company are as follows: | Balance date | Interest held at 30 June 2010 | Interest held at 30 June 2009 |
|--|--------------|-------------------------------|-------------------------------|
| HealthShare Limited | 30 June | 20% | 20% |
| The principal activity of the associate is the provision of contract processing and auditing services for the 5 Midland Region District Health Board's. | | | |
| Fulford Radiology Services Limited | 30 June | 50% | 50% |
| The principal activity of the associate is the provision of radiology services. | | | |
| Allied Laundry Services Limited | 30 June | 25% | 25% |
| The principal activity of the associate is the provision of laundry services | | | |
| HIQ Limited | 30 June | 100% | 15% |
| The principal activity of the associate is the provision of IT services. On the 1st July 2009 HIQ Limited repurchased the shares owned by Capital Coast District Health Board in lieu of IT assets. Taranaki District Health Board owns 100% of HIQ Limited effective the 1st July 2009 and its investment is now shown under Note 12 Investments in Subsidiary Company. | | | |

(b) Summary of financial information of associate companies (100%)

Summarised unaudited financial information - 2010:

| | Assets \$000 | Liabilities \$000 | Equity \$000 | Revenues \$000 | Profit/(loss) \$000 |
|------------------------------------|-----------------|----------------------|-----------------|-------------------|------------------------|
| Healthshare Limited | 568 | 314 | 254 | 1,681 | 20 |
| Fulford Radiology Services Limited | 2,944 | 3,576 | (632) | 10,798 | 240 |
| Allied Laundry Services Limited | 5,109 | 1,905 | 3,204 | 6,418 | 204 |
| | <u>8,621</u> | <u>5,795</u> | <u>2,826</u> | <u>18,897</u> | <u>464</u> |

Summarised audited financial information - 2009:

| | Assets \$000 | Liabilities \$000 | Equity \$000 | Revenues \$000 | Profit/(loss) \$000 |
|------------------------------------|-----------------|----------------------|-----------------|-------------------|------------------------|
| Healthshare Limited | 517 | 283 | 234 | 1,693 | 22 |
| Fulford Radiology Services Limited | 3,226 | 4,098 | (872) | 10,228 | (393) |
| Allied Laundry Services Limited | 5,211 | 2,211 | 3,000 | 6,270 | (29) |
| HIQ Limited | 43,698 | 11,433 | 32,265 | 22,761 | 89 |
| | <u>52,652</u> | <u>18,025</u> | <u>34,627</u> | <u>40,952</u> | <u>(311)</u> |

The above information has been extracted from the associate companies unaudited management accounts (2010) and audited financial statements (2009).

(c) Movements in the carrying value of investments in associates:

| | Group | |
|---|---------------|---------------|
| | 2010 \$000 | 2009 \$000 |
| Balance at 1 July | 5,938 | 4,495 |
| New investments during the year | - | 1,566 |
| Share of total recognised revenues and expenses | (196) | (123) |
| Transfer of Investment to Subsidiary | (4,928) | - |
| Balance at 30 June | <u>814</u> | <u>5,938</u> |

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2010

14 PROPERTY, PLANT AND EQUIPMENT

| | Freehold Land | Freehold Buildings | Plant and Equipment | Motor Vehicles | Motor Vehicles | Work in Progress | Total |
|--|------------------|-----------------------|------------------------|-------------------|-------------------|---------------------|----------|
| Year ended 30 June 2010 | | | | | | | |
| Cost/revaluation 30-Jun-09 | 8,588 | 77,678 | 29,905 | 2,840 | 1,009 | 1,374 | 121,394 |
| Accumulated depreciation and impairment charges 30-Jun-09 | - | (5,678) | (22,453) | (1,843) | (362) | - | (30,336) |
| Carrying amount 30-Jun-09 | 8,588 | 72,000 | 7,452 | 997 | 647 | 1,374 | 91,058 |
| Current year additions | - | 36 | 6,109 | 28 | 116 | 12,735 | 19,024 |
| Current year revaluations | - | - | - | - | - | - | - |
| Current year disposals | (698) | (311) | 1 | (9) | - | - | (1,017) |
| Current year impairment charges | - | - | - | - | - | - | - |
| Current year depreciation | - | (5,706) | (2,973) | (442) | (277) | - | (9,398) |
| Accumulated depreciation reversed on revaluation | - | - | - | - | - | - | - |
| At 30 June 2010 net of accumulated depreciation and impairment | 7,890 | 66,019 | 10,589 | 574 | 486 | 14,109 | 99,667 |
| At 30 June 2010 | | | | | | | |
| Cost or fair value | 7,890 | 77,388 | 37,113 | 2,531 | 1,124 | 14,109 | 140,155 |
| Accumulated depreciation and impairment | - | (11,369) | (26,524) | (1,957) | (638) | - | (40,488) |
| | 7,890 | 66,019 | 10,589 | 574 | 486 | 14,109 | 99,667 |

| | Freehold Land | Freehold Buildings | Plant and Equipment | Motor Vehicles | Leased Motor Vehicles | Work in Progress | Total |
|--|------------------|-----------------------|------------------------|-------------------|-----------------------------|---------------------|----------|
| Year ended 30 June 2009 | | | | | | | |
| Cost/revaluation 30-Jun-08 | 8,588 | 77,086 | 27,327 | 2,921 | 894 | 126 | 116,942 |
| Accumulated depreciation and impairment charges 30-Jun-08 | - | - | (20,493) | (1,492) | (196) | - | (22,181) |
| Carrying amount 30-Jun-08 | 8,588 | 77,086 | 6,834 | 1,429 | 698 | 126 | 94,761 |
| Current year additions | - | 592 | 2,670 | 41 | 114 | 1,248 | 4,665 |
| Current year revaluations | - | - | - | - | - | - | - |
| Current year disposals | - | - | (2) | (15) | - | - | (17) |
| Current year impairment charges | - | - | - | - | - | - | - |
| Current year depreciation | - | (5,678) | (2,050) | (458) | (165) | - | (8,351) |
| Accumulated depreciation reversed on revaluation | - | - | - | - | - | - | - |
| At 30 June 2009 net of accumulated depreciation and impairment | 8,588 | 72,000 | 7,452 | 997 | 647 | 1,374 | 91,058 |
| At 30 June 2009 | | | | | | | |
| Cost or fair value | 8,588 | 77,678 | 29,905 | 2,840 | 1,009 | 1,374 | 121,394 |
| Accumulated depreciation and impairment | - | (5,678) | (22,453) | (1,843) | (362) | - | (30,336) |
| | 8,588 | 72,000 | 7,452 | 997 | 647 | 1,374 | 91,058 |

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2010

Restrictions

Taranaki District Health Board does not have full title to Crown land it occupies but transfer is arranged if and when land is sold. Some of the land may be subject to Waitangi Tribunal claims. The disposal of certain properties may be subject to the provision of section 40 of the Public Works Act 1981.

Titles to land transferred from the Crown to Taranaki District Health Board may be subject to claims under the terms of the Treaty of Waitangi Act 1975 (as amended by the Treaty of Waitangi (State Enterprises) Act 1988). The Board is of the view that the effect on the value of assets resulting from potential claims under the Treaty of Waitangi Act 1975 is not significant.

Valuation

Land and buildings were independently valued as at 30th June 2008 by Ian D. Baker ANZIV, SNZPI, registered valuer Telfer Young (Taranaki) Limited.

The valuation process was undertaken in accordance with guidelines and recommendations contained within the New Zealand Property Institute (NZPI) Valuation Standard VS-3, the Accounting Standard NZ IAS 16 as issued by The Institute of Chartered Accountants of New Zealand (ICANZ), and valuation guidelines for specialised items in the Health sector issued by Treasury.

Land has been valued at fair value on the basis of highest and best use.

Buildings have been valued on an Optimised Depreciated Replacement Cost (ODRC) basis as they are specialised in nature. Optimisation has been applied for obsolescence and relevant surplus capacity, and has been considered as part of the valuation process for buildings.

Impairment

The assessment of assets indicated no impairment for the year ended 30th June 2010 (2009: Nil).

Leased assets

Taranaki District Health Board leases ambulances under a number of finance lease agreements. At 30 June 2010, the net carrying amount of leased ambulances was \$486k (2009: \$647k). The leased ambulances secures Taranaki District Health Board's lease obligations.

15 RESTRICTED ASSETS AND TRUST FUNDS

Restricted assets are funds donated and bequeathed for specific purposes. The use of these assets must comply with the specific terms of the sources from which the funds were derived.

| | Group | | Parent | |
|--|------------|------------|----------|----------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$000 | \$000 | \$000 | \$000 |
| Opening Balance | 723 | 671 | - | - |
| Funds Received | 44 | 81 | - | - |
| Interest Received | 47 | 56 | - | - |
| Funds Spent | (133) | (85) | - | - |
| Closing Balance Restricted Assets | 681 | 723 | - | - |

Represented By:

| | | | | |
|--------------------------------|------------|------------|----------|----------|
| Cash at Bank | 3 | 12 | - | - |
| Short Term Deposits | 678 | 707 | - | - |
| Shares & Other | - | 4 | - | - |
| Total Restricted Assets | 681 | 723 | - | - |

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2010

16 TRADE AND OTHER PAYABLES

| | Group | | Parent | |
|---|---------------|---------------|---------------|---------------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$000 | \$000 | \$000 | \$000 |
| Trade Payables | 19,532 | 15,350 | 17,679 | 15,349 |
| Capital Charge Payable | 2,572 | 1,873 | 2,572 | 1,873 |
| Income received in advance | 1,291 | 1,760 | 1,291 | 1,760 |
| Interest Payable | 398 | 395 | 398 | 395 |
| Current Account with Subsidiary Company | - | - | 6,809 | - |
| Owing to Associates | 688 | 664 | 688 | 664 |
| Other Related Parties | 1,601 | 770 | 1,601 | 770 |
| | 26,082 | 20,812 | 31,038 | 20,811 |

Most trade and other payables are non-interest bearing and normally settled by the 20th of the month following service or delivery of goods. The exception is capital charge paid to the Ministry of Health, and interest paid to the Crown Health Financing Agency. Capital charges are paid 3 monthly in arrears, on a July, October, January and April cycle. Interest paid to the Crown Health Financing Agency on term loans is paid either on a three or six monthly cycle.

The current account balance is related to HIQ Limited. This is partially offset by the investment of Taranaki District Health Board in HIQ Limited. HIQ Limited will not be seeking repayment from Taranaki District Health Board.

17 INTEREST-BEARING LOANS AND BORROWINGS

| | Group | | Parent | |
|-----------------------------|---------------|---------------|---------------|---------------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$000 | \$000 | \$000 | \$000 |
| Finance Lease Liability | 526 | 630 | 526 | 630 |
| Government Sector Borrowing | 29,000 | 29,000 | 29,000 | 29,000 |
| Total Loans | 29,526 | 29,630 | 29,526 | 29,630 |
| Less Current Portion | 273 | 244 | 273 | 244 |
| Term Portion | 29,253 | 29,386 | 29,253 | 29,386 |

| INTEREST RATES: | 2010 | 2009 |
|-----------------------------|---------------|---------------|
| Government Sector Borrowing | 6.30% - 7.32% | 6.30% - 7.32% |

ANALYSIS OF FINANCE LEASE LIABILITIES

| | Group | | Parent | |
|---|-------|-------|--------|-------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$000 | \$000 | \$000 | \$000 |
| Total minimum lease payments are payable | | | | |
| Not later than one year | 273 | 244 | 273 | 244 |
| Later than one year and not later than five years | 312 | 468 | 312 | 468 |
| Later than five years | - | - | - | - |
| Total minimum lease payments | 585 | 712 | 585 | 712 |
| Future finance charges | (59) | (82) | (59) | (82) |
| Present value of minimum lease payments | 526 | 630 | 526 | 630 |

Present value of minimum lease payments are payable

| | | | | |
|---|------------|------------|------------|------------|
| Not later than one year | 239 | 202 | 239 | 202 |
| Later than one year and not later than five years | 287 | 428 | 287 | 428 |
| Later than five years | - | - | - | - |
| Total | 526 | 630 | 526 | 630 |
| Current | 239 | 202 | 239 | 202 |
| Non-current | 287 | 428 | 287 | 428 |
| | 526 | 630 | 526 | 630 |

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2010

FINANCE LEASE OBLIGATIONS

Finance lease obligations are secured by charges over plant and equipment. They are repaid over the duration of the lease by regular monthly or quarterly instalments. The majority of these leases have the option at the expiry of the original term to either return the equipment, extend the lease period or purchase the equipment at Fair Market Value.

| | Group | | Parent | |
|-----------------------------|---------------|---------------|---------------|---------------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$000 | \$000 | \$000 | \$000 |
| GOVERNMENT SECTOR BORROWING | | | | |
| Due for repayment: | | | | |
| within one year | - | - | - | - |
| within two years | 10,000 | - | 10,000 | - |
| within three years | 7,000 | 10,000 | 7,000 | 10,000 |
| within four years | - | 7,000 | - | 7,000 |
| within five years | 12,000 | - | 12,000 | - |
| after five years | - | 12,000 | - | 12,000 |
| | <u>29,000</u> | <u>29,000</u> | <u>29,000</u> | <u>29,000</u> |

The term loans denoted are financed by the Crown Health Financing Agency (acting as an agent of the Crown) on fixed interest rates. The rate of interest has two components - a fixed rate and a margin. The margin may decrease on account of efficiencies derived by the Crown Health Financing Agency and passed onto the Taranaki District Health Board, whilst any increase in the margin will be capped and cannot exceed the original margin agreed at the time of the loan drawdown. Since these loans have no fixed the Crown Health Financing Agency have not passed any efficiencies onto Taranaki District Health Board.

Government sector borrowings are unsecured and repayment is classified in line with the terms of borrowing with the Crown Health Financing Agency.

FAIR VALUE OF GOVERNMENT BORROWING

The fair value of the \$29,000k of Government Borrowing at 30th June 2010 was calculated at \$31,362k (2009: \$31,354k). This calculation is done by discounting the expected future cash flows at prevailing interest rates. Crown Health Financing Agency has used the Government Bond Rate plus 15 basis points based on mid market pricing, this being the same basis on which District Health Board debt is funded, to establish the fair value.

18 EMPLOYEE BENEFITS

| | Group | | Parent | |
|------------------------------|---------------|---------------|---------------|---------------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$000 | \$000 | \$000 | \$000 |
| Salary & wages accrual | 3,295 | 4,758 | 3,204 | 4,758 |
| Annual Leave | 11,172 | 10,234 | 10,882 | 10,234 |
| Sick Leave | 364 | 425 | 364 | 425 |
| Long Service Leave | 919 | 812 | 919 | 812 |
| Retirement gratuities | 928 | 891 | 928 | 891 |
| Continuing Medical Education | 1,141 | 1,010 | 1,141 | 1,010 |
| Sabbatical Leave | 205 | 154 | 205 | 154 |
| | <u>18,024</u> | <u>18,284</u> | <u>17,643</u> | <u>18,284</u> |
| Made up of: | | | | |
| Current | 17,237 | 17,614 | 16,856 | 17,614 |
| Non-current | 787 | 670 | 787 | 670 |
| | <u>18,024</u> | <u>18,284</u> | <u>17,643</u> | <u>18,284</u> |

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2010

19 PROVISIONS

Current provisions

ACC Partnership Programme

| Group | | Parent | |
|-------|-------|--------|-------|
| 2010 | 2009 | 2010 | 2009 |
| \$000 | \$000 | \$000 | \$000 |
| 12 | 3 | 12 | 3 |
| 12 | 3 | 12 | 3 |

The liability valuation on the ACC Partnership Program has been calculated by Aon New Zealand Limited as at the 30th June 2010. All outstanding claims by Taranaki District Health Board's employees are estimated by claim managers as at this point.

20 RECONCILIATION OF NET SURPLUS/(DEFICIT) AFTER TAXATION WITH CASH OUTFLOW FROM OPERATING ACTIVITIES

Net Surplus/(Loss)

Add/(Less) Non-Cash Items:

Depreciation

(Decrease)/Increase in Provision for Doubtful Debts

(Decrease)/Increase in Employee Entitlements

Add back items classified as investment/financing activities:

Decrease/(Increase) in Investments Held

Net Loss/(Gain) of Disposal of Assets

Add/(Less) Movements in Working Capital:

(Increase)/Decrease in Receivables & Prepayments

(Increase)/Decrease in Inventories

(Decrease)/Increase in Payables & Accruals net of acquired balances

Net Cash Inflow/(Outflow) from Operating Activities

| Group | | Parent | |
|---------|--------|---------|--------|
| 2010 | 2009 | 2010 | 2009 |
| \$000 | \$000 | \$000 | \$000 |
| (2,992) | (654) | (2,755) | (583) |
| 9,398 | 8,351 | 9,398 | 8,351 |
| 2 | (5) | 2 | (5) |
| (259) | 133 | (640) | 133 |
| 9,141 | 8,479 | 8,760 | 8,479 |
| 174 | (8) | (22) | (9) |
| 202 | (1) | 202 | (1) |
| 376 | (9) | 180 | (10) |
| (436) | 2,731 | (122) | 2,731 |
| (47) | (175) | (47) | (175) |
| 1,075 | 1,859 | 1,094 | 1,859 |
| 592 | 4,415 | 925 | 4,415 |
| 7,117 | 12,231 | 7,110 | 12,301 |

21 RELATED PARTY TRANSACTIONS

Taranaki District Health Board is a wholly owned entity of the Crown. The Government significantly influences the role of the Board as well as being its major source of revenue.

Taranaki District Health Board enters into numerous transactions with government departments and other Crown agencies outside of the funding relationship. Where these parties are acting in the course of their normal dealings with Taranaki District Health Board, related party disclosures have not been made for transactions of this nature.

Related Party Transactions and Balances

(a) Funding

Taranaki District Health Board received \$287m from the Ministry of Health to provide health services to the Taranaki area (2009: \$271m). The amount outstanding at year end was \$4.79m (2009: \$4.17m).

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2010

(b) Inter-Group Transactions and balances:

Taranaki District Health Board charged the following expenses during the year for services performed, administration, rental, general facility services, and interest received and had the following balances at year end:

| | Parent Owed to TDHB | | Parent Income to TDHB | |
|------------------------------------|------------------------|------------|--------------------------|------------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$000 | \$000 | \$000 | \$000 |
| Allied Laundry Services Limited | 2 | 126 | 25 | 29 |
| Fulford Radiology Services Limited | 200 | 401 | 344 | 335 |
| Healthshare Limited | - | - | - | 1 |
| HIQ Limited | 84 | 12 | 464 | 57 |
| | <u>286</u> | <u>539</u> | <u>833</u> | <u>422</u> |

Taranaki District Health Board incurred the following expenses during the year for services performed and had the following outstanding balances at year end:

| | Parent Owed by TDHB | | Parent Expense to TDHB | |
|------------------------------------|------------------------|------------|---------------------------|---------------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$000 | \$000 | \$000 | \$000 |
| Allied Laundry Services Limited | 112 | 117 | 840 | 848 |
| Fulford Radiology Services Limited | 577 | 547 | 7,051 | 6,503 |
| Healthshare Limited | - | - | 97 | 74 |
| HIQ Limited | - | - | 2,544 | 5,127 |
| | <u>689</u> | <u>664</u> | <u>10,532</u> | <u>12,552</u> |

Board Member Fees paid to Board Members of the above Subsidiaries & Associates are included in the Annual Report under Board Fees.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2010

Board Members and Key Management - 2010

| TDHB Board Member | Related Party | Relationship | TDHB Transaction | Expense for Year 30 June 2010 | Owed by TDHB at 30 June 2010 |
|-------------------|--|--------------------------------|--|-------------------------------------|------------------------------------|
| Alex Ballantyne | Peak Health | Local Management Group Member | GP and Health Services | \$000 | \$000 |
| | TSB Community Trust | Member | Community Funding | 11,112 | 389 |
| | STDC | Councillor | Local Authority | 12 | |
| Mary Bourke | TSB Community Trust | Member | Community Funding | | |
| | Bishops Action Foundation | Member | Community and Health | | |
| | WITT Polytechnic | Chairperson | Training organisation | 16 | |
| Peter Catt | Family Health Care Centre | GP and Shareholder | GP and Health Services | 7 | |
| | Taranaki Sub Faculty RNZCGP | Secretary Treasurer | | | |
| | Workforce Development Group | Member | | | |
| Kura Denness | Hauora Taranaki PHO (Taranaki PHO Ltd) | Chairperson | GP and Health Services | 9,195 | 81 |
| | Medical Laboratory Scientists Board | Director | | | |
| | Medical Science Secretariat Ltd | Director | | | |
| | Tui Ora Ltd | Chairperson | Health Services | 5,106 | 440 |
| | Massey University | Council Member | Education Provider | 4 | |
| | Te Aroha MedCare | Chairperson | GP and Health Services | 12 | 57 |
| | Pharmac | Director | DHB Funding | | |
| | MidCentral Zone Rugby League | Chairperson | TDHB Funding of Smokefree Programme for League Club | | |
| | Allied Laundry Services | Director | Supplier of Laundry Services | 840 | 112 |
| | Bayley Road Trust | Trustee | | | |
| Karen Eagles | Govett Quilliam | Husband Senior Partner | Legal representation of | 60 | |
| | Plunket NZ | National Councillor | | | |
| Flora Gilkison | Taranaki DHB | Husband employed as surgeon | | | |
| | Fulford Radiology Services | Director | Supplier of Radiology | 7,051 | 577 |
| Grant Knuckey | Te Atiawa Medical Trust | CEO | GP and Health Services | 209 | 20 |
| | Te Tihi Hauora o Taranaki | Chairman | GP and Health Services | 1,940 | 95 |
| | Health Aotearoa | Executive Member | | | |
| | Bayley Road Trust | Trustee | | | |
| Jenny Nager | Mary Ann Rest Home Stratford | Daughter in Law is an employee | TDHB Funds services | 1 | |
| | Grey Power South Taranaki | Secretary | | | |
| Tony Ruakere | Te Atiawa Medical Centre | Employee/General Practitioner | GP and Health Services | 209 | 20 |
| | Te Pou Heretaunga Disability Committee of Tui Ora | Member | Health and Disability Services | 5,106 | 440 |

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2010

Board Members and Key Management - 2009

| TDHB Board Member | Related Party | Relationship | TDHB Transaction | Expense for Year 30 June 2009 | Owed by TDHB at 30 June 2009 |
|-------------------|---|--|--|--|---------------------------------------|
| | | | | \$000 | \$000 |
| Alex Ballantyne | Peak Health Ltd (formerly Pinnacle PHO) STDC | Local Management Group member Councillor | GP & Health Services Local Authority | 10,256 9 | 168 - |
| Peter Catt | Family Health Centre Taranaki PHO Ltd | Director/General Practitioner Employee | GP & Health Services GP & Health Services | 4 9,238 | - 108 |
| Kura Denness | Tui Ora Ltd Medical Laboratory Scientists Te Aroha MedCare Ltd Taranaki PHO Ltd PHARMAC Allied Laundry Services Ltd Te Rau Pani | Chairperson Director Chairperson Chairperson Director Director Advisor | Health Contracts/Services Prof Registration Board GP & Health Services GP & Health Services DHB Funding Laundry Services Health Contracts/Services | 5,590 - - 9,238 88 848 304 | 408 - - 108 - 117 - |
| Karen Eagles | Te Pou Hauora o Heretaunga Waves Youth Health Trust | Contracted to Director | Health Contracts/Services Health Contracts/Services | - 27 | - - |
| Flora Gilkison | Fulford Radiology Services Ltd | Director | Radiology Services | 6,503 | 547 |
| Grant Knuckey | Te Atiawa Medical Trust Te Tihi Hauora PHO Ltd | Chief Executive Chairperson | GP & Health Services GP & Health Services | 242 1,868 | 23 63 |
| Tony Ruakere | Te Atiawa Medical Trust Tui Ora Ltd | Employee Committee Member | GP & Health Services Health Contracts/Services | 242 5,590 | 23 408 |
| John Young | Venture Taranaki Inc | Trustee | Professional Services | 1 | - |

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2010

22 RELATED PARTIES - KEY MANAGEMENT PERSONNEL

Compensation of key management personnel

Short-term employee benefits
Post-employment benefits
Other long-term benefits
Termination benefits

| Group | | Parent | |
|-------|-------|--------|-------|
| 2010 | 2009 | 2010 | 2009 |
| \$000 | \$000 | \$000 | \$000 |
| 1,899 | 1,841 | 1,899 | 1,841 |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| 1,899 | 1,841 | 1,899 | 1,841 |

Key management personnel include all board members and members of the executive management team.

23 FINANCIAL INSTRUMENT CATEGORIES

The carrying amounts of financial instruments in each of the NZ IAS 39 categories are as follows:

FINANCIAL ASSETS

Loans and receivables

Cash and cash equivalents
Debtors and other receivables
Loans to associates
Other investments
Term deposits

Note

7
8
10
10
10

Total loans and receivables

| Group | | Parent | |
|--------|--------|--------|--------|
| 2010 | 2009 | 2010 | 2009 |
| \$000 | \$000 | \$000 | \$000 |
| 2,825 | 3,321 | 2,776 | 3,321 |
| 7,921 | 7,487 | 7,608 | 7,487 |
| 65 | 117 | 65 | 117 |
| 57 | 35 | 57 | 35 |
| 31,000 | 31,000 | 31,000 | 31,000 |
| 41,868 | 41,960 | 41,506 | 41,960 |

FINANCIAL LIABILITIES

Financial liabilities at amortised costs

Trade and other payables
Finance lease liabilities
Loans from Crown Health Financing Agency

Note

16
17
17

Total financial liabilities

| | | | |
|--------|--------|--------|--------|
| 24,791 | 19,052 | 29,747 | 19,051 |
| 526 | 630 | 526 | 630 |
| 29,000 | 29,000 | 29,000 | 29,000 |
| 54,317 | 48,682 | 59,273 | 48,681 |

The fair value of all of the above financial instruments equal their carrying value with the exception of loans from Crown Health Financing Agency.

The fair value of the \$29,000k of loans from the Crown Health Financing Agency at 30th June 2010 was calculated at \$31,362k (2009: \$31,354k).

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2010

24 FINANCIAL INSTRUMENT RISKS

Taranaki District Health Board activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk.

(a) Market Risk

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Taranaki District Health Board exposure to fair value interest rate risk is limited to its fixed interest borrowings and bank deposits. However, because these borrowings and bank deposits are not accounted for at fair value, fluctuations in interest rates do not have an impact on the surplus / deficit of Taranaki District Health Board or the carrying amount of the financial instruments recognised in the statement of financial position.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose Taranaki District Health Board to cash flow interest rate risk.

Taranaki District Health Board deposits surplus funds with a spread of maturity dates to limit exposure to short term interest rate movements.

Taranaki District Health Board spreads the maturity of term borrowings to limit the exposure to short term interest rate movements.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Taranaki District Health Board is exposed to foreign currency risk on minor purchases for goods and services which require it to enter into transactions in foreign currencies. Transactions in foreign currencies are translated at the foreign exchange rate at the date of the transaction. As a result of this Taranaki District Health Board has limited exposure to currency risk.

(b) Credit Risk

Credit risk is the risk that a 3rd party will default on its obligations to Taranaki District Health Board, causing a loss to be incurred.

Due to the timing of its cash inflows and outflows, Taranaki District Health Board invests surplus cash into term deposits with registered banks.

Taranaki District Health Board maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash equivalents (note 7), net debtors (note 8) and other financial assets (note 10).

Taranaki District Health Board has no significant concentrations of credit risk as government sourced revenue for Taranaki District Health Board was 97% (2009: 97%) whilst it accounted for 94% (2009: 96%) of receivables.

(c) Liquidity Risk

Liquidity risk is the risk that Taranaki District Health Board will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

In general, Taranaki District Health Board generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and can break term deposits with financial institutions if required.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2010

(d) Contractual Liquidity Table

Group - 2010

The following table sets out the contractual cash flows for all financial liabilities:

| | Carrying value | Cash Flows | 0-3 month | 3-12 months | 1-3 years | 3-7 years |
|---|----------------|---------------|---------------|--------------|---------------|---------------|
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Non-derivative financial liabilities | | | | | | |
| Trade and other payables | 26,082 | 26,082 | 26,082 | - | - | - |
| Finance leases | 526 | 585 | 68 | 205 | 273 | 39 |
| Loans and borrowings | 29,000 | 35,537 | 158 | 1,827 | 19,867 | 13,685 |
| | <u>55,608</u> | <u>62,204</u> | <u>26,308</u> | <u>2,032</u> | <u>20,140</u> | <u>13,724</u> |

Group - 2009

The following table sets out the contractual cash flows for all financial liabilities:

| | Carrying value | Contractual Cash Flows | 0-3 month | 3-12 months | 1-3 years | 3-7 years |
|---|----------------|---------------------------|---------------|--------------|---------------|---------------|
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Non-derivative financial liabilities | | | | | | |
| Trade and other payables | 20,812 | 20,812 | 20,812 | - | - | - |
| Finance leases | 630 | 712 | 61 | 183 | 459 | 9 |
| Loans and borrowings | 29,000 | 36,844 | 158 | 1,827 | 13,497 | 21,362 |
| | <u>50,442</u> | <u>58,368</u> | <u>21,031</u> | <u>2,010</u> | <u>13,956</u> | <u>21,371</u> |

Parent - 2010

The following table sets out the contractual cash flows for all financial liabilities:

| | Carrying value | Cash Flows | 0-3 month | 3-12 months | 1-3 years | 3-7 years |
|---|----------------|---------------|---------------|--------------|---------------|---------------|
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Non-derivative financial liabilities | | | | | | |
| Trade and other payables | 24,229 | 24,229 | 24,229 | - | - | - |
| Finance leases | 526 | 585 | 68 | 205 | 273 | 39 |
| Loans and borrowings | 29,000 | 35,537 | 158 | 1,827 | 19,867 | 13,685 |
| | <u>53,755</u> | <u>60,351</u> | <u>24,455</u> | <u>2,032</u> | <u>20,140</u> | <u>13,724</u> |

The current account balance to HIQ Limited is excluded from Trade and other payables. This is due to HIQ Limited not requiring repayment from Taranaki District Health Board.

Parent - 2009

The following table sets out the contractual cash flows for all financial liabilities:

| | Carrying value | Contractual Cash Flows | 0-3 month | 3-12 months | 1-3 years | 3-7 years |
|---|----------------|---------------------------|---------------|--------------|---------------|---------------|
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Non-derivative financial liabilities | | | | | | |
| Trade and other payables | 20,811 | 20,811 | 20,811 | - | - | - |
| Finance leases | 630 | 712 | 61 | 183 | 459 | 9 |
| Loans and borrowings | 29,000 | 36,844 | 158 | 1,827 | 13,497 | 21,362 |
| | <u>50,441</u> | <u>58,367</u> | <u>21,030</u> | <u>2,010</u> | <u>13,956</u> | <u>21,371</u> |

(e) Sensitivity Analysis

In managing interest rate risk Taranaki District Health Board has adopted two strategies, (i) having term borrowings with the Crown Health Financing Agency on fixed rates, and (ii) having the maturity dates of the four individual loans to the Crown Health Financing Agency at different dates. Any increase in interest rates on a specific term loan when it matures and is rolled is therefore reduced, as only that specific loan is impacted.

As the next term loan is not due to expire until July 2011 no sensitivity analysis has been performed.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2010

25 CONTINGENT LIABILITIES

Taranaki District Health Board sometimes has claims that have been made by or against Taranaki District Health Board in the ordinary course of business. The Board Members do not consider the outcome of these claims will have a material adverse affect on the financial position of Taranaki District Health Board.

26 CAPITAL COMMITMENTS AND OPERATING LEASES

| | Group | | Parent | |
|-------------------------------|--------------|----------|--------------|----------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$000 | \$000 | \$000 | \$000 |
| Capital Commitments | | | | |
| Property, plant and equipment | 6,568 | - | 6,568 | - |
| | <u>6,568</u> | <u>-</u> | <u>6,568</u> | <u>-</u> |

Operating leases as lessee

Taranaki District Health Board leases buildings, vehicles and equipment. These non-cancellable leases typically range from 3 to 5 years (vehicles and equipment).

| | | | | |
|--|------------|------------|------------|------------|
| Not later than one year | 431 | 587 | 431 | 587 |
| Later than one and not later than two years | 85 | 351 | 85 | 351 |
| Later than two and not later than five years | 102 | 41 | 102 | 41 |
| Later than five years | - | - | - | - |
| | <u>618</u> | <u>979</u> | <u>618</u> | <u>979</u> |

A significant portion of the non-cancellable operating lease amount relates to the lease of the Pyxis automated drug dispensing system. The current 5 year lease expires on the 31st March 2011

27 MAJOR VARIATIONS FROM BUDGET

Income Statement Variances - Revenue

Taranaki District Health Board recorded a deficit of \$2.992 million compared with a budgeted deficit of \$2.103 million.

A total of \$7.4 million additional revenue over budget was received as follows (2009: \$8.9m):

| | Variance 2010 \$000 | Variance 2009 \$000 |
|-------------------------------------|---------------------------|---------------------------|
| Ministry of Health Funding | 4,998 | 8,690 |
| Accident Compensation Revenue (ACC) | (229) | (38) |
| Inter District Flows | 132 | 194 |
| Inter Provider Revenue | 604 | 69 |
| Interest Received | 510 | 97 |
| Donations Received | 810 | 3 |
| Other | 536 | (98) |
| | <u>7,361</u> | <u>8,917</u> |

Income Statement Revenue Explanations

Ministry of Health Funding

Additional funding devolved from Ministry in excess of funding envelope advised.

Accident Compensation Revenue (ACC)

(i) No price increases from ACC, (ii) reduced referrals from ACC.

Inter District Flows

Inflow of other DHB population lower than expected

Inter Provider Revenue

Revenue generated by subsidiary HIQ Limited from other DHB's.

Interest Received

Increased returns from funds deposited.

Donations Received

Donations received in excess of planned receipts.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2010

Income Statement Variances - Expenditure

A total of \$8.4 million additional expenditure over budget were incurred as follows (2009: \$7.4m):

| | Variance 2010 \$000 | Variance 2009 \$000 |
|--|---------------------------|---------------------------|
| Employee Benefit costs | 3,818 | 3,378 |
| Outsourced services | 4,085 | 1,591 |
| Clinical supplies | (1,184) | 2,037 |
| Payments to non-health board providers | 5,591 | (715) |
| Other | (4,060) | 1,127 |
| | <u>8,250</u> | <u>7,418</u> |

Income Statement Expenditure Explanations

| | |
|--|--|
| Employee Benefit costs | Inclusion of HIQ Limited in Group finances as a Subsidiary. |
| Outsourced services | Locum costs and work outsourced. |
| Clinical supplies | Herceptin costs reduced against expected and budgeted. |
| Payments to non-health board providers | Additional costs for IDF Outflows. |
| Other | (i) HIQ Limited costs consolidated (ii) Capitalisation of salaries for Project related work. |

| | Variance 2010 \$000 | Variance 2009 \$000 |
|-------------------------------|---------------------------|---------------------------|
| Cash & S/T Deposits | (879) | (8,333) |
| Other Financial Assets | (3,945) | 11,052 |
| Property, plant and equipment | 13,927 | 9,222 |
| Receivables & Prepayments | (2,279) | (293) |
| Employee Entitlements | (1,003) | 3,079 |

Balance Sheet Explanations

| | |
|-------------------------------|---|
| Cash & S/T Deposits | Timing of payments to suppliers. |
| Other Financial Assets | Preliminary Project Maunga expenditure. |
| Property, Plant and Equipment | Transfer of HIQ Limited IT assets into Taranaki District Health Board's assets. |
| Receivables & Prepayments | Equity injection from MoH for Community Oral Health Service received early. |
| Employee Entitlements | Timing of Payroll payments and unsettled employee collective agreements. |

28 AUDITORS' REMUNERATION

Fees to principal auditor (Ernst & Young)

| | Group | | Parent | |
|---|---------------|---------------|---------------|---------------|
| | 2010 \$000 | 2009 \$000 | 2010 \$000 | 2009 \$000 |
| Audit of annual financial statements | 205 | 173 | 181 | 173 |
| Audit of financial statements - IFRS transition | - | 14 | - | 14 |
| Other assurance-related services | - | - | - | - |
| Tax compliance | - | - | - | - |
| Due diligence services | - | - | - | - |
| | <u>205</u> | <u>187</u> | <u>181</u> | <u>187</u> |

Other Audit Fees paid (non Ernst & Young)

| | | | | |
|--|----|---|----|---|
| ACC Partnership Program - Verification New Zealand Limited | 3 | 3 | 3 | 3 |
| HealthShare Ltd Pharmacy Quality Audits | 21 | 5 | 21 | 5 |

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2010

29 EMPLOYEE REMUNERATION

Employees (excluding board members), including management and medical staff, receiving remuneration in excess of \$100,000 per annum are as follows:

| Remuneration Range | Actual 2010 | Actual 2009 |
|--------------------|-------------|-------------|
| 100,000 - 110,000 | 19 | 16 |
| 110,001 - 120,000 | 13 | 14 |
| 120,001 - 130,000 | 11 | 9 |
| 130,001 - 140,000 | 8 | 14 |
| 140,001 - 150,000 | 9 | 8 |
| 150,001 - 160,000 | 9 | - |
| 160,001 - 170,000 | 4 | 3 |
| 170,001 - 180,000 | 7 | 3 |
| 180,001 - 190,000 | 2 | 3 |
| 190,001 - 200,000 | 1 | 6 |
| 200,001 - 210,000 | 2 | 3 |
| 210,001 - 220,000 | 3 | 4 |
| 220,001 - 230,000 | 4 | 3 |
| 230,001 - 240,000 | 4 | 2 |
| 240,001 - 250,000 | 2 | 4 |
| 250,001 - 260,000 | 3 | 2 |
| 260,001 - 270,000 | - | 2 |
| 270,001 - 280,000 | 2 | - |
| 280,001 - 290,000 | 3 | 3 |
| 290,001 - 300,000 | 1 | - |
| 300,001 - 310,000 | 1 | 3 |
| 310,001 - 320,000 | 1 | - |
| 350,001 - 360,000 | - | 1 |
| 370,001 - 380,000 | 1 | - |
| Total | <u>110</u> | <u>103</u> |
| Clinicians | 91 | 88 |
| Management | <u>19</u> | <u>15</u> |
| Total | <u>110</u> | <u>103</u> |

If the remuneration of part time clinical staff was grossed up to a full time equivalent (FTE) basis, the total of employees with salaries of \$100,000 or more would be 132 (2009: 112)

30 TERMINATION PAYMENTS

For the period to 30 June 2010, 8 employees or former employees of Taranaki District Health Board received payment in respect of termination of employment for \$30,080, \$20,038, \$7,506, \$7,394, \$7,107, \$2,802, \$1,422 and \$1,334 respectively (2009: 2 payments totalling \$10,666).

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2010

31 CAPITAL MANAGEMENT

Taranaki District Health Board's capital is its Crown equity, reserves, Trust/Special funds and retained earnings/(losses). Equity is represented by net assets. Taranaki District Health Board manages its revenues, expenses, assets, liabilities and general financial dealings prudently in compliance with the budgetary process.

The Taranaki District Health Board's policy and objectives of managing the equity is to ensure the Taranaki District Health Board effectively achieves its goals and objectives, whilst maintaining a strong capital base. The Taranaki District Health Board policies in respect of capital management are reviewed regularly by the governing Board.

Changes in public equity are as a result of the Crown either (i) injecting equity for specific funding, or (ii) requiring Taranaki District Health Board to repay equity as specified by the Crown.

During the year the Crown advanced \$2,328k for (i) Community Oral Health Service of \$2,066k and (ii) for the interRAI National DHB Implementation Project of \$262k (2009: \$252k). Public equity of \$959k (2009: \$959k) was repaid to the Crown during the year. The repayments in both 2010 & 2009 was to repay the Ministry of Health funding of additional depreciation expense on buildings revalued at 30 June 2006.

There have been no changes in Taranaki District Health Board's management of capital during the year.

Taranaki District Health Board is not subject to external banking covenants.

32 EVENTS SUBSEQUENT TO BALANCE DATE

There was no material movements or events subsequent to the balance date.

Statement of Service Performance

2009/2010

Statement of Service Performance

2010 Annual Report

Output Class: Public Health

| Budgeted revenue (\$000s) | Actual revenue (\$000s) | Budgeted expenditure (\$000s) | Actual expenditure (\$000s) |
|---------------------------|-------------------------|-------------------------------|-----------------------------|
| 7,026 | 7,569 | 7,026 | 6,691 |

| Service provided | Outputs, enablers | Baseline measure | | 2009/10 | | Status |
|-------------------|---------------------------|--|------|---------|---------|---|
| | | Description | Data | Targets | Results | |
| Population Health | B4 School Checks | % of cohorts receiving B4SC: | 46% | 80% | 83% | Achieved |
| | | Māori | 148 | 240 | 300 | Achieved |
| | | Non-Māori | 498 | 960 | 951 | Partially Achieved. The target was marginally missed (9 pupils) and it is expected that all targets will be achieved in 10-11. |
| | | Total population | 646 | 1200 | 1251 | Achieved |
| | Immunisations against HPV | % of Year 8 girls completing a course of immunisation against HPV: | 43% | 44% | 50% | Achieved |
| | | Māori | 30% | 35% | 50% | Achieved |
| | | Other ethnicity | 70% | 71% | 41% | Not Achieved. Despite the low decile schools displaying a high proportion of pupils accepting the vaccinations the large mainstream schools have not had the uptake that was expected. This was due to parents and pupils choosing to decline the vaccinations. The uptake to the programme is expected to increase over time as the service becomes embedded as business as usual. |

Statement of Service Performance

2010 Annual Report

Output Class: Primary and Community

| Budgeted Revenue (\$000s) | Actual Revenue (\$000s) | Budgeted Expenditure (\$000s) | Actual Expenditure (\$000s) |
|---------------------------|-------------------------|-------------------------------|-----------------------------|
| 103,597 | 107,623 | 103,597 | 103,002 |

| Service provided | Outputs, enablers | Baseline measure | | 2009/10 | | Status |
|------------------|--------------------------------|---|------|---------|---------|---|
| | | Description | Data | Targets | Results | |
| GP services | Diabetes Annual Reviews (DARS) | % of diabetics accessing free annual checks: | | | | |
| | | Māori | 41% | 59% | 69% | Achieved |
| | | Other ethnic groups | 59% | 71% | 84% | Achieved |
| | | Total | 56% | 69% | 81% | Achieved |
| | | % on diabetes register who have satisfactory or better diabetes management level: | | | | Not Achieved. Taranaki District Health Board is working closely with the Primary Health Organisations to improve management of patients with diabetics. |
| | | Māori | 73% | 74% | 65% | |
| | | Other ethnic groups | 81% | 85% | 75% | |
| | | Total | 80% | 83% | 74% | |
| | CVD Risk Assessment | % of eligible adult population who have had CVD risk assessment in last 5 years: | | | | |
| | | Māori | 47% | 49% | 53% | Achieved |
| | | Pacific | 50% | 52% | 53% | Achieved |
| | | Other ethnic groups | 67% | 69% | 70% | Achieved |
| | | Total | 63% | 65% | 66% | Achieved |
| | 2-year-old immunisations | % of 2 year olds fully immunised: | | | | |
| | | Māori | 70% | 79% | 86% | Achieved |
| | | Total | 78% | 79% | 85% | Achieved |

Statement of Service Performance

2010 Annual Report

Output Class: Hospital Services

| Budgeted Revenue (\$000s) | Actual Revenue (\$000s) | Budgeted Expenditure (\$000s) | Actual Expenditure (\$000s) |
|---------------------------|-------------------------|-------------------------------|-----------------------------|
| 169,167 | 169,912 | 169,167 | 176,679 |

| Service Provided | Outputs, enablers | Baseline measure | | 2009/10 | | Status |
|-------------------|---------------------------------------|---|------|---------|---------|----------|
| | | Description | Data | Targets | Results | |
| Cancer services | Radiation oncology treatments | % of patients waiting less than six weeks between first specialist assessment and the start of radiation oncology treatment | 100% | 100% | 100% | Achieved |
| Elective services | Improvements to processes and systems | ESPIs: | | | | |
| | | 1. DHB services that appropriately acknowledge and process all patient referrals within ten working days | 92% | > 90% | 100% | Achieved |
| | | 2. Patients waiting longer than six months for their first specialist assessment (FSA) | 1.6% | < 1.6% | 0.4% | |
| | | 3. Patients waiting without a commitment to treatment whose priorities are higher than actual treatment threshold (ATT) | 4% | < 5% | 0.7% | |
| | | 4. Patients without clarity of treatment status | 0% | < 5% | 0% | |

Statement of Service Performance

2010 Annual Report

| Service Provided | Outputs, enablers | Baseline measure | | 2009/10 | | Status |
|-------------------|--|---|-------|---------|---------|--|
| | | Description | Data | Targets | Results | |
| Emergency Service | | 5. Patients given a commitment to treatment but not treated within six months | 4% | < 5% | 0.5% | |
| | | 6. Patients in active review who have not received a clinical assessment within the last six months | 12% | < 15% | 0.0% | |
| | | 7. Patients who have not been managed according to their assigned status and who should have received treatment | 4% | < 5% | 0.3% | |
| | | 8. The proportion of patients treated who were prioritised using nationally recognised processes or tools | 92% | > 90% | 100% | |
| | Additional funding for additional procedures | Increase in the number of elective service discharges: | | | | |
| | | Elective discharges | 3,921 | 4,765 | 4,960 | Achieved |
| | | Elective CWDs | 4,329 | 5,514 | 5,695 | Achieved |
| | Shorter stays in Emergency Department | 95% of patients will be admitted, discharged, or transferred from an ED within 6 hours | 85% | 95% | 93% | Not Achieved. Current initiatives of the streaming of patients within the ED to areas of high - low acuity are continuing to have a positive effect. There has also been a development of specific pathways with relevant documentation templates. These will ensure less duplication of assessment as the patient moves between ED and other specialties. |

Statement of Service Performance

2010 Annual Report

Output Class: Support Services

| Budgeted Revenue (\$000s) | Actual Revenue (\$000s) | Budgeted Expenditure (\$000s) | Actual Expenditure (\$000s) |
|---------------------------|-------------------------|-------------------------------|-----------------------------|
| 20,734 | 20,674 | 20,734 | 22,397 |

| Service Provided | Outputs, enablers | Baseline measure | | 2009/10 | | Status |
|---------------------------------|-------------------|----------------------------------|------|---------|---------|--|
| | | Description | Data | Targets | Results | |
| Health of Older People services | Respite Care | Dedicated respite care bed days. | 0 | 505 | 0 | Not Achieved. An end of year audit highlighted respite events were incorrectly claimed under carer support. Processes have been implemented for the 10-11 year to ensure the service providers are claiming in line with the contract allocation and that utilisation is increased. |

Total

| Budgeted Revenue (\$000s) | Actual Revenue (\$000s) | Budgeted Expenditure (\$000s) | Actual Expenditure (\$000s) |
|---------------------------|-------------------------|-------------------------------|-----------------------------|
| 300,525 | 305,779 | 300,525 | 308,770 |

Reporting on “good employer” practices

2010 Annual Report

Taranaki DHB's role in workforce planning and development is to identify further strategic actions and mechanisms that when implemented will contribute to Taranaki having enough health workers with appropriate clinical skills now and into the future. Actions identified are from a perspective of the DHB being both a planner and funder of services and a major employer and provider of health services. It is also the single largest health provider in the district. In addition to these sector wide responsibilities, Taranaki DHB is the largest single employer of health employees in Taranaki. Good employer practices are in place, and are continually monitored and improved. A great place to work is facilitated by committed and engaged employees, excellent leadership, diverse culture, professional relationships, sound processes and opportunities for learning and development. This table is a quick summary of the human resources practices that assist the DHB to be a good employer.

| Element/Measurement | Describe formal policies or procedures | Other practices | Priority issues | Action taken |
|--|--|---|--|--|
| Leadership, Accountability and Culture | <ul style="list-style-type: none"> ✓ Code of Conduct Policy ✓ Equal Employment Opportunities (EEO) | Comprehensive leadership programme developed for new and existing Managers | Foundation and advanced management training | Policies and Procedures currently being reviewed TDHB specific “How to” training Peer mentoring |
| Recruitment, Selection Induction | <ul style="list-style-type: none"> ✓ Recruitment and Selection Policy ✓ Recruitment Guideline Procedure | Comprehensive induction programme Post entry survey (3 month) Recruitment training Scholarships across all disciplines Schools EXPO Working with clinical schools to provide work experience placements | Recruiting a workforce that accurately reflects the community the DHB serves | Working with all DHBs for a National Recruitment Plan for RMOs An interactive DVD is being developed that presents health career information for Rangatahi Maori TDHB Recruitment DVD Developing initiatives to target a higher volume of NZ trained students |
| Employee Development, Promotion and Exit | <ul style="list-style-type: none"> ✓ Performance Appraisal Policy and Procedure ✓ Study, Conference and Course Leave ✓ Termination of Employment Policy and Procedure | Exit interview Coaching available to all staff Clinical supervision Employee Assistance Programme Interpersonal skills training Managers aware of flexible working legislation 01/07/08 | Reviewing reasons why staff are leaving the DHB Performance Management Training programme Future lifestyle planning Retirement courses | Process established to record / monitor reasons for exiting Preceptorship training Mentoring training |
| Flexibility and Work Redesign | <ul style="list-style-type: none"> ✓ Flexible working - Request and Complaints Procedure ✓ Collective Employment Agreements | Managers aware of flexible working legislation 01/07/08 | Future lifestyle planning Retirement courses | HR to monitor requests |
| Remuneration, Recognition and Conditions | <ul style="list-style-type: none"> ✓ Job Evaluation Procedure ✓ Recognising Long Service Procedure ✓ Superannuation contributions ✓ Remuneration Policy ✓ Collective Employment Agreements | Job Evaluation Committee Comprehensive progression criteria process via collective agreements | | Promoting employee benefits for all staff |
| Harassment and Bullying Prevention | <ul style="list-style-type: none"> ✓ Harassment Policy and Procedure | Interpersonal skills programmes Coaching / training union reps Conflict resolution | Resolve issues as soon as possible at first level if appropriate | HR to monitor and report to GM / CEO any harassment / bullying cases |
| Safe and Healthy Environment | <ul style="list-style-type: none"> ✓ Health and Safety Policy ✓ Staff Health and Monitoring ✓ Significant Hazard Control Plan ✓ Material Safety Data Sheets ✓ Infection Control ✓ Educational Information ✓ Nursing Core Procedures ✓ Pharmacy Procedures ✓ Clinical Practices ✓ Critical Incident Debriefing ✓ Occupational Health | Pre-employment health questionnaire for all staff Employee Assistance Programme Work place health assessments Wellbeing week for all staff Annual flu jabs Health and Safety Reps in each work area Health and Safety orientation | | Quality and Risk Department responsible for majority of these procedures Recreation Society available to all staff |





Taranaki Together, a Healthy Community
Taranaki Whanui, He Rohe Oranga

TARANAKI
like no other