

REDUCTION IN SMOKING

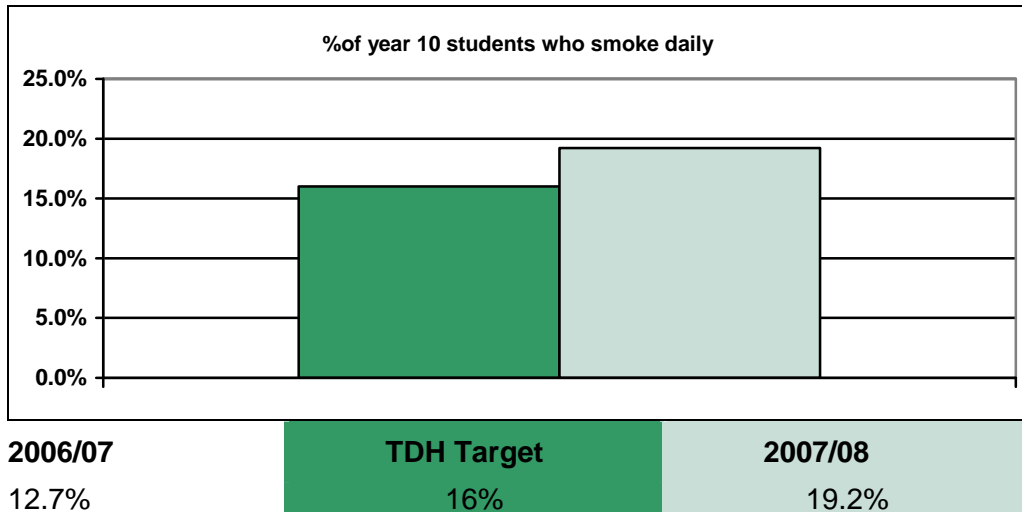
Outcome:

The population is healthier through the reduction in cigarette smoking.

Measure/Standard Definition:

Reduction in smoking as recorded in the annual Year 10 survey data.

As per annual ASH survey.



Comment:

Not achieved.

Ongoing promotional work in this area is causing the percentage of year 10 students to continue to reduce.

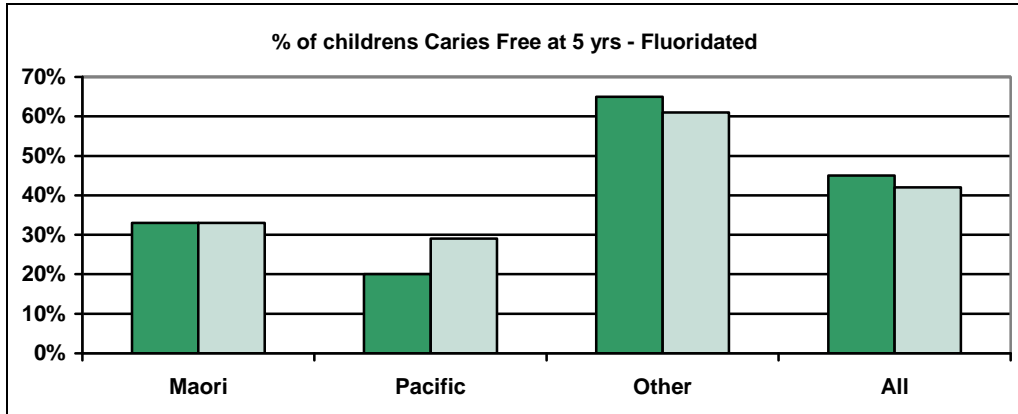
DENTAL HEALTH

Outcome:

Child dental health is improved.

Measure/Standard Definition:

The percentage of caries (tooth decay) free children at the first examination after the child has turned five years, but before they turn six, examined by the DHB School Dental Service.



2006/07

31.6%

16.6%

30.3%

N/A

Maori

Pacific

Other

All

TDH Target

33%

20%

65%

45%

2007/08

33%

29%

61%

42%

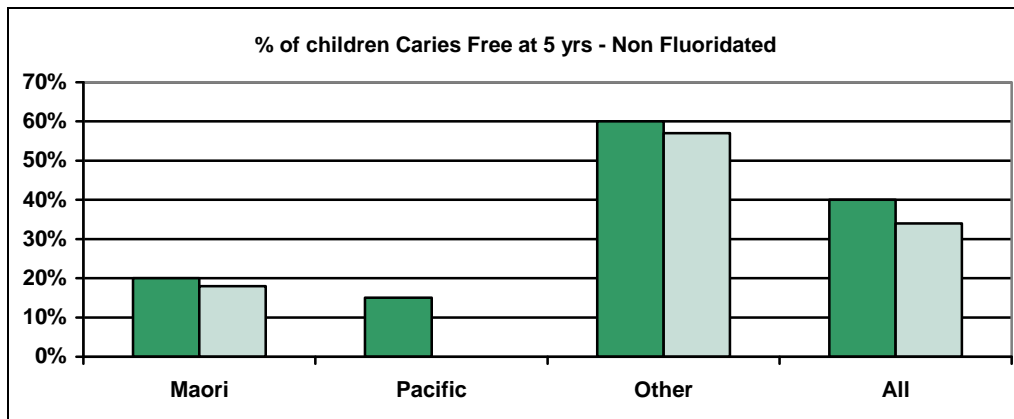
Comment:

Not achieved.

The target for the whole population was not met owing to the fact that the Other (Non-Maori, Non-Pacific) population failed to reach target. The fact that targets were met for the Maori and Pacific population indicates that inequalities in this health statistic are decreasing slightly.

Poor oral health statistics in this age-group are as a result of a combination of poor diet, lack of oral hygiene and failure to access the school dental service.

Work is being done through the roll-out of the oral health service improvements to improve these statistics; however, that may take some time to fully implement. In the meantime, work will be done with Tamariki Ora/Well Child providers to promote oral health awareness and refer to the school dental service.



2006/07		TDH Target	2007/08
12.97%	Maori	20%	19%
N/A	Pacific	15%	-%
48.87%	Other	60%	59%
N/A	All	40%	34%

Comment:

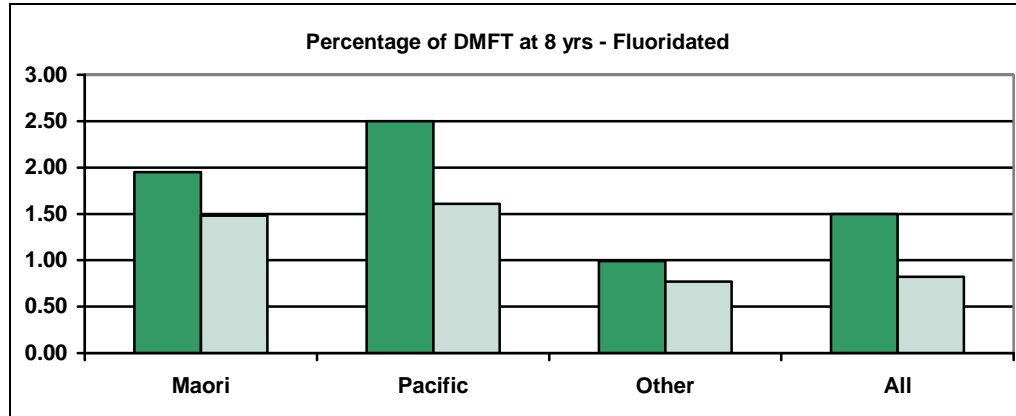
Not achieved.

Target not met for all groups although it improved slightly for Maori against last year's data. These figures continue to indicate the high level of relative oral health need of our rural populations.

Work is underway to implement brush-in programmes in rural pre-school facilities following recent successes in this mode of service delivery in the Western Rural community and two East Coast Kohanga reo.

Measure/Standard Definition:

The percentage of permanent teeth of year eight children, decayed, missing or filled (DMFT) at the commencement of dental care, at the last dental examination, before the child leaves the DHB School Dental Service.



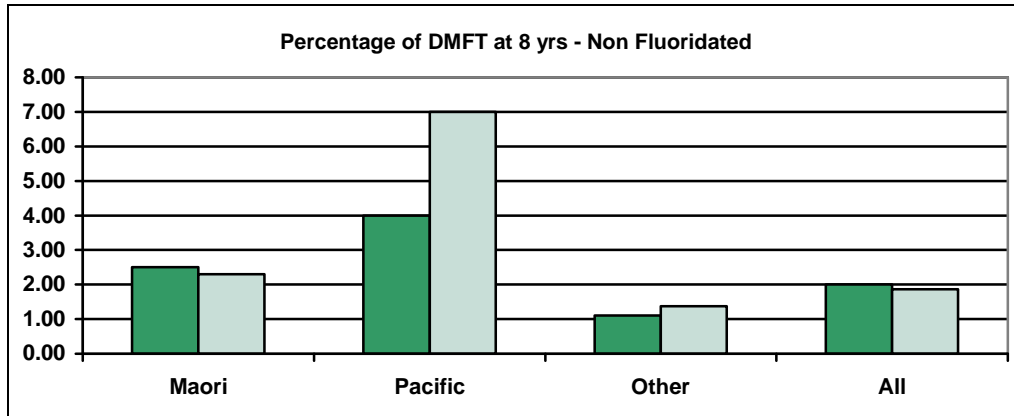
2006/07		TDH Target	2007/08
1.81	Maori	1.95	1.48
1.37	Pacific	2.50	1.61
1.03	Other	0.99	0.77
N/A	All	1.50	0.82

Comment:

Achieved.

The substantial improvement in this indicator against target indicates that the efforts of the oral health service combined with population health approaches in the community are producing long term benefits.

With the roll-out of the oral health service improvements in this health indicator are expected to continue to improve.



2006/07		TDH Target	2007/08
1.51	Maori	2.50	2.30
N/A	Pacific	4.00	7.00
1.82	Other	1.10	1.37
N/A	All	2.00	1.86

Comment:

Not achieved

However, target met for Maori and the whole population. The fact that it was met for Maori but not other groups is indicative of the reducing inequality for this indicator.

The figures also support the relative oral health need between urban and rural populations.

The roll-out of the oral health service improvements will see improvements in this health indicator as high risk children are placed on registers where they will be seen more often.

9.0 STATUTORY INFORMATION

New Zealand Public Health and Disability Act 2000

Report on the extent to which the DHB has met its objectives under section 22 [s.42 (3) (b)];

This information can be found in the Statement of Service Performance on page 52. Each objective included in the Statement of Service Performance is referenced back to objectives (a) to (k) from section 22 of the New Zealand Public Health and Disability Act 2000.

- a. To improve, promote, and protect the health of people and communities.
- b. To promote the integration of health services, especially primary and secondary health services.
- c. To promote effective care or support for those in need of personal health services or disability support services.
- d. To promote the inclusion and participation in society and independence of people with disabilities.
- e. To reduce health disparities by improving health outcomes for Maori and other population groups.
- f. To reduce, with a view to eliminating, health outcome disparities between various population groups within New Zealand by developing and implementing, in consultation with the groups concerned, services and programmes designed to raise their health outcomes to those of other New Zealanders.
- g. To exhibit a sense of social responsibility by having regard to the interests of the people to whom it provides, or for whom it arranges the provision of services.
- h. To foster community participation in health improvement and in planning for the provision of services and for significant changes to the provision of services.
- i. To uphold the ethical and quality standards commonly expected of providers of services and of public sector organisations.
- j. To exhibit a sense of environmental responsibility by having regard to the environmental implications of its operations.
- k. To be a good employer.

Statement of how the DHB has given effect and intends to give effect to its functions specified in section 23(1) (a) to (e) [s.42 (3) (i)];

- a. To ensure the provision of services for its resident population and for other people as specified in its Crown funding agreement:
 - All Crown Funding Agreement (CFA) actions for the period completed as required.
 - Compliance with the Service Coverage Schedule for both TDH provider and other community providers via service agreements (excluding those exceptions to meeting the schedule, as outlined in TDH's DAP).
 - Overall outputs for the provider arm met – with variation between service lines.
- b. To actively investigate, facilitate, sponsor, and develop co-operative and collaborative arrangements with persons in the health and disability sector or in any other sector to improve, promote, and protect

the health of people, and to promote the inclusion and participation in society and independence of people with disabilities:

- TDH has developed a series of clinical alliances with other DHBs and providers both locally and across the country in order to achieve its aims.
 - TDH is a member of DHBNZ, the joint agency for all DHBs. TDH contributes to, and gains benefit from collaborative action to advance the aims of TDH and the health sector in general.
- c. To issue relevant information to the resident population, persons in the health and disability sector, and persons in any other sector working to improve, promote, and protect the health of people for the purposes of paragraphs (a) and (b):
- TDH has a positive relationship with the local media, particularly the newspaper.
 - All matters of importance are communicated to the Tairāwhiti population.
 - Regular contact with other providers is maintained.
 - Monthly reporting of notifiable disease statistics to the media.
 - Regular reporting to the MoH.
 - Regular reporting to Board and Advisory Committees via public accountability system.
- d. To establish and maintain processes to enable Māori to participate in, and contribute to, strategies for Māori health improvement:
- The Māori Caucus Te Waiora o Nukutaimemeha sits alongside the TDH Board at a governance level, therefore ensuring active participation and contribution by Māori.
 - The Board of TDH meets with Boards of Māori providers on an annual basis
 - The Board of TDH meets once a year with representatives of the Runanga with which it has signed Memorandum of Understanding. The two Runanga are Te Runanga o Ngāti Porou and Te Runanga o Turanganui a Kiwa.
 - Involvement of Koroua / Kuia in services.
- e. To continue to foster the development of Māori capacity for participating in the health and disability sector and for providing for the needs of Māori:
- Funding of Māori providers.
 - Joint application of the Māori provider development funding held by the MoH.

10.0 STATEMENT OF RESPONSIBILITY

The Board accepts responsibility for the preparation of the Financial Statements and Statement of Service Performance and for the judgements used in them.

The 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.

In the opinion of the Board, the Financial Statements and Statement of Service Performance for the year ended 30 June 2008 fairly reflect the financial position and operations of Tairawhiti DHB.

Signed on behalf of the Board of Tairawhiti DHB:

Ingrid Collins
Chairperson
31/10/2008

Brian Wilson
Board Member
31/10/2008

11.0 AUDIT REPORT

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

AUDIT REPORT

TO THE READERS OF THE TAIRAWHITI DISTRICT HEALTH BOARD'S FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

The Auditor-General is the auditor of the Tairāwhiti District Health Board (the Health Board). The Auditor-General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand, to carry out the audit on his behalf. The audit covers the financial statements and statement of service performance included in the annual report of the Health Board for the year ended 30 June 2008.

Unqualified Opinion

In our opinion:

- The financial statements of the Health Board on pages 92 to 119:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the Health Board's financial position as at 30 June 2008; and
 - the results of its operations and cash flows for the year ended on that date.
- The statement of service performance of the Health Board on pages 52 to 85:
 - 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 outlined in the statement of forecast service performance adopted at the start of the financial year; and
 - its actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses outlined in the statement of forecast service performance adopted at the start of the financial year.

The audit was completed on 31 October 2008, 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 as at 30 June 2008 and the results of its 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's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses adopted 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 Institute of Chartered Accountants of New Zealand.

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



S B Lucy
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Matters Relating to the Electronic Presentation of the Audited Financial Statements and Statement of Service Performance

This audit report relates to the financial statements and statement of service performance of Tairāwhiti District Health Board for the year ended 30 June 2008 included on Tairāwhiti District Health Board's website. Tairāwhiti District Health Board's Board is responsible for the maintenance and integrity of Tairāwhiti District Health Board's website. We have not been engaged to report on the integrity of Tairāwhiti District Health Board's website. We accept no responsibility for any changes that may have occurred to the financial statements and statement of service performance since they were initially presented on the website.

The audit report refers only to the financial statements and statement of service performance named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and statement of service performance. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and statement of service performance and related audit report dated 31 October 2008 to confirm the information included in the audited financial statements and statement of service performance presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

12.0 STATEMENT OF FINANCIAL PERFORMANCE

	Notes	Group Budget	Group Actual		Parent Actual	
		2008 \$000	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Revenue		119,406	122,267	114,321	122,267	114,321
Other operating Income		734	1,746	724	1,746	724
Financial Income		400	646	498	646	498
Total Income	1	120,540	124,659	115,543	124,659	115,543
Expenses	2	(118,498)	(123,058)	(114,447)	(123,058)	(114,447)
Finance Costs (including Capital Charge)	3	(2,613)	(2,561)	(3,028)	(2,561)	(3,028)
OPERATING (DEFICIT)		(571)	(960)	(1,932)	(960)	(1,932)
Share of retained surpluses of associate company after taxation	12	180	195	219	0	0
NET SURPLUS(DEFICIT)		(391)	(765)	(1,713)	(960)	(1,932)

The Statement of Accounting Policies and Notes form an integral part of, and should be read in conjunction with, these financial statements.

13.0 STATEMENT OF MOVEMENTS IN EQUITY

	Notes	Group Budget	Group Actual		Parent Actual	
		2008 \$000	2008 \$000	2007 \$000	2008 \$000	2007 \$000
EQUITY AT BEGINNING OF THE YEAR		20,925	21,957	23,924	21,437	23,623
Net Surplus\ (Deficit)		(391)	(765)	(1,713)	(960)	(1,932)
Revaluation of Property, Plant and Equipment	5(d)	0	0	32	0	32
Total recognised revenues and expenses for the year		(391)	(765)	(1,681)	(960)	(1,900)
OTHER MOVEMENTS						
Contributions from Owners	5(a)	0	0	99	0	99
Movements in Special Funds	5(b),5(e)	0	2	(3)	2	(3)
Equity Repayment	5(a)	0	(340)	(382)	(340)	(382)
EQUITY AT THE END OF THE YEAR	5	20,534	20,854	21,957	20,139	21,437

The Statement of Accounting Policies and Notes form an integral part of, and should be read in conjunction with, these financial statements.

14.0 STATEMENT OF FINANCIAL POSITION

	Notes	Group	Group		Parent	
		Budget	Actual		Actual	
		2008	2008	2007	2008	2007
		\$000	\$000	\$000	\$000	\$000
Equity						
General Funds	5(a)	13,052	11,869	12,209	12,019	12,359
Accumulated Deficit	5(b)	(11,977)	(10,511)	(9,746)	(11,375)	(10,416)
James Cook Capital Reserve	5(c)	15	15	15	15	15
Asset Revaluation Reserve	5(d)	19,415	19,447	19,447	19,447	19,447
Trust Funds	5(e)	29	34	32	34	32
Total Equity	5	<u>20,534</u>	<u>20,854</u>	<u>21,957</u>	<u>20,140</u>	<u>21,437</u>
REPRESENTED BY:						
ASSETS						
Current Assets						
Cash and Cash Equivalents	6	1,608	1,690	2,726	1,690	2,726
Receivables and prepayments	7	4,994	5,138	5,490	5,138	5,486
Inventories	8	1,130	1,104	1,087	1,104	1,087
Total Current Assets		<u>7,732</u>	<u>7,932</u>	<u>9,303</u>	<u>7,932</u>	<u>9,299</u>
Non Current Assets						
Property, Plant & Equipment	10	40,599	40,830	41,619	40,830	41,619
Intangible Assets	10		204	362	204	362
Investment in Subsidiary	11		0	0	1	1
Investment in Associates	12	30	143	217	0	0
Total Non Current Assets		<u>40,629</u>	<u>41,177</u>	<u>42,198</u>	<u>41,035</u>	<u>41,982</u>
Total Assets		<u>48,361</u>	<u>49,109</u>	<u>51,501</u>	<u>48,967</u>	<u>51,281</u>
LIABILITIES						
Current Liabilities						
Payables and accruals	14	7,642	8,545	10,375	8,545	10,370
Employee Entitlements	15	5,461	4,943	4,386	4,943	4,386
Advance from Subsidiary Company	11	0	0	0	572	305
Current Portion of term loans	16	48	0	17	0	17
Total Current Liabilities		<u>13,151</u>	<u>13,488</u>	<u>14,778</u>	<u>14,060</u>	<u>15,078</u>
Non Current Liabilities						
Employee entitlements	15	550	643	642	643	642
Term loans	16	14,126	14,124	14,124	14,124	14,124
Total Non Current Liabilities		<u>14,676</u>	<u>14,767</u>	<u>14,766</u>	<u>14,767</u>	<u>14,766</u>
Total Liabilities		<u>27,827</u>	<u>28,255</u>	<u>29,544</u>	<u>28,827</u>	<u>29,844</u>
NET ASSETS		<u>20,534</u>	<u>20,854</u>	<u>21,957</u>	<u>20,140</u>	<u>21,437</u>

The Statement of Accounting Policies and Notes form an integral part of, and should be read in conjunction with, these financial statements.

15.0 STATEMENT OF CASH FLOWS

	Notes	Group	Group		Parent	
		Budget	Actual		Actual	
		2008	2008	2007	2008	2007
		\$000	\$000	\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash was provided from:						
Receipts from MoH and patients		122,213	124,364	113,775	124,364	113,775
Interest Received		250	646	498	646	498
		<u>122,463</u>	<u>125,010</u>	<u>114,273</u>	<u>125,010</u>	<u>114,273</u>
Cash was disbursed to:						
Payments to employees		42,612	41,425	39,842	41,425	39,842
Payments to suppliers		73,418	78,924	70,430	79,192	70,482
Interest Paid		1,137	958	933	958	933
GST (net)		(296)	(141)	(362)	(141)	(362)
Capital Charge		1,698	2,288	1,088	2,288	1,088
		<u>118,569</u>	<u>123,454</u>	<u>111,931</u>	<u>123,722</u>	<u>111,983</u>
Net cash inflow/(outflow) from operating activities	18	3,894	1,556	2,342	1,288	2,290
CASH FLOWS FROM INVESTING ACTIVITIES						
Cash was provided from:						
Proceeds from sale of Property, Plant and Equipment		10	22	0	22	0
Trust funds brought in	5 (e)	0	0	0	0	0
Advance from Subsidiary		136	0	0	268	52
		<u>146</u>	<u>22</u>	<u>0</u>	<u>290</u>	<u>52</u>
Cash was applied to:						
Purchase of Property, Plant and Equipment		2,546	2,256	2,033	2,256	2,033
Trust funds transferred	5 (e)	0	0	1	0	1
Purchase of Investments		0	0	0	0	0
		<u>2,546</u>	<u>2,256</u>	<u>2,034</u>	<u>2,256</u>	<u>2,034</u>
Net cash inflow/(outflow) from investment activities		(2,400)	(2,234)	(2,034)	(1,966)	(1,982)
CASHFLOWS FROM FINANCING ACTIVITIES						
Cash was provided from:						
Loan from other		48	0	0	0	0
Loan from CHFA		18	0	2,750	0	2,750
Equity Injection		0	0	106	0	106
		<u>66</u>	<u>0</u>	<u>2,856</u>	<u>0</u>	<u>2,856</u>
Cash was applied to:						
Equity Repayment		0	340	382	340	382
Trust Funds		0	0	0	0	0
Other Loans Repaid		0	17	2,722	17	2,722
		<u>0</u>	<u>357</u>	<u>3,104</u>	<u>357</u>	<u>3,104</u>
Net cash inflow/(outflow) from financing activities		66	(357)	(248)	(357)	(248)
Net increase/(decrease) in cash held		1,560	(1,035)	60	(1,035)	60
Add opening cash		48	2,726	2,666	2,726	2,666
Closing Cash and Cash Equivalents	6	1,608	1,691	2,726	1,691	2,726

The Statement of Accounting Policies and Notes form an integral part of, and should be read in conjunction with, these financial statements.

16.0 STATEMENT OF CONTINGENT LIABILITIES

	Group Actual		Parent Actual	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Legal proceedings and disputes by third parties	0	0	0	0

17.0 STATEMENT OF COMMITMENTS

	Group Actual		Parent Actual	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Capital Commitments	1,263	496	1,263	496
Non-cancellable operating lease commitments:				
Less than one year	431	239	431	239
One to two years	390	225	390	225
Two to five years	399	17	399	17
Over five years	0	0	0	0
	1,220	481	1,220	481
The Group/Board has entered into non cancellable contracts for the provision of services. Details of the commitments under those contracts are as follows:				
Other non-cancellable contracts:				
Not later than one year	12,462	9,048	12,462	9,048
Later than one year and not later than two years	7,141	7,580	7,141	7,580
Later than two years and not later than five years	10,500	9,547	10,500	9,547
Greater than five years		30	0	30
	30,103	26,205	30,103	26,205
Total Commitments	32,586	27,182	32,586	27,182

18.0 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

18.1 REPORTING ENTITY

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

TDH is a public benefit entity, as defined under NZIAS 1.

The group consists of TDH, its subsidiary company Tairāwhiti Laundry Services Limited (TLSL), which holds the associated partnership share in Gisborne Laundry Services (GLS), and its associated companies HealthShare Limited and TLab Limited.

The financial statements and group financial statements of TDH have been prepared in accordance with the requirements of the Public Finance Act 1989, the NZ Public Health and Disability Act 2000 and the Crown Entities Act 2004.

The group activities involve delivering health and disability services and mental health services in a variety of ways to the community.

The financial statements were authorised by the Board on the 16 September 2008.

18.2 STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZGAAP). 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.


These are the group's first NZIFRS financial statements and NZIFRS 1 has been applied. An explanation of how the transition to NZIFRS has affected the reported financial position and financial performance is provided in note 24.

18.3 BASIS OF PREPARATION

The financial statements are presented in New Zealand Dollars rounded to the nearest thousand. The functional currency of TDH is New Zealand dollars. The financial statements have been prepared on a historical cost basis modified by the revaluation of certain Property, Plant & Equipment and the Crown Health Financing Agency loans.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening NZIFRS Statement of Financial Position at 1 July 2006 for the purposes of transition to NZIFRS.

The preparation of financial statements in conformity with NZIFRS requires management to make judgements, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on



historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

18.4 ACCOUNTING POLICIES

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

18.4.1 Basis of Consolidation: Purchase Method

The consolidated financial statements include the parent DHB, its subsidiary Tairawhiti Laundry Services Limited and its associates. The subsidiary is accounted for using the purchase method, which involves adding together corresponding assets, liabilities, revenues and expenses on a line by line basis. In the parent Board financial statements investments in subsidiaries are stated at the lower of cost and net realisable value.

All significant inter organisation transactions are eliminated on consolidation.

18.4.2 ASSOCIATES

The group has a significant influence over commercial and financial policy decisions of HealthShare Limited, the Gisborne Laundry Services partnership and TLab Limited.

Interest in an associate is reflected in the consolidated financial statements using the equity method, which shows the share of surplus/ (deficit) in the consolidated statement of financial performance and the share of post acquisition increases/decreases in net assets in the consolidated statement of financial position.

18.5 BASIS OF RECOGNISING COMPONENTS OF THE FINANCIAL STATEMENTS

18.5.1 REVENUE

Revenue, including that from Government, is measured at the fair value of consideration received or receivable. Revenue is recognised in the statement of financial performance when a transaction results in an increase in value of net assets and that increase can be measure with reliability.

18.5.2 EXPENDITURE

Expenditure, including interest and capital charge, is measured at fair value of consideration paid or payable. An expense is recognised in the statement of financial performance when a transaction results in a decrease in value of net assets and that decrease can be measure with reliability.

18.5.3 INTANGIBLES

Acquired computer software costs are capitalised on the basis of costs incurred to acquire and bring to use.

Ongoing staff training and maintenance costs are recognised as expenses when incurred.

The carrying value of an intangible asset with a finite life is amortised on a straight line basis over its useful life. The amortisation charge is recognised in the statement of financial performance.

18.5.4 CREDITORS AND PAYABLES

Creditors and other payables are measured at fair value.

18.5.5 IMPAIRMENT

Property, Plant and Equipment and Intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

18.6 BUDGET FIGURES

The budget figures are those approved by the Board and published in its Statement of Intent. The budget figures have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by the Board for the preparation of the financial statements.

18.7 GOODS AND SERVICES TAX

All items in the financial statements are exclusive of goods and services tax (GST) with the exception receivables and payables, which are stated with GST included. Where GST is irrecoverable as an input tax, it is recognised as part of the related asset or expense.

The net GST recoverable from or payable to the Inland Revenue Department is included as part of receivables or payables in the Statement of Financial Position.


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

18.8 TAXATION

TDH 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 2007.

18.9 TRUST AND BEQUEST FUNDS

Donations and bequests to TDH are recognised as revenue when control over assets is obtained or entitlement to receive money is established. A liability, rather than revenue, is recognised where fulfilment of any restrictions attached to those assets is not probable. Those donations and bequests with restrictive conditions are appropriated from Retained Earnings to the Trust Funds component of Equity. When expenditure is subsequently incurred in



respect of these funds, it is recognised in the Statement of Financial Performance and an equivalent amount is transferred from the Trust Funds component of Equity to Retained Earnings.

18.10 TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value and subsequently stated at amortised cost less impairment losses. Bad debts are written off during the period in which they are identified.

18.11 INVENTORIES

Inventories are valued at the lower of cost, determined on weighted average cost basis, and net realisable value. This valuation includes allowances for slow moving items. Obsolete inventories are written off.

18.12 INVESTMENTS

Investments, including those in subsidiaries, are stated at the lower of cost and net realisable value. Any decreases are recognised in the statement of financial performance.

18.13 PROPERTY, PLANT AND EQUIPMENT (PP&E)

18.13.1 PP&E vested from the Hospital and Health Service

Under section 95(3) of the New Zealand Public Health and Disability Act 2000, the assets of Tairāwhiti Healthcare Limited (a Hospital and Health Service) were vested in TDH on 1 January 2001. Accordingly, assets were transferred at their net book values as recorded in the books of the Hospital and Health Service. In effecting this transfer, the Board has recognised the cost and accumulated depreciation amounts from the records of the Hospital and Health Service. The vested assets will continue to be depreciated over their remaining useful lives.

18.13.2 PP&E acquired since the establishment of the DHB

Assets acquired by the Board since its establishment, other than those vested from the Hospital and Health Service and land and buildings, are recorded at cost less accumulated depreciation. This includes all appropriate costs of acquisition and installation, including materials, labour, direct overheads, financing, and transport costs.

18.14 LAND AND BUILDINGS

Land and buildings are valued by independent qualified valuers at least 3 yearly by reference to their highest and best use. Valuations will be undertaken more regularly if necessary to ensure that no individual item within a class is included at a valuation that is materially different from its fair value. Where fair value of the asset is not able to be reliably determined using market based evidence, depreciated replacement cost is considered the most appropriate basis for determination of fair value.

18.15 ADDITIONS BETWEEN REVALUATIONS ARE RECORDED AT COST.

The results of revaluing land and buildings are credited or debited to an asset revaluation reserve for that class of asset. Where a revaluation results in a debit balance in the asset revaluation reserve, the debit balance will be expensed in the statement of financial performance.

18.16 DISPOSAL OF FIXED ASSETS

When a fixed asset is disposed of, any gain or loss is recognised in the Statement of Financial Performance and is calculated as the difference between the sale price and the carrying value of the fixed asset.

18.17 DEPRECIATION

Depreciation is provided on a straight line basis on all fixed assets other than freehold land, at rates which will write off the cost (or revaluation) of the assets to their estimated residual values over their useful lives.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Buildings:

Structure	42 - 75 years	(1.3 - 2.38%)
Fit out	9 - 41 years	(2.43 - 11.11%)
Services	14 - 46 years	(2.17 - 7.14%)
Other Equipment	2 - 50 years	(2 - 35%)
Information Technology	3 - 50 years	(10 - 48%)
Motor vehicles	3 - 6 years	(12 - 26%)

Capital work in progress is not depreciated. The total cost of a project is transferred to freehold buildings and/or plant and equipment on its completion and then depreciated.

18.18 EMPLOYEE ENTITLEMENTS

Provision is made in respect of TDH's liability for annual, parental, long service, sabbatical, retirement, and conference leave. Annual leave, Parental Leave and Conference leave have been calculated on an actual entitlement basis at current rates of pay whilst Long Service and Retirement provisions have been calculated on an actuarial basis.

18.19 LEASES

18.19.1 Finance Leases

Leases, which effectively transfer to TDH substantially all the risks and benefits incident to ownership of the leased items, are classified as finance leases. These are capitalised at the lower of the fair value of the asset or the present value of the minimum lease payments. The leased assets and corresponding lease liabilities are recognised in the statement of financial position. The leased assets are depreciated over the period the Board is expected to benefit from their use.

18.19.2 Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Payments under these leases are recognised as expenses in the periods in which they are incurred.

18.20 FINANCIAL INSTRUMENTS

TDH and the Group is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short term deposits, investments, debtors, creditors, and loans. All financial instruments are recognised in the Statement of Financial Position and all revenues and expenses in relation to financial instruments are recognised in the Statement of Financial Performance.

Except for loans, which are recorded at cost, and those items covered by a separate accounting policy, all financial instruments are shown at their estimated fair value.

18.21 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises cash balances, call deposits with a maturity of no more than three months from the date of acquisition. Bank overdrafts that are repayable on demand and form an integral part of TDH's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

18.22 COST OF SERVICE STATEMENTS

The cost of service statements, as reported in the statement of objectives and service performance, reports the net cost of services for the outputs of TDH and are represented by the cost of providing the output less all the revenue that can be allocated to these activities.

18.23 COST ALLOCATION

Direct costs are charged directly to output classes. Indirect costs are charged to output classes based on cost drivers and related activity/usage information.

18.23.1 Criteria for Direct/Indirect Costs

"Direct costs" are those costs directly attributable to an output class.


"Indirect costs" are those costs, which cannot be identified in an economically feasible manner with a specific output class.

18.23.2 Cost Drivers for the allocation of Indirect Costs

The cost of internal services not directly charged to outputs is allocated as overheads using appropriate cost drivers such as actual usage, staff numbers, and floor area.

18.24 ACCOUNTING POLICIES

18.24.1 Changes to Accounting Policies



There were no changes in accounting policies during the period covered by this report.

18.24.2 New Accounting Standards

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted and which are relevant to TDH.

NZ IAS 1 Presentation of Financial Statements (revised 2007) replaces NZ IAS 1 Presentation of Financial Statements (issued 2004) and is effective for reporting periods beginning on or after 1 January 2009.

NZ IAS 23 Borrowing Costs (revised 2007) replaces NZ IAS 23 Borrowing Costs (issued 2004) and is effective for reporting periods commencing on or after 1 January 2009.

NZ specific amendment to NZ IAS 2 Inventories. In November 2007 the New Zealand Accounting Standards Review Board approved an amendment to NZ IAS 2 Inventories, which requires public benefit entities to measure inventory held for distribution at cost, adjusted when applicable for any loss of service potential. Prior to the amendment, public benefit entities were required to measure inventories held for distribution at the lower of cost and current replacement cost. Application of the amendment is mandatory for reporting periods beginning on or after 1 January 2008. TDH will adopt the amended standard for the year ending 30 June 2009 and expects the impact of adopting the new standard to be minimal.

19.0 NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: TOTAL INCOME

	Group Actual		Parent Actual	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Revenue				
Health and disability services (MOH contracted revenue)	118,015	110,168	118,015	110,168
Inter District Patient Inflows	2,203	1,922	2,203	1,922
Other Revenues	2,049	2,231	2,049	2,231
	<u>122,267</u>	<u>114,321</u>	<u>122,267</u>	<u>114,321</u>
Other Operating Income				
Gain on sale of property, plant & equipment	2	11	2	11
Donations	107	37	107	37
Rental Income	176	111	176	111
Other	1,461	565	1,461	565
	<u>1,746</u>	<u>724</u>	<u>1,746</u>	<u>724</u>
Financial Income				
Interest Income	646	498	646	498

NOTE 2: EXPENSES

Notes	Group Actual		Parent Actual	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
After Charging:				
Audit Fees of External Auditor				
Financial Statements Audit	80	89	80	87
NZ Equivalents to International Accounting Standards	21	0	21	0
Audit Fees of Internal Auditor	110	67	110	67
Bad Debts - Written off	72	8	72	8
Board Members fees	25	192	208	192
Changes in provision for doubtful debts		17	-6	17
Depreciation:	10	3,181	3,181	3,203
Employee Costs	15	42,599	42,599	40,714
Koha		2	2	16
Loss on disposal of assets		56	56	98
Rental and operating lease costs		550	550	440

NOTE 3: FINANCE COSTS

	Group Actual		Parent Actual	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Interest Expense	993	940	993	940
Bank Charges	12	11	12	11
Capital Charge	1,556	2,077	1,556	2,077
	<u>2,561</u>	<u>3,028</u>	<u>2,561</u>	<u>3,028</u>

TDH pays a monthly capital charge to the Crown based on the greater of its actual or budgeted closing equity balance for the month. The capital charge rate for the period ended 30 June 2008:8% pa (2007:8% pa)

NOTE 4: TAXATION EXPENSE

TDH and its subsidiary are classified as Public Authorities under section CW31 (2) of the Income Tax Act 2007 and are exempt from income Tax.

NOTE 5: EQUITY

Notes	Group Actual		Parent Actual	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
(a) General Funds at 1 July	12,209	12,492	12,359	12,642
Equity Repayment	(340)	(382)	(340)	(382)
Equity vested - Other	0	99	0	99
General Funds at 30 June	11,869	12,209	12,019	12,359
(b) Accumulated Deficits				
Accumulated Deficits at 1 July	(9,746)	(8,267)	(10,416)	(8,718)
Operating surplus\deficit	(765)	(1,476)	(959)	(1,695)
Transfers from Special Funds	0	(3)	0	(3)
Accumulated Deficits at 30 June	(10,511)	(9,746)	(11,375)	(10,416)
(c) James Cook Capital Reserve				
Balance at 1 July	15	15	15	15
Balance at 30 June	15	15	15	15
(d) Asset Revaluation Reserve				
Balance at 1 July	19,447	19,415	19,447	19,415
Increase in revaluation	0	32	0	32
Balance at 30 June	19,447	19,447	19,447	19,447
(e) Contributions from Trusts				
Opening Balance	32	32	32	32
Transfer from Accumulated Deficit in respect of				
Income received	2	0	2	0
Balance 30 June	34	32	34	32
Total Equity	20,854	21,957	20,140	21,437

Total unspent Mental Health ring fenced funding at 30 June 2008 was \$436,272 (2007:\$236,949).

Trust funds are funds donated or given by bequest for a specific purpose. The use of these assets and the income derived from them must comply with the specific terms of the settlement.

Revenue and expenditure in respect of these Trusts is recognised in the Statement of Financial Performance.

An amount equal to the expenditure is transferred from the Trust Fund component of Equity to Retained Earnings. An amount equivalent to the revenue is transferred from Retained Earnings to trust Funds.

NOTE 6: CASH AND CASH EQUIVALENTS

	Group Actual		Parent Actual	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Cash	10	10	10	10
Bank	103	22	103	22
Bank Overdraft	0	(22)	0	(22)
Short Term Deposits	1,577	2,716	1,577	2,716
Total cash and cash equivalents	1,690	2,726	1,690	2,726

NOTE 7: RECEIVABLES AND PREPAYMENTS

	Group Actual		Parent Actual	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Trade debtors	1,055	2,560	1,055	2,556
Provision for doubtful debts	(236)	(242)	(236)	(242)
MoH Debtor	4,080	2,746	4,080	2,746
Prepayments	239	406	239	406
	5,138	5,470	5,138	5,466
Amount owing by associate	0	20	0	20
Amount owing by subsidiary	0	0	0	0
Total receivables and prepayments	5,138	5,490	5,138	5,486

The carrying value of receivables approximates their fair value

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

	2008 Group		2007 Group	
	Gross \$000	Impaired Value \$000	Gross \$000	Impaired Value \$000
Not past Due	4,215	4,215	3,795	3,795
> 30 days	731	731	1,149	1,149
> 60 days	5	5	244	244
> 90 days	423	187	544	302
	5,374	5,138	5,732	5,490

NOTE 8: INVENTORIES

	Group Actual		Parent Actual	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Pharmaceuticals	169	200	169	200
Surgical and medical supplies	767	731	767	731
PPE Stocks	81	81	81	81
Other Supplies	87	75	87	75
Total Inventories	1,104	1,087	1,104	1,087

No inventories are pledged as security for liabilities but some inventories are subject to retention of title clauses (Romalpa Clauses). The value of stocks subject to such clauses cannot be quantified due to the inherent difficulties in identifying the specific inventories affected at year-end.

NOTE 9: TRUST INVESTMENTS

	Group Actual		Parent Actual	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Trust Investments at 1 July	32	31	32	31
Interest & donations received	2	1	2	1
Trust Investments at 30 June	34	32	34	32
Represented by:				
Short term deposits	34	32	34	32
	34	32	34	32

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

Property Plant and Equipment	Land	Buildings	Clinical Equipment	Other Equipment	Information Technology	Vehicles	Work in Progress	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cost or valuation								
Balance at 1 July 2006	1,460	33,518	11,665	4,657	7,790	1,537	1,020	61,647
Additions		970	649	157	33	77	369	2,255
Disposals							(1,020)	(1,020)
Software transferred to Intangible Assets					(3,633)			(3,633)
Balance at 30 June 2007	1,460	34,488	12,314	4,814	4,190	1,614	369	59,249
Balance at 1 July 2007	1,460	34,488	12,314	4,814	4,190	1,614	369	59,249
Additions		160	926	59	246	36	818	2,245
Disposals			(345)	(212)	(6)	(7)		(570)
Balance at 30 June 2008	1,460	34,648	12,895	4,661	4,430	1,643	1,187	60,924
Accumulated depreciation and Impairment losses								
Balance at 1 July 2006	0	(131)	(7,783)	(3,588)	(6,163)	(548)	(454)	(18,667)
Depreciation expense		(1,228)	(838)	(239)	(169)	(214)		(2,688)
Elimination on Disposals							454	454
Software transferred to Intangible Assets					3,271			3,271
Balance at 30 June 2007	0	(1,359)	(8,621)	(3,827)	(3,061)	(762)	0	(17,630)
Balance at 1 July 2007	0	(1,359)	(8,621)	(3,827)	(3,061)	(762)	0	(17,630)
Depreciation expense		(1,244)	(903)	(187)	(468)	(209)		(3,011)
Elimination on Disposals			344	193	6	4		547
Balance at 30 June 2008	0	(2,603)	(9,180)	(3,821)	(3,523)	(967)	0	(20,094)
Carrying Amounts								
At 1 July 2006	1,460	33,387	3,882	1,069	1,627	989	566	42,980
At 30 June and 1 July 2007	1,460	33,129	3,693	987	1,129	852	369	41,619
Balance at 30 June 2008	1,460	32,045	3,715	840	907	676	1,187	40,830

Intangible Assets	Software \$000
Cost or valuation	
Balance at 1 July 2006	
Software transferred from Information Technology Assets	3,633
Balance at 30 June 2007	3,633
Balance at 1 July 2007	3,633
Additions	12
Balance at 30 June 2008	3,645
Accumulated depreciation and Impairment losses	
Software transferred from Information Technology Assets	(2,756)
Depreciation expense	(515)
Balance at 30 June 2007	(3,271)
Balance at 1 July 2007	(3,271)
Depreciation expense	(170)
Balance at 30 June 2008	(3,441)
Carrying Amounts	
At 1 July 2006	0
At 30 June and 1 July 2007	362
Balance at 30 June 2008	204

Valuation

Land and Buildings have been revalued by TDH in accordance with its Property Plant and Equipment policy.

The last revaluation was completed as at 30 June 2006. As a result of the revaluation, the useful lives were reassessed. The impact of this reassessment is not significant.

The valuation was completed by an independent valuer M E Gamby M Prop Stud, Dip UV, FNZIV, FNJZPI of Telfer Young (Auckland) Limited.

The Board Members consider that the valuations shown above for land and buildings as at 30 June 2008 are an indication of fair value.

Restrictions

Tairawhiti DHB does not have full title to Crown land it occupies but transfer is arranged if and when sold. Some of the DHB's land is subject to Waitangi Tribunal claims.

The disposal of certain properties may be subject to the provisions of section 40 of the Public Works Act 1981.

Titles to land transferred from the Crown to Tairawhiti DHB are subject to a memorial in terms of the Treaty of Waitangi Act 1975 (as amended by the Treaty of Waitangi (State Enterprises) Act 1988. The effect on the value of assets resulting from potential claims under the Treaty of Waitangi Act 1975 cannot be quantified.

NOTE 11: INVESTMENT IN SUBSIDIARY

	Parent Actual	
	2008 \$000	2007 \$000
Tairawhiti Laundry Services Limited		
Shares in subsidiary (non current)	1	1
Advances to/(from) subsidiary	(573)	(305)
	(572)	(304)

Name of entity: Tairawhiti Laundry Services Limited
Principal activity: Partner in Gisborne Laundry Services
Ownership: 100%
Balance date: 30 June

NOTE 12: INVESTMENT IN ASSOCIATES

	Group Actual		Parent Actual	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Healthshare Limited				
Shares	0	0	0	0
Opening balance	21	6	0	0
Share of Surplus before taxation	0	15	0	0
Equity accounted value of Investment	<u>21</u>	<u>21</u>	<u>0</u>	<u>0</u>

TDH owns 100 shares being 20% of this company. Principle activity is Midland Region DHB shared service agency.

No dividends were received from HealthShare during the year. Healthshare has a 30 June balance date.

Payments of \$62,427 (2007: \$84,144) were made to HealthShare Limited for TDH's share of operating costs.

These payments are an insignificant part of total purchases by TDH.

Gisborne Laundry Services				
Opening balance	196	255	0	0
Share of Surplus before taxation	235	205	0	0
Tax expense	(1)	(1)	0	0
Less partnership drawings	(270)	(260)	0	0
Less reduction to capital	1	(3)	0	0
Equity accounted value of Investment	<u>161</u>	<u>196</u>	<u>0</u>	<u>0</u>

TDH owns 50% by virtue of ownership of Tairawhiti Laundry Services Ltd. Principle activity is provision of laundry services in Gisborne and Northern Hawkes Bay regions. The partnership has a 30 June balance date.

Tlab Ltd				
Shares Purchased	0	0	0	0
Share of Surplus / (deficit) before taxation	(39)	0	0	0
Equity accounted value of Investment	<u>(39)</u>	<u>0</u>	<u>0</u>	<u>0</u>

TDH owns 5 shares being 50% by of TLab Ltd. Principle activity is provision of laboratory services

Total Investment in Associates	143	217	0	0
Total share of Associate results for the year	195	219	0	0

NOTE 13: BANK OVERDRAFT

TDH does not have a formal overdraft facility.

The current interest rate on the bank overdraft is 12.55% (2007: 11.9%) per annum.

NOTE 14: PAYABLES AND ACCRUALS

	Group Actual		Parent Actual	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Trade creditors and accruals	6,260	7,010	6,260	7,004
Capital Charge due to the Crown	407	1,024	407	1,025
Amounts owing to associate company	0	0	0	0
Amounts owing to subsidiary	0	0	0	0
Amounts owing to Ministry of Health	0	0	0	0
Employee related accruals	1,179	1,537	1,179	1,537
Sundry	699	804	699	804
Total Payables and Accruals	<u>8,545</u>	<u>10,375</u>	<u>8,545</u>	<u>10,370</u>

Trade creditors and other payables are non-interest bearing and are normally settled on 30 day terms, therefore the carrying value of payables and accruals approximates their fair value.

NOTE 15: EMPLOYEE COSTS AND ENTITLEMENTS

	Group Actual		Parent Actual	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Employee Costs				
Wages & Salaries paid	29,537	28,273	29,537	28,273
Contributions to defined contribution plans	513	413	513	413
Other Employee costs	12,549	12,028	12,549	12,028
	<u>42,599</u>	<u>40,714</u>	<u>42,599</u>	<u>40,714</u>
Employee Entitlements				
Accrued pay	856	656	856	656
Accrued leave	3,052	2,840	3,052	2,840
Accrued Gratuities	653	621	653	621
Long Service leave	197	185	197	185
Sabbatical leave	49	49	49	49
Conference leave and expenses	779	677	779	677
	<u>5,586</u>	<u>5,028</u>	<u>5,586</u>	<u>5,028</u>
Made up of:				
Current	4,943	4,386	4,943	4,386
Non Current	643	642	643	642
	<u>5,586</u>	<u>5,028</u>	<u>5,586</u>	<u>5,028</u>

NOTE 16: TERM LOANS

	Group Actual		Parent Actual	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Finance Lease	0	0	0	0
Painting Contract	36	36	36	36
CHFA - Residual	14,079	14,079	14,079	14,079
Ministry of Environment	0	5	0	5
EECA	9	21	9	21
Total	14,124	14,141	14,124	14,141
Less Current Portion	0	17	0	17
Non Current Portion	<u>14,124</u>	<u>14,124</u>	<u>14,124</u>	<u>14,124</u>
Repayable as follows:				
Less than one year	0	17	0	17
One to two years	14,124	14,124	14,124	14,124
Two to five years	0	0	0	0
Beyond five years	0	0	0	0
	<u>14,124</u>	<u>14,141</u>	<u>14,124</u>	<u>14,141</u>
Fair values of non-current borrowings:				
CHFA	14,530	14,079	14,530	14,079
Other borrowings	45	62	45	62
	<u>14,575</u>	<u>14,141</u>	<u>14,575</u>	<u>14,141</u>

The values of the CHFA loans are based on cash flows discounted using the Government bond rate adjusted for mid market pricing. Smaller loans and those due within one year approximate their valuation variation from discounted cash flow valuation would not be significant.

The borrowings from Crown Health Financing Agency (CHFA) are secured by negative pledges. Without the prior written consent of the lenders, TDH is constrained as set out below:

- Security interest: Create any security interest over its assets except in certain defined circumstances, or
- Loans and guarantees: Lend money to another person (except in the ordinary course of business and then only on commercial terms), or give a guarantee, or
- Change of business: Make a substantial change in the nature or scope of its business as presently conducted, or
- Disposals: Dispose of any of its assets except disposals made in the ordinary course of its ordinary business or disposals for full value, or
- Provide services: provide services to or accept services from a person other than for proper value and on reasonable commercial terms.

The New Zealand Government does not guarantee term loans.

NOTE 17: INTEREST RATE SUMMARY

	Group		Parent	
	2008	2007	2008	2007
CHFA	6.45%-7.19%	6.25%-7.19%	6.45%-7.19%	6.25%-7.19%
Ministry of Environment	0%	0%	0%	0%
EECA	0%	0%	0%	0%

NOTE 18: RECONCILIATION OF NET SURPLUS\ (DEFICIT) AFTER TAXATION WITH NET CASH FLOW FROM OPERATING ACTIVITIES

	Group Actual		Parent Actual	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Net surplus / (deficit) after taxation	(960)	(1,932)	(960)	(1,932)
Associated entities	195	219	0	0
	<u>(765)</u>	<u>(1,713)</u>	<u>(960)</u>	<u>(1,932)</u>
(Add)/less non-cash items				
Depreciation/assets written down	3,181	3,134	3,181	3,134
Change in non-current employee entitlements	(95)	(94)	(95)	(94)
(Gain)/loss on sale in Investing activities	0	(65)	0	(65)
Total non-cash items	<u>3,086</u>	<u>2,975</u>	<u>3,086</u>	<u>2,975</u>
(Add)/less items classified as investing activity				
Equity Movement		276		276
	<u>0</u>	<u>276</u>	<u>0</u>	<u>276</u>
(Add)/less movement in working capital items				
Change in receivables and prepayment	352	(2,034)	348	(2,034)
Change in inventories	(17)	(55)	(17)	(55)
Change in payables and accruals	(1,100)	2,893	(1,169)	3,060
	<u>(765)</u>	<u>804</u>	<u>(838)</u>	<u>971</u>
Net Cash (outflow)/inflow from operating activities	<u>1,556</u>	<u>2,342</u>	<u>1,288</u>	<u>2,290</u>

NOTE 19: RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL

Transactions with the government

TDH is a wholly owned entity of the Crown. The government significantly influences the role of TDH in addition to being its major source of revenue TDH enters into transactions with government departments, state-owner enterprises and other Crown entities. Those transactions that occur within a normal supplier or client relationship on terms and conditions no more or less favourable than those which it is reasonably to expect TDH would have adopted if dealing with that entity at arm's length in the same circumstances have not been disclosed as related party transactions.

The following transactions have been carried out with related parties other than those described above:

Funding

In the year ended 30 June 2008, TDH received \$131.56m (2007: \$121.767m) (inclusive of GST) from the MoH to provide health services to Tairāwhiti.

The amount outstanding from MoH at year-end was \$3,686k (inclusive of GST), (2007: \$2,746k).

The amount owing to MoH at year-end was \$0k (2007: \$0k) and Capital Charge of \$524k (2007: \$1263k).

Inter-group transactions and balances

Excluding transactions for audit fees, tax, or company filing fees, all transactions between TDH and GLS are related party transactions.

Key Management and Board Members

There were no transactions between Tairāwhiti DHB and its key management and Board Members other than in their capacity as employees.

Transactions between Tairāwhiti DHB and other organisations, which have a common Board Member or Director, were as follows:

	June 2008 \$	June 2007 \$
In relation to I Collins:		
Kaiti Medical Centre		
Revenue	907	4,611
Debtor as at 30 June	0	82
Expense	5,889	6,038
Creditor as at 30 June	934	0
Chelsea Hospital Charitable Trust		
Revenue	150,150	104,315
Debtor as at 30 June	11,378	12,331
Expense	112,496	0
Creditor as at 30 June	21,765	0
In relation to A Davidson, C Bauld & H Hikawai:		
Gisborne District Council		
Revenue	0	300
Debtor as at 30 June	0	0
Expense	196,533	137,793
Creditor as at 30 June	5,694	2,100

In relation to M Burgess:		
Presbyterian Support		
Expense	3,908	287,856
Creditor as at 30 June	695	0
In relation to P Brown:		
Te Runanga o Turanganui a Kiwa		
Expense	0	450
Creditor as at 30 June	0	0
Te Hauora o Turanganui a Kiwa		
Expense	5,855,720	8,356,189
Creditor as at 30 June		0
Tairāwhiti Polytechnic		
Revenue	0	349
Debtor as at 30 June	0	0
Expense	2,025	153
Creditor as at 30 June	0	0
In relation to L McCarthy Robinson, B Tahata & A Poananga:		
Ngati Porou Hauora Inc		
Revenue	15,861	35,762
Debtor as at 30 June	1,242	51
Expense	7,725,234	7,621,627
Creditor as at 30 June		874
In relation to B Tahata:		
NZCCS Tairāwhiti Hawkes Bay		
Expense	1,214,389	1,145,986
Creditor as at 30 June		0
In relation to A Davidson:		
YMCA		
Revenue	150	0
Debtor as at 30 June	150	0
Expense		922
Creditor as at 30 June		0
In relation to B Clarke:		
Sunnyday Trust (Sunshine Bus)		
Expense		10,404
Creditor as at 30 June		0

Related Party Debts

No related party debts have been written off or forgiven during the year.

NOTE 20: FINANCIAL INSTRUMENTS

TDH is party to financial instruments as part of its everyday operations. These include instruments such as bank balances, investments, accounts receivable, trade creditors, and loans.

The parent has a policy providing risk management for interest rates and the concentration of credit. The parent is risk averse and seeks to minimise exposure from its treasury activities. Its policies do not allow any transactions that are speculative in nature to be entered into.

NOTE 21: INTEREST RATE RISK

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in markets rates. This could particularly affect the cost of borrowing or the return from investments.

	2008	2007
Short Term Deposits	8.25%	8.00%
Other Investments	0%	0%
The Group's investments at 30 June are:	\$000	\$000
Short term deposits	1,543	2,716
Other Investments	0	0

The Board does not consider there is any significant exposure to interest rate risk on its investments.

The interest rates on the group's borrowings are disclosed in note 17. The CFA and the five-year Westpac loans are at fixed rates. Interest rates on other loans are reviewed quarterly.

There are no interest rate options or interest rate swap agreements in place as at 30 June 2008. (2007: None)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

TDH undertakes transactions denominated in foreign currencies from time to time and exposures in foreign currency arise from these activities.

There were no foreign exchange contracts in place at balance date.

Credit risk

Credit risk is the risk that a third party will default on its obligation to TDH or the group, causing TDH or group to incur a loss.

Financial instruments, which potentially subject TDH to risk, consist principally of cash, short-term investments, and trade receivables.

The DHB invests in high credit quality financial institutions and limits the amount of credit exposure to any one financial institution. Accordingly, the DHB does not require any collateral or security to support financial instruments with organisations it deals with.

The Board received 95.3% of its revenue from the Crown through the MoH. Accordingly, the Board does not consider there is any risk arising from the concentration of credit with respect to accounts receivable.

Fair value

The fair value of investments held by the group/parent are based on current market interest rates for investments of similar terms of maturities.

The fair value of other financial instruments is approximated by the carrying amount disclosed in the Statement of Financial Position.

NOTE 22: POST BALANCE DATE EVENTS

On the 11 August 2008, Bevan Turnpenney was appointed to the Board. His interests include:

Board Member	Interest Declared	Role
Bevan Turnpenny	Turnpenny Associates Ltd	Shareholder/director
	Repongaere Estate Limited	Shareholder/Director
	East Coast Hawke's Bay Conservation Board	Member

NOTE 23: CAPITAL CHARGE

TDH incurs a capital charge monthly to the Crown based on the greater of its actual or budgeted closing equity balance for the month (exclusive of Trust Funds). The capital charge rate for the period ended 30 June 2007 was 8.0% per annum (2007:8%p.a).

NOTE 24: EXPLANATION OF TRANSITION TO NZIFRS

These are the first financial statements prepared by TDH in accordance with New Zealand equivalents to International Financial Reporting Standards (NZIFRS)

The accounting policies set out in the notes to the financial statements have been applied in preparing financial statements for the year ended 30 June 2008, the comparative information presented for the year ended 30 June 2007 and in the preparing of an opening NZIFRS

Balance Sheet as at 1 July 2006 (TDH's date of transition to NZIFRS)

In preparing its opening NZIFRS Balance Sheet and restating the 2007 financial statements, TDH has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previously Generally Accepted Accounting Practice (GAAP))

An explanation of how the transition from previous GAAP to NZIFRS has affected TDH's financial position, financial result, and cash flows is set out in the following tables and notes that accompany the tables.

Reconciliation of Group Financial Position and Equity

	Notes	Transition Balance Sheet		Comparative Balance Sheet	
		1 July 2006		30 June 2007	
		GAAP	NZIFRS	GAAP	NZIFRS
		\$000	\$000	\$000	\$000
Equity					
General Funds		12,492	12,642	12,209	12,209
Reserves		19,462	19,462	19,494	19,494
Retained Earnings	(a)	(8,267)	(8,772)	(9,686)	(9,746)
		<u>23,687</u>	<u>23,332</u>	<u>22,017</u>	<u>21,957</u>
Current Assets					
Cash & Bank		411	411	10	10
Short term Deposits		2,255	2,255	2,716	2,716
Receivables & Prepayments		3,156	3,156	5,490	5,490
Inventory		1,030	1,030	1,087	1,087
		<u>6,852</u>	<u>6,852</u>	<u>9,303</u>	<u>9,303</u>
Non Current Assets					
Property, Plant & Equipment		42,980	42,980	41,981	41,981
Investments		253	(44)	217	217
		<u>43,233</u>	<u>42,936</u>	<u>42,198</u>	<u>42,198</u>
Total Assets		<u>50,085</u>	<u>49,788</u>	<u>51,501</u>	<u>51,501</u>
Current Liabilities					
Payables & Accruals		7,369	7,371	10,374	10,375
Employee Entitlements	(a)	4,083	4,139	4,326	4,386
Current Portion Term Liabilities		103	103	17	17
		<u>11,555</u>	<u>11,613</u>	<u>14,717</u>	<u>14,778</u>
Non Current Liabilities					
Employee Entitlements		736	736	642	642
Term Loans		14,107	14,107	14,124	14,124
		<u>14,843</u>	<u>14,843</u>	<u>14,766</u>	<u>14,766</u>
Total Liabilities		<u>26,398</u>	<u>26,456</u>	<u>29,483</u>	<u>29,544</u>
Net Assets		<u>23,687</u>	<u>23,332</u>	<u>22,018</u>	<u>21,957</u>

Reconciliation of the result for the year ended 30 June 2007

	Notes	Variance Explained	30 June 2007	
			GAAP	NZIFRS
			\$000	\$000
Revenue			114,558	114,321
Other operating Income			724	724
Financial Income			498	498
Total Income			<u>115,780</u>	<u>115,543</u>
Expenses				
Employee Costs	(b)		42,602	42,648
Other Operating Costs	(c)		71,785	71,799
Finance Costs			3,028	3,028
			<u>117,415</u>	<u>117,475</u>
Result before associated company results			(1,635)	(1,932)
Share of retained surpluses of associates			219	219
Net Group Surplus / (Deficit)	(a)		<u>(1,416)</u>	<u>(1,713)</u>

(a) Retained earnings changed by the amount of (\$60,000) caused by the following adjustments:

	\$000
Sick Leave provision calculated	(46)
Accident Compensation Partnership	(7)
Minor Adjustments	(7)
	<u>(60)</u>

(b) Sick Leave provision

(c) ACC Partnership (\$7,000) plus minor adjustments

NOTE 25: BOARD, MAORI CAUCUS AND ADVISORY MEMBERS' REMUNERATION

		REMUNERATION
C	Bauld	\$ 19,365
P H	Brown	\$ 22,346
M E	Burgess	\$ 19,120
B A	Clarke	\$ 18,182
I	Collins	\$ 34,424
A G	Davidson	\$ 8,385
H	Hikawai	\$ 17,734
L	McCarthy-Robinson	\$ 22,309
A	Poananga	\$ 18,299
B M	Tahata	\$ 18,250
B I	Wilson	\$ 9,643
Total Board		\$ 208,057
G	Ahmu	\$ 2,552
N	Aston	\$ 1,020
P R	Baker	\$ 250
M	Chistensen	\$ 2,806
G H	Jackman	\$ 250
G M	Jahnke	\$ 4,778
G	Johnson	\$ 250
M	Jones	\$ 1,567
K J	Kitchen	\$ 1,500
W D	Lewis	\$ 1,250
P O	Mill-Poi	\$ 4,000
P R	Murphy	\$ 2,538
M	Para	\$ 2,500
K	Porou	\$ 1,500
N	Raihanian	\$ 6,379
G	Smith	\$ 1,931
C L	Thompson	\$ 250
M D	Torrie	\$ 2,250
R	Tuhaka	\$ 10,077
Total Maori Caucus and Advisory Members'		\$ 47,648
GST		\$ 44
TOTAL GOVERNANCE		\$ 255,749

NOTE 26: EMPLOYEE REMUNERATION

During the period, the following numbers of employees received remuneration and other benefits in their capacity as employees, the value of which exceeded \$100,000 for the year:

From:	To:	Total:
100,000	109,999	6
110,000	119,999	0
120,000	129,999	2
130,000	139,999	2
140,000	149,999	2
150,000	159,999	0
160,000	169,999	1
170,000	179,999	2
180,000	189,999	2
190,000	199,999	5
200,000	209,999	3
210,000	219,999	3
220,000	229,999	4
230,000	239,999	3
240,000	249,999	1
250,000	259,999	5
260,000	269,999	0
270,000	279,999	1
280,000	289,999	1
290,000	299,999	1
300,000	309,999	1
		45

The Chief Executive's remuneration and other benefits is in the \$250,000 – 259,999 bracket.

Of the 45 employees, 8 were Non-Medical and 37 were Medical or Dental.

If the remuneration of part-time employees were grossed-up to an FTE basis, the total number of employees with FTE salaries of \$100,000 or more would be 53, compared with the actual total number of employees of 45.

Key Management Personnel

	June 2008 \$	June 2007 \$
Salaries and other short term benefits	1,308,309	1,267,363
Post employment benefits	0	0
Termination benefits	0	0
	1,308,309	1,267,363

“Key Management Personnel” comprises the Board members, the Chief Executive, and the 7 members of the Strategic Funding Management Group (2007=7).

NOTE 27: MAJOR VARIATIONS FROM STATEMENT OF INTENT

The major variations from the prospective consolidated financial statements set out in the Board's Statement of Intent for the year to 30 June 2008 are:

Item	Planned \$000	Actual \$000	Variance \$000	Comment
Financial Performance:				
Revenue	(120,540)	(123,390)	2,850	Additional funding for Whakatakata, Very Low Cost Access, HEHA programs, Nutrition programs Primary Mental Health Pilot, Population Health Portfolio Manager and Tobacco Control. Also the Additional Electives wash up, CTA and ACC revenues and higher investment earnings.
Outsourced Services	4,445	5,819	(1,374)	Particularly Medical Fees for Service and high costs of outsourced radiology, and also price increases for visiting specialists and additional clinics after the budget was set.
Clinical supplies	9,628	10,812	(1,184)	Higher treatment costs across many services resulting from additional services being provided. Higher Cancer treatment costs and costs of Air Ambulance (again).
Infrastructure & non-clinical supplies:	12,273	12,928	(655)	Higher costs of Cleaning and Orderly services resulting from the Low Paid Workers' Initiative. Higher than budgeted expenditure on Consultants used to review District Health Services, e.g. the Adult Mental Health Services Review, Youth Health Services review, etc.
Payments to non-TDH providers	51,984	53,045	(1,061)	Movement of additional funding for Very Low Cost Access and other community-based programs, such as the Primary Mental Health Pilot. Also the negative IDF wash up for the year.
Depreciation	2,822	3,181	(359)	The budgeted cost was under-estimated.
Financial Position:				
Current Assets	7,735	8,100	(365)	Cash reduced as a result of maintaining capital program whilst not meeting operating budget targets.
Current Liabilities	(13,654)	(14,041)	387	Increased accrued employee entitlements, e.g. accrued Leave, provision for MECA settlements, etc. Also includes unspent Mental Health Ringfence monies carried forward.
Cashflow:				
From Operations	3,894	1,556	2,338	Below budget result for the year, combined with an increase in debtor/creditor variance. Increased Debtors particularly from insurers, other DHBs (IDFs), ACC and the Ministry.
From Investing	(2,400)	(2,234)	(166)	Capital program maintained.
From Financing	66	(357)	423	Unbudgeted Equity repayment.
Commitments:				
Other non-cancellable agreements	17,997	32,586	(14,589)	This is mainly the Agreement with Tlab Limited for the Provision of Laboratory Services, which was under negotiation and was omitted from the projected commitments when the Sol was prepared.

NOTE 28: SUMMARY OF REVENUES AND EXPENSES BY OUTPUT CLASS

	Governance \$000	Provider \$000	Funder \$000	Total DHB \$000
Revenue				
- Crown	4,476	64,617	53,383	122,476
- Other	6	1,854	323	2,183
Total Revenue	4,482	66,471	53,706	124,659
Expenditure				
- Personnel	2,710	39,890		42,600
- Depreciation	58	3,122		3,180
- Capital Charge	0	1,556		1,556
- other	1,321	23,140	53,822	78,283
Total expenditure	4,089	67,708	53,822	125,619
Net Surplus / (deficit)	393	(1,237)	(116)	(960)

NOTE 29: SUMMARY OF MOVEMENTS IN EQUITY BY OUTPUT CLASS

	Governance \$000	Provider \$000	Funder \$000	Eliminations \$000	Total DHB \$000
Opening Funds	320	22,681	(1,331)	50	21,720
Net surplus / (deficit) for period	393	(1,237)	(116)	0	(960)
Plus equity accounted results of associated companies		195			195
Other movements					
- Equity Repayments		(340)			(340)
- Other		2			2
	713	21,301	(1,447)	50	20,617

NOTE 30: CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

		Group Actual		Parent Actual	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
Loans & Receivables					
Cash and cash equivalents	6	1,690	2,726	1,690	2,726
Receivables and prepayments	7	5,138	5,490	5,138	5,486
Total loans and receivables		6,828	8,216	6,828	8,212
Financial assets at fair value through equity					
Equity investments	12	143	217	1	1
Total financial assets at fair value through equity		143	217	1	1
Financial liabilities measured at amortised cost					
Payables and accruals	14	8,545	10,375	8,545	10,370
Employee entitlements	15	5,586	5,028	5,586	5,028
Borrowings	16	14,124	14,141	14,124	14,124
Advance from subsidiary	11	0	0	573	305
		28,255	29,544	28,828	29,827