



Waikato District Health Board

DIRECTORY

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K B McKenzie

Audit New Zealand

on behalf of the Auditor-General

Bankers

Bank of New Zealand

Solicitors

Chapman Tripp

IMPROVING HEALTH, INDEPENDENCE & QUALITY OF LIFE

In order to develop targeted strategies and services that will most effectively improve the health and wellbeing of Waikato people, the Waikato DHB conducted a comprehensive assessment of the population's health needs. The assessment, which will be reviewed annually, was made up of three parts:

- a review of the demographic and socioeconomic characteristics of the population and an analysis of health and disability information, including rates of illness and death, and estimates of the prevalence of health risk factors in the community;
- a series of community meetings at which Waikato DHB staff presented the quantitative data and analysis and gathered the public's views on the health and disability support needs of their local populations;
- an extensive review of the government's priorities and available literature to identify the key health indicators and risk factors for New Zealanders.

The health needs assessment has been published in a series of reports detailing the health needs of the people living in each of the territorial local authority areas in the Waikato district. These are widely available at local and national libraries and on the Waikato DHB website: www.waikatodhb.govt.nz

Based on an understanding of the key factors that shape the community's health, and following community consultation, the Waikato DHB Strategic Plan 2001 –2011 identifies the following priorities and initiatives:

PRIORITIES

Population health priorities

- To improve the health status of children
- To reduce the incidence and impact of diabetes
- To improve the health status of people with severe mental illness
- To minimise the harm caused by tobacco, alcohol, illicit and other drug use to both individuals and the community
- To reduce the rate of suicide and suicide attempts

BROAD THEMES

1. The health of the Māori population - Māori Health Action Plan
2. The quality of life and health of older persons - AGEWISE
3. The need to increase the physical activity and improve the nutrition of the community - Healthy Eating - Healthy Action Strategy
4. The health of youth - Youth Net

ADDITIONAL INITIATIVES

1. The health of Pacific People - Pacific Peoples Health Action Plan
2. The quality and delivery of Primary Care services - Primary Health Organisations
3. Improvement and further development of Rural Health - The Institute of Rural Health



CONTENTS

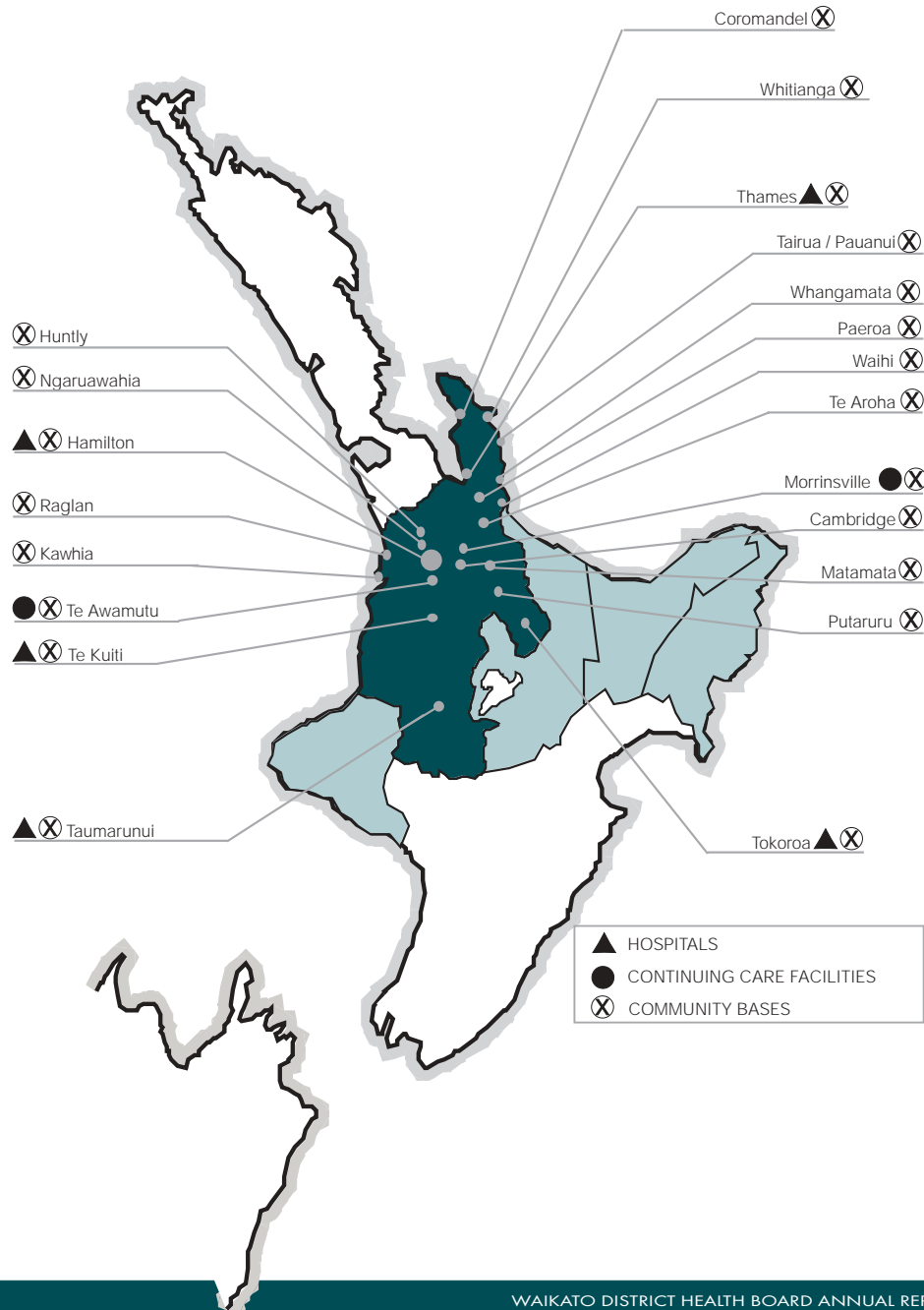
Chairperson's Comment	2
Chief Executive's Review	4
Waikato District Health Board - Board Members	6
Waikato District Health Board - The Organisation	7
People of the Waikato	8
The year at Health Waikato	9
Valuing Staff	9
Statement of Responsibility	10
Report of the Auditor General	11
Financial Statements	13

OUR VISION

Te Hanga Whaioranga Mō Te Iwi - Building Healthy Communities

The Waikato DHB will improve the health, independence and quality of life of the communities it serves by addressing the needs of the population including the special needs of rural, Māori and Pacific Peoples and their communities. The Waikato DHB will ensure community involvement at all levels and will focus on:

- Promoting and protecting wellness
- Ensuring equitable access to high quality health and disability support services



CHAIRPERSON'S COMMENT

Looking back, initiative and achievement were the defining features of the year to 30 June 2002. There were new relationships, new processes and new ways of responding to the health needs of Waikato people as Waikato DHB continued to shape its course to meet the Government's objectives for health. Along the way, the Board, management and staff chalked up numerous achievements across clinical and non-clinical areas.



Ian Wilson
Chair

The Government's goals and objectives - as outlined in the New Zealand Health and Disability strategies - set the framework in which DHBs determine their own priorities for meeting the specific health needs of their populations. Investing wide responsibilities in local boards for the planning, funding and provision of health services has introduced a new dimension to public health. It has set the scene for health services to be truly responsive to the needs of the population and for greater collaboration and community ownership. This has presented Waikato DHB with great opportunities to make substantial contributions to the health and well-being of the people of this district.

Since its establishment, and during the 12 months under review, Waikato DHB has concentrated on strengthening its planning and funding processes, and the capabilities it needs to work toward improving the health, independence and quality of life of 318,000 people in the Waikato district.



The Waikato DHB Development & Support Unit meeting with Community Health Forum chairpersons.

A key milestone in July saw the transfer of the responsibility for managing services for personal health, Māori health, mental health and some Pacific health services from the Ministry of Health to DHBs. Further service agreements were devolved to DHBs in October. The transfer of overall responsibility for managing these key services provides an effective way for Waikato DHB to address local inequalities in health.

Perhaps the most significant step in the development of a genuinely public and locally-driven health service was the district health board election on 13 October 2001. I would like to thank Waikato territorial local authorities which managed the election process on our behalf.

The seven elected Board members and four new appointed members replaced a transitional Board appointed by the Minister of Health. I pay tribute here to the transitional members who worked with management to put in place DHB structures, processes and relationships. Their commitment ensured the new members taking up their positions on 10 December 2001 assumed responsibility for a well-prepared organisation.

The new Board has a rich mix of experience and skills to guide the direction of the organisation over the next three years. Indeed, one of the new Board's first tasks was to oversee the development of the Waikato DHB draft strategic plan and to participate in consultation with the public on that plan.

The requirement for DHBs to be more publicly accountable has made consultation and communication the hallmarks that distinguish district health boards from their organisational predecessors. More than 25 meetings were held to present the analysis of the district's health needs and to discuss each community's view of those needs.

The community's influence was taken into account, with significant additions being made to Waikato DHB's five to ten year strategic direction. The initial population health priorities looked at the health status of children, diabetes, severe mental illness, smoking, alcohol and drug use, and suicide. During consultation, our communities made it clear the DHB needed also to focus on Māori, Pacific People, primary care, rural health, youth, older persons, exercise, nutrition and healthy living.

The factors that influence health are wide ranging and complex and call for combined action by health providers, community groups and government agencies. Clearly, collaboration will be a cornerstone of Waikato DHB strategies for improving the health of our population. Several programmes are underway involving health providers, schools, housing, employment, and local and regional councils.

Waikato DHB has taken a leadership role in many areas of intersectoral collaboration and on joint initiatives with other DHBs and providers in the central North Island region. Within the health sector, I would like to see this type of collaboration lead eventually to a single district health board for the region. Imagine how much better it would be if resources could be moved freely across regions to meet changing needs. We have to get serious about big collaborative ventures in the interests of improved health gains, benefits and outcomes for all New Zealanders.



Meantime, Waikato DHB continues to stand out as a progressive and innovative organisation, which has made tremendous progress during the year under Chief Executive Dr Jan White's inspirational leadership and dedication. It is a tribute to her and her staff that the financial deficit of \$3.989 million was less than the budgeted deficit of \$4.028 million.

Most of the Board's 4800 staff work in Health Waikato, the Board's major division that operates a comprehensive range of primary, secondary and tertiary health services. A highlight of the year for Board and staff alike was the completion of the Peter Rothwell Academic Centre and Gudex Library. This superb facility will serve as a magnet to health professionals who value opportunities to share and further their knowledge.



The \$5.5 million Peter Rothwell Academic Centre and Gudex Library completed on time and within budget.

During the past 12 months, Health Waikato has been developing leading edge models of care to meet the health needs of our communities over the next 10 to 15 years. These models are a major factor in how the hospital facilities at Thames and Hamilton will be redeveloped. It is critical that the campus redevelopment projects are approved. It is also critical that Waikato Hospital gets approval to establish a neurosurgery unit to complement the existing extensive range of tertiary services. As this is my last year at Waikato DHB, I will be watching keenly for news that these developments are underway.

Finally, I have found it a privilege and a pleasure to work alongside so many talented and dedicated people at Waikato DHB - those who serve on the Board, on the Iwi Council, the management and staff. I wish them all every success.

A handwritten signature in black ink that reads "Ian Wilson".

Ian Wilson
Chair

CHIEF EXECUTIVE'S REVIEW

Challenging is an appropriate word to describe the past year, a period in which the Waikato District Health Board has pressed ahead with its strategies and planning, further developing the skills and resources needed to meet the objectives set by Government for DHBs.

A significant part of our challenge has been to ensure the full participation of communities in the evolution of the district health board. This has been achieved with the appointment of elected Board members and the activity and increasing importance of community health forums and district advisory groups. I have been both impressed by the enthusiasm and grateful for the input of these community representatives who are playing a key part in moving us forward.

The demand for health services continues unabated, but the cost of providing these services also continues to grow. In such a climate it has been particularly pleasing to note the commitment being shown by health providers within our region to do the very best with what funding they have received, while recognising, as we all do, the very real limitations that are placed upon what we would like to do.



Dr Jan White
Chief Executive



The new Orthopaedic Gait Clinic has eliminated waiting times for assessment for conditions such as bow legs, knock knees and pigeon toes

Nevertheless, this year has been an exciting one in terms of the development of new ways of doing things and for designing services to incorporate the skills and resources of all providers in the region, as well as input from sectors other than health. These innovative moves include projects such as AGEWISE and Youth Net and, at a more detailed level, initiatives like the Child Protection Unit and the Orthopaedic Gait Clinic. But in recognising the ongoing dedication and excellence demonstrated by our staff and the many providers with whom they interact, these examples are simply the tip of an iceberg of innovation.

This culture of working together to achieve a common aim is exemplified by the collegial relationships developed by groups such as the local and regional Mental Health Advisory Groups. It is especially gratifying to note how the latter group in the central North Island region has, as a key objective, working together with all participants to achieve service improvements across the region, rather than solely in a parochial context.

Another important aspect of developing the new environment is the regional co-ordination taking place among DHBs. This is clear recognition that we cannot do everything by ourselves and that we need to share information and resources and learn from one another.

The establishment of Intersect Waikato has provided a mechanism for all government agencies in our region to collaborate in drawing together resources to meet social needs. This is an exciting development for staff in the DHB, recognising as it does that health should be viewed in the context of the complete social fabric picture and that invaluable synergies with other agencies should be promoted. If issues such as employment and housing can be resolved for groups who are seriously disadvantaged by these things, there is good evidence to show that there will be a concomitant improvement in their health.

It is very early days in the development of such thinking and acting, but there are already some encouraging signs of the real differences such an approach can make. Projects such as Tiaki Tangata — a community development scheme in Huntly — and the advent of a whole of government disability employment strategy are good examples.

Within the DHB, the majority of staff work in the provider arm of the organisation, Health Waikato, and they have performed outstandingly throughout another year of change and challenge. They have continued to provide high quality care in sometimes difficult circumstances and under various constraints. The issues of recruitment and retention of staff are global ones, and we have been fortunate to continue to

attract and employ people of the highest calibre. Staff have contributed in major ways to the development of strategies aimed at taking us into the future, notably in advancing the Clinical Services Plan and in contributing to the campus re-development projects which will significantly upgrade both Waikato and Thames hospitals.



We have campaigned hard this year for the establishment of neurosurgical services at Waikato Hospital, and the support of our community in this has been greatly appreciated. The issue has been much debated and discussed, but because of the range of factors that must be taken into account on a national level, we are still awaiting the outcome of our proposals.



A key achievement for this year has been the development of the DHB's first strategic plan. Again, the input from the community through a planned process of engagement and consultation has been extremely valuable. Findings from this process were added to the more formal needs analysis to produce the final report. In essence, the report shows how the organisation is now clearly changing focus to ensure progress is made in identified priority areas. At the same time, we are continuing the development and delivery of all existing services.



In this context I am pleased to draw attention to another important achievement, the completion of a Pacific Peoples Action Plan. While Pacific People make up only a small percentage of the region's overall population, they have unique issues and well-documented and significant disparities in regard to their health status. The bringing together of all stakeholders to address these particular concerns has, for the first time, enabled the establishment of a firm foundation and a clear joint vision for moving forward.

A challenging year, and another year of great diversity and productivity. We have made real gains and, I believe, now clearly established the Waikato District Health Board, strongly positioning the organisation to continue the task of improving the health status of all our communities. My sincere thanks to those communities, to other providers and organisations, and to our own staff for their dedicated efforts. We have achieved a great deal, but there is still much to do. Together, I believe, we will succeed in making a real difference.



Dr Jan White
Chief Executive



Chief Executive and kaumatua at the blessing of the Māori artwork in the new Peter Rothwell Academic Centre and Gudex Library.

WAIKATO DISTRICT HEALTH BOARD MEMBERS

TRANSITIONAL MEMBERS - until December 2001



Transitional Board Members and Chief Executive:
 Back L-R: Rea Wikaira, Dave Macpherson, Tony Cull, Taitimu Maipi, Ian Glennie
 Front L-R: James Ritchie, Elisapeta Karalus, Ian Wilson, Piers Hamid, Jan White.
 Absent from picture - Bernadette Doube.

ELECTED MEMBERS - from December 2001



Sally Christie
 Chair Health Waikato
 Advisory Committee
 Thames - Coromandel



Dr Alison Glover
 South Waikato



Dr Tony Haycock
 Chair Community & Public
 Health Advisory Committee
 Hamilton



Angus Macdonald
 Deputy Chair
 Waikato



Dr Paul Malpass
 South Waikato



Leonie Tisch
 Chair Disability
 Support Advisory
 Committee
 Thames - Coromandel



Ewan Wilson
 Hamilton

APPOINTED MEMBERS



Mere Balzer



Michael Ludbrook
 Incoming Chair



Wayne McLean



Ian Wilson
 Chair

PEOPLE OF THE WAIKATO

TOTAL POPULATION

- ¥ The current population of the Waikato DHB is 317,751 (8.5% of the national population)
- ¥* In 1996 the Waikato DHB population was 312,942 (8.6% of the national population)

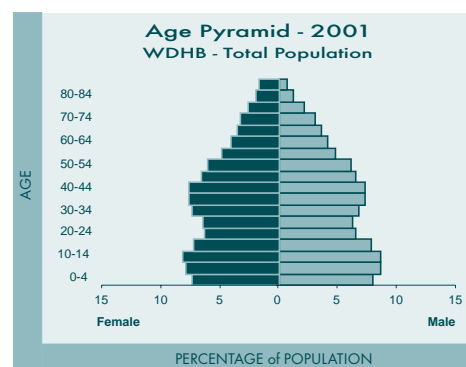
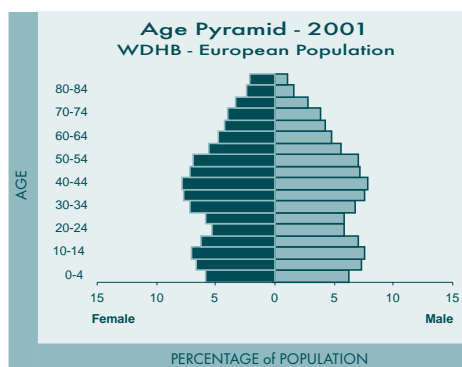
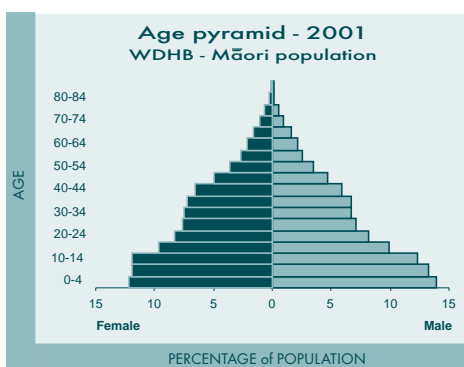


ETHNIC COMPOSITION

- ¥ 20.2% of the Waikato DHB population (64,290) identifies as Māori compared to 14.1% nationally
- ¥ 2.1% of the Waikato DHB population (6,675) identifies as Pacific Peoples compared to 1.9% in 1996
- ¥* 3.3% of the Waikato DHB population (10,494) identifies as Asian compared to 2.4% in 1996
- ¥ 74.4% of the Waikato DHB population (236,262) identifies as European / Other compared to 75.5% in 1996

AGE STRUCTURE

- ¥ 24.3% of the total Waikato DHB population is under 15 years old compared to 24.8% in 1996
- ¥ 38% of the Waikato DHB Māori population is under 15 years old compared to 38.2% in 1996
- ¥ 11.9% of the total Waikato DHB population is over 65 years old compared to 11.0% in 1996
- ¥ 3.4% of the Waikato DHB Māori population is over 65 years old compared to 3.1% in 1996
- ¥ 20.5% of the Thames Coromandel population is over 65 years old compared to 19.1% in 1996



TOWARD BETTER MĀORI HEALTH

The Waikato DHB recognises the Treaty of Waitangi as the founding document of New Zealand and acknowledges the special relationship between Māori and the Crown under the Treaty.

The organisation is committed to reducing disparities and improving the overall health status of Māori. While it is recognised that some other ethnic groups also have relatively poor health status, the size of the Māori population in Waikato places a priority on developing strategies to improve Māori health.

The Waikato DHB objectives for Māori health are integrated into governance, consultation, service planning and delivery to ensure a consistent and co-ordinated approach to Māori health.



THE WAIKATO DISTRICT HEALTH BOARD

—THE ORGANISATION

BOARD PROFILE

The Waikato District Health Board (DHB), established under the New Zealand Public Health and Disabilities Act 2000, is responsible for planning, funding and providing quality health and disability support services for the 318,000 people living in the Waikato district. The organisation achieves this through a wide range of independent providers and Health Waikato, the Board's major division that operates a comprehensive range of primary, secondary and tertiary health services. Tertiary and trauma coordination services are provided to the central North Island regional population of some 800,000.



The majority of Waikato DHB's 4800 staff are employed in the Health Waikato division. They are part of a comprehensive network which provides an extensive range of inpatient and community-based health services across critical care, surgery, medicine, oncology, women's health, child and adolescent health, rehabilitation, mental health, population health, and related support services.

Facilities include:

Hamilton campus

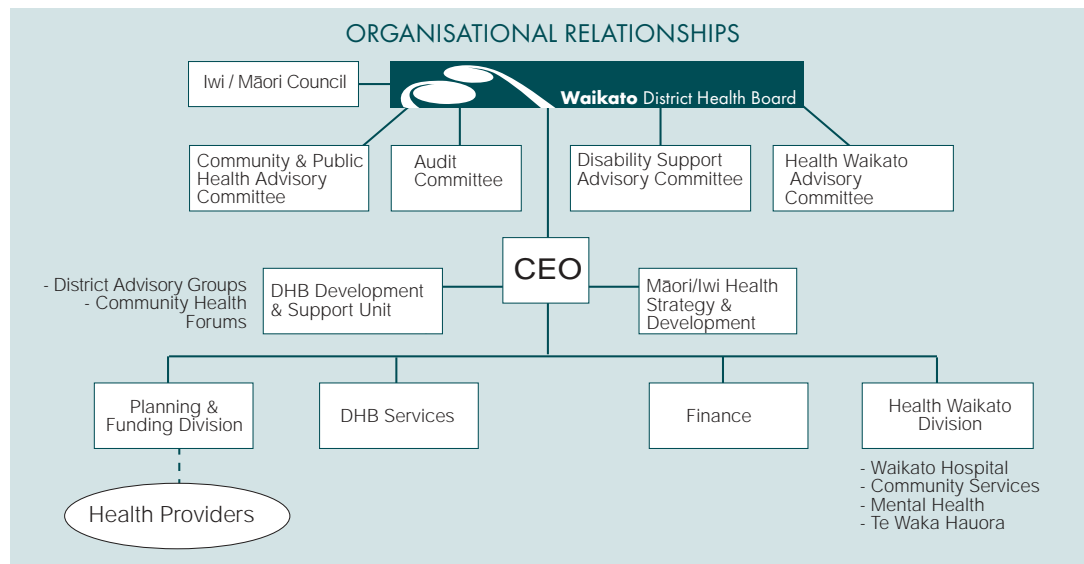
- ¥ Waikato Hospital, a 600-bed teaching hospital and New Zealand's largest provider of specialist services grouped together on one site.
- ¥ Henry Bennett Centre, the 100-bed acute mental health facility.

District hospitals

- ¥ Taumarunui Hospital (21 beds)
- ¥ Te Kuiti Hospital (21 beds)
- ¥ Thames Hospital (56 beds)
- ¥ Tokoroa Hospital (21 beds)

Continuing care and maternity facilities

- ¥ Rhoda Read Hospital in Morrinsville
- ¥ Matariki Hospital in Te Awamutu.



OUR MISSION

Waikato DHB's mission is to achieve a better quality of life for individuals and the wider community by promoting and protecting wellness, and treating those who are sick or injured.

Our clinical practice is to provide each patient with the best standard of healthcare. This tradition of patient-centred care is well supported through research and education. Waikato DHB has well-established links with New Zealand's schools of medicine, nursing and allied health.

In response to the special characteristics of the population, the Waikato DHB has the goal of becoming an internationally recognised centre for research into the health of rural and indigenous Māori people, which will lead to improved services for these groups.



THE YEAR AT HEALTH WAIKATO

1.	Emergency	68,600 patients
2.	Outpatients	150,000
3.	Inpatients and day patients	79,000
4.	Operations	21,280
5.	Laboratory	5 million tests on 480,000 specimens
6.	Radiology	180,000 (diagnostic, imaging, nuclear medicine)
7.	Cancer services	3,266 new patients referred
8.	Babies born	3,760
9.	Mental health community contacts	76,330
10.	New inpatient admissions to mental health	1,660
11.	Community visits	185,000
12.	Patient satisfaction	84 percent



A statistical summary of healthcare provision over the past four years is available at www.waikatodhb.govt.nz



VALUING STAFF

Waikato DHB values diversity and recognises that all employees contribute to the success of the organisation.

EMPLOYEE BENEFITS

The Waikato DHB is committed to supporting staff in the delivery of quality healthcare by offering:

- ¥ Competitive salaries
- ¥ A challenging and innovative environment
- ¥ A comprehensive staff recognition & benefits programme
- ¥ Financial and other support for ongoing education and professional development
- ¥ A world class library, academic and clinical skills training centre
- ¥ Great opportunities for career advancement
- ¥ Family friendly and flexible working environments
- ¥ Onsite early childhood education centre at the Hamilton campus
- ¥ Opportunities to participate in sporting and social activities

Management and staff representatives continue to work closely to keep the lines of communication open and to try to find collaborative and cooperative approaches to problem solving.



Members of the Breast Care Centre Team at a function held to publicly recognise them as leaders in their field for research, screening and treatment services.

STATEMENT OF RESPONSIBILITY

FOR THE YEAR ENDED 30 JUNE 2002

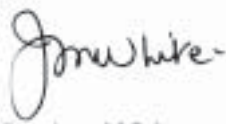
The Board and management of Waikato District Health Board accepts responsibility for the preparation of the financial statements for the year ended 30 June 2002 and the judgements used in them.

The Board and management of Waikato District Health Board accepts responsibility for establishing and maintaining systems of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting.

In the opinion of the Board and management of Waikato District Health Board, the financial statements for the year ended 30 June 2002 fairly reflect the financial position and operations of Waikato District Health Board.



Michael Ludbrook
Chair
25 October 2002



Chief Executive
25 October 2002



Brent Wiseman
Chief Financial Officer
25 October 2002

REPORT OF THE AUDITOR-GENERAL**TO THE READERS OF THE FINANCIAL STATEMENTS OF
WAIKATO DISTRICT HEALTH BOARD AND GROUP
FOR THE YEAR ENDED 30 JUNE 2002**

We have audited the financial statements on pages 13 to 36. The financial statements provide information about the past financial and service performance and financial position of Waikato District Health Board and Group as at 30 June 2002. This information is stated in accordance with the accounting policies set out on pages 13 to 16.

Responsibilities of the District Health Board

The New Zealand Public Health and Disability Act 2000 and the Public Finance Act 1989 require the District Health Board to prepare financial statements in accordance with generally accepted accounting practice in New Zealand that fairly reflect the financial position of Waikato District Health Board and Group as at 30 June 2002, the results of operations and cash flows and service performance achievements for the year ended on that date.

Auditor's Responsibilities

Section 15 of the Public Audit Act 2001, section 43(1) of the Public Finance Act 1989 and section 43 of the New Zealand Public Health and Disability Act 2000 require the Auditor-General to audit the financial statements presented by the District Health Board. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and report that opinion to you.

The Auditor-General has appointed Karen MacKenzie, of Audit New Zealand, to undertake the audit.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- ¥ the significant estimates and judgements made by the Board in the preparation of the financial statements; and
- ¥ whether the accounting policies are appropriate to Waikato District Health Board and Group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with the Auditing Standards published by the Auditor-General, which incorporate the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have provided assurance over tender processes for Waikato District Health Board during the year. Other than these assignments and in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in Waikato District Health Board or any of its subsidiaries.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion the financial statements of Waikato District Health Board and group on pages 13 to 36:

¥ comply with generally accepted accounting practice in New Zealand; and

¥ fairly reflect:

- Waikato District Health Board and Group's financial position as at 30 June 2002; and
- the results of operations and cash flows for the year ended on that date; and
- the service performance achievements in relation to the performance targets and other measures adopted for the year ended on that date

Our audit was completed on 25 October 2002 and our unqualified opinion is expressed as at that date.



Karen MacKenzie
Audit New Zealand
On behalf of the Controller and Auditor-General
Auckland, New Zealand

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2002

REPORTING ENTITY

Waikato District Health Board is a Crown entity in terms of the Public Finance Act 1989.

The Group consists of Waikato District Health Board, its subsidiary Mental Health Building Limited, its associated company Urology Services Limited and its joint venture HealthShare Limited.

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

In addition, funds administered on behalf of patients have been reported as a note to the financial statements.

MEASUREMENT BASE

The general accounting principles recognised as appropriate for the measurement and reporting of financial results and position on a historical cost basis, modified by the revaluation of certain fixed assets, have been followed.

ACCOUNTING POLICIES

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

1. Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset are transferred to the organisation, are classified as finance leases. The leased assets and corresponding liabilities are disclosed and the leased assets are depreciated over the period the entity is expected to benefit from their use.

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are charged as expenses in the periods in which they are incurred.

2. Investments

Investments, including investments in subsidiaries and associates, are stated at the lower of cost and net realisable value.

3. Goods and Services Tax

The financial statements have been prepared exclusive of goods and services tax (GST) with the exception of receivables and payables which are stated with GST included. Where GST is irrecoverable as input tax then it is recognised as part of the related asset or expense.

4. Employee Entitlements

Provision is made in respect of the Group's liability for annual leave, course conference leave and expense entitlements, long service leave and retirement gratuities. Long service leave and gratuities have been calculated on an actuarial basis whilst the other provisions have been calculated on an actual entitlement basis at current rates of pay.

5. Taxation

In accordance with the New Zealand Public Health and Disability Act 2000, Waikato DHB is a public authority and is exempt from income tax under Section CB3 of the Income Tax Act 1994. The subsidiary company, Mental Health Building Limited, is subject to income tax which is calculated on a tax payables basis.

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2002

6. Basis of Consolidation

(a) Subsidiaries

The consolidated financial statements include the parent DHB and its subsidiary, Mental Health Building Limited, accounted for using the purchase method. Corresponding assets, liabilities, revenues and expenses are added together on a line by line basis. All significant inter-company transactions are eliminated on consolidation.

(b) Associated Entities

The interest in Urology Services Limited has been reflected in the consolidated financial statements on an equity accounting basis, which shows the share of surplus/deficits 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.

7. Foreign Currency Translations

Transactions denominated in foreign currencies (other than forward contracts) are translated at the rate of exchange ruling at the transaction date.

Short-term transactions covered by forward exchange contracts are measured and reported at the forward rates specified in the contracts.

At balance date foreign monetary assets and liabilities are translated at the closing rate and exchange differences arising from the translations are recognised in the statement of financial performance.

8. Accounts Receivable

Accounts receivable are stated at expected realisable value after providing for doubtful and uncollectible debts.

9. Inventories

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

10. Fixed Assets

Fixed assets vested from the Hospital and Health Service

Under section 95(3) of the New Zealand Public Health and Disability Act 2000, the assets of Health Waikato Limited (a Hospital and Health Service) vested in Waikato DHB on 1 January 2001. Accordingly, assets were transferred to Waikato DHB 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 (or in the case of land and buildings the valuation) 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.

Fixed assets acquired since the establishment of the District Health Board

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

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2002

Revaluation of land and buildings

FRS3 requires the Board to revalue its land and buildings at fair value which has been determined by reference to the highest and best use of those assets. The current policy is to value these assets at net current value on an existing use basis. In accordance with the transitional provisions of FRS3, the Board has continued to recognise land and buildings on the basis of its current policy until the first revaluation which will be undertaken at 1 July 2002. 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.

Properties Intended for Sale

Properties that are intended for sale are recorded at their fair value, as determined by an independent registered valuer. Additions between revaluations are recorded at cost. Properties intended for sale do not have depreciation provided.

11. Depreciation of Fixed Assets

Depreciation is provided on a straight line basis on all tangible fixed assets, other than freehold and leasehold land, at rates which will write off the cost or valuation of the assets, less their estimated residual values, over their useful lives. 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.

The useful lives of major classes of assets have been estimated as follows:

Buildings	5 to 50 years (2% - 20%)
Plant and Equipment	2 to 20 years (5% - 50%)

12. Statement of Cash Flows

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the Group invests as part of its day-to-day cash management.

Operating activities include cash received from all income sources of the Group and record the cash payments made for the supply of goods and services. Investing activities are those activities relating to the acquisition and disposal of non-current assets. Financing activities comprise the change in equity and debt capital structure of the Group.

13. Financial Instruments

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 of these financial instruments are recognised in the Statement of Financial Position and all revenues and expenses in relation to these 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.

The Group has also entered into financial instruments which give rise to off-balance sheet exposures in order to reduce risks arising from carrying out its ongoing business. These instruments include currency and interest rate options and forward exchange contracts. The Group enters into these contracts to hedge its foreign currency payments and interest rate exposures. The Group is not authorised by its Treasury policy to enter any transactions which are speculative in nature.

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2002

14. Cost of Service Statement

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

15. Budget Figures

The Budget figures are those approved by the Board and published in its Annual Plan. 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.

16. Comparative Figures

The Board was formed on 1 January 2001 and this is its first annual report for a full year. Accordingly, the comparative figures are for the six month period ended 30 June 2001.

The Board's operations combine the functions of the predecessor Health Waikato Limited (a Hospital and Health Service) and some of the functions previously performed by the Health Funding Authority.

17. Patient Funds

Waikato DHB administers certain funds on behalf of patients. These funds are held in a separate bank account and any interest earned is allocated to the individual patient balances. Therefore, the transactions during the year and the balance are not recognised in the Statements of Financial Performance, Financial Position or Cash Flows of Waikato DHB.

Changes in Accounting Policies

There have been no changes in accounting policies. The accounting policies stated above have been consistently applied throughout the period and correspond to the accounting policies specified in the Statement of Intent at the beginning of the period.

**CONSOLIDATED STATEMENT OF
FINANCIAL PERFORMANCE**
FOR THE YEAR ENDED 30 JUNE 2002

	Notes	Group 30/06/02 Budget \$000's	Group 30/06/02 Actual \$000's	Group 30/06/01 Actual \$000's	Parent 30/06/02 Actual \$000's	Parent 30/06/01 Actual \$000's
Revenue		499,531	520,881	169,372	516,981	167,425
Expenses (excluding capital charge)		492,832	514,376	165,088	511,524	163,668
Capital Charge	18	10,727	10,493	5,557	10,493	5,557
Operating Surplus/(Deficit) Before Taxation	1	(4,028)	(3,988)	(1,273)	(5,036)	(1,800)
Taxation	2	-	-	-	-	-
Surplus/(Deficit) After Taxation		(4,028)	(3,988)	(1,273)	(5,036)	(1,800)
Share of Retained Surpluses/(Deficits) of Associated Entities	12	-	(1)	(21)	-	-
Net Surplus/(Deficit)		(4,028)	(3,989)	(1,294)	(5,036)	(1,800)

The accompanying accounting policies and notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2002

	Notes	Group 30/06/02 Budget \$000's	Group 30/06/02 Actual \$000's	Group 30/06/01 Actual \$000's	Parent 30/06/02 Actual \$000's	Parent 30/06/01 Actual \$000's
Equity at Beginning of Period		101,056	101,056	-	98,173	-
Net Surplus/(Deficit) for the period		(4,028)	(3,989)	(1,294)	(5,036)	(1,800)
Total recognised revenues and expenses for the period		(4,028)	(3,989)	(1,294)	(5,036)	(1,800)
Contributions from owners		-	48	102,350	48	99,973
Total Equity at the End of the Period		97,028	97,115	101,056	93,185	98,173

The contribution from owners during the six months ended 30/06/01 represents the net assets of the Hospital and Health Service that were vested in Waikato District Health Board effective 1 January 2001.

The accompanying accounting policies and notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2002

	Notes	Group 30/06/02 Budget \$000's	Group 30/06/02 Actual \$000's	Group 30/06/01 Actual \$000's	Parent 30/06/02 Actual \$000's	Parent 30/06/01 Actual \$000's
Equity						
Public Equity		102,350	102,398	102,350	100,021	99,973
Accumulated Deficit		(5,322)	(5,283)	(1,294)	(6,836)	(1,800)
Total Equity		97,028	97,115	101,056	93,185	98,173
Represented by:						
Current Assets						
Bank	5	-	168	108	168	108
Receivables and Prepayments	3	44,136	42,769	41,485	42,410	41,127
Inventories	4	3,800	4,273	3,976	4,273	3,976
Properties Intended for Sale	10	-	-	631	-	631
Total Current Assets		47,936	47,210	46,200	46,851	45,842
Current Liabilities						
Bank	5	1,800	-	-	-	-
Short-term loans	6	4,500	9,874	9,534	9,874	9,534
Payables and Accruals	7	51,529	68,132	40,689	67,932	40,491
Current Portion of Employee Related Provisions	8	1,800	4,643	3,420	4,643	3,420
Total Current Liabilities		59,629	82,649	53,643	82,449	53,445
Net Working Capital (Deficit)		(11,693)	(35,439)	(7,443)	(35,598)	(7,603)

The accompanying accounting policies and notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

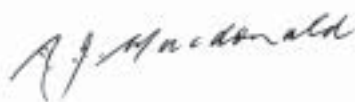
AS AT 30 JUNE 2002

	Notes	Group 30/06/02 Budget \$000's	Group 30/06/02 Actual \$000's	Group 30/06/01 Actual \$000's	Parent 30/06/02 Actual \$000's	Parent 30/06/01 Actual \$000's
Non Current Assets						
Fixed Assets	10	188,082	170,201	171,766	154,685	155,243
Properties Intended for Sale	10	-	1,061	353	1,061	353
Investment in Subsidiary	12	-	-	-	531	531
Loan Advances to Subsidiary	12	-	-	-	2,184	2,151
Loan Advances to Associate	12	-	48	-	48	-
Investments	12	-	10,970	8,882	-	-
Total Non Current Assets		188,082	182,280	181,001	158,509	158,278
Non Current Liabilities						
Employee Related Provisions	8	-	7,850	8,679	7,850	8,679
Term Loans	9	79,361	41,876	63,823	21,876	43,823
Total Non Current Liabilities		79,361	49,726	72,502	29,726	52,502
Net Assets		97,028	97,115	101,056	93,185	98,173

For and on behalf of the Board



M. Ludbrook
Chair
25 October 2002



A. Macdonald
Board Member
25 October 2002

The accompanying accounting policies and notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2002

	Notes	Group 30/06/02 Budget \$000's	Group 30/06/02 Actual \$000's	Group 30/06/01 Actual \$000's	Parent 30/06/02 Actual \$000's	Parent 30/06/01 Actual \$000's
Cash Flow from Operating Activities						
Cash was provided from:						
Receipts from Ministry of Health and patients		473,739	493,789	154,509	489,973	152,811
Interest Received		-	64	14	55	14
Dividends Received		-	-	14	-	14
Other Income		15,716	23,216	11,093	23,216	11,099
		489,455	517,069	165,630	513,244	163,938
Cash was disbursed to:						
Payments to Employees		206,320	198,494	96,375	198,494	96,375
Payments to Suppliers		248,400	263,074	54,206	262,628	54,200
Interest Paid		-	1,983	1,590	1,983	1,596
Capital Charge Paid		14,126	11,124	5,645	11,124	5,645
GST (Net)		-	457	1,409	457	1,409
		468,846	475,132	159,225	474,686	159,225
Net Cash Inflow from Operating Activities	11	20,609	41,937	6,405	38,558	4,713
Cash Flow from Investing Activities						
Cash was provided from:						
Equity injection		-	48	-	48	-
Proceeds from Sale of Fixed Assets		1,200	4	15	4	15
		1,200	52	15	52	15
Cash was applied to:						
Purchase of Investments		3,372	3,216	1,692	-	-
Purchase of Fixed Assets		24,351	16,710	8,576	16,710	8,576
		27,723	19,926	10,268	16,710	8,576
Net Cash Inflow/(Outflow) from Investing Activities		(26,523)	(19,874)	(10,253)	(16,658)	(8,561)
Cash Flow from Financing Activities						
Cash was provided from:						
Proceeds from Loans		4,006	22,804	11,953	22,804	11,953
		4,006	22,804	11,953	22,804	11,953
Cash was applied to:						
Repayment of Loans		-	44,807	8,085	44,644	8,085
		-	44,807	8,085	44,644	8,085
Net Cash Inflow/(Outflow) from Financing Activities		4,006	(22,003)	3,868	(21,840)	3,868
Net Increase/(Decrease) in Cash Held		(1,908)	60	20	60	20
Add Opening Cash		108	108	88	108	88
Closing Cash Balance		(1,800)	168	108	168	108

The accompanying accounting policies and notes form an integral part of these financial statements.

STATEMENT OF CONTINGENT LIABILITIES

AS AT 30 JUNE 2002

	Group 30/06/02 Actual \$000's	Group 30/06/01 Actual \$000's	Parent 30/06/02 Actual \$000's	Parent 30/06/01 Actual \$000's
Legal Proceedings and disputes by third parties	1,145	1,353	1,145	1,353

The contingent liabilities relate to a number of claims involving medical and employment issues which may ultimately result in legal action

STATEMENT OF COMMITMENTS

AS AT 30 JUNE 2002

	Group 30/06/02 Actual \$000's	Group 30/06/01 Actual \$000's	Parent 30/06/02 Actual \$000's	Parent 30/06/01 Actual \$000's
Capital commitments approved and contracted	1,623	3,573	1,623	3,573
Non Cancellable Operating lease commitments				
Less than one year	2,718	3,045	2,718	3,045
One to two years	145	266	145	266
Two to five years	61	461	61	461
Over five years	20	59	20	59
	<hr/> 2,944	<hr/> 3,831	<hr/> 2,944	<hr/> 3,831
Other non cancellable contracts				
Less than one year	42,009	7,285	42,009	7,285
One to two years	21,571	6,750	21,571	6,750
Two to five years	11,468	14,433	11,468	14,433
Over five years	127	115	127	115
	<hr/> 75,175	<hr/> 28,583	<hr/> 75,175	<hr/> 28,583
Total Commitments	79,742	35,987	79,742	35,987

The commitments include future contracts for the provision of health services as valued on 22 August 2002.

The accompanying accounting policies and notes form an integral part of these financial statements.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002

	<i>Group</i> 30/06/02 \$000's	<i>Group</i> 30/06/01 \$000's	<i>Parent</i> 30/06/02 \$000's	<i>Parent</i> 30/06/01 \$000's
1. OPERATING DEFICIT BEFORE TAXATION				
After Charging:				
Remuneration of Auditor				
- Audit Fees	89	78	85	74
- Other Services	13	15	13	15
Depreciation - Buildings	6,817	3,409	5,810	2,905
Depreciation - Plant & Equipment	11,250	7,935	11,250	7,935
Donations	1	10	1	10
Interest Expense	3,497	1,523	1,995	1,523
Rental and Operating Lease Costs	4,289	2,619	4,289	2,619
Bad Debts Written Off	12	70	12	70
Changes in Provision for Doubtful Debts	(27)	(90)	(27)	(90)
DHB Capability Establishment Costs	-	826	-	826
After Crediting:				
Interest Income	792	112	298	112
Dividends Received and Receivable	-	14	-	14
Net Gain on Sale of Fixed Assets	380	8	380	8
DHB Capability Establishment Funding	-	666	-	666

2. TAXATION

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

The subsidiary, Mental Health Building Limited, is subject to income tax which is calculated on a tax payables basis.

3. RECEIVABLES AND PREPAYMENTS

Trade Debtors	5,385	2,475	5,385	2,475
Less Provision for Doubtful Debts	(512)	(538)	(512)	(538)
Accrued Income	1,030	1,955	1,030	1,955
Prepayments	1,649	1,505	1,649	1,505
Ministry of Health	34,948	35,500	34,589	35,142
Associated Entities	269	588	269	588
	42,769	41,485	42,410	41,127

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002

	Group 30/06/02 \$000's	Group 30/06/01 \$000's	Parent 30/06/02 \$000's	Parent 30/06/01 \$000's
4. INVENTORIES				
Pharmaceuticals	188	162	188	162
Surgical and Medical Supplies	4,229	3,921	4,229	3,921
Other Supplies	122	142	122	142
	4,539	4,225	4,539	4,225
Less Provision for Obsolescence	(266)	(249)	(266)	(249)
	4,273	3,976	4,273	3,976

No inventories are pledged as security for liabilities, nor are any inventories subject to retention of title clauses.

5. BANK

Cash at Bank	168	108	168	108
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The Group has an overdraft facility of \$500,000, which is unsecured.

The Group's bank overdraft is at the floating interest rate. The interest rate at balance date was 7.95% per annum.

6. SHORT TERM LOANS

Unsecured Bank Loans	9,874	9,534	9,874	9,534
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The short term loans are unsecured. Interest rates are as disclosed in Note 9.

7. PAYABLES AND ACCRUALS

Trade Creditors and Accruals	37,201	11,729	37,041	11,571
Capital Charge Payable	2,306	2,937	2,306	2,937
Accrued Staff Entitlements	25,735	23,590	25,735	23,590
Board Members Fees Payable	3	3	3	3
GST Payable	2,887	2,430	2,847	2,390
	68,132	40,689	67,932	40,491

**NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 30 JUNE 2002

	Group 30/06/02 \$000's	Group 30/06/01 \$000's	Parent 30/06/02 \$000's	Parent 30/06/01 \$000's
8. EMPLOYEE RELATED PROVISIONS				
Gratuities	7,094	7,258	7,094	7,258
Long Service Leave	1,325	1,122	1,325	1,122
Course Conference Leave	2,744	2,447	2,744	2,447
Course Conference Expenses	1,330	1,252	1,330	1,252
Other	-	20	-	20
	12,493	12,099	12,493	12,099
Term Portion	7,850	8,679	7,850	8,679
Current Portion	4,643	3,420	4,643	3,420
	12,493	12,099	12,493	12,099

9. TERM LOANS

Core Loans	41,876	63,823	21,876	43,823
Interest Rates:				
Core Loans (average for the year)	7.60%	7.69%	6.26%	7.09%

The facility available totals \$95 million

Bank/Lending Agency	\$M Total Facility	Expiry/Review Date
Crown Financing Agency	40	30/09/05
Deutsche Bank AG	20	15/11/06
Westpac Banking Corporation	15	30/06/03
Bank of New Zealand	20	26/07/02

The term loans are unsecured with the exception of the bond issued by Mental Health Building Ltd (\$20,000,000) which is secured by trust deed over the assets of Mental Health Building Ltd.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002

	Group 30/06/02 \$000's	Group 30/06/01 \$000's	Parent 30/06/02 \$000's	Parent 30/06/01 \$000's
10. FIXED ASSETS				
Fixed Assets Recorded at Valuation				
Freehold Land	9,142	9,155	9,142	9,155
Buildings	108,345	108,345	108,345	108,345
	117,487	117,500	117,487	117,500
Less Accumulated Depreciation				
Buildings	16,963	10,615	16,963	10,615
Net Book Value				
Freehold Land	9,142	9,155	9,142	9,155
Buildings	91,382	97,730	91,382	97,730
Total Net Book Value (assets at valuation)	100,524	106,885	100,524	106,885
Fixed Assets Recorded at Cost				
Freehold Land	358	358	-	-
Buildings	32,437	24,615	13,707	5,904
Properties Intended for Sale	1,061	984	1,061	984
Plant & Equipment	121,124	114,851	120,082	113,790
Work in Progress	83	646	83	646
	155,063	141,454	134,933	121,324
Less Accumulated Depreciation				
Buildings	4,758	3,529	626	302
Plant and Equipment	79,567	72,060	79,085	71,680
	84,325	75,589	79,711	71,982
Net Book Value				
Freehold Land	358	358	-	-
Buildings	27,679	21,086	13,081	5,602
Properties Intended for Sale	1,061	984	1,061	984
Plant and Equipment	41,557	42,791	40,997	42,110
Work in Progress	83	646	83	646
Total Net Book Value (assets at cost)	70,738	65,865	55,222	49,342
Total Net Book Value (all fixed assets)	171,262	172,750	155,746	156,227
Analysed as:				
Fixed Assets	170,201	171,766	154,685	155,243
Properties Intended for Sale Current	-	631	-	631
Properties Intended for Sale Non Current	1,061	353	1,061	353
	171,262	172,750	155,746	156,227

Land and Buildings are disclosed at the valuations, and accumulated depreciation, transferred from Health Waikato Limited and as determined by a registered valuer (Ford Valuation) as at 1 July 1999. The first revaluation as a DHB will be undertaken as at 1 July 2002. The buildings owned by Mental Health Building Limited have not been revalued.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002

Fixed Asset Restrictions

Waikato DHB does not have full title to Crown land it occupies but transfer is arranged if and when land is 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 Waikato DHB are subject to a memorial in terms of the Treaty of Waitangi Act 1975 (as amended by 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.

11. RECONCILIATION OF OPERATING SURPLUS / (DEFICIT) WITH NET CASH INFLOW FROM OPERATING ACTIVITIES

	<i>Group</i> 30/06/02 \$000's	<i>Group</i> 30/06/01 \$000's	<i>Parent</i> 30/06/02 \$000's	<i>Parent</i> 30/06/01 \$000's
Operating Surplus/(Deficit)	(3,988)	(1,273)	(5,036)	(1,800)
Add back non-cash items:				
Depreciation	18,067	11,344	17,060	10,840
Non cash Investment Income	1,325	626	1	(67)
Increase/(decrease) in Term Provisions	(829)	532	(829)	532
	18,563	12,502	16,232	11,305
Movements in Working Capital:				
Decrease/(increase) in Receivables and Prepayments	(1,284)	(4,026)	(1,283)	(4,026)
Decrease/(increase) in Inventories	(297)	(236)	(297)	(236)
Increase/(decrease) in Payables and Accruals	28,265	(733)	28,264	(701)
Increase/(decrease) in Current Employee Related Provisions	1,223	(715)	1,223	(715)
	27,907	(5,710)	27,907	(5,678)
Other Items				
Decrease/(increase) in Fixed Asset Creditor	(334)	894	(334)	894
Net loss/(gain) on disposal/write off of Fixed Assets	(211)	(8)	(211)	(8)
	(545)	886	(545)	886
Net Cash inflow/(outflow) from Operating Activities	41,937	6,405	38,558	4,713

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002

12. RELATED PARTY TRANSACTIONS

Government Related Party Transactions and Balances

Waikato DHB is a wholly owned entity of the Crown. The Government significantly influences the role of the Group as well as being its major source of revenue. During the period the Group received \$498 million (2001 \$158 million) from the Government, through the Ministry of Health, to provide health services. The amount owed by the Government at year end was \$34.947 million (2001 \$35.5 million). The Group paid a capital charge of \$10.526 million (2001 \$5.557 million) to the Crown during the year.

In addition to the funding relationship, the Group enters into numerous transactions with Government Departments and Crown agencies on an arm's length basis and where those parties are only acting in the course of their normal dealings with the Group. These transactions are not considered to be related party transactions.

Subsidiary

	Percentage Held	Balance Date
Mental Health Building Limited	99.9%	30 June
	30/06/02	30/06/01
	\$000 s	\$000 s
Shares in Subsidiary	531	531
Advances to Subsidiary	2,184	2,151

During the year Waikato DHB received interest income and management fees of \$628,443 (2001 \$312,021) from Mental Health Building Limited. Waikato DHB paid interest of \$8,630 (2001 \$5,843) to Mental Health Building Limited.

Mental Health Building Limited has a Guaranteed Investment Contract which represents funds deposited in contractual arrangements with Deutsche Bank AG to enable repayment of the bond in November 2006. This contract is for a fixed time period and, as the organisation intends to undertake these arrangements for the full term, the interest accruing is accounted for on a straight line basis with a value as at 30 June 2002 of \$10.9 million. The value of the investment as at 30 June 2002 on a yield to maturity basis is \$9.5 million.

The latest audited financial statements were used as the basis for consolidation.

The principal activity of the subsidiary during the year was the operation of a Mental Health Building

Associated Entity

	Percentage Held	Balance Date
Urology Services Limited	50.0%	30 June

Urology Services Limited commenced on 1 October 1996 and provides urological services to the Waikato DHB catchment. The investment of Waikato DHB comprises 500 shares of \$1 each and its share of undistributed post-acquisition surpluses as at 30 June 2002 amounting to \$34,628 (2001 \$33,815).

No dividends have been received from Urology Services Limited. The Groups share of the retained net surplus of Urology Services Limited for the year ending 30 June 2002 amounted to \$1,313 (2001 deficit \$20,887) and has been consolidated using the equity method of accounting. During the period Waikato DHB received revenue of \$2.8 million (2001 \$1.3 million) from Urology Services Limited. The amount owed by Urology Services Limited at year end was \$268,984.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002

Joint Venture

	Percentage Held	Balance Date
HealthShare Limited	20.0%	30 June
	30/06/02	30/06/01
	\$000 s	\$000 s
Shares in Joint Venture	-	-
Advances to Joint Venture	48	-

HealthShare Limited is a company, established in February 2001 by the five District Health Boards in the Midland Region, which provides contract processing and auditing services for these District Health Boards. No dividends have been received from HealthShare Limited. The Groups share of the retained net deficit of HealthShare Limited for the 12 months ending 30 June 2002 amounted to \$6,788 (2001 \$9,372). During the year Waikato DHB received administration fees of \$18,420 (2001 \$2,505) from HealthShare Limited. Waikato DHB paid HealthShare Limited \$216,667 (2001 \$130,775) being its share of HealthShare Limited's operating costs. The Groups investment in HealthShare Limited has not been accounted for using the proportionate method in the parent financial statements as it is not considered material.

Health Waikato Charitable Trust

The Health Waikato Charitable Trust was incorporated in 1993 as a charitable trust in accordance with the provisions of the Charitable Trusts Act 1957. The purpose of the Trust is to fund health or disability services, related services or projects, health research or education and other appropriate health related purposes within the communities served by Waikato DHB.

The following related party transactions occurred during the period:

- Administration costs of the Trust are borne by Waikato District Health Board.
- Revenue received from the Trust during the period was \$226,847 (2001 \$63,835).

Key Management and Board Members

There have been no transactions between Waikato DHB and Board Members or Senior Management in any capacity other than that for which they are employed.

13. SEGMENTAL REPORTING

Waikato DHB operates in the provision of health and disability services industry and in one geographical location, the greater Waikato region. Therefore no segmental reporting is required.

14 FINANCIAL INSTRUMENTS

Waikato DHB has a treasury policy which provides for risk management of interest rates, operating and capital expenditures denominated in a foreign currency, and the concentration of credit.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Waikato DHB's treasury policy states that the organisation will manage interest rate variation in a risk averse manner, by appropriate hedging transactions. There are interest rate options or interest rate swap agreements in place as at 30 June 2002.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002

Concentration of Credit Risk

Financial instruments which potentially subject the organisation to concentrations of risk consist principally of cash and short-term investments, trade receivables and various off-balance sheet instruments.

The organisation places its cash and short-term investments with high credit quality financial institutions and sovereign bodies and limits the amount of credit exposure to any one financial institution.

Concentrations of credit risk with respect to accounts receivable are high due to the reliance on the Ministry of Health for approximately 90% of revenue. However, the Ministry of Health is a high credit quality entity, being a department of the Crown.

Fair Value

The following methods and assumptions were used to estimate the fair value of each class of financial instrument of which it is practical to estimate that value:

Cash and bank overdraft - The carrying amount of cash and bank overdraft balances is equivalent to their fair value.

Investments - For the purposes of compliance with generally accepted accounting practice, the carrying amounts of all investments are stated at the lower of cost and net realisable value. The fair value of short-term investments is estimated based on quoted market prices for those instruments at balance date. The fair value of investments in subsidiaries and associates is estimated based on the organisation's share of their net assets.

Long-term Debt - The organisation anticipates that long-term debt will be held to maturity, and accordingly settlement at the reported market value of these financial instruments is unlikely.

Options/Forward Rate Agreements/ Futures - The fair value of these financial instruments is estimated based on the quoted market prices of the instruments

The estimated fair values of the organisation's financial instruments at 30 June are as follows:

	30/06/02 Group Face Value Outstanding \$000's	30/06/02 Group Market Value \$000's	30/06/01 Group Face Value Outstanding \$000's	30/06/01 Group Market Value \$000's
Bank	168	168	108	108
Receivables and Prepayments	42,769	42,769	41,485	41,485
Payables and Accruals	68,132	68,132	40,689	40,689
Short Term Loans	9,874	9,874	9,534	9,534
Term Loans	41,876	41,876	63,823	64,379

Long Term Debt Derivatives (quarterly rate sets)

Period Starting	Net Cover \$000	Market Value \$000
30 September 2002	23,000	23,016
31 December 2002	6,000	6,074
31 March 2003	6,000	6,074
30 June 2003	6,000	6,074
30 September 2003	6,000	6,074
31 December 2003	6,000	6,074
31 March 2004	6,000	6,074

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002

15. PATIENT FUNDS

Waikato DHB administers certain funds on behalf of patients. These funds are held in a separate bank account and any interest earned is allocated to the individual patient balances. Therefore, the transactions during the year and the balance at 30 June are not recognised in the Statements of Financial Performance, Financial Position or Cash Flows of Waikato DHB.

	30/06/02 \$000's	30/06/01 \$000's
Opening Balance	29	20
Monies Received	173	211
Payments Made	(176)	(202)
Closing Balance	26	29

16. BOARD MEMBERS REMUNERATION

Remuneration paid to Board Members during the year totalled \$297,591 (2001 \$151,501) plus other expenses of \$15,080 (2001 \$8,418). In addition, payments to Non-Board Members who attended meetings totalled \$15,750 (2001 \$3,250).

The Board Members fees were apportioned as follows:

Tony Cull (Retired 10 December 2001)	10,667
Bernadette Doube (Retired 10 December 2001)	12,292
Ian Glennie (Retired 10 December 2001)	12,528
Piers Hamid (Retired 10 December 2001)	12,333
Elisapeta Karalus (Retired 10 December 2001)	11,667
Taitimu Maipi (Retired 10 December 2001)	11,917
David Macpherson (Retired 10 December 2001)	15,208
James Ritchie (Retired 10 December 2001)	11,417
Rea Wikaira (Retired 10 December 2001)	12,729
Mere Balzer (Commenced 26 June 2002)	-
Sally Christie (Commenced 10 December 2001)	15,396
Alison Glover (Commenced 10 December 2001)	15,083
Tony Haycock (Commenced 10 December 2001)	14,896
Michael Ludbrook (Commenced 21 December 2001)	13,917
Angus Macdonald (Commenced 10 December 2001)	17,750
Wayne McLean (Commenced 21 December 2001)	13,917
Paul Malpass (Commenced 10 December 2001)	14,583
Leonie Tisch (Commenced 10 December 2001)	15,208
Ewan Wilson (Commenced 10 December 2001)	15,083
Ian Wilson (Chair for full year)	51,000
	297,591

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002

17. EMPLOYEE REMUNERATION

\$10,000 bands	2002	2001
100,001 - 110,000	38	24
110,001 - 120,000	23	22
120,001 - 130,000	19	19
130,001 - 140,000	15	19
140,001 - 150,000	15	21
150,001 - 160,000	23	19
160,001 - 170,000	18	21
170,001 - 180,000	20	14
180,001 - 190,000	8	11
190,001 - 200,000	8	7
200,001 - 210,000	8	3
210,001 - 220,000	1	5
220,001 - 230,000	3	1
230,001 - 240,000	1	0
330,001 - 340,000	0	1
370,001 - 380,000	1	0
Total	201	187

Of the 201 employees shown above, 189 are medical or dental employees. If the remuneration of part time employees were grossed up to a full time equivalent basis, the total number of employees with remuneration of \$100,000 or more would be 266 compared with the actual total number of employees of 201. The annual remuneration of the Chief Executive was in the \$370,001 to \$380,000 band. No termination payments have been made during the year.

18. CAPITAL CHARGE

The DHB pays a capital charge to the Crown based on the greater of its actual or budgeted closing equity balance. The capital charge rate for the period ended 30 June 2002 was 11%

19. MAJOR VARIATIONS FROM BUDGET

The Waikato DHB Group recorded a net deficit of \$3.989 million compared with a budgeted deficit of \$4.028 million. The major reason for the positive variance between the actual and budgeted result was lower depreciation and interest costs arising from the timing of cash flows and capital expenditure, with offsetting higher expenditure on clinical supplies.

Actual cash inflows from operating activities for the year were higher than budgeted due to additional revenue being devolved from the Ministry of Health to district health boards subsequent to the budget estimates being determined.

20. POST BALANCE DATE EVENTS

There have been no significant events occurring post balance date.

STATEMENT OF SERVICE PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2002

COST OF SERVICE STATEMENT					
FOR THE YEAR ENDED 30 JUNE 2002					
	<i>Funds \$000</i>	<i>Governance & Funding Administration \$000</i>	<i>Provider \$000</i>	<i>Elimination \$000</i>	<i>Total \$000</i>
Revenue	460,660	2,352	347,419	(289,550)	520,881
Less Expenditure	460,662	2,966	350,791	(289,550)	524,869
Net Surplus	(2)	(614)	(3,372)	-	(3,988)

OUTPUT CLASS: GOVERNANCE AND ADMINISTRATION			
Performance Dimension	Deliverable	Target date	Performance
<p>Governance</p> <p>The Board will operate under the governance arrangements outlined in the New Zealand Public Health and Disability (NZPHD) Act.</p>	<p>The Board's committee structure, terms of reference for committees, committee membership, standing orders for the Board and committees and related procedures will remain compliant with the NZPHD Act.</p>		<p>The Board have implemented:</p> <ul style="list-style-type: none"> - Ministerially approved delegation policy - Board Performance appraisal - Statutory Committees (including terms of reference) - Interests Register - Training Register
<p>Financial Management</p> <p>The Board will manage its financial operations in accordance with best practice and public sector financial accountability rules as set out in the Public Finance Act 1989 and generally accepted accounting principles.</p>	<p>Financial Reports will be compliant with the requirements of the Act and provided on time.</p>		<p>Financial Reports are compliant with the Public Finance Act 1989 and have been provided on time.</p>
<p>Partnership with Māori</p> <p>The Board will have established relationships with Māori consistent with the provisions of the NZPHD Act and will be fully inclusive of Māori in its decision-making.</p>	<p>Demonstrate engagement with Māori within relationships, which are formally documented and mutually agreed.</p>	31 May 2001	<p>A Memorandum of Understanding was signed in March 2001 and the Iwi Māori Council meets monthly.</p>
<p>Communications</p> <p>The Board will ensure its communities and stakeholders are well informed about the changing role of the DHB and will collaborate with the Ministry and other DHBs in communicating information about the sector and issues affecting it.</p>	<p>Engage community and stakeholder in consultation forums and advisory groups as per the consultation framework and the consultation toolkit</p> <p>Implement a Board endorsed communications strategy.</p>	<p>Quarterly</p> <p>25 May 2001</p>	<p>Community engaged through:</p> <ul style="list-style-type: none"> - Quarterly District Advisory Group meetings - Quarterly Community Health Forum meetings - Issue based focus groups & steering groups - Advertising of all relevant board meetings <p>Achieved. Board endorsed communications strategy implemented including the bi-monthly Continuum magazine</p>

STATEMENT OF SERVICE PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2002

Performance Dimension	Deliverable	Target date	Performance
<p>Risk Management</p> <p>The Board will comply with public sector risk management standards as set out in "Guidelines for managing risk in the Australian and New Zealand public sector SAA/NZS HB 143:1999".</p> <p>The Board will manage the DHB's risks through a risk management framework that will include formal audit processes.</p> <p>The Board will report in an agreed form and frequency to the Minister and Ministry on material risks and the strategies for their management.</p>	<p>Appropriate risk management processes are in place and operationalised.</p> <p>Reports to the Minister and Ministry on material risks and strategies for their management.</p>	<p>31 Dec 2001</p> <p>Monthly from January 2002</p>	<p>A formal risk plan and periodic review process is in place and complies with the standard.</p> <p>Achieved in February 2002 due to a minor delay arising from the need to reconfigure the Board's Audit Committee after DHB elections.</p>
<p>Collaborative Arrangements</p> <p>The Board will take a collaborative approach to its work with other DHBs including:</p> <ul style="list-style-type: none"> Ensuring the efficient and effective use of scarce resources Negotiating with the Ministry (via DHBNZ if appropriate) an agenda of collaborative initiatives for action during 2001/02. 	<p>Collaborative arrangements will be maintained with other DHBs at Board and management level.</p> <p>Engage with the Ministry to develop an agreed agenda of collaborative initiatives.</p>	<p>Monthly regional CEOs' Forum and Board Chairs meetings as arranged</p> <p>As per Ministry timetable</p>	<p>Collaborative arrangements were maintained with other DHBs including Board Chair meetings and monthly CEO meetings.</p> <p>The Ministry did not proceed with an agreed agenda for the sector.</p>
<p>Accountability</p> <p>The Board will operate under the accountability arrangements contained within the NZPHD Act and the Public Finance Act 1989 that cover its core responsibilities as funder, provider, and owner.</p>	<p>Present the Annual Plan and SOI for 2001/02 to the Minister for endorsement.</p> <p>Prepare and complete a 10 year Strategic Plan for the DHB</p> <p>Submit the Annual Plan for 2002/03, consistent with the New Zealand Health Strategy and the New Zealand Disability Strategy, to the Ministry.</p> <p>Submit a SOI to the Minister as per the legislative requirements</p>	<p>30 Sept 2001</p> <p>28 Feb 2002</p> <p>31 May 2002</p> <p>31 May 2002</p>	<p>Completed on due date</p> <p>Completed on due date</p> <p>Completed on due date</p> <p>Draft submitted by 31 May 2002 with final SOI to be submitted within agreed timeframe following Minister's endorsement of Annual Plan.</p>
<p>Information Management (paper & electronic)</p> <p>The Board will manage records and information in an efficient and cost-effective manner, and will work with the Ministry, to ensure that both parties secure access to information and information management systems (including those administered nationally by the Ministry of Health) needed to discharge their responsibilities.</p>	<p>Implement, through HealthShare Ltd, regional records management and archival process</p>	<p>01 July 2001</p>	<p>HealthShare Ltd was reviewed in December 2001 and now undertakes provider audit rather than acting as a shared service agency. Accordingly, responsibility for contract management and archival was transferred to the District Health Board.</p>

STATEMENT OF SERVICE PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2002

OUTPUT CLASS: FUNDS			
Performance Dimension	Deliverable	Target date	Performance
<p>Needs Analysis</p> <p>Global health needs analysis completed, consistent with the Ministry of Health requirements</p>	<p>Global health needs assessment completed and integrated into the strategic planning process through:</p> <ul style="list-style-type: none"> - Setting up of reference and technical groups, and compiling and analysing existing data - Consultation and engagement with the community - Prioritisation and finalisation of first global health needs assessment 	<p>30 Aug 2001</p> <p>30 Sept 2001</p> <p>15 Dec 2001</p>	<p>Completed on due date</p> <p>Completed on due date</p> <p>Completed on due date</p>
<p>Prioritisation and Decision-making</p> <p>Global prioritisation - The Board will prioritise the needs of its communities, within the constraints of its service funding and the principles and priorities of the New Zealand Health Strategy and the New Zealand Disability Strategy.</p>	<p>Prioritisation process will be developed and implemented in consultation with the Board and key stakeholders</p>	<p>15 Dec 2001</p>	<p>The administrative and consultation processes associated with prioritisation were completed and adopted by the Board on time.</p>
<p>Consultation</p> <p>The Board will have structures, processes and resourcing for consultation, ensuring that it is consistent with legislative requirements and the guidelines prepared by the Ministry</p>	<p>Undertake community consultation as per the Waikato DHB consultation framework</p>		<p>Completed</p>
<p>Civil Defence Emergency Management (CDEM)</p> <p>The Board will develop a CDEM plan to complement and integrate its existing hospital and health service related CDEM plan, setting out the steps it will take to identify, prepare for, respond to and recover from civil defence and related emergencies. This plan will reflect the DHB's roles as both a funder and provider of health services as summarised in Part 6 (Health) of the National Civil Defence Plan.</p>	<p>Provide the Ministry with an integrated CDEM plan spanning the full range of DHB functions.</p>	<p>30 Nov 2002</p>	<p>CDEM Plan implementation across all Waikato providers is now in progress.</p>

STATEMENT OF SERVICE PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2002

OUTPUT CLASS: PROVIDER			
Targets and Measures	Definitions and Calculation Method	Target	Actual
Internal Process and Efficiency			
Revenue to FTEs			
Resourced bed Occupancy rates	The ratio of Revenue (\$) to full time employee	>88,600	90,669
Operating Theatre Management	The ratio of inpatient bed days for the period to the number of resourced inpatient beds in service.	>82 %	82%
Case-mix weighted Average Length of Stay (LOS days)	Total anaesthetic time divided by total nurse hours for the theatre complex.	>17 %	17%
Elective Surgery Undertaken on a Day-stay Basis	The average period for which each inpatient in secondary care (excluding mental health, assessment and rehabilitation services, continuing care, well babies and borders) occupies a bed expressed in the number of days stay.	<3.60	3.32
	The number of theatre operations undertaken on a day-stay basis divided by the total number of theatre operations.	>57%	54%
Customer and Quality			
Patient's Overall Satisfaction	The weighted score of patients responses from patient satisfaction surveys, implemented in accordance with Ministry of Health patient satisfaction guidelines.	0.80	0.84
Emergency Triage Category 1	The percentage of emergency department triage category 1 patients seen immediately	=100 %	97%
Emergency Triage Category 2	The percentage of emergency department triage category 2 patients seen within 10 minutes	>80 %	42%
Emergency Triage Category 3	The percentage of emergency department triage category 3 patients seen within 30 minutes	>75%	48%
Organisational Health and Learning			
Staff Turnover - Voluntary (monthly average %)	The total number of employees who voluntarily resign compared to the total number of employees at the beginning of the period (excluding Resident Medical Officers, temporary and casual staff)	<1.2%	1.3%
Staff Stability Rate (monthly average %)	The number of employees whom have not left the organisation with less than two years service compared to the number of employees with the organisation at the beginning of the period (excluding Resident Medical Officers, temporary and casual staff)	>99.5%	99.4%
Sick Leave Rate (%)	Total number of hours of paid or unpaid sick leave taken by employees divided by the number of employees hours.	<3.5%	3.2%
Lost Time Injury Frequent Rate (12 month average rate)	The number of days lost, due to work related injury (including the first week of paid compensation and return to work programmes) divided by 100,000 hours.	<1.4	1.2