

Annual Report

FOR THE YEAR ENDED 30 JUNE 2019



Message from the Chair

Tēnā koutou, tēnā koutou, tēnā koutou katoa.



I congratulate HealthShare staff on the support provided to Midland DHBs (and nationally) in collaborative partnerships, and in facilitating system improvement.

It gives me pleasure to introduce the 2018-19 HealthShare Annual Report.

This past year has been a significant year as the HealthShare Board has worked with its Chief Executive to implement HealthShare's mission, "To support Midland DHBs by working in collaborative partnerships, leading and facilitating change, building a future focused organisation". This is consistent with HealthShare's vision, "Hei oranga he hapori, kia oranga te whānau - when communities are well, whānau will thrive".

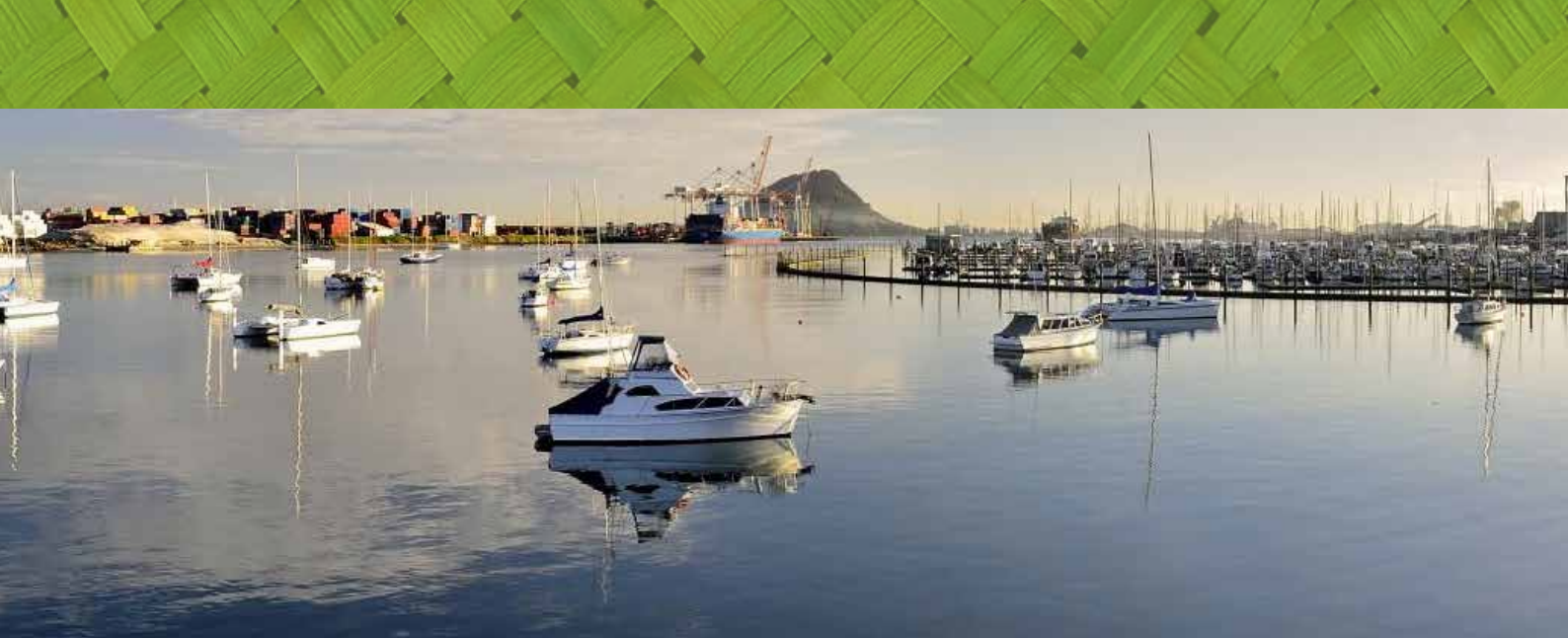
This Annual Report provides examples of both "the collaborative partnerships, leading and facilitating change" as well as changes occurring within HealthShare to become an organisation that is relevant for Midland DHBs in the future ("building a future focused organisation").

A significant achievement during 2018/19 was HealthShare achieving accreditation for four years with the International Society for Quality in Health Care (ISQua). ISQua accreditation is important for the Audit and Assurance team to achieve certification as a Designated Audit Agency with the Ministry of Health, which was also achieved in 2018/19.

Of even greater benefit was that the ISQua audit enabled the Board to reflect on HealthShare's governance, and corporate systems and processes. The audit identified exemplars, for example the Human Resources competency framework, as well as areas for improvement. The Board and staff were able to respond over a six month period to meet the requirements of the standards.

I congratulate HealthShare on this achievement.





I also congratulate HealthShare staff on the support provided to Midland DHBs (and nationally) in collaborative partnerships, and in facilitating system improvement. Sampled examples include:

- Hepatitis C - working to identify those with Hep C so they can access new curative treatments;
- Bowel screening - supporting DHBs with their process to go live with the national screening programme;
- Pathways of Care - the successful change from Map of Medicine to HealthPathways on 1 July 2018 and the step change in engagement and use of pathways to clarify where treatment and care occurs and to streamline patient referral between General Practice and hospitals;
- Audit and Assurance collaboration with the Ministry of Social Development, and involvement in the national Accreditation pilot, to

streamline the processes and reduce audit duplication on service providers;

- Midland Cancer Network facilitating information sharing, knowledge transfer and the involvement of Māori in the design of cancer care services to improve equity of access, as well as overall improvement in cancer related outcomes for Māori (Kia Ora E Te Iwi programme);

I would also like to thank my colleagues on the Board for their support and commitment over the past year. In all we look forward to another year of development and progress in 2019/20 and the achievements that will follow.

Jim Green
Chair - HealthShare



HealthShare office space

Over the past year HealthShare has experienced a period of growth in staff (including contractors). This has largely been due to the expected growth in the eSPACE programme and the National Bowel Screening Programme. Combined with the necessary filling of staff vacancies, this has seen an increase in the number of staff residing both in Hamilton and outside Hamilton; especially Tauranga and New Plymouth cities.

HealthShare continues to work out its collective identity as He Rourou Takitahi – a woven flax basket. Office spaces provide an important ‘form’ within which He Rourou Takitahi can occur. Office space in convenient locations also allows HealthShare to continue to source talent from throughout the Midland region. In August the HealthShare Board approved a business case to establish a small office in New Plymouth, which opened on 5 October. On 7 September an open plan office environment opened in Hamilton for the eSPACE and Regional IS teams to collaborate in over the next 18 months.



Tracey Kerehoma and Francesca Barron



HealthShare's New Plymouth office opening – 4 October 2018

HealthShare website

HealthShare launched a new website earlier this year, aimed at making it easier to find out more about HealthShare, its priorities, the work it does and the impact it has on people living in the Midland region.

One of the benefits of the new website is that it makes it simple for HealthShare staff to make changes, share relevant news, events and resources, and to update content regularly. It also includes a secure Members' Area, where Midland health professionals can access information and share ideas.

HealthShare also recently produced an 'Introduction to HealthShare' brochure, which provides key information about HealthShare in an engaging, easy to digest format.



Network collaboration – Stroke and Cardiac services

HealthShare supports the regional coordination of Network activities in areas where health services have common interests. For example, the HealthShare Cardiac and Stroke project managers collaborated to hold a wānanga providing an opportunity for Māori consumers and their whānau to tell their stories to those responsible for developing and providing the services. There was wide representation from Midland DHBs and other services with 45 people attending. Feedback from attendees was overwhelmingly positive.

Hepatitis C

Regional collaboration around hepatitis C has shown great promise, where the Health Minister David Clark praised the approach of the Midland region integrated community hepatitis C service at the hepatitis C summit in Auckland in July 2018. Over the past year, HealthShare has helped coordinate the Midland hepatitis C Symposium, community clinics and events such as the Sir Māui Pōmare Day, the Gisborne A&P Show and the lead-up to for the first hep C community day in Rotorua in July 2019. New on the ground innovation and new relationships e.g. Probation, have helped the team design and development new models of care as proof of concepts.

Three of the five Midland DHB's have hep C working group, coordinated by HealthShare, with one of their goals being to break down the stigma which surrounds hep C and creates a barrier to treatment. This has involved building grassroots community relationships, bringing testing into the community and having open conversations about preventing and eliminating hep C transmission.



Vascular Network

The Midland Region Vascular Group (MRVG) has been meeting since December 2017 to implement the National Vascular Model of Care document.

MRVG has supported District Health Boards (DHBs) within the Midland region to identify and strengthen systems and processes to improve patient flows across the region and enhance delivery within DHBs. This includes referral documentation in Taranaki DHB and the separation of vascular from general surgical services at Bay of Plenty DHB.

The results of the National Vascular Workforce Stocktake, consideration of the vulnerable nature of smaller DHBs vascular services and equity of access has prompted MRVG to include the development of a Midland Region Vascular Plan in their work plan for the 2019/20 year.



Midland bowel screening regional centre



The Midland bowel screening regional centre has been contracted by the Ministry of Health to support Midland DHBs to implement the national bowel screening programme during the national rollout timelines (concluding 30 June 2021). Additionally the Midland DHB Chief Executives endorse Midland BSRC to undertake end to end colorectal cancer service improvement in partnership with the Midland DHBs.

eSPACE

The year has been one of steady progress for the eSPACE Programme as we support the region to realise its vision of one patient, one record.

Since we launched the Midland Clinical Portal (MCP) and its read-only capability, Midland clinicians are increasingly recognising the value of having a regional view of patient activity through a single point of access.

Approximately 8,600 Midland clinicians have accessed the clinical information of more than 950,000 registered Midland patients, including more than 5.3 million clinical documents and nearly 6 million patient-related events that have been captured in the MCP. Its latest enhancement now offers visibility of national dispensed and prescribed medication data from the New Zealand ePrescription Service (NZePS) – a first by a region in New Zealand.

Our focus now is to build on current MCP capability and deliver an intuitive and interactive clinical information system that is robust and responsive to the growing needs of clinicians. For the eSPACE Programme team, this means building capability that further supports clinicians to make sound clinical decisions and deliver quality, patient-centred care.

“MCP has made an enormous difference to patient care by being able to see the whole picture of clinical events for an individual patient through one portal. This is not only saving clinical time but also improving patient safety” – Lakes DHB physician

“It is not an exaggeration to say that MCP will help save lives by reducing risk and increasing the accuracy of available information” – Waikato DHB physician

“Information is right at your fingertips. Prior to the portal I had to phone patients’ GPs, or another hospital to get copies of their medical

records. I can access discharge summaries and immediately have up-to-date information in real time – this really helps my decision making” – Taranaki DHB physician

“I find the MCP extremely useful. I was just able to view a discharge summary for a renal transplant patient that I transferred to Waikato for consideration of a renal biopsy. This meant I was able to follow up on their progress without the hassle of ringing around. This will save time for both myself and the other physicians” – Bay of Plenty DHB physician

“It is brilliant for us to have direct access to the clinical notes from tertiary services. Timing can be critical, so a system that helps us access the information we need more easily and more quickly is a real plus” – Hauora Tairāwhiti physician

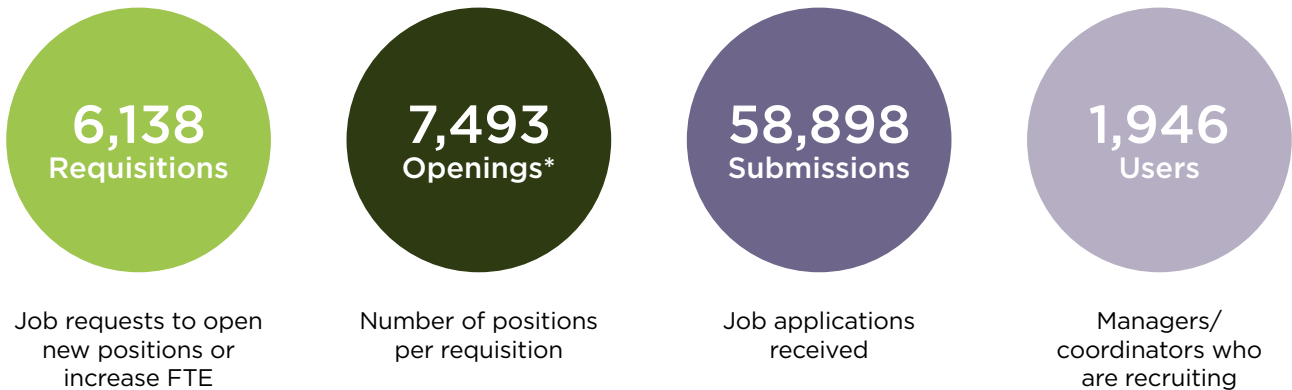


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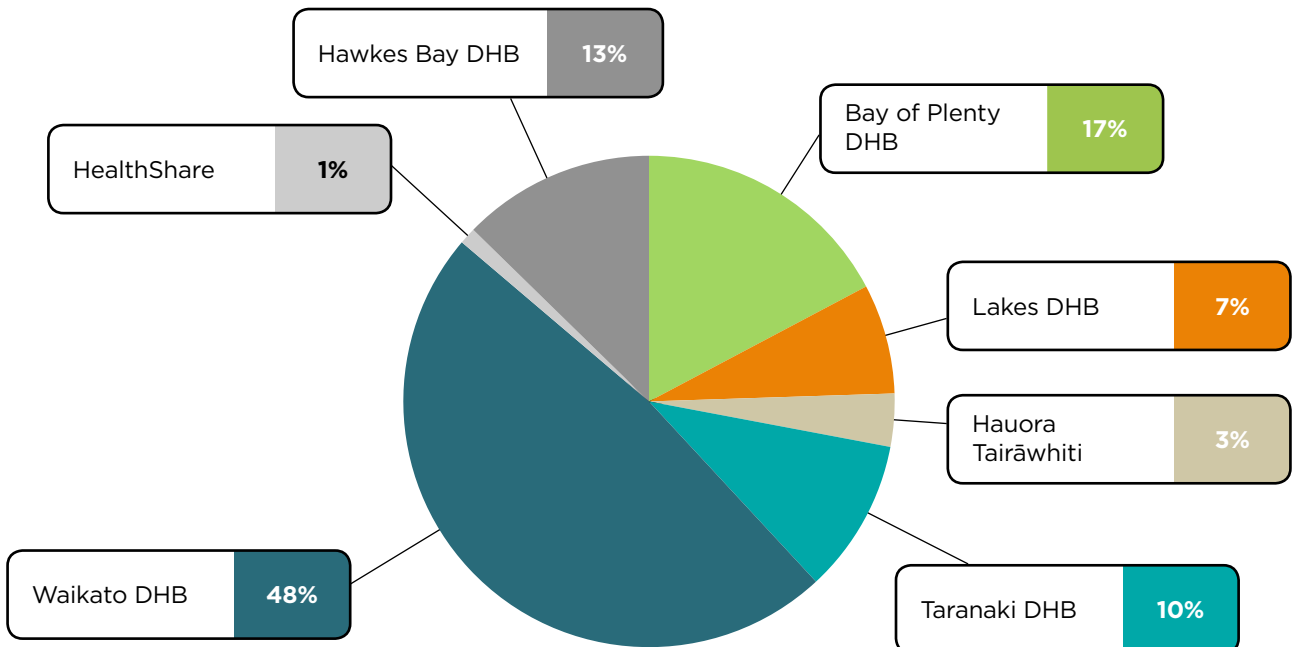


HealthShare provides recruitment system support for six DHBs. These are the Midland DHBs and Hawkes Bay DHB. This arrangement has been in place since May 2012.

In the 12 months ended 30 June 2019, HealthShare's recruitment systems supported:



Where did we do our work? **



* One requisition can have numerous openings - e.g. a requisition for nursing in a specific ward may need 4 new staff (1 x requisition, 4 x openings). Generally the number of openings will be greater than the number of requisitions - also supports the larger number of submissions.

** Provision of Taleo support is the only service provided for another DHB outside of the Midland region.

Company Directory

FOR THE YEAR ENDED 30 JUNE 2019

COMPANY NUMBER	1112891
AUTHORISED CAPITAL	500 \$1 shares
REGISTERED OFFICE	16 Clarence St, Hamilton

SHAREHOLDERS SHARES HELD

Bay of Plenty District Health Board	100
Lakes District Health Board	100
Hauora Tairāwhiti	100
Taranaki District Health Board	100
Waikato District Health Board	100
Total	500

DIRECTORS

Helen Mason, Bay of Plenty DHB
Ronald Dunham, Lakes DHB (term ended Dec 2018)*
Nicholas Saville-Wood, Lakes DHB (term started Jan 2019)*
Jim Green, Hauora Tairāwhiti
Rosemary Clements, Taranaki DHB
Derek Wright, Waikato DHB (term ended May 2019)
Neville Hablous, Waikato DHB (term started 29 May 2019)

ALTERNATES

Simon Everitt, Bay of Plenty DHB
Nicholas Saville-Wood, Lakes DHB (term ended Dec 2018)*
Alan Mountfort, Lakes DHB (term started Jan 2019)*
Lynsey Bartlett, Hauora Tairāwhiti
Becky Jenkins, Taranaki DHB (term ended Nov 2018)
Gillian Campbell, Taranaki DHB (term started Nov 2018)
Neville Hablous, Waikato DHB (term ended 29 May 2019)
Tanya Maloney, Waikato DHB (term started May 2019)

* The dates provided are when the Director officially acted in capacity for HealthShare and not necessarily the dates that are reflected with the Company's Office

AUDITORS	Audit New Zealand, On behalf of the Auditor-General
BANKERS	Bank of New Zealand
SOLICITORS	Chapman Tripp, Auckland

Directors' Report

FOR THE YEAR ENDED 30 JUNE 2019

The Directors submit their report and the audited financial statements of the Company for the year ended 30 June 2019.

Principal Activity

The principal activity during the year was the provision of regional services.

Financial Position

The equity of the company was represented by:

	2019 Actual \$000	2018 Actual \$000
Total current assets	7,441	7,288
Non-current assets	19,084	13,872
Total assets	26,525	21,160
Less		
Total liabilities	24,309	19,283
Equity	2,216	1,877

Financial Performance

The surplus for the year was \$339,000 (2018: \$438,000 surplus).

Dividends

The Directors recommended that no dividend be paid (2018: \$Nil).

Donations

There were no donations made during the year (2018: \$Nil).

Auditor

Audit New Zealand is appointed under section 43 of Public Finance Act 1989 and section 17 of the Public Audit Act 2001. Audit New Zealand has been appointed to provide these services, their total audit fee for 2019 is \$33,373 (2018: \$33,373).

Directors' Report

FOR THE YEAR ENDED 30 JUNE 2019

The Directors of HealthShare Limited during the year ended 30 June 2019 were:

DIRECTORS

- Helen Mason, Bay of Plenty DHB
- Ronald Dunham, Lakes DHB (term ended Dec 2018)*
- Nicholas Saville-Wood, Lakes DHB (term started Jan 2019)*
- Jim Green, Hauora Tairāwhiti
- Rosemary Clements, Taranaki DHB
- Derek Wright, Waikato DHB (term ended May 2019)
- Neville Hablous, Waikato DHB (term started 29 May 2019)

ALTERNATES

- Simon Everitt, Bay of Plenty DHB
- Nicholas Saville-Wood, Lakes DHB (term ended Dec 2018)*
- Alan Mountfort, Lakes DHB (term started Jan 2019)*
- Lynsey Bartlett, Hauora Tairāwhiti
- Becky Jenkins, Taranaki DHB (term ended Nov 2018)
- Gillian Campbell, Taranaki DHB (term started Nov 2018)
- Neville Hablous, Waikato DHB (term ended 29 May 2019)
- Tanya Maloney, Waikato DHB (term started May 2019)

* The dates provided are when the Director officially acted in capacity for HealthShare and not necessarily the dates that are reflected with the Company's Office

Directors interests and use of information

The directors of HealthShare Limited are all officers of the District Health Boards that are the shareholders of HealthShare Limited.

HealthShare Limited did not receive any notices from Directors requesting use of company information which would not otherwise have been available to them.

Statement of Responsibility

FOR THE YEAR ENDED 30 JUNE 2019

The Board and management of HealthShare Limited accept responsibility for the preparation of the financial statements for the year ended 30 June 2019 and the judgements used in them.

The Board and management of HealthShare Limited accept responsibility for establishing and maintaining systems of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Board and management of HealthShare Limited, the financial statements for the year ended 30 June 2019 fairly reflect the financial position and operations of HealthShare Limited.

Signed on behalf of the Board



Jim Green

Chair/Director

1 November 2019



Nick Saville-Wood

Director

1 November 2019

Statement Of Comprehensive Revenue and Expense

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 Actual \$000	2018 Actual \$000
Income			
Revenue	1	17,222	15,338
Finance income	2	70	46
Total income		17,292	15,384
Expenditure			
Personnel costs	3	6,804	5,112
Depreciation	4	83	122
Amortisation & Impairment	5	2,178	2,018
Outsourced services		2,857	3,950
Other operating expenses	6	5,031	3,744
Total expenditure		16,953	14,946
Surplus/(deficit) before and after tax		339	438
Other comprehensive income for the year		-	-
Total comprehensive income for the year	7	339	438

The accompanying notes form part of the financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 Actual \$000	2018 Actual \$000
Balance at 1 July		1,877	1,439
Total comprehensive income		339	438
Total recognised income and expenses		339	438
Owner Transactions			
Contributions/(withdrawals) from owners		-	-
Balance at 30 June	7	2,216	1,877

The accompanying notes form part of the financial statements.

Statement of Financial Position

AS AT JUNE 2019

	Note	2019 Actual \$000	2018 Actual \$000
Current assets			
Cash and equivalents	8	4,349	4,948
Trade and other receivables	9	3,066	2,316
Prepayments	10	26	24
Total current assets		7,441	7,288
Non-current assets			
Property, plant and equipment	4	99	111
Intangible assets	5	18,985	13,761
Total non-current assets		19,084	13,872
Total assets		26,525	21,160
Less			
Current liabilities			
Trade and other payables	11	3,008	2,864
Income in Advance	12	2,503	2,331
Employee benefits	13	859	651
Lease liability - short term	14	-	923
Total current liabilities		6,370	6,769
Non-current liabilities			
Income in advance - long term portion	12	17,939	12,514
Total non-current liabilities		17,939	12,514
Total liabilities		24,309	19,283
Net Assets		2,216	1,877
Equity	7	2,216	1,877

The accompanying notes form part of the financial statements.

Statement of Cashflows

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 Actual \$000	2018 Actual \$000
Cash flows from operating activities			
Operating receipts		22,069	21,904
Interest received	2	70	46
Cash paid to suppliers and employees		(14,341)	(12,110)
Net cash flows from operating activities		7,798	9,840
Cash flows from investing activities			
Acquisition of property, plant and equipment	4	(15)	-
Acquisition of intangible assets	5	(7,459)	(4,320)
Net cash flows from investing activities		(7,474)	(4,320)
Finance Lease Payments		(923)	(923)
Net cash flows from financing activities		(923)	(923)
Net increase/(decrease) in cash and cash equivalents		(599)	4,597
Cash and cash equivalents at beginning of year	8	4,948	351
Cash and cash equivalents at end of year		4,349	4,948

The accompanying notes form part of the financial statements.

Notes to the Financial Statements

SIGNIFICANT ACCOUNTING POLICIES

STATEMENT OF ACCOUNTING POLICIES

Reporting entity

HealthShare Limited was registered under the Companies Act 1993 on 24 January 2001. The Transfer Agreement was enacted on the 15 February 2001.

HealthShare Limited has designated itself as a public benefit entity for financial reporting purposes.

The financial statements are for the year ended 30 June 2019, and were authorised for issue by the Chairman and a Director on 01 November 2019.

HealthShare is a crown entity subsidiary under section 7 of the Crown Entities Act 2004.

Statement of compliance

The financial statements of HealthShare Limited have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP).

The financial statements have been prepared in accordance with Tier 2 PBE Standards Reduced Disclosure Regime. All the relevant disclosure concessions have been applied. The criteria under which HealthShare is eligible to report in accordance with Tier 2 PBE Standards are:

- HealthShare Limited has no public accountability;
- HealthShare Limited has total expenses less than \$30 million.

These financial statements comply with PBE accounting standards.

Basis of preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

Functional and presentation currency

The financial statements are presented in New Zealand Dollars and are rounded to the nearest thousand dollars (\$000). The functional currency is New Zealand dollars.

Measurement basis

The financial statements have been prepared on a historical cost basis except for financial instruments which are stated at their fair value.

Changes in accounting policies

There have been no changes in accounting policies during the financial year.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue

Revenue from exchange transactions is measured at the fair value of consideration received or receivable, taking into account the amount of any trade discounts and volume rebates allowed.

Revenue from non-exchange transactions is revenue other than revenue from exchange transactions, such as donations, grants, and transfers.

Related party revenue is revenue received from the shareholding DHBs for regional clinical network services, or from the Ministry of Health. Non-related party revenue is revenue received from non-shareholding DHBs. Interest revenue is recognised on an accrual basis. Other operating revenue is recognised when earned or on receipt or delivery of service, whichever is earlier.

Trade and other receivables

Trade and other receivables are recognised at face value, less any provision for impairment.

A receivable is impaired when there is objective evidence that HealthShare Limited will be unable to collect amounts due. The difference between the assets carrying value and the present value of the estimated future cash flows is equal to the total amount of the impairment. Bad debts are written off during the period in which they are identified.

Trade and other payables

Short-term payables are recorded at their face value.

Property, plant and equipment

Classes of property, plant and equipment

The major classes of property, plant and equipment are plant, equipment and furnishings.

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to HealthShare and the cost of the item can be measured reliably. Work in progress is recognised at cost less impairment and is not depreciated. In most instances, an item of property, plant and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction it is recognised at its fair value as at the date of acquisition.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefit or service potential associated with the item will flow to HealthShare and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

Disposal of property, plant and equipment

Where an item of plant and equipment is disposed of, the gain or loss recognised in the statement of comprehensive income is calculated as the difference between the net sales price and the carrying value of the asset.

Depreciation

Depreciation is charged to the statement of comprehensive revenue and expense using the straight line method on all property, plant and equipment.

Depreciation is set at rates that will write off the cost (or valuation) or fair value of the assets, less their estimated residual values, over their useful lives. The estimated useful lives of major classes of assets and resulting rates are as follows:

Class of asset	Estimated life	Depreciation rate
Plant, equipment and furnishings	2 to 15 years	7-50%

The residual value and useful life of assets is reassessed annually.

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include software development employee costs and an appropriate portion of relevant overheads. Staff training costs are recognised as an expense when incurred. Costs associated with maintaining computer software are recognised as an expense when incurred. Costs associated with development and maintenance of HealthShare's website are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each financial year is recognised in the surplus or deficit.

The estimated useful lives and associated amortisation rates of the major classes of intangible assets are:

Type of asset	Estimated life	Depreciation rate
Software	2-7 years	14-50%

Impairment of property, plant, equipment and intangible assets

HealthShare Limited does not hold any cash-generating assets. Assets are considered cash-generating where their primary objective is to generate commercial return.

Non-cash generating assets

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

If an asset's carrying value exceeds its recoverable service amount, the asset is regarded as impaired and the carrying value is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss is recognised in the surplus or deficit.

Borrowings

Borrowings are initially recognised at their fair value plus transaction costs. After initial recognition all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless HealthShare Limited has an unconditional right to defer settlement of the liability for at least twelve months after balance date.

Employee benefits

Short-term employee entitlements

Employee benefits that are due to be settled within twelve months after the end of the period in which the employee renders the related service are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned but not yet taken, and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that it will be used by staff to cover those future absences.

A liability and expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

Long-term employee entitlements

Employee benefits that are due to be settled beyond twelve months after the end of the period in which the employee renders the related service, such as sick leave, long service leave and have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows.

Presentation of employee entitlements

Sick leave, annual leave, and vested long service leave are classified as a current liability. Non-vested long service leave expected to be settled within twelve months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in the statement of comprehensive income as incurred.

Provisions

A provision is recognised when HealthShare Limited has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market rates and, where appropriate, the risks specific to the obligation.

Income tax

HealthShare Limited is an approved public authority and is therefore exempt from payment of income tax. Accordingly, no charge for income tax has been provided for.

Goods and services tax

All amounts are shown exclusive of Goods and Services Tax (GST), except for receivables and payables that are stated inclusive of GST. Where GST is irrecoverable as an input tax, it is recognised as part of the related asset or expense.

The net amount of GST that is recoverable from, or payable to, the IRD is included in receivables and payables in the statement of financial position. GST that is received from or paid to the IRD is classified as a net operating cash flow in the statement of cash flows.

Leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred. At the commencement of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased term or the present value of the minimum lease payments. The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether HealthShare Limited will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight line basis over the lease term.

Lease incentives received are recognised in the surplus or deficit over the lease term as an integral part of the total lease expense.

Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- share capital; and
- retained earnings.

Critical judgements in applying accounting policies

Management has exercised the critical judgements in applying accounting policies:

Determining whether an agency relationship exists requires judgement as to which party bears the significant risks and rewards associated with the sale of goods or the rendering of services. This judgement is based on the facts and circumstances that are evident for each contract and considering the substance of the relationship.

Notes to the Financial Statements

1 REVENUE

	2019 Actual \$000	2018 Actual \$000
Non-related party revenue - fees for audit services	73	105
Related party revenue - fees for regional services provided to Midland DHBs	14,723	12,692
Related party revenue - fees for services provided for Ministry of Health	2,050	2,259
Related party revenue - Clinical Training Agency revenue	250	250
Other revenue	126	32
	17,222	15,338

2 FINANCE INCOME

	2019 Actual \$000	2018 Actual \$000
Interest received	70	46
	70	46

3 PERSONNEL COSTS

	2019 Actual \$000	2018 Actual \$000
Salaries and wages	6,596	4,967
Defined contribution plan employer contributions	208	145
	6,804	5,112

Notes to the Financial Statements

4 PROPERTY, PLANT AND EQUIPMENT

	Work in Progress Equipment ‘\$000	Actual Equipment ‘\$000	Actual Total ‘\$000
Cost			
Balance at 1 July 2017	-	79	79
Reclassify	-	603	603
Balance at 30 June 2018	-	682	682
Depreciation and impairment losses			
Balance at 1 July 2017	-	77	77
Depreciation charge for the year	-	122	122
Reclassify	-	372	372
Balance at 30 June 2018	-	571	571
Balance at 1 July 2018	-	571	571
Depreciation charge for the year	-	83	83
Disposals	-	-	-
Disposals reversal	-	(27)	(27)
Reclassify	-	(84)	(84)
Balance at 30 June 2019	-	543	543
Carrying amounts			
At 1 July 2017	-	2	2
At 30 June 2018	-	111	111
At 1 July 2018	-	111	111
At 30 June 2019	99	-	99

All assets are represented at carrying value. No impairment provision has been recognised at 30 June 2019 (2018:\$Nil).

Notes to the Financial Statements

5 INTANGIBLE ASSETS

	Work in Progress ‘\$000	Internally generated assets ‘\$000	Other intangible assets ‘\$000	Actual Total ‘\$000
Cost				
Balance at 1 July 2017	4,469	-	11,312	15,781
Additions	4,320	-	-	4,320
Transfers	(5,175)	-	5,175	-
Disposals	-	-	-	-
Reclassify	-	-	(603)	(603)
Balance at 30 June 2018	3,614	-	15,884	19,498
Balance at 1 July 2018	3,614	-	15,884	19,498
Additions	7,459	-	-	7,459
Reclassify	-	-	139	139
Balance at 30 June 2019	11,073	-	16,023	27,096
Amortisation and impairment losses				
Balance at 1 July 2017	-	-	4,091	4,091
Amortisation and Impairment charge for the year	-	-	2,018	2,018
Disposals	-	-	-	-
Reclassify	-	-	(372)	(372)
Balance at 30 June 2018	-	-	5,737	5,737
Balance at 1 July 2018	-	-	5,737	5,737
Amortisation and Impairment charge for the year	-	-	2,178	2,178
Disposals	-	-	-	-
Reclassify	-	-	196	196
Balance at 30 June 2019	-	-	8,111	8,111
Carrying amounts				
At 1 July 2017	4,469	-	7,221	11,690
At 30 June 2018	3,614	-	10,147	13,761
At 1 July 2018	3,614	-	10,147	13,761
At 30 June 2019	11,073	-	7,912	18,985

A significant portion of the intangible assets is a software licence held by HSL relating to clinical workstation. Clinical workstation has a carrying value of \$1.9m and a remaining amortisation period of 3 years. This includes recognition of the present value of the \$5m licence, of which \$3m has been paid to date.

Notes to the Financial Statements

6 OTHER OPERATING EXPENSES

	2019 Actual \$000	2018 Actual \$000
Audit fees - for audit of financial statements	33	33
Bureau and Outsourcing costs	72	92
Legal fees	8	2
Operating lease expense	309	140
Software	2,633	2,099
Staff Travel & Accommodation	388	281
Telecoms	661	380
Other	927	717
	5,031	3,744

HealthShare Limited pays audit fees for the audit of financial statement to Audit New Zealand. Total amount for the period ended 30 June 2019 was \$33,373 (2018:\$33,373).

7 EQUITY

	Share Capital ‘\$000	Retained Earnings ‘\$000	Total Equity ‘\$000
Balance at 1 July 2017	1	1,438	1,439
Total comprehensive income	-	438	438
Balance at 30 June 2018	1	1,876	1,877
Balance at 1 July 2018	1	1,876	1,877
Total comprehensive income	-	339	339
Balance at 30 June 2019	1	2,215	2,216

The number of shares authorised: 500

The number of shares issued and fully paid: 500

Par value per share: \$1

General description of the shares as follows:

- a) All shares have identical rights;
- b) The company will allocate no dividends in the current year (2018:Nil);
- c) Unless otherwise agreed in writing by all parties, no party may sell, transfer, assign, give or dispose party's shares.

Notes to the Financial Statements

8 CASH AND CASH EQUIVALENTS

	2019 Actual \$000	2018 Actual \$000
NZ Health Partnerships Limited	4,349	4,948
	4,349	4,948

9 TRADE AND OTHER RECEIVABLES

	2019 Actual \$000	2018 Actual \$000
Receivables from exchange transactions		
Trade receivables from related parties	2,804	2,100
Trade receivables from non-related parties	38	60
Accrued income from related parties	213	121
Accrued income from non-related parties	11	35
	3,066	2,316

Trade receivables are shown at expected realisable value. Trade and other receivables are non-interest bearing and receipt is normally on 30-day terms. Therefore, the carrying value of trade and other receivables approximates their fair value. Trade and other receivables have been assessed for impairment and no impairment indicators exist.

10 PREPAYMENTS

	2019 Actual \$000	2018 Actual \$000
Prepayments	26	24
	26	24

Notes to the Financial Statements

11 TRADE AND OTHER PAYABLES

	2019 Actual \$000	2018 Actual \$000
Payables under exchange transactions		
Trade payables to related parties	1,541	1,972
Trade payables to non-related parties	914	492
Payables under non-exchange transactions		
ACC levy payable	21	19
GST payable	439	316
PAYE payable	93	65
	3,008	2,864

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

12 INCOME IN ADVANCE

	2019 Actual \$000	2018 Actual \$000
Current	2,503	2,331
Non-current	17,939	12,514
	20,442	14,845

13 EMPLOYEE BENEFITS

	2019 Actual \$000	2018 Actual \$000
Liability for annual leave	541	438
Liability for long service leave	62	47
Liability for sick leave	17	14
Salary and wages accrual	239	152
Continuing Medical Education	-	-
	859	651

Notes to the Financial Statements

14 BORROWINGS

Analysis of finance lease	2019 Actual \$000	2018 Actual \$000
Minimum lease payments payable:		
No later than one year	-	1,000
Later than one year and not later than five years	-	-
Later than five years	-	-
Total minimum lease payments	-	1,000
Future finance charges	-	(77)
Present value of minimum lease payments	-	923
Present value of minimum lease payments payable:		
No later than one year	-	923
Later than one year and not later than five years	-	-
Total present value of minimum lease payments	-	923

Finance leases

Finance lease liabilities are effectively secured because the rights to the asset revert to the lessor on default. The present value of finance leases is \$Nil (2018: \$923,000).

HealthShare has entered into contracts for software licences. The net carrying value of leased items within each class of intangible assets is shown in note 5. At the end of this agreement HealthShare will still have ownership and access to software.

Present value has been determined using contractual cash flows discounted using a rate based on the risk free borrowing rate at the time of signing the contract, being 4.16%.

Notes to the Financial Statements

15 RELATED PARTIES

Identity of related parties

HealthShare Limited is owned by the five District Health Boards in the Midland Region who are in turn wholly owned by the Crown.

Significant transactions with government related entities

During the year ended 30 June 2019 HealthShare Limited received revenue of \$17,023,000 (2018:\$ 15,201,000) from these five District Health Boards and Ministry of Health in order to fund the organisation's activities and paid administration fees of \$75,000 (2018:\$75,000) to Waikato District Health Board.

At 30 June 2019 HealthShare Limited owed \$1,541,000 (2018:\$1,972,000) to these District Health Boards and Ministry of Health. At 30 June 2019 these District Health Boards and Ministry of Health owed \$3,018,000 (2018:\$2,221,000) to HealthShare Limited.

	Transactions for the year			
	Revenue		Expenditure	
	2019 '\$000	2018 '\$000	2019 '\$000	2018 '\$000
Related Parties				
Bay of Plenty DHB	3,361	2,938	0	7
Lakes DHB	1,709	1,460	15	-
Hauora Tairāwhiti	787	734	5	-
Taranaki DHB	1,682	1,541	481	466
Waikato DHB	7,184	6,019	1,823	1,030
Ministry of Health	2,300	2,509	53	-
	17,023	15,201	2,377	1,503

	Transactions for the year - Capex	
	Expenditure	
	2019 '\$000	2018 '\$000
Related Parties		
Bay of Plenty DHB	300	124
Lakes DHB	242	302
Hauora Tairāwhiti	-	-
Taranaki DHB	40	117
Waikato DHB	-	341
Ministry of Health	-	-
	582	884

Notes to the Financial Statements

15 RELATED PARTIES (CONTINUED)

	Balance owing at balance date 30 June			
	Receivable		Payable	
	2019 '\$000	2018 '\$000	2019 '\$000	2018 '\$000
Related Parties				
Bay of Plenty DHB	805	29	365	641
Lakes DHB	43	511	165	170
Hauora Tairāwhiti	76	197	67	72
Taranaki DHB	559	578	207	215
Waikato DHB	691	54	684	874
Ministry of Health	844	852	53	-
	3,018	2,221	1,541	1,972

Transactions with key management personnel

Key management personnel compensation

Salaries and other short-term employee benefits	239	234
Full-time equivalent members	1	1
Directors expenses	-	-

	2019 Actual \$000	2018 Actual \$000
Salaries and other short-term employee benefits	239	234
Full-time equivalent members	1	1
Directors expenses	-	-

Key management personnel includes one member of the management team.

Related party transaction involving key management personnel (or their close family members).

During the year ending 30 June 2019, there were no transactions with close family members of key personnel (2018: \$Nil).

Notes to the Financial Statements

15 RELATED PARTIES (CONTINUED)

Employee Remuneration

There was no remuneration paid to Directors during the year ended 30 June 2019 (2018: \$Nil).

The number of employees or former employees who received remuneration and other benefits of \$100,000 or more within specified \$10,000 bands were as follows:

Employee Remuneration over \$100,000; \$10,000 Bands	2019 Actual	2018 Actual
100,001 - 110,000	5	3
110,001 - 120,000	3	5
120,001 - 130,000	7	2
130,001 - 140,000	1	1
140,001 - 150,000	-	3
150,001 - 160,000	4	4
160,001 - 170,000	3	-
170,001 - 180,000	1	-
220,001 - 230,000	1	1
230,001 - 240,000	1	1
	26	20

Termination Payments

During the year ending 30 June 2019 \$Nil was paid to an employee in respect of termination of employment (2018: \$9,967)

Ownership

HealthShare Limited is a company jointly owned by Bay of Plenty DHB, Lakes DHB, Hauora Tairāwhiti, Taranaki DHB and Waikato DHB. These five DHBs have and will continue to provide the ongoing funds required by HealthShare Limited to undertake its activities as agreed by the Directors in accordance with the Shareholders' Agreement.

Notes to the Financial Statements

16 SUBSEQUENT EVENTS

There are no significant events subsequent to balance date.

17 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets and liabilities as at 30 June 2019 (2018:\$Nil).

18 COMMITMENTS

	2019 Actual \$000	2018 Actual \$000
Non-cancellable commitments - operating lease commitments		
Not more than one year	305	125
One to five years	693	52
Over five years	177	-
	1,175	177
Operating Support & Maintenance contract	300	300

HealthShare Limited leases four buildings under operating leases. None of the leases include contingent rentals. During the year ended 30 June 2019, \$309,143 was recognised as an expense in the statement of comprehensive income in respect of operating leases (2018: \$134,752)

HealthShare has entered into a 6 year support and maintenance arrangement with a software service provider. HealthShare must provide a minimum of 3 months' notice upon voluntary termination of the contract. During the year ended 30 June 2019, \$1,200,000 was recognised as an expense in the statement of comprehensive income in respect of the support and maintenance arrangement (2018: \$1,000,000).

Independent Auditor's Report

To the readers of HealthShare Limited's financial statements for the year ended 30 June 2019

The Auditor-General is the auditor of HealthShare Limited (the company). The Auditor-General has appointed me, B H Halford, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the company on his behalf.

Opinion

We have audited the financial statements of the company on pages 13 to 32, that comprise the statement of financial position as at 30 June 2019, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion the financial statements of the company on pages 13 to 32:

- present fairly, in all material respects:
 - its financial position as at 30 June 2019; and
 - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards Reduced Disclosure Regime.

Our audit was completed on 1 November 2019. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material

uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 12, but does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

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



B H Halford
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand



HealthShare

He Rourou Takitahi

Midland district health boards' shared services agency