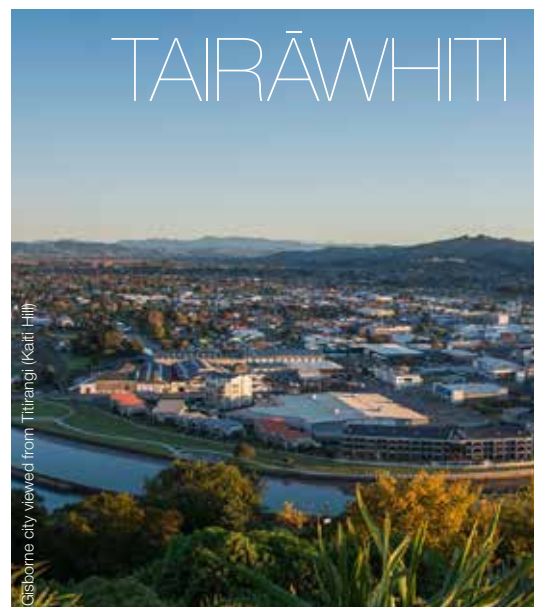


# ANNUAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2018





# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2018

## CONTENTS

COMPANY DIRECTORY	4
COMMENTARY	5
DIRECTORS' REPORT	7
STATEMENT OF RESPONSIBILITY	9
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE	10
STATEMENT OF CHANGES IN EQUITY	10
STATEMENT OF FINANCIAL POSITION	11
STATEMENT OF CASHFLOWS	12
NOTES TO THE FINANCIAL STATEMENTS	13
AUDITOR'S REPORT	28

# COMPANY DIRECTORY

FOR THE YEAR ENDED 30 JUNE 2018

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
<hr/> Total	<hr/> 500

## DIRECTORS

Helen Mason, Bay of Plenty DHB  
Ronald Dunham, Lakes DHB  
Jim Green, Hauora Tairāwhiti  
Rosemary Clements, Taranaki DHB  
Nigel Murray, Waikato DHB (term ended Oct 2017)\*  
Derek Wright, Waikato DHB (term started Feb 2018)\*

## ALTERNATES

Simon Everitt, Bay of Plenty DHB  
Nicholas Saville-Wood, Lakes DHB  
Lynsey Bartlett, Hauora Tairāwhiti  
Becky Jenkins, Taranaki DHB  
Ian Wolstencroft, Waikato DHB (term ended Nov 2017)\*  
Neville Hablous, Waikato DHB (term started Feb 2018)\*

## AUDITORS

Audit New Zealand, On behalf of the Auditor-General

## BANKERS

Westpac Banking Corporation

## SOLICITORS

Chapman Tripp, Auckland

---

\* 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

# COMMENTARY

## FOR THE YEAR ENDED 30 JUNE 2018

It is my pleasure to present this report on the seventeenth year of HealthShare operations as the Midland District Health Boards' shared services agency.

The need for Midland DHBs to have a shared service on a regional basis never wanes. Much of what HealthShare does is to facilitate the development and delivery of the Midland DHBs' Regional Services Plan. A summary of the 2017-18 achievements and highlights is available on HealthShare's website [www.healthshare.co.nz](http://www.healthshare.co.nz).

Worthy of mention for an Annual Report is that the organisation is advancing the creation of a framework and environment for staff to be productive and successful. This past year has seen a number of developments. These include:

1. A refreshing of HealthShare's Vision, Mission and Values

Vision: *Hei oranga he hapori, kia oranga te whānau  
when communities are well, whānau will thrive*

Mission: To support Midland DHBs by working in collaborative partnerships, leading and facilitating change, building a future focused organisation

Values: Focus on people                      Kia haangai te iwi  
Do the right thing well                  Whaia te mea tika  
Act with integrity                         Mana tangata, ngaakau pono  
Be courageous                              Kia maia, kia manawanui

2. Embedding of an organisational competency framework. This defines a core set of competencies for all HealthShare staff, as well as competencies specific to roles. The framework is contained in staff Position Descriptions (PDs), and therefore supports appropriate staff selection through recruitment, and strengthens performance reviews and the ongoing professional development of staff. Coupled with uniformly applying strategic pay methodology to all PDs, this ensures equity and relativity for all roles in HealthShare, as well as moderating market expectations.
3. Staff 'Warrant of Fitness'. In addition to the active monitoring of health and safety in the workplace, the HealthShare Culture Committee has developed a poster: 'Are you up to date with your Warrant of Fitness?' as a means of promoting staff wellbeing in the workplace.
4. A focussed effort to refresh HealthShare's organisational policies and development of a corporate risk register applying the Datix definitions that DHBs use.
5. A focus on *He Rourou Takitahi* (a woven flax basket), the whakataukī (proverb) associated with HealthShare's name. This is an important metaphor for HealthShare supporting and enabling Midland DHBs through collaboration. Revisiting this metaphor has strengthened the shaping of a more collaborative HealthShare culture over the past year.

This has been another year of solid performance by HealthShare, whether delivering auditing services, coordinating, planning and implementing IT services, facilitating the development of DHB workforce, or clinical service improvements through the regional networks and clinical action groups.

I congratulate the entire HealthShare staff for their efforts and application during the past year in continuing to put the goal of the provision of service quality at the forefront of their efforts. Their dedication, skill and sustained efforts have continued to build on their specialised capability in a wide range of services across the Midland region.

I would also like to thank my colleagues on the Board for their support and commitment over the past year. I look forward to HealthShare services being applied in important and novel ways in the coming year.



Ron Dunham  
Chair — HealthShare Limited

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

The Directors submit their report and the audited financial statements of the Company for the year ended 30 June 2018.

## Principal Activity

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

## Financial Position

The equity of the company was represented by:

	<b>2018 Actual \$000</b>	<b>2017 Actual \$000</b>
Total current assets	7,288	3,160
Non-current assets	13,872	11,692
Total assets	21,160	14,852
Less		
Total liabilities	19,283	13,413
Equity	<b>1,877</b>	<b>1,439</b>

## Financial Performance

The surplus for the year was \$438,000 (2017: \$173,000 surplus).

## Dividends

The Directors recommended that no dividend be paid (2017: \$Nil).

## Donations

There were no donations made during the year (2017: \$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 2018 is \$33,373 (2017: \$32,569).

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

**The Directors of HealthShare Limited during the year ended 30 June 2018 were:**

**DIRECTORS**      Helen Mason, Bay of Plenty DHB  
                        Ronald Dunham, Lakes DHB  
                        Jim Green, Hauora Tairāwhiti  
                        Rosemary Clements, Taranaki DHB  
                        Nigel Murray, Waikato DHB (term ended Oct 2017)\*  
                        Derek Wright, Waikato DHB (term started Feb 2018)\*

**ALTERNATES**    Simon Everitt, Bay of Plenty DHB  
                        Nicholas Saville-Wood, Lakes DHB  
                        Lynsey Bartlett, Hauora Tairāwhiti  
                        Becky Jenkins, Taranaki DHB  
                        Ian Wolstencroft, Waikato DHB (term ended Nov 2017)\*  
                        Neville Hablous, Waikato DHB (term started Feb 2018)\*

\* 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 2018

The Board and management of HealthShare Limited accept responsibility for the preparation of the financial statements and statement of performance for the year ended 30 June 2018 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 and non-financial reporting.

In the opinion of the Board and management of HealthShare Limited, the financial statements for the year ended 30 June 2018 fairly reflect the financial position and operations of HealthShare Limited.

Signed on behalf of the Board



Chair/Director

1 November 2018



Director

1 November 2018

# STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 Actual \$000	2017 Actual \$000
<b>Income</b>			
Revenue	1	15,338	13,695
Finance income	2	46	18
<b>Total income</b>		<b>15,384</b>	<b>13,713</b>
<b>Expenditure</b>			
Personnel costs	3	5,112	5,226
Depreciation	4	122	45
Amortisation & Impairment	5	2,018	1,629
Outsourced services		3,950	3,043
Other operating expenses	6	3,744	3,597
<b>Total expenditure</b>		<b>14,946</b>	<b>13,540</b>
<b>Surplus/(deficit) before and after tax</b>		<b>438</b>	<b>173</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>	7	<b>438</b>	<b>173</b>

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 Actual \$000	2017 Actual \$000
Balance at 1 July		1,439	1,266
Total comprehensive income		438	173
<b>Total recognised income and expenses</b>		<b>438</b>	<b>173</b>
<b>Balance at 30 June</b>	7	<b>1,877</b>	<b>1,439</b>

The accompanying notes form part of these financial statements

# STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

		<b>2018</b>	<b>2017</b>
		<b>Actual</b>	<b>Actual</b>
		<b>\$000</b>	<b>\$000</b>
<b>Current assets</b>			
Cash and cash equivalents	<b>8</b>	4,948	351
Trade and other receivables	<b>9</b>	2,316	2,419
Prepayments	<b>10</b>	24	390
<b>Total current assets</b>		<b>7,288</b>	<b>3,160</b>
<b>Non-current assets</b>			
Property, plant and equipment	<b>4</b>	111	2
Intangible assets	<b>5</b>	13,761	11,690
<b>Total non-current assets</b>		<b>13,872</b>	<b>11,692</b>
<b>Total assets</b>		<b>21,160</b>	<b>14,852</b>
Less			
<b>Current liabilities</b>			
Trade and other payables	<b>11</b>	2,864	2,621
Income in Advance	<b>12</b>	2,331	1,654
Employee benefits	<b>13</b>	651	564
Lease liability - short term	<b>14</b>	923	923
<b>Total current liabilities</b>		<b>6,769</b>	<b>5,762</b>
<b>Non-current liabilities</b>			
Income in advance - long-term portion	<b>12</b>	12,514	6,728
Lease liability - borrowings	<b>14</b>	-	923
<b>Total non-current liabilities</b>		<b>12,514</b>	<b>7,651</b>
<b>Total liabilities</b>		<b>19,283</b>	<b>13,413</b>
<b>Net Assets</b>		<b>1,877</b>	<b>1,439</b>
<b>Equity</b>	<b>7</b>	<b>1,877</b>	<b>1,439</b>

The accompanying notes form part of these financial statements

# STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 Actual \$000	2017 Actual \$000
<b>Cash flows from operating activities</b>			
Operating receipts		21,904	15,770
Interest received	2	46	18
Cash paid to suppliers and employees		(12,110)	(13,630)
<b>Net cash flows from operating activities</b>		<b>9,840</b>	<b>2,158</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	4	-	-
Acquisition of intangible assets	5	(4,320)	(1,877)
<b>Net cash flows from investing activities</b>		<b>(4,320)</b>	<b>(1,877)</b>
Finance Lease Payments		(923)	(965)
<b>Net cash flows from financing activities</b>		<b>(923)</b>	<b>(965)</b>
Net increase/(decrease) in cash and cash equivalents		4,597	(684)
Cash and cash equivalents at beginning of year		351	1,035
<b>Cash and cash equivalents at end of year</b>	8	<b>4,948</b>	<b>351</b>

The accompanying notes form part of these 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 2018, and were authorised for issue by the Chairman and a Director on 01 November 2018.

HealthShare is a crown entity subsidiary under section 7 of the Crown Entities Act 2009.

#### 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:

<b>Class of asset</b>	<b>Estimated life</b>	<b>Depreciation rate</b>
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:

<b>Type of asset</b>	<b>Estimated life</b>	<b>Amortisation rate</b>
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

	<b>2018</b>	<b>2017</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$000</b>	<b>\$000</b>
Non-related party revenue - fees for audit services	105	83
Related party revenue - fees for regional services provided to Midland DHBs	12,692	11,763
Related party revenue - fees for services provided for Minsistry of Health	2,259	1,586
Related party revenue - Clinical Training Agency revenue	250	250
Other revenue	32	13
	<u>15,338</u>	<u>13,695</u>

## 2 FINANCE INCOME

	<b>2018</b>	<b>2017</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$000</b>	<b>\$000</b>
Interest received	46	18
	<u>46</u>	<u>18</u>

## 3 PERSONNEL COSTS

	<b>2018</b>	<b>2017</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$000</b>	<b>\$000</b>
Salaries and wages	4,967	5,084
Defined contribution plan employer contributions	145	142
	<u>5,112</u>	<u>5,226</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 4 PROPERTY, PLANT AND EQUIPMENT

	<b>Actual Equipment \$000</b>	<b>Actual Total \$000</b>
<b>Cost</b>		
Balance at 1 July 2016	179	179
Additions	-	-
Disposals	(100)	(100)
<b>Balance at 30 June 2017</b>	<u>79</u>	<u>79</u>
Balance at 1 July 2017	79	79
Additions	-	-
Disposals	-	-
Reclassify	603	603
<b>Balance at 30 June 2018</b>	<u>682</u>	<u>682</u>
<b>Depreciation and impairment losses</b>		
Balance at 1 July 2016	132	132
Depreciation charge for the year	45	45
Disposals	(100)	(100)
<b>Balance at 30 June 2017</b>	<u>77</u>	<u>77</u>
Balance at 1 July 2017	77	77
Depreciation charge for the year	122	122
Disposals	-	-
Reclassify	372	372
<b>Balance at 30 June 2018</b>	<u>571</u>	<u>571</u>
<b>Carrying amounts</b>		
At 1 July 2016	<u>47</u>	<u>47</u>
<b>At 30 June 2017</b>	<u>2</u>	<u>2</u>
At 1 July 2017	2	2
<b>At 30 June 2018</b>	<u>111</u>	<u>111</u>

All assets are represented at carrying value. No impairment provision has been recognised at 30 June 2018 (2017:\$Nil).

# NOTES TO THE FINANCIAL STATEMENTS

## 5 INTANGIBLE ASSETS

	Work in Progress \$000	Internally generated assets \$000	Other intangible assets \$000	Actual Total \$000
<b>Cost</b>				
Balance at 1 July 2016	2,848	-	11,056	13,904
Additions	1,877	-	-	1,877
Transfers	(256)	-	256	-
Disposals	-	-	-	-
<b>Balance at 30 June 2017</b>	<b>4,469</b>	<b>-</b>	<b>11,312</b>	<b>15,781</b>
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)
<b>Balance at 30 June 2018</b>	<b>3,614</b>	<b>-</b>	<b>15,884</b>	<b>19,498</b>
<b>Amortisation and impairment losses</b>				
Balance at 1 July 2016	-	-	2,462	2,462
Amortisation and Impairment charge for the year	-	-	1,629	1,629
Disposals	-	-	-	-
<b>Balance at 30 June 2017</b>	<b>-</b>	<b>-</b>	<b>4,091</b>	<b>4,091</b>
Balance at 1 July 2017	-	-	4,091	4,091
Amortisation and Impairment charge for the year	-	-	2,018	2,018
Disposals	-	-	-	-
Reclassify	-	-	(372)	(372)
<b>Balance at 30 June 2018</b>	<b>-</b>	<b>-</b>	<b>5,737</b>	<b>5,737</b>
<b>Carrying amounts</b>				
At 1 July 2016	2,848	-	8,594	11,442
<b>At 30 June 2017</b>	<b>4,469</b>	<b>-</b>	<b>7,221</b>	<b>11,690</b>
At 1 July 2017	4,469	-	7,221	11,690
<b>At 30 June 2018</b>	<b>3,614</b>	<b>-</b>	<b>10,147</b>	<b>13,761</b>

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

	<b>2018</b>	<b>2017</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$000</b>	<b>\$000</b>
Audit fees - for audit of financial statements	33	33
Audit fees - for audit of financial statements prior Years	-	14
Bureau and Outsourcing costs	92	88 *
Legal fees	2	-
Operating lease expense	140	187
Software	2,099	1,905 *
Staff Travel & Accommodation	281	252
Telecoms	380	359 *
Other	717	759 *
	<u>3,744</u>	<u>3,597</u>

\* These figures have been restated in order to ensure they are comparable with the current year results.

HealthShare Limited pays audit fees for the audit of financial statement to Audit New Zealand. Total amount for the period ended 30 June 2018 was \$33,373 (2017:\$32,569).

## 7 EQUITY

	<i>Share Capital</i>	<i>Retained Earnings</i>	<i>Total Equity</i>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Balance at 1 July 2016	1	1,265	1,266
Total comprehensive income	-	173	173
<b>Balance at 30 June 2017</b>	<u>1</u>	<u>1,438</u>	<u>1,439</u>
Balance at 1 July 2017	1	1,438	1,439
Total comprehensive income	-	438	438
<b>Balance at 30 June 2018</b>	<u>1</u>	<u>1,876</u>	<u>1,877</u>

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 (2017:Nil);
- c) Unless otherwise agreed in writing by all parties, no party may sell, transfer, assign, give or dispose party's shares.

## 8 CASH AND CASH EQUIVALENTS

	<b>2018</b>	<b>2017</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$000</b>	<b>\$000</b>
NZ Health Partnerships Limited - sweep account	4,948	351
	<u>4,948</u>	<u>351</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 9 TRADE AND OTHER RECEIVABLES

	<b>2018</b>	<b>2017</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$000</b>	<b>\$000</b>
<b>Receivables from exchange transactions</b>		
Trade receivables from related parties	2,100	1,120
Trade receivables from non-related parties	60	9
Accrued income from related parties	121	1,252
Accrued income from non-related parties	35	38
	<u>2,316</u>	<u>2,419</u>

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

	<b>2018</b>	<b>2017</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$000</b>	<b>\$000</b>
Prepayments	24	390
	<u>24</u>	<u>390</u>

## 11 TRADE AND OTHER PAYABLES

	<b>2018</b>	<b>2017</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$000</b>	<b>\$000</b>
<b>Payables under exchange transactions</b>		
Trade payables to related parties	1,972	1,436
Trade payables to non-related parties	492	816
<b>Payables under non-exchange transactions</b>		
ACC levy payable	19	15
GST payable	316	298
PAYE payable	65	56
	<u>2,864</u>	<u>2,621</u>

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

	<b>2018</b>	<b>2017</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$000</b>	<b>\$000</b>
Current	2,331	1,654
Non-current	12,514	6,728
	<u>14,845</u>	<u>8,382</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 13 EMPLOYEE BENEFITS

	<b>2018</b>	<b>2017</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$000</b>	<b>\$000</b>
Liability for annual leave	438	394
Liability for long service leave	47	42
Liability for sick leave	14	13
Salary and wages accrual	152	115
	<u>651</u>	<u>564</u>

## 14 BORROWINGS

<b>Analysis of finance lease</b>	<b>2018</b>	<b>2017</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$000</b>	<b>\$000</b>
<b>Minimum lease payments payable:</b>		
No later than one year	1,000	1,000
Later than one year and not later than five years	-	1,000
Total minimum lease payments	<u>1,000</u>	<u>2,000</u>
Future finance charges	(77)	(154)
Present value of minimum lease payments	<u>923</u>	<u>1,846</u>
<b>Present value of minimum lease payments payable:</b>		
No later than one year	923	923
Later than one year and not later than five years	-	923
Total present value of minimum lease payments	<u>923</u>	<u>1,846</u>

### 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 \$923,000 (2017: \$1,846,000).

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 2018 HealthShare Limited received revenue of \$15,201,000 (2017:\$13,599,000) 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 (2017:\$75,000) to Waikato District Health Board.

At 30 June 2018 HealthShare Limited owed \$1,972,000 (2017:\$1,436,000) to these District Health Boards and Ministry of Health. At 30 June 2018 these District Health Boards and Ministry of Health owed \$2,221,000 (2017:\$2,373,000) to HealthShare Limited.

	Transactions for the year			
	Revenue		Expenditure	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>Related Parties</b>				
Bay of Plenty DHB	2,938	2,654	7	227
Lakes DHB	1,460	1,362	-	102
Hauora Tairāwhiti	734	607	-	52
Taranaki DHB	1,541	1,666	466	619
Waikato DHB	6,019	5,475	1,030	1,291
Ministry of Health	2,509	1,835	-	55
	<b>15,201</b>	<b>13,599</b>	<b>1,503</b>	<b>2,346</b>

	Transactions for the year - Capex	
	Expenditure	
	2018 \$000	2017 \$000
<b>Related Parties</b>		
Bay of Plenty DHB	124	-
Lakes DHB	302	-
Hauora Tairāwhiti	-	1
Taranaki DHB	117	151
Waikato DHB	341	147
	<b>884</b>	<b>299</b>



# NOTES TO THE FINANCIAL STATEMENTS

## 15 RELATED PARTIES (CONTINUED)

	Balance owing at balance date 30 June			
	Receivable		Payable	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>Related Parties</b>				
Bay of Plenty DHB	29	552	641	220
Lakes DHB	511	89	170	98
Hauora Tairāwhiti	197	131	72	50
Taranaki DHB	578	267	215	299
Waikato DHB	54	705	874	716
Ministry of Health	852	629	-	53
	<b>2,221</b>	<b>2,373</b>	<b>1,972</b>	<b>1,436</b>

### Transactions with key management personnel

	2018 Actual \$000	2017 Actual \$000
<b>Key management personnel compensation</b>		
Salaries and other short-term employee benefits	234	218
Full-time equivalent members	1	1
Directors expenses	-	4

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 2018, there were no transactions with close family members of key personnel (2017: \$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 2018 (2017: \$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:

<b>Employee Remuneration over \$100,000; \$10,000 Bands</b>	<b>2018 Actual</b>	<b>2017 Actual</b>
100,001 - 110,000	3	4
110,001 - 120,000	5	2
120,001 - 130,000	2	3
130,001 - 140,000	1	1
140,001 - 150,000	3	3
150,001 - 160,000	4	2
160,001 - 170,000	-	1
210,001 - 220,000	-	2
220,001 - 230,000	1	-
230,001 - 240,000	1	-
	<b>20</b>	<b>18</b>

### Termination Payments

During the year ending 30 June 2018 \$9,967 was paid to an employee in respect of termination of employment (2017: \$140,552)

### 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 subsequent events subsequent to balance date.

## 17 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets and liabilities as at 30 June 2018 (2017:\$Nil).

## 18 COMMITMENTS

	<b>2018</b>	<b>2017</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$000</b>	<b>\$000</b>
<b>Non-cancellable commitments - operating lease commitments</b>		
Not more than one year	125	126
One to five years	52	20
	<u>177</u>	<u>146</u>
<b>Operating Support &amp; Maintenance contract</b>	<u>300</u>	<u>250</u>

HealthShare Limited leases two buildings under operating leases. None of the leases include contingent rentals. During the year ended 30 June 2018, \$134,752 was recognised as an expense in the statement of comprehensive income in respect of operating leases (2017: \$186,723)

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 2018, \$1,000,000 was recognised as an expense in the statement of comprehensive income in respect of the support and maintenance arrangement (2017: \$800,000).

## Independent Auditor's Report

### To the readers of HealthShare Limited's financial statements for the year ended 30 June 2018

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 10 to 27, that comprise the statement of financial position as at 30 June 2018, 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 the statement of accounting policies and other explanatory information; and

In our opinion, the financial statements of the Company:

- present fairly, in all material respects:
  - its financial position as at 30 June 2018; 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 2018. 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 audit opinion.

### **Responsibilities of the Board of Directors for the financial statements**

The Board of Directors is responsible on behalf of the Company for preparing the 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 the preparation of the 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 is responsible for the other information. The other information comprises the information included on pages 3 to 9, 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 in our capacity as auditor, 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