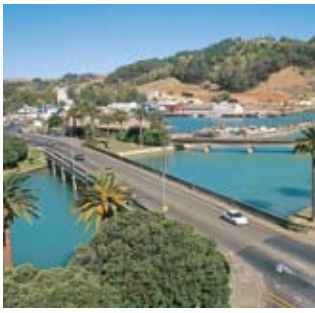
HealthShare
He Rourou Takitahi

Midland district health boards' shared services agency

HEALTHSHARE LIMITED
ANNUAL REPORT

for the year ended 30 June 2010



TARANAKI BAY OF PLENTY WAIKATO LAKES TAIRAWHITI

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COMPANY DIRECTORY

COMPANY NUMBER	AK/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
	Tairawhiti District Health Board	100
	Taranaki District Health Board	100
	Waikato District Health Board	100
	Total	500
DIRECTORS	Phillip Cammish	
	Craig Climo	
	Cathy Cooney	
	Anthony Foulkes	
	Jim Green	
	Helen Mason (alternate director)	
	Brett Paradine	
	Nicholas Saville-Wood (alternate director)	
	Elizabeth Mary Smith (alternate director)	
	Sandra Boardman (alternate director)	
	Helene Carbonatto (alternate director)	
AUDITORS	Audit New Zealand on behalf of the Auditor-General	
BANKERS	Bank of New Zealand HAMILTON	
SOLICITORS	Chapman Tripp AUCKLAND	

COMMENTARY

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

The year has seen strong performance as HealthShare has met the required audit services across the Personal Health, Mental Health and Health of Older People sectors of the Midland shareholding District Health Boards and the four Northern Region's District Health Boards.

A significant achievement of the 2009/10 year has been HealthShare becoming a Designated Audit Agency. I congratulate the HealthShare General Manager Helen Wood-Rowe and staff for their efforts in attaining this goal which enables the development of a new component of HealthShare activity. This achievement is evidence of the responsiveness of HealthShare to regulatory and political changes occurring in the health and disability sector currently.

HealthShare continues to maintain ISO9001:2000 certification which gives shareholders and stakeholders confidence in the quality of the systems and processes HealthShare has in place.

I would like to thank my colleagues on the Board for their support and commitment over the past year. I believe that HealthShare has a bright future and I look forward to working with a very dedicated group of staff as they continue to achieve outstanding results for their shareholders and wider stakeholder organisations".

Cathy Cooney
Chair – HealthShare Limited

DIRECTORS' REPORT

The Directors submit their report and the audited financial statements of the Company for the year ended 30 June 2010.

Principal Activity

The principal activity during the period was the provision of auditing services.

Financial Position

The equity of the Company was represented by:

	2010 $000s	*2009 $000s*
Current Assets	550	495
Less Current Liabilities	314	283
	236	212
Plus Non Current Assets	18	22
Equity	254	234

Financial

The surplus for the year was $19,829 (2009 - $22,729).

Dividends

The Directors recommended that no dividend be paid (2009 - Nil).

Donations

There were no donations made during the period (2009 - Nil).

Auditor

Audit New Zealand is appointed under section 43 of the Public Finance Act 1989 and section 15 of the Public Audit Act 2001. Audit New Zealand has been appointed to provide these services, their total audit fee for 2010 is $12,520 ($2009 - $12,100).

DIRECTORS' REPORT

Directors

The Directors of HealthShare Limited during the year 30 June 2010 were:
Phillip Cammish
Craig Climo
Cathy Cooney
Anthony Foulkes
Jim Green
Helen Mason (alternate director)
Brett Paradine
Nicholas Saville-Wood (alternate director)
Elizabeth Mary Smith (alternate director)
Sandra Boardman (alternate director)
Helene Carbonatto (alternate director)

Directors interests and use of information

The directors of HealthShare Limited are all officers of the District Health Boards (DHB) that are the shareholders of HealthShare Limited. In addition, the following disclosures of interest have been made to the Board:

T Foulkes	Director, HIQ Ltd
	Trustee, Taranaki Health Foundation
	Wife, General Practitioner in Hauora Taranaki PHO
P Cammish	Director, Venturo Ltd (from 15 July 2009)
S Boardman	Trustee, Taranaki Health Foundation
H Mason	Shareholder, General Consulting Services (consulting to small and medium sized businesses)

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

Chair/Director
29 October 2010

Director
29 October 2010

STATEMENT OF RESPONSIBILITY

FOR THE YEAR ENDED 30 JUNE 2010

The Board and management of HealthShare Limited accepts responsibility for the preparation of the financial statements and statement of service performance for the year ended 30 June 2010 and the judgements used in them.

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

In the opinion of the Board and management of HealthShare Limited, the financial statements and the Statement of Service Performance for the year ended 30 June 2010 fairly reflect the financial position and operations of HealthShare Limited.

Signed on behalf of the Board

Chair/Director
29 October 2010

Director
29 October 2010

STATEMENT OF SERVICE PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2010

HSL has only one output class with the identified output classes below being sub output classes. Therefore for the revenue and expenditure relating to HSL's output refer to the Statement of Comprehensive Income on page 12.

OUTPUT CLASS : FINANCE			
Performance Dimension	**Deliverable**	**Target Date**	**Performance**
Ensuring cost effective service provision to Shareholding DHBS, by delivering services within agreed budgets.	2010/11 Budget approved by Board	February 2010 for year end July 2011	Distributed (CEs, CFOs & GMs) 12/2/10. Approved at 6/3/10 HSL Board meeting.
	Finance Report to Board, three monthly	From 1 July 2009	Reported monthly to DHB Boards as component of monthly report. Reported quarterly as component of HSL Board agenda.
	2009/10 Year End Financial Reporting shows Break even position	July 2010	Year End draft financial results show $20k surplus.

OUTPUT CLASS : CUSTOMER FOCUS			
Performance Dimension	**Deliverable**	**Target Date**	**Performance**
Exceed all Shareholding DHB expectations as prescribed in the Service Level Agreements ("SLA") negotiated between HealthShare and each DHB.	Strong productive relationships with DHBs. Meeting bi-annually.	July 2010	Regular contact and ongoing positive relationships evident through informal positive feedback and no complaints logged.
	Actions plans arising from 2008/09 CSS are implemented.	July 2010	Customer satisfaction survey identified opportunities for improvement in meeting reporting timeframes. Reporting timeframes monitored internally. Reported to Board quarterly.

OUTPUT CLASS : GOVERNANCE			
Performance Dimension	**Deliverable**	**Target Date**	**Performance**
Reporting	Three monthly reporting against milestones	From July 2009	Monthly reporting to DHBs. Quarterly reporting to HSL Board.
Annual Business Plan completed	2010/11Annual Plan approved by Board	30 April 2010	Draft Annual Plan circulated 15/3/10. Annual plan accepted at 7/5/10 Board meeting.
Statement of Intent completed	2010/13 SOI approved	30 April 2010	Statement of Intent accepted at 7/5/10 Board meeting.
Annual Report completed	2008/09 Annual Report approved by Board	30 November 2009	Audit completed 30/10/10. Signed by Chair and one director 30/10/10.
External Audit	Unqualified opinion for 2008/09	30 November 2009	Audit completed 30/10/10. Unqualified opinion as documented in Annual Report.
Shareholder Review	Formal two yearly Shareholder Review complete	30 June 2010	Feedback from Shareholding DHBs reported to 5/5/10 Board meeting.

STATEMENT OF SERVICE PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2010

OUTPUT CLASS : OPERATIONS			
Performance Dimension	**Deliverable**	**Target Date**	**Performance**
Establish and meet all obligations under the Service Level Agreement with Shareholding DHB's	Review and agree SLA with Shareholding DHB P&F teams	May 2010	Not Achieved
	Review and agree Northern DHBs on contract renewal	At renewal	Personal health contracts last renewed/varied and signed: • Waitemata – 30/5/10; • ADHB – 29/3/10; and • Counties – 6/7/10.
		Monthly by 15th of month following	Mental health contracts renewed/varied and signed: • Taranaki – 24/3/09; • BOP – 3/12/08; • Waikato – 30/1/09; and • Lakes – 30/8/10.
	Operations reporting to individual Shareholding DHB's		Monthly reporting to Shareholding DHBs within 2 working days after the close of the month.
Objectives and targets as detailed in Annual Business Plan are met.	Report to Board against milestones and objectives	Three monthly from 1 July 2009 as per meeting schedule	Quarterly reporting to HSL Board.
Ensure efficient cost effective delivery of service provided.	Costs increases are at the base FFT.	June 2010	Future funding track (FFT) for DHB's 2009/10 was 3.1%. HSL's total operating costs increased by 1.2%.
Maintain agreed FTE "cap"	FTE cap monitored and reported to HealthShare Board	Three monthly from 1 July 2009 as per meeting schedule	Reported monthly by Waikato DHB finance on behalf of HSL to the MoH. Quarterly report to HSL Board.

STATEMENT OF SERVICE PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2010

OUTPUT CLASS : ORGANISATIONAL HEALTH			
Performance Dimension	**Deliverable**	**Target Date**	**Performance**
Maintain Health & Safety systems and processes in accordance with current legislation	Internal review against Workplace Safety Management Practice (WSMP) - audit standards (ACC442) – Level 1	May 2010	Internal audit conducted 26/7/10.
Improve the retention of qualified and experienced audit staff as evidenced by a staff turn-over that is no more than the industry average.	Review recruitment and orientation processes.	October 2009	Policy/process reviewed 09/09.
	Annual performance reviews and professional development plans for all staff.	June 2010	All but two staff underwent a performance review in the year.
	Annual review of performance management system.	December 2009	Performance management identified over due performance reviews (subsequently all but two completed).
	Good employer practices in place and reviewed.	April 2010	Policies and practices reviewed and confirmed against legislation and good practice.

OUTPUT CLASS : QUALITY MANAGEMENT SYSTEM			
Performance Dimension	**Deliverable**	**Target Date**	**Performance**
To maintain ISO 9001: 2000 Quality Management System Certification	Successful bi-annual surveillance reports against ISO 9001: 2000 QMS.	Six monthly from July 2010	ISO surveillance conducted by SGS six monthly. Last surveillance 23/6/10.
Quality Management Systems to ensure that processes consistently provide DHBs with a high quality product that assists them in their provider monitoring and funding decisions.	Annual Management Review of Quality Management Systems and processes. Recommendations from systems and DHB reviews of services into Quality Management Systems and processes implemented.	June 2010	QMS under ongoing review. Last process review conducted

OUTPUT CLASS : RESEARCH & DEVELOPMENT			
Performance Dimension	**Deliverable**	**Target Date**	**Performance**
Research & Development Work collaboratively with shareholding and other DHB's to identify, research, recommend and implement services that provide efficiency and effectiveness gains	Proactive engagement with DHB's seeking quality improvement and new service development opportunities	From 1 July 2009	Ongoing contact with DHB representatives either in person or by telephone. Minimum of three monthly.
	Annual Meetings/contact with appropriate agencies	From 1 July 2009	Contact ongoing (e.g. approximately three monthly with other SSAs & 2 yearly MoH)

STATEMENT OF SERVICE PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2010

OUTPUT CLASS : SERVICE PERFORMANCE			
Performance Dimension	**Deliverable**	**Target Date**	**Performance**
Core Services as agreed with DHBs are delivered by ensuring that as a minimum all Operational and Financial performance measures are achieved.	Annual Report 2010 identified all Operational and Financial performance measures as achieved	From August 2010	Operational and financial performance measures detailed in the Statement of Service Performance demonstrate full achievement with all but one performance deliverable, partially achieved and one not achieved.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

in thousands of New Zealand Dollars

	Note	2010 Actual	2010 Budget	2009 Actual
Revenue	1	1,678	2,341	1,688
Finance income		3	0	5
Total income		**1,681**	**2,341**	**1,693**
Employee benefit costs	3	884	1319	843
Depreciation expense	4	6	20	26
Outsourced services		370	504	365
Other operating expenses	2	401	498	437
Total expenses		**1,661**	**2,341**	**1,671**
Surplus before and after tax	**8**	**20**	**-**	**22**
Total comprehensive income for the year		**20**	**-**	**22**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

in thousands of New Zealand Dollars

		2010 Actual	2010 Budget	2009 Actual
Equity at the beginning of the period		234	212	212
Total comprehensive income		20	-	22
Total recognised revenue and expenses	**8**	**20**	**0**	**22**
Contributions/(withdrawals) from owners		-	-	-
Total equity at the end of the period		**254**	**212**	**234**

The accompanying significant accounting policies and notes form part of and are to be read in conjunction with the financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2010

in thousands of New Zealand Dollars

	Note	2010 Actual	2010 Budget	2009 Actual
Assets				
Property, plant and equipment	4	18	28	22
Total non-current assets		**18**	**28**	**22**
Trade and other receivables	5	322	180	422
Cash and other cash equivalents	6	228	163	73
Total current assets		**550**	**343**	**495**
Total assets		**568**	**371**	**517**
Equity	**8**	**254**	**212**	**234**
Trade and other payables	10	215	59	181
Employee Benefits	9	99	100	102
Total current liabilities		**314**	**159**	**283**
Total equity and liabilities		**568**	**371**	**517**

The accompanying significant accounting policies and notes form part of and are to be read in conjunction with the financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2010

in thousands of New Zealand Dollars

	Note	2010 Actual	2010 Budget	2009 Actual
Cash flows from operating activities				
Cash receipts		1,793	2,340	1,643
Interest received		3	1	5
Cash paid to suppliers and employees		(1,639)	(2,321)	(1,697)
Net cash flows from operating activities	7	**157**	**19**	**(54)**
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		-	(15)	-
Acquisition of property, plant and equipment	4	(2)	-	(1)
Net cash flows from investing activities		**(2)**	**(15)**	**(1)**
Net increase/(decrease) in cash and cash equivalents		155	5	(55)
Cash and cash equivalents at beginning of year		73	158	128
Cash and cash equivalents at end of year	6	**228**	**163**	**73**

The net GST component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been represented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes and to be consistent with the presentation basis of the other primary financial statements.

The accompanying significant accounting policies and notes form part of and are to be read in conjunction with the financial statements.

STATEMENT OF CONTINGENT LIABILITIES

AS AT 30 JUNE 2010

in thousands of New Zealand Dollars

HealthShare Limited has no contingent liabilities at 30 June 2010 (2009:$Nil). HealthShare Limited has no contingent assets at 30 June 2010 (2009:$Nil).

STATEMENT OF COMMITMENTS

AS AT 30 JUNE 2010

in thousands of New Zealand Dollars

	Note	*2010 Actual*	*2009 Actual*
Capital commitments		**0**	**0**
Non-cancellable commitments - operating lease commitments			
Not more than one year		41	62
One to five years		-	41
Over five years		-	-
		41	**103**

HealthShare Limited leases a building and office equipment under operating leases. None of the leases include contingent rentals.

During the year ended 30 June 2010, $61,555 was recognised as an expense in the statement of comprehensive income in respect of operating leases (2009: $62,695).

The accompanying significant accounting policies and notes form part of and are to be read in conjunction with the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

SIGNIFICANT 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.

The financial statements of HealthShare Limited have been prepared in accordance with the Financial Reporting Act 1993, the Companies Act 1993 and the Crown Entities Act 2004.

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

HealthShare Limited's principal activity during the period was the provision of auditing services.

The financial statements were authorised for issue by the Board of Directors on 29 October 2010.

Statement of compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZGAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZIFRS), and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

Basis of preparation

The financial statements are presented in New Zealand Dollars (NZD), rounded to the nearest thousand.

The financial statements are prepared on the historical cost basis except that financial instruments are stated at their fair value.

The preparation of financial statements in conformity with NZIFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Estimates and assumptions have been made in determining the useful lives of plant, equipment and furnishings. Judgements have been made in determining whether leases are classified as operating or finance leases.

Changes in accounting policies

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

HealthShare Ltd has adopted the following revisions to accounting standards during the financial year, which have had only a presentational or disclosure effect:

NZ IAS 1 *Presentation of Financial Statements (Revised 2007)* replaces NZ IAS 1 *Presentation of Financial Statements (Issued 2004).* The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The statement of comprehensive income will enable readers to analyse changes in equity resulting from non owner changes separately from transactions with owners. The Company has decided to prepare a single statement of comprehensive income for the year ended 30 June 2010 under the revised standard. Financial statement information for the year ended 30 June 2009 has been restated accordingly. Items of other comprehensive income presented in the statement of comprehensive income were previously recognised directly in the statement of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES

New standards and interpretations not yet adopted

Certain new standards, amendments and interpretations to existing standards have been published that are not yet effective for the year ended 30 June 2010, and have not been applied in preparing these financial statements. There are no new published standards that are applicable to the year ended 30 June 2010.

Budget figures

The budget figures are those included in the Statement of Intent (SOI) approved by the board of directors. The budget figures have been prepared in accordance with NZGAAP. They comply with NZIFRS and other applicable Financial Reporting Standards as appropriate for public benefit entities.

Financial assets

Financial assets are derecognised if Health Share Limited's contractual rights to the cash flows from the financial assets expire or if HealthShare Limited transfers the financial assets to another party without reiterating control or substantially all risks and rewards of the assets. Purchases and sales of financial assets are accounted for at trade date, i.e. the date that HealthShare Limited commits itself to purchase or sell the asset. Financial liabilities are derecognised if HealthShare Limited's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents

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

Other

Subsequent to initial recognition, other non-derivative financial instruments are measured at amortised cost using the effective interest rate method, less any impairment losses.

Trade and other receivables

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

Trade and other payables

Trade and other payables are stated at amotised cost using the effective interest rate.

Property, plant and equipment

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

Owned assets

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

Where material parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate components of property, plant and equipment.

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 amount of the asset.

Leased assets
Leases where HealthShare Limited assumes substantially all the risks and rewards of ownership are classified as finance leases. The assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Depreciation
Depreciation is charged to the statement of comprehensive income using the straight line method.

Depreciation is set at rates that will write off the cost 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	3 to 15 years	7-33%

The residual value of assets is reassessed annually.

Impairment
The carrying amounts of property, plant and equipment are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts of the assets are estimated.

If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the statement of financial performance.

The recoverable amount of receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment losses on an individual basis are determined by an evaluation of the exposures on an instrument by instrument basis. All individual trade receivables that are considered significant are subject to this approach. For trade receivables which are not significant on an individual basis, collective impairment is assessed on a portfolio basis based on the number of days overdue, and taking into account the historical loss experience in portfolios with a similar amount of days overdue.

Reversals of impairment
Impairment losses are reversed when there is a change in the estimates used to determine the recoverable amount.

An impairment loss on an equity instrument investment classified as available-for-sale or on items of property, plant and equipment carried at fair value is reversed through the relevant reserve. All other impairment losses are reversed through the statement of financial performance.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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

NOTES TO THE FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES

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 liability.

Income tax

HealthShare Limited has been approved as a public authority and therefore exempt from income tax.

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.

Revenue

Revenue and Interest Income are recognised on an accrual basis. Other operating revenue is recognised when earned or on receipt or delivery of service, whichever is earlier. Related party revenue is revenue received from the shareholding DHB's. Non-related party revenue is revenue received from other DHB's.

Operating lease payment

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of comprehensive income over the lease term as an integral part of the total lease expense.

NOTES TO THE FINANCIAL STATEMENTS

1 REVENUE

	2010 Actual $000s	2009 Actual $000s
Non related party revenue	515	789
Related party revenue	1,163	899
	1,678	1,688

2 OTHER OPERATING EXPENSES

	2010 Actual $000s	2009 Actual $000s
Audit fees	13	12
Operating lease expenses	62	63
Legal Fees	0	2
Staff Accomodation	78	83
Related Party Expenses	18	18
Other	230	243
Loss on sale from PPE	0	16
	401	437

3 EMPLOYEE BENEFITS

	2010 Actual $000s	2009 Actual $000s
Salaries and wages	877	856
Defined contribution plan employer contributions	10	2
Increase (decrease) in employee entitlements	(3)	(15)
	884	843

4 PROPERTY, PLANT AND EQUIPMENT

	Plant, Equipment and Furnishings $000s
Cost	
Balance at 1 July 2008	173
Additions	1
Disposals	(34)
Balance at 30 June 2009	140
Balance at 1 July 2009	140
Additions	2
Disposals	-
Balance at 30 June 2010	142

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Plant, Equipment and Furnishings $000s
Depreciation and impairment losses	
Balance at 1 July 2008	110
Depreciation charge for the year	26
Disposals	(18)
Balance at 30 June 2009	118
Balance at 1 July 2009	118
Depreciation charge for the year	6
Disposals	-
Balance at 30 June 2010	124
Carrying amounts	
At 1 July 2008	63
At 30 June 2009	22
At 1 July 2009	22
At 30 June 2010	18

Asset values have been reviewed for impairment at balance date. All assets are represented at fair value. As a result no impairment provision has been recognised at 30 June 2010 (2009:$Nil).

5 TRADE AND OTHER RECEIVABLES

	2010 Actual $000s	*2009 Actual $000s*
Trade receivables from related parties	200	185
Trade receivables from non-related parties	111	189
Accrued income	10	41
Prepayments	1	7
	322	422

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.

6 CASH AND CASH EQUIVALENTS

	2010 Actual $000s	*2009 Actual $000s*
Bank balances	1	-
Call deposits	227	73
Cash and cash equivalents	228	73

The carrying value of cash at bank approximates their fair value.

7 RECONCILIATION OF NET SURPLUS FOR THE PERIOD WITH NET CASH FLOWS FROM OPERATING ACTIVITIES

	Note	2010 Actual $000s	2009 Actual $000s
Net surplus/(deficit)		20	22
Add back non-cash items:			
Depreciation and assets written off		6	43
Movements in working capital:			
(Increase)/decrease in trade and other receivables	5	94	(50)
(Increase)/decrease in prepayments	5	6	0
Increase/(decrease) in trade and other payables	10	13	(55)
Increase/(decrease) in employee entitlements	9	(3)	(14)
Increase/(decrease) in income advance	10	21	0
Net movement in working capital		131	(119)
Net cash inflow/(outflow) from operating activities		157	(54)

8 EQUITY

	Share capital $000s	Retained Earnings $000s	Total Equity $000s
Balance at 1 July 2008	1	211	212
Total recognised income and expense	-	22	22
Balance at 30 June 2009	1	233	234
Balance at 1 July 2009	1	233	234
Total recognised income and expense	-	20	20
Balance at 30 June 2010	1	253	254

9 EMPLOYEE BENEFITS

	2010 Actual $000s	2009 Actual $000s
Current liabilities		
Liability for annual leave	70	74
Salary and wages accrual	29	28
	99	102

10 TRADE AND OTHER PAYABLES

	2010 Actual $000s	*2009 Actual $000s*
Trade payables to non-related parties	110	107
Income in advance	21	-
ACC levy payable	36	28
GST and PAYE payable	48	46
	215	181

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

11 FINANCIAL INSTRUMENTS

Exposure to credit, interest rate and currency risks arise in the normal course of HealthShare Limited's operations. Derivative financial statements are used to hedge exposure to fluctuations in foreign exchange rates and interest rates.

Credit risk

Financial instruments, which potentially subject the company to concentrations of risk, consist principally of cash, short-term deposits and accounts receivable.

The company places its cash and short-term deposits with the Waikato District Health Board, which places its cash and short-term deposits with high-quality financial institutions and has a policy that limits the amount of credit exposure to any one financial institution.

Concentrations of credit risk from accounts receivable are limited to the DHBs. The DHBs are assessed to be low risk and high-quality entities.

The status of trade receivables at the reporting date is as follows:

	Gross Receivable 2010 $000s	*Impairment 2010 $000s*	*Gross Receivable 2009 $000s*	*Impairment 2009 $000s*
Trade receivables				
Not past due	244	-	184	-
Past due 0-30 days	-	-	182	-
Past due 31-120 days	67	-	8	-
Past due 121-360 days	-	-	-	-
Past due more than 1 year	-	-	-	-
Total	311	-	374	-

As at 30 June 2010 there were no significant other concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the statement of financial position.

11 FINANCIAL INSTRUMENTS (CONTINUED)

Maximum credit risk exposure for each class of financial instrument is as follows:

	2010 Actual $000s	*2009 Actual $000s*
Cash at bank and deposits	228	73
Trade and other receivables	311	374
Total credit risk	539	447

Liquidity risk

Liquidity risk represents the HealthShare Limited's ability to meet its contractual obligations. HealthShare Limited evaluates its liquidity requirements on an ongoing basis. In general, HealthShare Limited generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities.

The following table sets out the contractual cash flows for all financial liabilities and for derivatives that are settled on a gross cash flow basis.

	Note	**2010 Actual $000s**					
		Balance Sheet	*Contractual Cash Flow*	*6 mths or less*	*6-12 mths*	*1-2 years*	*2-5 years*
Cash and cash equivalents	6	228	-	228	-	-	-
Trade and other payables	10	(215)	0	(215)	0	0	0
Total		13	0	13	0	0	0

	Note	**2009 Actual $000s**					
		Balance Sheet	*Contractual Cash Flow*	*6 mths or less*	*6-12 mths*	*1-2 years*	*2-5 years*
Cash and cash equivalents	6	73	-	73	-	-	-
Trade and other payables	10	(181)	0	(181)	0	0	0
Total		(108)	0	(108)	0	0	0

Market risk

HealthShare Limited does not enter into derivative arrangements in the ordinary course of business. A financial risk management committee, composed of senior management, provides oversight for risk management. This committee determines the Waikato Health Trust's financial risk policies and objectives, and provides guidelines. This committee also establishes procedures for control and valuation, risk analysis, counterparty credit approval, and ongoing monitoring and reporting.

Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate or, the cash flows from a financial instrument will fluctuate, due to changes in market interest rates.

11 FINANCIAL INSTRUMENTS (CONTINUED)

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice.

	2010 Actual $000s					
	Effective Interest Rate %	*Total*	*6 mths or less*	*6-12 mths*	*1-2 years*	*2-5 years*
Cash and cash equivalents	2.5	228	228	-	-	-
	2.5	228	228	-	-	-

	2009 Actual $000s					
	Effective Interest Rate %	*Total*	*6 mths or less*	*6-12 mths*	*1-2 years*	*2-5 years*
Cash and cash equivalents	2.5	73	73	-	-	-
	2.5	73	73	-	-	-

Foreign currency risk

HealthShare Limited has no direct exposure to foreign currency risk.

Capital management

The HealthShare Limited's capital is its equity, which comprises five District Health Boards' equity and retained earnings. Equity is represented by net assets. HealthShare Limited manages its revenues, expenses, assets, liabilities and general financial dealings prudently in compliance with the budgetary processes.

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

There have been no material changes in HealthShare Limited's management of capital during the period.

Sensitivity analysis

In managing interest rate and currency risks HealthShare Limited aims to reduce the impact of short-term fluctuations on HealthShare Limited's earnings. Over the longer-term, however, permanent changes in foreign exchange and interest rates would have an impact on earnings.

At 30 June 2010, it is estimated that a general increase of one percentage point in interest rates would increase HealthShare Limited's net surplus before tax by approximately $2,228 (2009:$730).

11 FINANCIAL INSTRUMENTS (CONTINUED)

Classification and fair values

The classification and fair values together with the carrying amounts shown in the statement of financial position are as follows:

		2010 Actual $000s			
	Note	*Loans and receivables*	*Financial liabilities at amortised cost*	*Carrying amount*	*Fair value*
Financial Assets					
Trade and other receivables	5	322		322	322
Cash and cash equivalents	6	228		228	228
Financial Liabilities					
Trade and other payables	10		(215)	(215)	(215)
		550	(215)	335	335

		2009 Actual $000s			
	Note	*Loans and receivables*	*Financial liabilities at amortised cost*	*Carrying amount*	*Fair value*
Financial Assets					
Trade and other receivables	5	422		422	422
Cash and cash equivalents	6	73		73	73
Financial Liabilities					
Trade and other payables	10		(181)	(181)	(181)
		495	(181)	314	314

Estimation of fair values analysis

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Cash and cash equivalents

The carrying amount of cash and cash equivalents balances is equivalent to their fair value.

Trade and other receivables / payables

For receivables / payables the notional amount is deemed to reflect the fair value.

12 RELATED PARTIES

Identity of related parties

HealthShare Limited is owned by the five District Health Boards in the Midland Region. During the year ended 30 June 2010 HealthShare Limited received revenue of $1,162,642 (2009:$898,841) from these five District Health Boards in order to fund the organisations activities and paid administration fees of $18,420 (2009:$18,420) to Waikato District Health Board. At balance date HealthShare Limited owed $Nil (2009:$Nil) to these District Health Boards. At balance date these District Health Boards owed $200,048 (2009:$184,930) to HealthShare Limited and $227,118 was invested with Waikato District Health Board.

	Revenue		Debtors		Income in advance	
	2010 $000	*2009 $000*	*2010 $000*	*2009 $000*	*2010 $000*	*2009 $000*
Bay of Plenty DHB	301	187	60	54	5	-
Lakes DHB	172	104	36	28	3	-
Tairawhiti DHB	65	43	9	10	2	-
Taranaki DHB	174	106	38	13	3	-
Waikato DHB	451	459	57	80	8	-
	1,163	899	200	185	21	-

Remuneration

There was no remuneration paid to Directors during the year ended 30 June 2010 (2009:$Nil).

The remuneration of the General Manager for the year ended 30 June 2010 was in the $150,000 to $160,000 band. Key management personnel consist of the ten Directors and the General Manager. The only related party payments made to the key management personnel is the General Manager's salary.

Ownership

HealthShare Limited is a company jointly owned by Bay of Plenty DHB, Lakes DHB, Tairawhiti DHB, 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.

Transactions with other entities controlled by the Crown

There have been transactions with other entities controlled by the Crown that have not been separately disclosed because the transactions have been carried out on the same terms as if the transactions had been carried out at arm's length.

13 SUBSEQUENT EVENTS

There are no significant events subsequent to balance date.

14 EXPLANATION OF FINANCIAL VARIANCES FROM BUDGET

The budget figures for the year ended 30 June 2010 represent the original estimates prior to the commencement of the year. The actual activities undertaken differed from the original plan, achieving significant cost savings.

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

AUDIT REPORT

To the readers of HealthShare Limited's financial statements and statement of service performance for the year ended 30 June 2010

The Auditor General is the auditor of HealthShare Limited (the Company). The Auditor General has appointed me, F Caetano, using the staff and resources of Audit New Zealand, to carry out the audit on her behalf. The audit covers the financial statements and statement of service performance included in the annual report of the Company for the year ended 30 June 2010.

Unqualified opinion

In our opinion:

- The financial statements of the Company on pages 12 to 27:
  - ♦ comply with generally accepted accounting practice in New Zealand; and
  - ♦ give a true and fair view of:
    - the Company's financial position as at 30 June 2010; and
    - the results of its operations and cash flows for the year ended on that date.
- The statement of service performance of the Company on pages 8 to 11:
  - ♦ complies with generally accepted accounting practice in New Zealand; and
  - ♦ gives a true and fair view of, for each class of outputs:
    - its standards of delivery performance achieved, as compared with the forecast standards outlined in the statement of forecast service performance adopted at the start of the financial year; and
    - its actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses outlined in the statement of forecast service performance adopted at the start of the financial year.
- Based on our examination the Company kept proper accounting records.

The audit was completed on 29 October 2010, and is the date at which our opinion is expressed.

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

Basis of opinion

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

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

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

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

Audit procedures generally include:

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

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

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

Responsibilities of the Board of Directors and the Auditor

The Board of Directors is responsible for preparing the financial statements and statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must give a true and fair view of the financial position of the Company as at 30 June 2010 and the results of its operations and cash flows for the year ended on that date. The statement of service performance must give a true and fair view of, for each class of outputs, the Company's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses adopted at the start of the financial year. The Board of Directors' responsibilities arise from the Financial Reporting Act 1993, the Crown Entities Act 2004, and the Companies Act 1993.

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

Independence

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

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

F Caetano
Audit New Zealand
On behalf of the Auditor-General
Hamilton, New Zealand