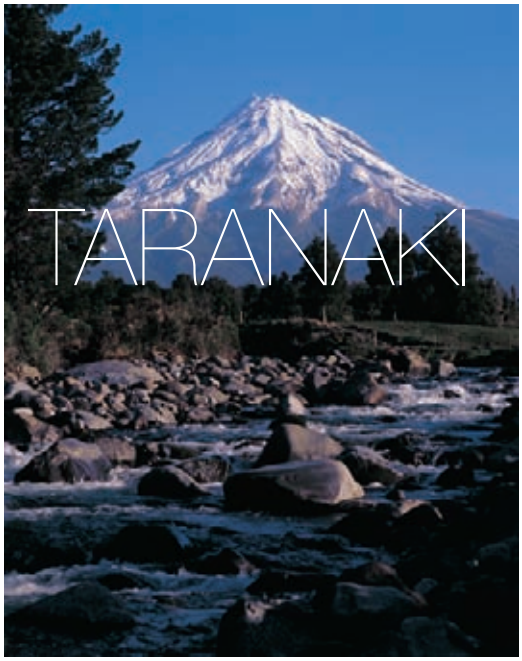
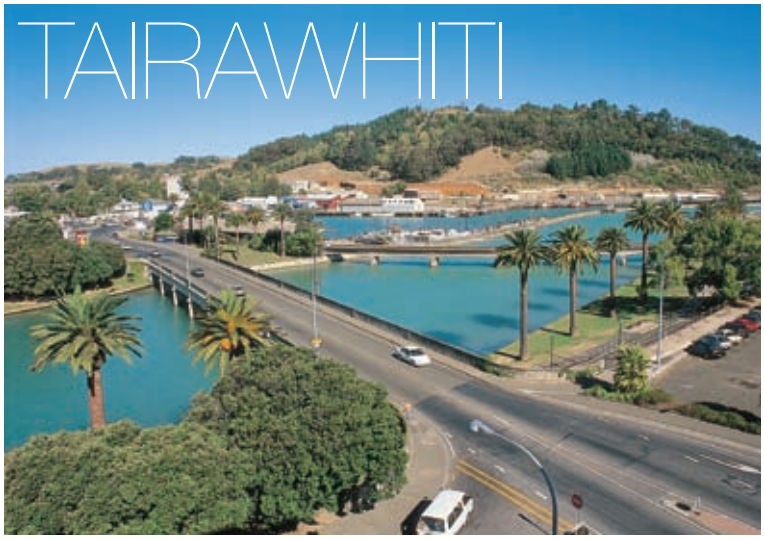
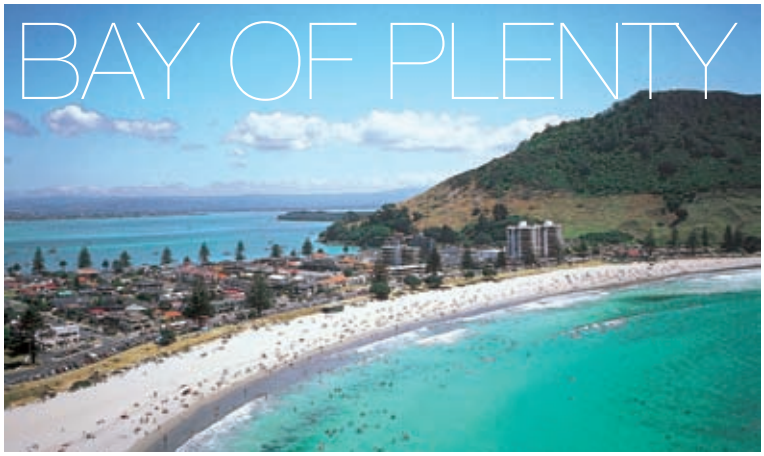
HealthShare
He Rourou Takitahi
Midland district health boards' shared services agency

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2011







ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2011

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COMPANY DIRECTORY

FOR THE YEAR ENDED 30 JUNE 2011

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
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
Brett Paradine
Helen Mason (alternate director)
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

FOR THE YEAR ENDED 30 JUNE 2011

It is my pleasure to present this report on the tenth year of the HealthShare operation as the Midland District Health Boards' shared services agency. This has been a year which has seen considerable planning and activity to expand the HealthShare role. This is in line with Government policy direction to a stronger cooperative approach across the region, with HealthShare to be the vehicle for that increased momentum.

The new HealthShare activity will include:

- Midland Mental Health & Addictions Network
- Midland Cancer Network
- Midland Smokefree Director
- Midland Regional Workforce Planning
- Midland Regional Planning e.g. IS, Clinical Services Plan

This is in conjunction with the prior HealthShare provider audit function across personal health, mental health and health of older people.

During 2010 HealthShare became a Designated Audit Agency and HealthShare is currently undergoing accreditation against the Joint Accreditation Scheme of Australia and New Zealand which gives shareholders and stakeholders further confidence in the quality of the systems and processes HealthShare has in place.

I congratulate the 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 effort have continued to build on their specialised capability in providing enhanced audit service delivery across the Midland region.

I would also like to thank my colleagues on the Board for their support and commitment over the past year. We look forward to the development of the wider range of HealthShare services in the coming year.

Jim Green

Chair – HealthShare Limited

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2011

The Directors submit their report and the audited financial statements of the company for the year ended 30 June 2011.

Principal Activity

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

Financial Position

The equity of the Company was represented by:

	2011	2010
	$000s	$000s
Current Assets	440	550
Less Current Liabilities	262	314
	178	236
Plus Non Current Assets	13	18
Equity	191	254

Financial

The deficit for the year was $62,682 (2010 – surplus of $19,829).

Dividends

The Directors recommended that no dividend be paid (2010 – Nil).

Donations

There were no donations made during the year (2010 – Nil).

Auditor

Audit New Zealand is appointed under section 43 of 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 2011 is $12,765 (2010 - $17,520).

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2011

The Directors of HealthShare Limited during the year ended 30 June 2011 were:

Phillip Cammish

Craig Climo

Cathy Cooney

Anthony Foulkes

Jim Green

Brett Paradine

Helen Mason (alternate director)

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 that are the shareholders of HealthShare Limited. In addition, the following disclosures of interest have been made to the Board:

T Foulkes	Director of HIQ Ltd
	Director of LabCare Limited
	Trustee, Taranaki Health Foundation
	Member of the National Health Information Technology Board
	Wife General Practitioner in Hauora Taranaki PHO
P Cammish	Director of Venturo Ltd
S Boardman	Trustee, Taranaki Health Foundation
H Mason	Shareholder, General Consulting Services (consulting to small and medium sized businesses)
C Cooney	Board member, Partnership Resources Centre, Department of Labour

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
7 October 2011

Director
7 October 2011

STATEMENT OF RESPONSIBILITY

FOR THE YEAR ENDED 30 JUNE 2011

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 2011 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 and the Statement of Service Performance for the year ended 30 June 2011 fairly reflect the financial position and operations of HealthShare Limited.

Signed on behalf of the Board

Chair/Director

7 October, 2011

Director

7 October, 2011

STATEMENT OF SERVICE PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2011

HealthShare Limited has only one output class with the identified output classes below being sub output classes. Therefore for the revenue and expenditure relating to HealthShare Limited's output refer to Statement of comprehensive income on page 13.

OUTPUT CLASS : FINANCE			
Performance Dimension	Deliverable	Target Date	Performance
HealthShare expenditure is managed within the agreed annual budget.	Year end financial reporting shows break even position or better each year.	From 1 July 2010	Partially Achieved Expenditure under budget by $274k. Financial accounts demonstrates deficit of $63k. Decision made not to charge DHB's June operating expenditure contribution as retained earnings deemed sufficient to cover shortfall and reflective of reduced operating expenditure recovery required from DHB's of $108k.

OUTPUT CLASS : INTERNAL CONTROL			
Performance Dimension	Deliverable	Target Date	Performance
Annual audit is carried out by independent auditors.	Successful Auditor's report (as assessed October each year). Financial attest audit has an unqualified opinion.	October 2010	Achieved Unqualified Auditors Opinion issued 29 October 2010.
HealthShare maintains financial controls, delegations and accounting processes consistent with typical business practice and the OAG guidelines for public entities.	Successful Auditors report (as assessed October each year.) Interim Audit NZ management report categorises the control environment as at least satisfactory.	October 2010	Not Achieved Management Report identified the management control environment as not being effective. Action plan in progress to address issues identified in report. Internally HealthShare maintains appropriate documented delegations and accounting processes.

STATEMENT OF SERVICE PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2011

OUTPUT CLASS : CUSTOMER FOCUS			
Performance Dimension	Deliverable	Target Date	Performance
HealthShare maintains service, capacity and capability requirements to meet the core and evolving requirements of its shareholders and other key stakeholders (customers).	Two yearly formal survey of customer satisfaction with services indicates that satisfaction with services is favourable.	March 2011	Achieved Average rating overall indicated a satisfaction level of 8.5 out of a potential score of 10 compared to 2009 average satisfaction level which was 8.35. Feedback in general positive.
Maintains key professional networks with a wide range of stakeholders.	Relationships with external agencies are assessed as productive.	From July 2010	Achieved Annual face to face meeting with networks. At the last meeting innovations and processes shared and agreement reached to explore nationally consistent audit frameworks. Ongoing adhoc dialogue (telephone and email) approximately three monthly.
	HealthShare responds positively to requests for additional services and/ or opportunities to enhance current service delivery.	From July 2010	Achieved Strong productive relationships with DHBs. Meeting face to face or telephone bi-annually documented.
HealthShare maintains a comprehensive Quality Management System.	HealthShare gains and maintains appropriate Quality Management System Certification.	From July 2010	Partially Achieved ISO:9011 accreditation expired June 2011 and not retained as undergoing Joint Accreditation System of Australia and New Zealand (JAS-ANZ) accreditation. All JAS-ANZ documentation completed and queries responded to. Awaiting opportunity for formal survey of audit certification processes.
HealthShare evaluates customer satisfaction with services provided	Customers agree that HealthShare adds value to their services.	March 2011	Achieved Average rating overall indicated a satisfaction level of 8.5 out of a potential score of 10 compared to 2009 average satisfaction level which was 8.35. Feedback in general positive. DHBs returning audit report feedback forms indicates reports useful.

STATEMENT OF SERVICE PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2011

OUTPUT CLASS : ORGANISATIONAL HEALTH			
Performance Dimension	Deliverable	Target Date	Performance
HealthShare has appropriate recruitment practices.	Turn-over of appropriately qualified and experienced staff is no more than the industry average	June 2011	Achieved Nil turn over of permanent staff. No resignations in financial year. Last resignation January 2010.
	HealthShare responds to the shareholders' requirements.	June 2011	Achieved Request for trial of He Retinga, an audit framework developed by the BoP DHB to provide a mechanism of the implementation of the treaty of Waitangi, was implemented Average rating overall indicated a satisfaction level of 8.5 out of a potential score of 10 compared to 2009 average satisfaction level which was 8.35. Feedback in general positive.
Employment practices are in accordance with current legislation.	All staff have regular performance reviews.	June 2011	Partially achieved All but two staff have undergone a performance reviews within the reporting period. Outstanding reviews planned.
	All staff have a professional development plan.	June 2011	Achieved All staff have a professional development plan incorporated in the annual performance review process.
Maintain Health & Safety systems and processes in accordance with current legislation	Requirements of Workplace Safety Management Practices (WSMP) – ACC422 are met to level 1.	June 2011	Achieved External assessment by Accident Compensation Corporation (ACC) against WSMP occurred 4 October 2010. Obtained entry into the primary level confirmed 11 October 2010.

STATEMENT OF SERVICE PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2011

OUTPUT CLASS : SERVICE DELIVERY			
Performance Dimension	Deliverable	Target Date	Performance
HealthShare agrees to an annual audit programme with each DHB	Reports are delivered to agreed standard and timeframes.	June 2010	Not Achieved Sixty percent of draft audit reports were delivered outside the agreed time frames. These were monitored and reported to the quarterly HealthShare Board meetings. • 6 August 2010 • 5 November 2010 • 4 February 2011 • 6 May 2011
DHB requests for additional services are accommodated.	DHBs report improved quality and efficiency of health services as a consequence of audit.		Achieved Average rating overall indicated a satisfaction level of 8.5 out of a potential score of 10 compared to 2009 average satisfaction level which was 8.35. Feedback in general positive.
	All reasonable requests for additional services are accommodated within agreed boundaries		Achieved Implemented trial of He Retinga as requested by DHBs.
HealthShare provides resources and services to facilitate regional collaboration.	Opportunities for collaboration are identified and actioned	By 30 June 2011	Achieved One HealthShare FTE released to Northern DHB Support Agency (NDSA) for 15 months from August 2010 for project relating to Age Related Residential Care (ARRC). Collaboration with other Shared Support Agencies (SSA) to explore national consistency. Meeting held 4 July 2011.
Cost increases are managed within forecasted funding track (FFT) and reported quarterly to the Board.	HealthShare's costs do not increase above the base FFT.	By 30 June 2011	Achieved Expenditure under budget $274k. Reduced operating expenditure recovery required from DHBs of $108k.
The number of employee positions equivalent to a Full Time Employee (FTE) is managed in accordance with the Minister's agreed "cap" and reported quarterly to the Board	FTEs do not increase above the agreed cap	From July 2011	Achieved FTE (contract and permanent staff) maintained well below 20 FTE cap. Result included in the three monthly reports to the HealthShare Board meeting. • 6 August 2010 – 13 • 5 November 2010 - 14 • 4 February 2011 – 13.4 • 6 May 2011 – 14.5

STATEMENT OF SERVICE PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2011

OUTPUT CLASS : RESEARCH & DEVELOPMENT			
Performance Dimension	Deliverable	Target Date	Performance
HealthShare works with DHBs and other agencies to identify, recommend and implement services that enhance and provide efficiency and effectiveness gains.	Relationships with external agencies are assessed as productive.	By June 2012	Achieved One HealthShare FTE released to NDSA for 15 months from August 2010 for project relating ARRC. Collaboration with other SSA to explore national consistency. Meeting held 4 July 2011.
	Two yearly shareholder reviews indicate satisfaction with services is favourable and options for future service development.	By June 2012	Not Applicable Undertaken for June 2010. Not due this reporting cycle.
	Agencies view HealthShare favourably as a vehicle for collaboration.	By June 2010	Achieved One HealthShare FTE released to NDSA for 15 months from August 2010 for project relating ARRC. Collaboration with other SSA to explore national consistency. Meeting held 4 July 2011.
	At least one new business initiative is identified and proposed to shareholders.	By June 2012	Achieved A decision to expand HealthShare functions was taken by the regional Chairs/ Chief executives on 6 May 2011.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

in thousands of New Zealand Dollars

	Note	*2011 Actual*	*2011 Budget*	*2010 Actual*
Revenue	1	1,391	1,732	1,678
Finance income		4	-	3
Total income		**1,395**	**1,732**	**1,681**
Employee benefits	3	722	967	884
Depreciation	4	5	10	6
Outsourced services		414	291	370
Other operating expenses	2	317	464	401
Total expenses		**1,458**	**1,732**	**1,661**
Surplus/(deficit) before and after tax		**(63)**	**-**	**20**
Other comprehensive income for the year, net of tax		-	-	-
Total comprehensive income for the year	8	**(63)**	**-**	**20**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

in thousands of New Zealand Dollars

	Note	*2011 Actual*	*2011 Budget*	*2010 Actual*
Equity at the beginning of the year		254	118	234
Total comprehensive income	8	(63)	-	20
Contributions/(withdrawals) from owners		-	-	-
Total equity at the end of the year		**191**	**118**	**254**

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 2011

in thousands of New Zealand Dollars

	Note	*2011 Actual*	*2011 Budget*	*2010 Actual*
Property, plant and equipment	4	13	25	18
Total non-current assets		**13**	**25**	**18**
Trade and other receivables	5	299	207	322
Cash and cash equivalents	6	141	144	228
Total current assets		440	351	550
Total assets		**453**	**376**	**568**
Equity	8	**191**	**118**	**254**
Trade and other payables	10	149	158	215
Employee benefits	9	113	100	99
Total current liabilities		**262**	**258**	**314**
Total equity and liabilities		**453**	**376**	**568**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

in thousands of New Zealand Dollars

	Note	*2011 Actual*	*2011 Budget*	*2010 Actual*
Cash flows from operating activities				
Cash receipts		1,392	1,732	1,793
Interest received		4	1	3
Cash paid to suppliers and employees		(1,483)	(1,722)	(1,639)
Net cash flows from operating activities	7	**(87)**	**11**	**157**
Cash flows from investing activities				
Acquisition of property, plant and equipment	4	-	(15)	(2)
Net cash flows from investing activities		**-**	**(15)**	**(2)**
Net cash flows from financing activities		-	-	-
Net increase/(decrease) in cash and cash equivalents		(87)	(4)	155
Cash and cash equivalents at beginning of year		228	148	73
Cash and cash equivalents at end of year	6	**141**	**144**	**228**

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 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 COMMITMENTS

AS AT 30 JUNE 2011

in thousands of New Zealand Dollars

	2011 Actual	*2010 Actual*
Capital commitments	-	-
	-	-
Non-cancellable commitments - operating lease commitments		
Not more than one year	24	41
More than one year and not more than five years	-	-
Over five years	-	-
	24	**41**

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

During the year ended 30 June 2011 $62,642 was recognised as an expense in the Statement of comprehensive income in respect of operating leases (2010: $61,555).

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 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 New Zealand International Accounting Standard (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 on 7 October 2011.

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 (FRSs), 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 NZIFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the 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 financial leases.

Changes in accounting policies

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

Early adopted amendments to standards

- NZIAS24 Related Party Disclosure (Revised 2009) - the effect of early adopting the revised NZ IAS 24 is:
  - More information is required to be disclosed about transactions between the company and entities controlled, jointly controlled, or significantly influenced by the Crown;
  - commitments with related parties require disclosure; and
  - information is required to be disclosed about any related party transactions with Ministers of the Crown.
- NZIFRS7 Financial Instruments: Disclosures – The effect of early adopting these amendments is the following information is no longer disclosed:
  - The carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated; and
  - The maximum exposure to credit risk by class of financial instrument if the maximum credit risk exposure is best represented by their carrying amount in the Statement of financial position.

Standards amendments and interpretations issued that are not yet effective and have not been early adopted

The following standards have not been early adopted in the preparation of the financial statements for the year ended 30 June 2011.

- NZIFRS 9 Financial Instruments will eventually replace NZIAS 39 Financial Instruments: Recognition and Measurement. NZIAS 39 is being replaced through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZIFRS 9. NZIFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZIAS 39. The approach in NZIFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in NZIAS 39. The new standard is required to be adopted for the year ended 30 June 2014. The company has not yet assessed the effect of the new standard and expects it will not be early adopted.
- FRS 44 New Zealand Additional Disclosures and Amendments to NZIFRS to harmonise with IFRS and Australian Accounting Standards (Harmonisation Amendments) - These were issued in May 2011 with the purpose of harmonising Australia and New Zealand's accounting standards with source IFRS and to eliminate many of the differences between the accounting standards in each jurisdiction. The amendments must first be adopted to the year ended 30 June 2012. The company has not yet assessed the effect of FRS 44 and the Harmonisation Amendments.

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 FRSs as appropriate for public benefit entities.

Financial assets

Financial assets are derecognised if HealthShare 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 retaining 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 are included as a component of cash and cash equivalents for the purpose of the Statement of cash flows.

Financial Instruments

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 amortised 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 assessed 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 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 comprehensive income.

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 comprehensive income.

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.

Annual leave and sick leave

Annual leave and sick leave are short-term obligations and are calculated on an actual basis at the amount expected to pay. The obligations are accrued for paid absences when the obligation relates to employees' past services and accumulates.

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 has been approved as a public entity 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 DHBs. Non-related party revenue is revenue received from other DHBs.

Operating lease payments

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

	Note	2011 Actual $000s	2010 Actual $000s
Non-related party revenue		271	515
Related party revenue	12	1,120	1,163
		1,391	1,678

2 OTHER OPERATING EXPENSES

	Note	2011 Actual $000s	2010 Actual $000s
Audit fees		18	13
Operating lease expenses		62	62
Legal fees		1	-
Staff accommodation		56	78
Related party expense	12	21	18
Other		159	230
		317	401

3 EMPLOYEE BENEFITS

	2011 Actual $000s	2010 Actual $000s
Salaries and wages	713	874
Defined contribution plan employer contributions	9	10
	722	884

4 PROPERTY, PLANT AND EQUIPMENT

Plant, equipment and furnishings	*Actual $000s*
Cost	
Balance at 1 July 2009	140
Additions	2
Disposals	-
Balance at 30 June 2010	142
Balance at 1 July 2010	142
Additions	-
Disposals	-
Balance at 30 June 2011	142
Depreciation and impairment losses	
Balance at 1 July 2009	118
Depreciation charge for the year	6
Disposals	-
Balance at 30 June 2010	124
Balance at 1 July 2010	124
Depreciation charge for the year	5
Disposals	-
Balance at 30 June 2011	129
Carrying amounts	
At 1 July 2009	22
At 30 June 2010	18
At 1 July 2010	18
At 30 June 2011	13

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 2011 (2010:$Nil).

5 TRADE AND OTHER RECEIVABLES

	Note	2011 Actual $000s	2010 Actual $000s
Trade receivables from related parties	12	256	200
Trade receivables from non-related parties		43	111
Accrued income		-	10
Prepayments		-	1
		299	322

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 carry value of trade and other receivables approximates their fair value.

6 CASH AND CASH EQUIVALENTS

	2011 Actual $000s	2010 Actual $000s
Bank balances	7	1
Call deposits	134	227
	141	228

The carrying value of cash and cash equivalents approximates their fair value.

7 RECONCILIATION OF NET SURPLUS/(DEFICIT) FOR THE PERIOD WITH NET CASH FLOWS FROM OPERATING ACTIVITES

	Note	2011 Actual $000s	2010 Actual $000s
Net surplus/(deficit)		(63)	20
Add back non-cash items:			
Depreciation and assets written off	4	5	6
Movements in working capital:			
(Increase)/decrease in trade and other receivables	5	22	94
(Increase)/decrease in prepayments	5	1	6
Increase/(decrease) in trade and other payables	10	(45)	13
Increase/(decrease) in employee benefits	9	14	(3)
Increase/(decrease) in income advance	10	(21)	21
Net movement in working capital		(29)	131
Net cash inflow/(outflow) from operating activities		(87)	157

NOTES TO THE FINANCIAL STATEMENTS

8 EQUITY

	Share Capital Actual $000s	*Retained Earnings Actual $000s*	*Total Equity Actual $000s*
Balance at 1 July 2009	1	233	234
Total comprehensive income and expenses	-	20	20
Balance at 30 June 2010	1	253	254
Balance at 1 July 2010	1	253	254
Total comprehensive income and expenses	-	(63)	(63)
Balance at 30 June 2011	1	190	191

9 EMPLOYEE BENEFITS

	2011 Actual $000s	*2010 Actual $000s*
Liability for annual leave	84	70
Liability for sick leave	2	-
Salary and wages accrual	27	29
	113	99

10 TRADE AND OTHER PAYABLES

	2011 Actual $000s	*2010 Actual $000s*
Trade payables to related parties	12	11
Trade payables to non-related parties	91	99
Income in advance	-	21
ACC levy payable	1	36
GST and PAYE payable	45	48
	149	215

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 approximates their fair value.

11 FINANCIAL INSTRUMENTS

Exposure to credit and interest rate risks arise in the normal course of HealthShare Limited's operations.

Credit risk

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

	Note	*Gross Receivable 2011 Actual $000s*	*Impairment 2011 Actual $000s*	*Gross Receivable 2010 Actual $000s*	*Impairment 2010 Actual $000s*
Not past due		168	-	244	-
Past due 0-30 days		44	-	-	-
Past due 31-120 days		11	-	67	-
Past due 121-360 days		31	-	-	-
Past due more than 1 year		45	-	-	-
Total	5	299	-	311	-

As at 30 June 2011 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.

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

	Note	*2011 Actual $000s*	*2010 Actual $000s*
Cash and cash equivalents	6	141	228
Trade and other receivables	5	299	311
Total credit risk		440	539

11 FINANCIAL INSTRUMENTS (CONTINUED)

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counterparty default rates:

	2011 Actual	*2010 Actual*
COUNTERPARTIES WITH CREDIT RATINGS		
Cash at bank and term deposits		
AA	141	228
Total cash at bank and term deposits	141	228
COUNTERPARTIES WITHOUT CREDIT RATINGS		
Trades and other receivables		
Existing counterparty with no default in the past	299	311
Total Debtors and other receivables	299	311

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	*2011 Actual $000s*						
		Balance Sheet	*Contractual cash flow*	*6 mths or less*	*6 - 12 mths*	*1 - 2 years*	*2 - 5 years*	*More than 5 years*
Cash and cash equivalents	6	141	-	141	-	-	-	-
Trade and other payables	10	(149)	-	(149)	-	-	-	-
Total		(8)	-	(8)	-	-	-	-

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

11 FINANCIAL INSTRUMENTS (CONTINUED)

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 HealthShare Limited'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.

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.

			2011 Actual $000s					
	Note	*Effective Interest Rate %*	*Total*	*6 mths or less*	*6 - 12 mths*	*1 - 2 years*	*2 - 5 years*	*More than 5 yrs*
Cash and cash equivalents	6	2.5	141	141	-	-	-	-
			141	141	-	-	-	-

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

11 FINANCIAL INSTRUMENTS (CONTINUED)

Foreign Currency Risk

HealthShare Limited has no direct exposure to foreign currency risk.

Capital management

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 risk HealthShare Limited aims to reduce the impact of short-term fluctuations on HealthShare Limited's earnings. Over the longer-term, however, permanent changes in interest rates would have an impact on earnings.

At 30 June 2011, 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 $1,410 (2010:$2,228).

Classification and fair values

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

		2011 Actual $000s			
	Note	*Cash and receivables*	*Fianancial liabilities at amortised cost*	*Carrying amount*	*Fair value*
Financial Assets					
Trade and other receivables	5	299	-	299	299
Cash and cash equivalents	6	141	-	141	141
Financial Liabilities					
Trade and other payables	10	-	(149)	(149)	(149)
		440	(149)	291	291

		2010 Actual $000s			
	Note	*Cash and receivables*	*Fianancial 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

11 FINANCIAL INSTRUMENTS (CONTINUED)

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 equivalent 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 who are in turn wholly owned by the Crown.

Significant transactions with government related entities

During the year ended 30 June 2011 HealthShare Limited received revenue of $1,119,652 (2010:$1,162,642) from these five District Health Boards in order to fund the organisations activities and paid administration fees of $20,837 (2010:$18, 420) to Waikato District Health Board. HealthShare Limited also paid $487 (2010: $518) to Tairawhiti DHB for reimbursement of expenses incurred on behalf of HealthShare Limited. HealthShare Limited's Chair Jim Green is the Chief Executive of Tairawhiti DHB. At balance date HealthShare Limited owed $11,670 (2010:$10,745) to Waikato District Health Board. At balance date these District Health Boards owed $256,350 (2010:$200,048) to HealthShare Limited. $134,370 (2010: $227,118) was invested with Waikato District Health Board.

	Revenue		*Debtors*		*Income in Advance*	
	2011	*2010*	*2011*	*2010*	*2011*	*2010*
	$000s	*$000s*	*$000s*	*$000s*	*$000s*	*$000s*
Bay of Plenty DHB	294	301	64	60	-	5
Lakes DHB	163	172	55	36	-	3
Tairawhiti DHB	58	65	19	9	-	2
Taranaki DHB	181	174	34	38	-	3
Waikato DHB	424	451	84	57	-	8
	1,120	1,163	256	200	-	21

Collectively, but not individually significant, transactions with government-related entities

In conducting its activities, HealthShare is required to pay various taxes and levies (such as GST, PAYE, and ACC levies) to the Crown and entities related to the Crown. The payment of these taxes and levies, other than income tax is based on the standard terms and conditions that apply to all tax and levy payers. HealthShare is exempt from paying income tax.

HealthShare also purchases goods and services from entities controlled, significantly influenced, or jointly controlled by the Crown. Purchases from these government-related entities for the year ended 30 June 2011 totalled $25,339 (2010: $45,011). These purchases included purchase of electricity from Genesis, air travel from Air New Zealand, and postal services form New Zealand Post.

12 RELATED PARTIES (CONTINUED)

Transactions with key management personnel

Key management personnel compensation	2011 Actual $000's	2010 Actual $000's
Salaries and other short-term employee benefits	157	154
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Total key management personnel compensation	157	154

Key management personnel includes all Board members and one member of the management team.

There was no remuneration paid to Directors during the year ended 30 June 2011 (2010:$Nil).

Related party transactions involving key management personnel (or their close family members)
There have been no related party transactions involving key management personnel (or their close family members) during the year (2010: $Nil).

Employee Remuneration

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

Employee Remuneration over $100,000 ($10,000 bands)	2011 Actual	2010 Actual
100,001 - 110,000	-	-
110,001 - 120,000	-	-
120,001 - 130,000	-	-
130,001 - 140,000	-	-
140,001 - 150,000	-	-
150,001 - 160,000	1	1
	1	1

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.

13 SUBSEQUENT EVENTS

A decision to expand HealthShare functions from 1 August 2011, was made to include Midland Mental Health & Addictions Network, Midland Cancer Network, Midland Smokefree Director, Midland Regional Workforce Planning and Midland Regional Planning e.g. IS, Clinical Services Plan. The added functions did not have any impact on the financial statements prepared for the year ended 30 June 2011, and the total impact on the year ended 30 June 2012 has not been quantified at the time the financial statements were authorised for issue.

14 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets and liabilities as at 30 June 2011 (2010: $Nil).

15 EXPLANATION OF FINANCIAL VARIANCES FROM BUDGET

The budget figures for the year ended 30 June 2011 represent the original estimates prior to the commencement of the year. The actual activities undertaken were less than planned.

Independent Auditor's Report

To the readers of HealthShare Limited's financial statements and statement of service performance for the year ended 30 June 2011

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 of the financial statements and statement of service performance of the company on her behalf.

We have audited:

- the financial statements of the company on pages 13 to 31, that comprise the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the company on pages 8 to 12.

Opinion on the financial statements and statement of service performance

In our opinion:

- the financial statements of the company on pages 13 to 31:
  - 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 2011; and
    - financial performance and cash flows for the year ended on that date.
- the statement of service performance of the company on pages 8 to 12:
  - complies with generally accepted accounting practice in New Zealand; and
  - gives a true and fair view of, for each class of outputs for the year ended 30 June 2011, the company's:
    - service performance compared with the forecasts in the statement of forecast service performance at the start of the financial year; and

- actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.

Opinion on other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company as far as appears from an examination of those records.

Our audit was completed on 7 October 2011. This 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 our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and statement of service performance are free from material misstatement.

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.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and statement of service performance, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the company's preparation of the financial statements and statement of service performance that give a true and fair view of the matters to which they relate. We consider internal control 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.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements and statement of service performance; and
- the overall presentation of the financial statements and statement of service performance.

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

Reporting Act 1993 we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements and a statement of service performance that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the company's financial position, financial performance and cash flows; and
- give a true and fair view of its service performance.

The Board of Directors is also responsible for such internal control as is determined necessary to enable the preparation of financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error.

The Board of Directors' responsibilities arise from the Crown Entities Act 2004, the Financial Reporting Act 1993 and the Companies Act 1993.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you based on our audit. Our 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