Te Korowai Hauora o Hauraki
"The Cloak of Wellness for Hauraki"
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Special Purpose Financial Statements for the year ended 30 June 2013

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Independent Auditors' Report

to the members of Te Korowai Hauora O Hauraki Inc

Report on the Special Purpose Financial Statements

We have audited the special purpose financial statements of Te Korowai Hauora O Hauraki Inc (the "Society') on pages 3 to 18, which comprise the statement of financial position as at 30 June 2013 and statement of comprehensive income and statement of changes in reserves for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information. The purpose of the report is to comply with the Rules of Te Korowai Hauora O Hauraki Incorporated.

The Executive Committee's Responsibility for the Financial Statements

The Executive Committee is responsible for the preparation of special purpose financial statements, in accordance with the policies adopted by the Society, that present fairly the matters to which they relate and for such internal controls as the Executive Committee determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these special purpose financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the entity's preparation of financial statements that present fairly the matters to which they relate, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We have no relationship with or interests in the entity other than in our capacities as auditors and accounting support services. These services have not impaired our independence as auditors of the Society.

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Independent Auditors' Report

Te Korowai Hauora O Hauraki Inc

Opinion

In our opinion, the special purpose financial statements for the year ended 30 June 2013 on pages 3 to 18 are prepared, in all material respects, in accordance with the policies defined in Note 2 to the special purpose financial statements.

Basis of Accounting and Restriction of Distribution or Use

Without modifying our opinion, we draw attention to Note 2 to the special purpose financial statements which describes the basis of accounting. The special purpose financial statements are prepared to comply with the Rules of Te Korowai Hauora O Hauraki Incorporated and as a result may not be suitable for any other purpose. Our report is made solely to the Society's members, as a body. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants
4 November 2013

Hamilton

Statement of comprehensive income
For the year ended 30 June 2013

	Notes	2013 $'000	2012 $'000
Grant income	16	**197**	224
Government and patient funding		**6,795**	7,138
Other income	5	**220**	292
Total revenue		**7,212**	**7,654**
Depreciation and amortisation expense	6a	**253**	237
Employee benefits expense	6a	**4,887**	4,808
Other expenses		**2,138**	2,879
Finance expenses	6b	**80**	89
Finance costs - net		**80**	89
Total expenses		**7,358**	8,013
Profit/(loss) for the year, being total comprehensive income		**(146)**	(359)

For and on behalf of the Executive Committee:

H Mikaere

Chairman
Date: 1st November 2013

L Steel

Deputy Chairman

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position
As at 30 June 2013

	Notes	2013 $'000	2012 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	**659**	9
Trade and other receivables	8	**638**	1,400
Total current assets		**1,297**	1,409
Non-current assets			
Property, plant and equipment	9	**2,955**	3,000
Intangibles	9	**71**	9
Total non-current assets		**3,026**	3,009
Total assets		**4,323**	4,418
LIABILITIES			
Current liabilities			
Trade and other payables	11	**2,011**	1,531
Provisions	15	**6**	202
Borrowings	12	**54**	382
Total current liabilities		**2,071**	2,115
Non-current liabilities			
Borrowings	12	914	819
Total non-current liabilities		**914**	819
Total liabilities		**2,985**	2,934
Net assets		**1,338**	1,484
RESERVES			
Retained earnings		**1,338**	1,484
Total reserves		**1,338**	1,484

The above statement of financial position should be read in conjunction with the accompanying notes

Statement of changes in reserves

For the year ended 30 June 2013

	Retained earnings $'000	Total reserves $'000
Balance as at 1 July 2011	1,843	1,843
Comprehensive income		
Profit or loss for the year	(359)	(359)
Total comprehensive income	(359)	(359)
Balance as at 30 June 2012	1,484	1,484

	Retained earnings $'000	Total reserves $'000
Balance as at 1 July 2012	1,484	1,484
Comprehensive income		
Profit or loss for the year	(146)	(146)
Total comprehensive income	(146)	(146)
Balance as at 30 June 2013	1,338	1,338

The above statement of changes in reserves should be read in conjunction with the accompanying notes.

1 General information

Te Korowai Hauora o Hauraki Inc. (the Society) is an iwi-based, non-profit oriented society established by the Hauraki Maori Trust Board in May 1995 to provide quality health services.

The society is incorporated and domiciled in New Zealand. The address of its registered office is 210 Richmond Street, Thames.

These special purpose financial statements have been approved for issue by the Executive Committee on 1st November 2013.

The Executive Committee does not have the power to amend these special purpose financial statements once issued.

2 Summary of significant accounting policies

These special purpose financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand. Except for NZ IAS 24 Related Party Disclosure, in relation to disclosures and in relation to joint ventures as noted in note 2(b), they comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for not for profit entities.

(a) Basis of preparation

The principal accounting policies adopted in the preparation of the special purpose financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The special purpose financial statements are prepared in New Zealand dollars, the Society's functional and presentational currency.

Entity reporting

The special purpose financial statements are for Te Korowai Hauora o Hauraki Inc. as a separate legal entity.

The Society is designated as a public benefit entity for financial reporting purposes.

Statutory base

Te Korowai Hauora o Hauraki Inc. is a Society registered under the Incorporated Societies Act 1908 and the Charitable Trust Act 2005.

Differential reporting

The Society is a qualifying entity within the Framework for Differential Reporting. The Society qualifies on the basis that it is not publicly accountable and is not large. The Society has taken advantage of all differential reporting concessions available except for:

NZIAS18 Revenue Paragraph 6.1

Revenue and expenses items have been recognised exclusive of GST.

Historical cost convention

These special purpose financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets as identified in specific accounting policies below.

(b) Principles of consolidation

Joint ventures

The Society's interests in jointly controlled entities are accounted for on a cash accounting basis. Income is recognised when cash is received whilst expenses are recognised when paid.

Investments in joint ventures are carried at cost less impairment losses.

(c) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, excluding Goods and Services Tax, rebates and discounts and after eliminating sales within the Society. Revenue is recognised as follows:

(i) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(ii) Interest income

Interest income is recognised using the effective interest method.

When a loan or receivable is impaired, the Society reduces the carrying amount (the Discount) to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument. The Discount is unwound as interest income.

Interest income on impaired loans or receivables are recognised using the original effective interest rate

(iii) Rental income

Rental income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

(iv) Grants, including Government Grants

Grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Society will comply with all attached conditions.

Grants relating to costs are deferred and recognised in Grant income over the period necessary to match them with the costs that they are intended to compensate.

Grants relating to the purchase of property, plant and equipment are recognised as income in the year all obligations related to the grant are fulfilled.

(d) Income tax

The Society is wholly exempt from New Zealand income tax and gift duty having fully complied with all statutory conditions for these exemptions.

(e) Goods and Services Tax (GST)

The profit and loss component of the statement of comprehensive income has been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced

(f) Leases

(i) The Society is the lessee

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under an operating lease (net of any incentives received from the lessor) are charged to the profit and loss component of the statement of comprehensive income on a straight-line basis over the period of the lease.

(ii) The Society is the lessor

Assets leased to third parties under operating leases are included in property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

(g) Impairment of non-financial assets

All non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units).

(h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(i) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value, less provision for doubtful debts.

A provision for impairment of trade receivables is established when there is objective evidence that the Society will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit and loss component of the statements of comprehensive income within 'other expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'other expenses' in profit and loss component of the statement of comprehensive income.

(j) Investments and other financial assets

The Society classifies its financial assets in the following categories: financial assets at fair value through profit or loss or amortised cost. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its assets at initial recognition and re-evaluates this designation at every reporting date. At statement of financial position date there were no financial assets or liabilities held at fair value through profit or loss (2012: nil).

(i) Financial assets at fair value through profit or loss

This category has two sub categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Amortised cost

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. The Societies loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

Regular purchases and sales of financial assets are recognised on trade date - the date on which the Society commits to purchase or sell the asset. All financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

- *Financial assets carried at fair value through profit or loss* are initially recognised at fair value, and transaction costs are expensed in the profit and loss component of the statements of comprehensive income.

  Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the profit and loss component of the statements of comprehensive income in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss component of the statements of comprehensive income as part of other income when the Society's right to receive payments is established.

- *Loans and receivables* are subsequently carried at amortised cost using the effective interest method.

(k) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Society and the cost of the item can be measured reliably. All costs are charged to the profit and loss component of the statement of comprehensive income during the financial period in which they are incurred.

Land is not depreciated. Depreciation of property, plant and equipment is calculated using straight line depreciation rates so as to expense the cost of the assets over their useful lives. The rates are as follows:

- Buildings	3%
- Vehicles	20%
- Computer equipment	20% - 30%
- Plant & equipment	20%
- Furniture & fittings	20%

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit and loss component of the statement of comprehensive income.

(l) Software costs

Software and development costs are capitalised at cost less accumulated amortisation and impairment. The carrying value is amortised over its useful life, being three years.

Costs associated with maintaining software is expensed as incurred.

(m) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or in the normal operating cycle of the business if longer. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(n) Borrowings

Borrowings are initially recognised at fair value plus transaction costs incurred. Interest bearing liabilities are subsequently measured at amortised cost. Any difference between the proceeds (plus transaction costs) and the redemption amount is recognised in the profit and loss component of the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Society has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowing costs are expensed as incurred.

(o) Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave, and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for employee entitlements is carried at the present value of the estimated future cash flows.

(p) Provisions

Provisions for restructuring costs are recognised when the Society has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small

3 Prior Period Error

During the year Trust Waikato advised that it considered that the Society had not complied with the purpose of one of its grants received in the 2011 financial year. Therefore, at 30 June 2013 the Society had unearned income in respect to that grant of $130,000. The 2011 financial statements recorded the grant as revenue. The error has been corrected by restating the period in which the transaction occurred.

At the 30 June 2012	Previously reported	Effect of error	As reported
LIABILITIES			
Current liabilities			
Trade and other payables	1,401	130	1,531
Total current liabilities	1,401	130	1,531
Non-current liabilities			
Total liabilities	1,401	130	1,531
RESERVES			
Retained earnings	1,614	(130)	1,484
Total reserves	1,614	(130)	1,484

4 Financial instruments

Financial assets as per the statement of financial position	At amortised cost $'000	At amortised cost $'000
	At 30 June 2013	At 30 June 2012
Trade and other receivables	638	1,323
Cash and cash equivalents	659	9
	1,297	1,332

Financial liabilities as per the statement of financial position	At amortised cost $'000	At amortised cost $'000
	At 30 June 2013	At 30 June 2012
Borrowings	968	1,201
Provisions	6	202
Trade and other payables (Refer to Note 11)	507	563
	1481	1966

5 Other income

	2013 $'000	2012 $'000
Proceeds from Joint Ventures	117	231
Rental income	74	51
Other income and funders	29	10
Total other income	220	292

6a Expenses

		2013 $'000	2012 $'000
Profit before income tax includes the following specific expenses:			
Depreciation			
Buildings		64	59
Vehicles		40	42
Computer equipment		49	42
Plant & equipment		67	63
Furniture & Fittings		26	28
Total depreciation		246	234
Amortisation of intangibles		7	3
Impairment of property, plant and equipment		0	127
Staff salaries and wages		4,864	4,782
Executive Committee fees		23	26
Total salaries and wages		4,887	4,808
Restructuring, including consulting, legal and staff related costs		6	202
Operating lease expense		95	93

Auditors' fees
During the year the following fees were paid or payable for services provided by the auditor of the Society, and its related practices, PricewaterhouseCoopers

		2013	2012
Audit services for the year ending:	2013	15	-
	2012	5	15
		20	15

6b Finance income and expenses

	2013 $'000	2012 $'000
Finance costs		
Bank loans	80	89
Total finance costs	80	89

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7 Current assets - Cash and cash equivalents

	2013 $'000	2012 $'000
Cash at bank	**657**	8
Cash in hand	**2**	1
Total cash and cash equivalents	**659**	9

8 Current assets - Trade and other receivables

	2013 $'000	2012 $'000
Trade receivables	**638**	1,323
Prepaid expenses	**0**	77
	638	1,400

(a) Bad and doubtful trade receivables

The Society has recognised a loss of $193,020(2012: $136,593) in respect of bad and doubtful trade receivables during the year ended 30 June 2013. This loss has been included in Other Expenses of the profit and loss component of the statements of comprehensive income.

9 Non-current assets - Property, plant and equipment

	Land and Buildings	Vehicles	Computer equipment	Plant and equipment	Furniture & fittings	Total
At 30 June 2012						
- Cost	3,112	414	428	564	376	4,894
- Impairment	(127)	-	-	-	-	(127)
Accumulated depreciation	(402)	(324)	(326)	(407)	(308)	(1,767)
Net book amount	2,583	90	102	157	68	3,000
At 30 June 2013						
- Cost	3,232	418	437	623	394	5,104
- Impairment	(127)	-	-	-	-	(127)
Accumulated depreciation	(505)	(332)	(367)	(484)	(334)	(2,022)
Net book amount	2,600	86	70	139	60	2,955

For assets whose title is restricted, refer to note 12 Borrowings.

Intangibles

At 30 June 2012

	Software	Total
- Cost	12	12
Accumulated amortisation	(3)	(3)
Net book amount	9	9

At 30 June 2013

	Software	Total
- Cost	81	91
Accumulated amortisation	(10)	(10)
Net book amount	71	71

For assets whose title is restricted, refer to note 12 Borrowings.

10 Joint venture

	2013 $'000	2012 $'000
Shares in joint ventures	-	-

Unlisted		2013	2012
Waihi Health Centre Ltd	Community GP	33%	33%
Te Huruhi Hauora Ltd	Community GP	50%	50%

11 Current liabilities - Trade and other payables

	2013 $'000	2012 $'000
Trade payables	437	563
Employee entitlements	372	442
GST	178	343
Deferred income	1,024	183
	2,011	1,531

12 Borrowings

	2013 $'000	2012 $'000
Bank overdrafts	0	213
Bank and other loans	54	169
Total current borrowings due within 1 year	54	382
Bank loans	816	709
Other loans	98	110
Total non-current borrowings due after 1 year	914	819

The bank loans and overdrafts are secured by mortgage over the Society's freehold land & buildings and are repayable in 2017. The loans are subject to interest rates of between 6.05% and 6.42%, the overdraft facility at 9.4% at 30 June 2013.

Other loans comprise a Housing New Zealand Home loan repayable without interest provided certain conditions related to the use of the MacKay Street house for emergency accommodation.

13 Contingencies

No material contingent assets or liabilities exist at balance date (2012:$Nil).

14 Commitments

(i) Operating leases

The Society leases various premises under non-cancellable operating leases expiring within one to five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

The Society also leases various equipment under cancellable operating leases. The Society is required to give up to six months' notice for termination of these leases.

	2013 $'000	2012 $'000
Commitments for minimum lease income in relation to non-cancellable operating leases are receivable as follows:		
Within one year	**19**	30
Later than one year but not later than five years	**-**	13
Later than five years	**-**	-
	19	43
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**64**	93
Later than one year but not later than five years	**122**	147
Later than five years	**-**	28
	186	268

(ii) Capital commitments

There are no commitments for future capital spending (2012:$105k).

15 Provisions

In June 2012 a new organisation structure was approved and implementing commenced. A provision for the costs related to implementing those changes is necessary. The amount provided included the expected costs of employment related matters, consultancy and expert advice.

	Restructuring	**Restructuring**
	2013 $'000	2012 $'000
Balance at 1 July	**202**	-
Additions during the year	**6**	202
Amounts utilised	**132**	-
Amounts released	**70**	-
Balance at 30 June	**6**	202

16 Government & Other Grants

During the year, the society received $1.5k from Pharmac for the transition to CareSens meters for diabetes patients.

During the course of the year $5k was repaid to Trust Waikato as it could not be applied to the original grant purpose.

$201k from Maori Development Scheme (MPDS) to cover the cost of IT, Workforce Development, Infrastracture support and Service Intergration.

The society has no unfulfilled conditions in relation to these grants and no contingent liabilities are required to be recognised at 30 June 2013 other than those amounts recognised as unearned income.

17 Related party transactions

The following are considered to be related parties of the Society:

Joint ventures arrangements
Waihi Health Centre Ltd, Te Hurihi Hauora Ltd. The Society is entitled to a portion of the net income or loss from these investments. Amounts due to or from joint ventures are unsecured, interest free and there are no fixed terms for repayment.

Entities with shared persons charged with governance
The Society receives funding from the Hauraki Primary Health Organisation PHO and Waikato District Health Board for the provision of projects and services. Amounts owed from related parties are unsecured, interest free and are payable within 30 days of invoice. Revenue and credit terms were made on normal commercial terms.

Entities whose shareholders who are also charged with governance at the Society
The Society made payments to Integrated Health Management (2008) Ltd as
i) compensation for services the shareholder provided in their role at Te Korowai Haoura o Hauraki Inc; and
ii) for services that the related parties performed
Amounts owed to the related party are unsecured, interest free and there are no fixed terms for repayment. Payments for services provided were made on normal commercial terms.

18 Events occurring after the reporting period

There have been no material events since balance date (2012:Nil).