

Regional Software Holdings Ltd
Six Month Report to Shareholders
31 December 2014

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Introduction

Regional Software Holdings Limited (RSHL) was incorporated in October 2012. This report covers the 6 months from 1 July 2014 to 31 December 2014 as required by Section 66 of the Local Government Act 2002.

RSHL has no subsidiaries or joint ventures.

Nature and Scope of Activities to be Undertaken

RSHL provides a framework for collaboration between the shareholders. It supports the procurement or development of shared software resource products and services in a manner that provides a more cost effective alternative than individual councils can achieve on their own.

The company operates through managed contractual arrangements, and by facilitating collaborative initiatives between shareholder councils' staff. Some shareholder councils are both customers of RSHL and providers of service to RSHL.

The scope of activities for RSHL is not necessarily limited to the IRIS application suite. Future activities will be identified by shareholder councils. New opportunities will be identified, and priorities set in the Business Plan, other opportunities may arise and be investigated on a case by case basis. New activities will require explicit Board approval.

The high level scope of the IRIS product is in Appendix 5 of the Business Plan.

Mission

Provide long-term shared software resources that are relevant to regional council activities and are fit for purpose, reliable, robust, resilient and cost effective.

Vision

To develop, maintain and licence the Software Intellectual Property to the Shareholders and other customers on an ongoing basis.

To ensure the Company operates in a cost effective manner that reduces costs and risks to the Shareholders.

To provide a framework for collaboration between the shareholder councils and other customers for the development and implementation of an IT platform or IT platforms over the long-term,
To provide RSHL shareholders and customers with application software products and services in a manner that achieves:

- Continuity of supply.
- Influence / control of the destiny of Regional Council sector specific software.
- Risk reduction.
- Economies of scale.
- Some standardisation of practice, or adoption of best practice.

The current flagship of RSHL is the Integrated Regional Information System (IRIS).

Values

In all RSHL decisions and interactions the Board and staff together with member council participants who may be working within the RSHL framework will observe the following values and ethos:

- The best decision is that which provides the best end result, primarily for our shareholder councils but also our customer councils, and indirectly the communities they serve.
- We are forward thinking and innovative.
- We are responsive and deliver value.
- We are professional and accountable.
- We are flexible and open.
- Our solutions will be practical, appropriate to the scale of the problem and affordable.
- Where appropriate we will utilise codes of practice and standards produced by industry groups.
- All parties to any decision or interaction will be treated with respect, dignity, integrity, and honesty.

Objectives

The principal objective of RSHL is to deliver on the vision, mission and values.

The secondary objective of RSHL is to:

- Achieve the objectives of its Shareholders, both commercial and non-commercial as specified in this Statement of Intent.
- Be a good employer.
- Exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which the Company operates and by endeavouring to accommodate or encourage these when able to do so.

Service Performance

Progress against the Statement of Intent (SOI) performance measures is reported in the following section.

Items of significance during the six months include:

- All six councils have now successfully deployed IRIS.
- RSHL has transitioned from a start-up organisation to steady state operations.
- Processes have been bedded in relating to the prioritisation of minor change requests, and a standard process of production releases (three per annum) has been established.
- Major works processes (above \$16k per item) are well embedded. The major works budget is being handled properly within approved delegations approval procedures and supporting business cases. The Advisory Group have approved a product roadmap for 2014-15 and 2015-16.
- The expected addition of Bay of Plenty Regional Council (BoP RC) as a user of IRIS did not occur. We had earlier promising interactions and had an agreement in principle subject to ratification processes. BoP RC then decided to undertake a further formal RFP process, and as a result of that process have decided to purchase an alternative product.

Performance Measures

The following performance measures were incorporated into the Statement of Intent for the 2014-15 financial year.

Performance Measure	Performance to 31 December 2014
Non-financial	
IRIS Advisory Groups meets regularly and is effective (self-assessed by the Advisory Group, compared to expectations in the Terms of Reference for the Advisory Group).	Achieved year to date (YTD). The Advisory Group (AG) meet every month (except December and January which is one meeting for the 2 months). The AG has developed and prioritised the IRIS roadmap for 2014-15 and 2015-16. The AG has overseen three significant reviews of aspects of IRIS functionality; the map component, an overall fit for purpose review (that informed the roadmap), and monitoring functionality. The AG has approved three major works items (with supporting business cases).
95% of support requests are resolved within agreed timeframes (as per Section 13 of Support Contract).	Achieved YTD.
IRIS user groups meet and effectively control their support and minor development budgets.	Achieved YTD. The User Group (UG) has prioritised and approved three tranches of work for the three major releases through to 30 June 2015. The UG has overseen the testing and approval for two software releases.
IRIS annual development projects have approved business cases, and are completed on time and within budget.	Achieved YTD. The AG has approved three major works items (with supporting business cases). These were for Resource Management Act legislative changes, upgrades to the map component and enhancements to monitoring. Additionally the AG has approved preliminary investigative work for two more enhancement areas; document and template improvements and tighter linkages between workflow task completion and IRIS business data. The projects are running on time and within budget.
Reporting and Payments (Section 9.3 of Business Plan) are completed on time.	Achieved YTD.
Consider a new service area or areas outside of the current scope of IRIS.	Will be addressed as part of the RSHL strategy development by the new GM in 2015.

Performance Measure	Performance to 31 December 2014
Financial	
RSHL will operate within its budget.	Achieved YTD.
Annual charges: increase in cost to councils not to exceed the CPI.	Achieved YTD.
Growth	
One new Council added to IRIS as shareholder or customer by end of 2017.	No significant progress, in spite of considerable effort. RSHL continues to work with the non-IRIS regional Councils. RSHL are having ongoing discussions with Canterbury RC. RSHL responded to RFP requests from HBRC and BoPRC. BoPRC have decided not to use IRIS. HBRC have yet to make a decision.

RSHL Financial Position

Operational income from Member's Contribution is tracking to budget with 50% of the annual budget having been billed to participating Councils as at 31 December 2014. There is a carryover of operational income billed in the 2013-14 year which has been included in the half-yearly result. The associated costs to this carry-over will be expensed in the second six months of this year. Other income arises from a collaborative approach to purchasing annual stakeholder engagement subscriptions through Objective Corporation Limited for three participating Councils. RSHL has acted as an aggregator to get a better deal for this service than the Councils could have achieved on their own. All costs incurred are directly recovered.

Variances across the operational expenditure has occurred for a number of reasons; Datacom have not charged us as much as anticipated as part of our support contract, however this is simply timing and is expected to meet budget during the second six months of this year. Administrative support may finish slightly behind budget; it is anticipated that any reduction in this area will be expensed against management fees. Management fees are expected to exceed budget this year as a result of the additional time involved in responding to a RFP for an additional Council to adopt IRIS.

Project work is underway and it is expected that by the end of the year most of the capital funds would have been consumed or committed.

Cash-flow remains on track, slightly ahead of budget which is simply timing of expenses. All Councils have been invoiced up until 31 December with the second quarters invoicing due for payment in January 2015, hence the current Accounts Receivable balance. Accounts Payable are all current, with 65% being Datacom expenses.

Shareholdings & Directors

Regional Software Holdings Limited (RSHL) was formed on 17 October 2012. At the time of formation the company issued 10,000 shares to its shareholders based on a previously agreed sizing formula. The following shareholding was agreed:

Shareholder	Percentage	# of shares
Waikato Regional Council	32.75%	3,275
Northland Regional Council	16.75%	1,675

Horizons Regional Council	15.50%	1,550
Taranaki Regional Council	15.50%	1,550
Southland Regional Council	15.50%	1,550
West Coast Regional Council	4.00%	400

The Directors appointed for the period that this six monthly report covers were:

Director

Mike Nield (Chairman)
Mike Garrett (Deputy Chairman)
Malcolm Nicholson
Michael McCartney
Chris Ingle
Graham Alsweiler

Appointed By

Taranaki Regional Council
Waikato Regional Council
Northland Regional Council
Horizons Regional Council
West Coast Regional Council
Southland Regional Council

Financial Statements

Statement of Comprehensive Income

For the Six Months Ended 31 December 2014

	Notes	31 Dec 2014 6 Months Unaudited \$	31 Dec 2013 6 Months Unaudited \$	30 June 2015 Budget \$	30 June 2014 Audited \$
Income					
Members contribution	12	502,246	262,774	1,004,492	748,547
Carry-over of operation income from June 2014		145,984	91,087	-	91,087
Interest income		653	566	-	858
Other income (Objective SaaS contract)		58,438	44,000	-	44,000
Total Income		707,321	398,427	1,004,492	884,492
Expenses					
Administration support & external fees		19,039	11,380	84,280	52,835
Audit fees		-	-	4,920	4,847
Datacom support Charges		58,997	65,045	189,552	167,593
GIS support		-	-	-	-
Management fees		60,737	41,956	89,200	120,576
Environment charges		4,920	-	-	-
Major modifications		-	-	-	-
Minor modification fees		-	113,084	-	-
Objective SaaS contract		54,313	44,000	-	44,000
Shareholders costs (BOP)		23,053	-	-	-
Amortisation		268,304	225,000	612,567	488,486
Total Expenses		489,362	500,465	980,519	878,337
Operating Surplus		217,958	(102,038)	23,973	6,155
Taxation	12	-	-	-	1,723
Net Profit After Tax		217,958	(102,038)	23,973	4,432
Total Comprehensive Income		217,958	(102,038)	23,973	4,432

Statement of Movements in Equity

For the Six Months Ended 31 December 2014

	Notes	31 Dec 2014 6 Months Unaudited \$	31 Dec 2013 6 Months Unaudited \$	30 June 2015 Budget \$	30 June 2014 Audited \$
Opening equity					
Share capital		5,153,582	4,500,000	5,387,600	4,500,000
Comprehensive income for the year		217,958	(102,038)	23,973	4,432
Closing equity		5,371,540	4,397,962	5,411,573	5,153,582

The accompanying accounting policies and notes form part of these financial statements.

Statement of Financial Position

As At 31 December 2014

	Notes	31 Dec 2014 6 Months Unaudited \$	31 Dec 2013 6 Months Unaudited \$	30 June 2015 Budget \$	30 June 2014 Audited \$
Assets					
Current assets					
Cash and Cash Equivalents		110,915	64,950	95,570	217,906
Accounts Receivable	9	305,395	174,750	-	289,975
Withholding Tax Paid	12	421	-	-	-
Total Current Assets		416,731	239,700	95,570	507,881
Non Current Assets					
IRIS Software Intellectual Property	10	4,997,168	4,275,000	5,316,003	4,922,377
Non Current Assets		4,997,168	4,275,000	5,316,003	4,922,377
Total Assets		5,413,898	4,514,700	5,411,573	5,430,258
Liabilities					
Current Liabilities					
Accounts Payable and Accruals		37,258	107,549	-	130,693
GST		3,377	9,189	-	-
Income Tax		1,723	-	-	-
Income Received in Advance		-	-	-	145,983
Total Current Liabilities	11	42,358	116,738	-	276,676
Total Liabilities		42,358	116,738	-	276,676
Net Assets		5,371,540	4,397,962	5,411,573	5,153,582
Represented By:					
Equity					
Equity		5,149,150	4,500,000	5,189,400	5,149,150
Current Year Earnings		217,958	(102,038)	23,973	4,432
Retained Earnings		4,432	-	198,200	-
Total Equity		5,371,540	4,397,962	5,411,573	5,153,582

The accompanying accounting policies and notes form part of these financial statements.

MJ Nield - Chairman

20 January 2015

M McCartney – Director

20 January 2015

Statement of Financial Position
As At 31 December 2014

	Notes	31 Dec 2014 6 Months Unaudited \$	31 Dec 2013 6 Months Unaudited \$	30 June 2015 Budget \$	30 June 2014 Audited \$
Cashflows from Operating Activities					
Cash was provided from:					
Receipts from Customers		368,097	291,441	1,004,492	913,837
Interest		653	566	-	858
Other Income		44,000	-	-	44,000
Total Operating Receipts		412,750	292,007	1,004,492	958,695
Cash was applied to:					
Payments to Suppliers		622,808	230,304	367,952	398,212
Net GST Movement		51,966	(3,404)	-	34,854
Interest/Withholding Tax Paid		183	157	-	-
Total Operating Payments		674,957	227,057	367,952	363,358
Net cash from operating	8	(262,207)	64,950	636,540	595,337
Cashflows from Investing Activities					
Cash was applied to:					
Purchase of Fixed/Intangible Assets		-	-	636,540	377,431
Total Investment Payments		-	-	636,540	377,431
Net cash from investing		-	-	(636,540)	(377,431)
Cashflows from Financing Activities					
Cash was provided from:					
Capital raised		155,216	-	-	-
Total Financing Receipts		155,216	-	-	-
Net cash from financing		155,216	-	-	-
Net increase (decrease) in cashflow for the year		(106,991)	64,950	-	217,906
Opening Cash Balance		217,906	-	95,570	-
Closing Cash Balance		110,915	64,950	95,570	217,906
Made up of:					
Westpac Business Interest Account		14,300	44,802	-	14,135
Westpac Current Account		96,615	20,148	95,570	203,771
		110,915	64,950	95,570	217,906

The accompanying accounting policies and notes form part of these financial statements.

The GST (net) component of cash flows from operating activities reflects the net GST paid to and received from the Inland Revenue Department. The GST (net) component has been presented 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.

Notes to the Financial Statements

For the Six Months Ending 31 December 2014

1. General Information

Reporting Entity

Regional Software Holdings Limited (RSHL) is a Council Controlled Organisation (CCO), owned by Waikato Regional Council (32.75%) Northland Regional Council (16.75%) Horizons Regional Council (15.50%) Taranaki Regional Council (15.50%) Southland Regional Council (15.50%) and West Coast Regional Council (4.00%). RSHL was incorporated on 17 October 2012. RSHL was primarily incorporated for the purposes of managing the investment and development of IRIS Software, and has designated itself a Public Benefit Entity (PBE), in keeping with the designation of the shareholders.

The financial statements are those of RSHL, for the 6 month period ending 31 December 2014, and were authorised for issue by the Board of Directors on 16 January 2015.

Measurement Base

The financial statements have been prepared on a historical cost basis.

Differential Reporting

RSHL qualifies for differential reporting because it is neither publically accountable nor large as defined by the Framework for Differential Reporting. Other than the inclusion of a Statement of Cash Flows, all available differential reporting concessions have been applied in preparing these financial statements.

Basis of Preparation of the Financial Statements

The financial statements presented in this Annual Report include a Statement of Comprehensive Income, a Statement of Financial Position, a Statement of Changes in Equity, and a Statement of Cash Flow. The financial statements have been prepared in accordance with the Financial Reporting Act 1993, and the Companies Act 1993, which include the requirement to comply with New Zealand generally accepted accounting practices ("NZ GAAP").

The financial statements comply with NZ International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for Public Benefit Entities. The financial statements are presented in New Zealand dollars. The functional currency of RSHL is New Zealand dollars.

2. Summary of Significant Accounting Policies

Expenditure

Expenditure is recognised on an accrual basis when the service has been provided, or the goods received. The Companies Act 1993 requires disclosure of the amount of donations, audit fees, fees for other services from the auditor, and the number of employees of the company who received remuneration and other benefits above \$100,000 per annum, in brackets of \$10,000. For this financial year, no staff were employed by RSHL. The audit fee for the period is expected to be \$5,658 (GST inclusive) (2013 \$5,575) paid to Audit New Zealand.

Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Goods and Services Tax (GST)

These financial statements have been prepared on a GST exclusive basis.

Changes in Accounting Policy

There have been no changes of accounting policy during the financial period.

Income Tax

The income tax expense recognised for the year is calculated using the taxes payable method and is determined using tax rules. Under the taxes payable method, income tax expense in respect of the current period is equal to the income tax payable for the same period.

Trade and Other Payables

Trade payables are obligations to pay for goods and 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.

Intangible Assets

Software acquisition and development

Costs that are directly associated with the development of the IRIS software suite are recognised as an intangible asset. Costs associated with maintaining the IRIS software suite are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit. The useful life and associated amortisation rate for the IRIS software suite is 10 years and 10%.

3. Related Parties

RSHL purchased management services from Waikato Regional Council (WRC) (32.75% shareholder) to the value of \$143,206 (2013 \$56,563) (including GST). At 31 December nil (including GST) was outstanding to WRC.

RSHL purchased administration services from Horizons Regional Council (HRC) (15.5% shareholder) to the value of \$2,742 (2013 \$2,436) (including GST). At 31 December 2014 nil (including GST) was outstanding to HRC.

4. Commitments

There are no significant commitments at balance date, (nil previous year).

5. Contingencies

There are no contingent liabilities or contingent assets at balance date, (nil previous year).

6. Equity

There are 10,000 shares which have been fully called to the value of \$515.00. Share capital currently \$5,149,150 (2013 \$4,500,000).

7. Imputation Credit Account

Imputation credits available for subsequent report periods are nil (2013 nil).

8. Reconciliation of Operating Cash Flows with Reported Operating Results

	31 Dec 2014 6 Months Unaudited \$	31 Dec 2013 6 Months Unaudited \$
Reported Surplus (deficit) after Taxation	217,958	(102,038)
Add/(Deduct) Non-Cash Items		
Amortisation	268,304	225,000
Net Movements in Working Capital		
Add (Deduct) deferrals or accruals of past or future operating cash receipts or payments	-	(91,722)
Decrease Increase in Accrued Revenue	131,025	(17,059)
(Decrease) Increase in Accounts Payable	(76,103)	50,769
Decrease (Increase) in Taxation Payable	1,723	-
Movements in Share Capital	155,216	-
	<u>480,165</u>	<u>166,988</u>
Net Cashflows from Operating Activities	(262,207)	64,950

9. Trade and Other Receivables

	31 Dec 2014 6 Months Unaudited \$	31 Dec 2013 6 Months Unaudited \$
Trade Receivables	305,395	174,750
Withholding Tax Paid	421	
Total Trade and Other Receivables	305,816	174,750

10. Intangible Assets

	31 Dec 2014 6 Months Unaudited \$	31 Dec 2013 6 Months Unaudited \$
Movements of intangible assets are as follows:		
IRIS Software Intellectual Property		
Opening Balance 1 July 2014		
Carrying Amount	4,922,377	4,500,000
Movements for the Year		
Additions	-	-
Work in Progress	343,095	-
Disposals	-	-
Amortisation	(268,304)	(225,000)
Closing Balance at 31 December 2014	4,997,168	4,275,000

11. Trade Payables and Accruals

	31 Dec 2014 6 Months Unaudited \$	31 Dec 2013 6 Months Unaudited \$
Current Liabilities		
Trade Payables	37,258	85,847
Related Party (Waikato Regional Council)	-	21,702
Related Party (Horizons Regional Council)	-	-
GST	3,377	9,189
Accrued Expenses	-	-
Income Tax Payable	-	-
Total Trade Payables and Other Accruals	42,358	116,738

12. Tax Reconciliation

	31 Dec 2014 6 Months Unaudited \$	31 Dec 2013 6 Months Unaudited \$
Net Profit Before Tax	217,958	(102,038)
Tax on Taxable Profit		
Less Timing Adjustment on Income	-	-
Less Imputation Credits	-	-
Less Non-assessable income	-	-
Tax Expense	-	-
Current Tax	-	-
Deferred Tax	-	-
Less Tax Paid		
RWHT	421	-
Tax Payable (Refund)	421	-

13. Tax Losses

	31 Dec 2014 6 Months Unaudited \$	31 Dec 2013 6 Months Unaudited \$
Losses Carried Forward	-	-
Less Losses Utilised	-	-
Add Excess Imputation Credits	-	-
Converting to Losses	-	-
Losses to Carry Forward	-	-

14. Categories of Financial Assets & Liabilities

	Loans & Receivables \$	Available -for- sale financial assets \$	Derivatives classified as held for trading \$	Total \$
As At 30 June 2014				
Assets				
Cash & Cash Equivalents	110,915	-	-	110,915
Trade Receivables	305,395	-	-	305,395
Total Financial Assets	416,310	-	-	416,310
Liabilities				
Trade & Other Payables	42,358	-	-	42,358
Total Financial Liabilities	42,358	-	-	42,358