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**INDEPENDENT AUDITOR'S REPORT
TO THE READERS OF
ARTENA SOCIETY LIMITED AND GROUP'S
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

The Auditor-General is the auditor of Artena Society Limited (the Society) and group. The Auditor-General has appointed me, Michael Rania, using the staff and resources of BDO Wellington, to carry out the audit of the financial statements of the Society and group on her behalf.

We have audited the financial statements of the Society and group on pages 4 to 13, that comprise the statement of financial position as at 31 December 2012, the statement of financial performance and statement of movements in equity for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

Opinion

In our opinion, the financial statements of the Society and group on pages 4 to 13:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Society and group's:
 - financial position as at 31 December 2012; and
 - financial performance for the year ended on that date.

Our audit was completed on 27 March 2013. 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 and our responsibilities, and we explain our independence.

Basis of opinion

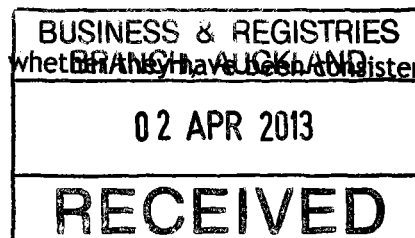
We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether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

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements. 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. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments; we consider internal control relevant to the Society and group's preparation of the financial statements that fairly reflect 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 Society and group'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;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. Also we did not evaluate the security and controls over the electronic publication of the financial statements.

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

Responsibilities of the Board

The Board is responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Society and group's financial position and financial performance.

The Board is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board is also responsible for the publication of the financial statements, whether in printed or electronic form.

The Board's responsibilities arise from the Industrial and Provident Societies Act 1908.

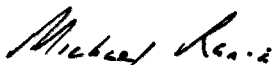
Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Industrial and Provident Societies Act 1908.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship with or interests in the Society or its subsidiary.



Michael Rania
BDO Wellington
On behalf of the Auditor-General
Wellington, New Zealand

Matters relating to the electronic presentation of the audited financial statements

This audit report relates to the financial statements of Artena Society Limited and group for the year ended 31 December 2012 included on Artena Society Limited and group's website. The Artena Society Limited and group's Board of Directors is responsible for the maintenance and integrity of Artena Society Limited and group's website. We have not been engaged to report on the integrity of Artena Society Limited and group's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements as well as the related audit report dated 27 March 2013 to confirm the information included in the audited financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Artena Society Limited & Subsidiary Company

**Financial Statements
For the Year ended 31 December 2012**



Artena Society Limited & Subsidiary Company
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For the Year ended 31 December 2012

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Artena Society Limited & Subsidiary Company
Directory
As at 31 December 2012

Board Members	Lawrence Arps (Chairperson) Patsy Eade Richard Handley Patrick Jones Blair Keily Kerrin Marshall (Independent)
Auditors	BDO Wellington on behalf of the Auditor General
Bankers	The Bank of New Zealand Limited ASB Bank Limited Kiwibank Limited
Solicitors	Duncan Cotterill McBride Davenport James
Registered Office	Level 2, Maven House 125 Featherston Street, Wellington
Charity Number	CC40790
I&P Society Number	654556

Artena Society Limited & Subsidiary Company
Annual Report
For the Year ended 31 December 2012

The Board Members submit the Annual Report the for year ended 31st December 2012.

Financial Statements

The Financial Statements for the year ended 31st December 2012 follow this report.

Auditor

The Public Audit Act 2001 gives the Auditor General the mandate to audit the financial statements of the society, it being controlled by public entities (in this case Tertiary Education Institutions). The Auditor General has appointed BDO Wellington as the Auditor on her behalf. BDO Wellington was paid \$13,683

Financial Result

The Consolidated Net Surplus for the year was \$112,456 (2011: \$11,504)

	2012	2011
Retained Earnings as at 1 January	403,247	391,743
Net Surplus (Deficit)	112,456	11,504
Retained Earnings as at 31 December	<u>\$ 515,703</u>	<u>\$ 403,247</u>

Dividend

No dividend has been proposed for the year ended 31st December 2012.

Shares Issued

There were no shares issued during the year.

General

There has been no change in the main activities of the society in the year under review.

Interests Register

The register has been updated and is current for the year ended 31st December 2012.

**Artena Society Limited & Subsidiary Company
Annual Report (Continued)
For the Year ended 31 December 2012**

Directors

The board members holding office as at 31 December 2012 are disclosed in the society directory.

Remuneration of Directors

The Artena Board of Directors (in accordance with the resolutions at the Annual General Meeting) approved remuneration of \$4,500 to K Marshall (Independent Director).

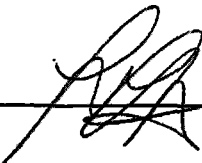
K R Marshall & Associates Ltd also received fees from Subsidiary company SMSS of \$75,187 for working as Acting CEO during 2012.

Remuneration of Employees

The Group had employees, not being Directors of the society and subsidiary company, who, during the accounting period, received remuneration in their capacity as employees exceeding \$100,000 per annum.

Number of Employees	Remuneration Range (\$)
Two	110,000 - 120,000


For and on Behalf of the Board



Director

27-3-12

Date



Director

27/3/2013

Date



Artena Society Limited & Subsidiary Company

Statement of Financial Performance For the Year ended 31 December 2012

	<i>Note</i>	Parent		Group	
		2012	2011	2012	2011
		\$	\$	\$	\$
Income					
Membership Subscriptions		-	-	1,337,860	1,374,253
Support Revenue		-	-	40,500	21,500
Professional Fees		-	-	42,453	134,465
Training		-	-	3,500	57,202
Prepaid support fees write back	7	100,000	40,000	100,000	40,000
Intercompany Licence Fee	8	57,337	-	-	-
Grants Received		-	4,348	-	4,348
Total Income		157,337	44,348	1,524,313	1,631,768
Less Expenses					
Audit Fees		8,323	4,735	13,683	6,965
Board Member Fees		4,500	18,000	4,500	18,000
Depreciation	2	-	-	21,253	33,077
Doubtful Debts		-	-	4,410	-
Interest on prepaid support fees	7	21,451	24,938	21,451	24,938
IT Infrastructure		-	-	38,666	64,561
Loss on Disposal of Fixed Assets		-	-	-	41,056
Legal Fees		-	15,413	10,938	38,860
Management Costs		-	-	171,044	17,041
Marketing & Business Development		-	-	59,054	21,230
Rent		-	-	92,000	81,785
Software Research & Development		-	70,000	-	-
Wages		-	-	876,882	1,072,544
Other Operating Expenses		34,563	38,328	134,128	239,469
Total Expenses		68,837	171,414	1,448,007	1,659,526
Net Operating Surplus (Deficit)		88,500	(127,066)	76,305	(27,757)
Plus Other Income					
Interest Received		16,736	22,923	36,151	39,261
Total Other Income		16,736	22,923	36,151	39,261
Net Surplus (Deficit)		105,236	(104,143)	112,456	11,504

Artena Society Limited & Subsidiary Company

Statement of Movements in Equity For the Year ended 31 December 2012

<i>Note</i>	Parent		Group	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	\$	\$	\$	\$
Retained Profits - Beginning of Year	225,206	329,349	403,247	391,743
Total recognised revenues and expenses				
Net Surplus (Deficit) for the year	105,236	(104,143)	112,456	11,504
Total Equity at the end of Year	<u><u>\$330,442</u></u>	<u><u>\$225,206</u></u>	<u><u>\$515,703</u></u>	<u><u>\$403,247</u></u>



Artena Society Limited & Subsidiary Company

Statement of Financial Position

As at 31 December 2012

		Parent		Group	
	Note	2012	2011	2012	2011
		\$	\$	\$	\$
Current Assets					
Cash on Hand		-	-	67	21
Bank Accounts	4	40,790	65,090	165,293	271,636
Term Deposits	4	290,816	332,268	388,572	338,579
Accounts Receivable	3	-	-	14,884	18,538
Tax Refund Due		-	30	-	1,178
Interest Receivable		2,068	5,155	2,099	5,155
Prepayments		-	1,191	4,924	6,347
GST Receivable		421	1,345	8,251	10,772
Total Current Assets		334,095	405,080	584,090	652,226
Non Current Assets					
Investments					
Investment in Subsidiary		1	1	-	-
Fixed Assets	2	-	-	26,092	45,632
Total Non Current Assets		1	1	26,092	45,632
Total Assets		334,096	405,081	610,182	697,858

Artena Society Limited & Subsidiary Company


Statement of Financial Position

As at 31 December 2012

	Note	Parent		Group	
		2012 \$	2011 \$	2012 \$	2011 \$
Less Liabilities					
Current Liabilities					
Accounts Payable		3,653	11,326	33,606	71,066
Bank of New Zealand Visa		-	-	3,404	-
Payroll Liabilities		-	-	20,123	19,254
Employee Entitlement		-	-	37,346	35,742
Prepaid Support Fees	7	-	76,597	-	76,597
Total Current Liabilities		3,653	87,923	94,479	202,659
Non Current Liabilities					
Prepaid Support Fees	7	-	91,952	-	91,952
Total Non Current Liabilities		-	91,952	-	91,952
Total Liabilities		3,653	179,875	94,479	294,611
Total Net Assets		\$330,443	\$225,206	\$515,703	\$403,247
Represented By					
Share Capital	5	24	24	24	24
Retained Earnings		330,419	225,182	515,679	403,223
TOTAL EQUITY		\$330,443	\$225,206	\$515,703	\$403,247

For and on behalf of The Board


 _____ Director
 27-3-12
 _____ Date


 _____ Director
 27/3/2013
 _____ Date

Artena Society Limited & Subsidiary Company

Notes to the Financial Statements For the Year ended 31 December 2012

1. Statement of Accounting Policies

Reporting Entity

Artena Society Limited (the Society) is an Incorporated Society registered under the Industrial and Provident Societies Act 1908 as a separate entity. The financial statements presented here comply with Generally Accepted Accounting Principles, in New Zealand, (GAAP).

The group Financial Statements are for the Society and its subsidiary Student Management Software Solutions Limited (SMSS).

Differential Reporting

The Society and group is a qualifying entity for Differential Reporting because it is not publicly accountable and does not qualify as a large entity as defined in the framework for Differential Reporting by the External Reporting Board. The Society and group has taken advantage of all including NZ IAS 38 Intangible Assets where qualifying entities are permitted to expense all research and development cost in the period they are incurred.

The exemption not applied is financial statements have been prepared on a GST exclusive basis.

Measurement Base

The general accounting policies recognised as appropriate for the measurement and reporting of results and the financial position unless otherwise stated is historic cost.

Specific Accounting Policies

The following are the particular accounting policies which have a material effect on the measurement of results and financial position.

Consolidation

The subsidiary company (SMSS) is included in the consolidated Financial Statements using the purchase method of consolidation. All inter-company balances and transactions have been eliminated in preparing the Group Financial Statements. In the Society's Financial Statements, any investment in SMSS is recognised at cost.

Revenue Recognition

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Software Research and Development

All costs associated with research and development are recognised as an expense in the period in which they are incurred.

Artena Society Limited & Subsidiary Company

Notes to the Financial Statements

For the Year ended 31 December 2012

Accounts Receivable

Accounts receivable are stated at estimated realisable value. An estimate is made for doubtful debts based on a review of all outstanding amounts at balance date. Bad debts are written off during the period in which they are identified.

Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation.

Depreciation

Depreciation is charged using the same rates as allowed by the Inland Revenue Department. The principal rates in use are:

Leasehold Improvements	10.0%	DV
Computer Software	48.0 - 60.0%	DV
	25.0%	SL
Office Equipment & Hardware	40.0 - 60.0%	DV
	33.0%	SL
Furniture & Fittings	12.0 - 67.0%	DV
	25.0% - 33.0%	SL

Goods and Services Tax

The Financial Statements have been prepared on a Goods and Services Tax exclusive basis, except for accounts receivable and accounts payable which are stated inclusive of GST where applicable.

Tax

Under CW 42(1) of the Income Tax Act 2007 all income derived is exempt from Income Tax as the Company is a Charity. The Company was registered as a Charity with the Charities Commission on 7 December 2007.

SMSS Ltd is exempt from income tax under section CS 41 of the 2007 Income Tax Act. The Company was registered as a Charity with the Charities Commission on 15 March 2010.

Operating Leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to the Company are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the term of the lease in the Statement of Financial Performance.

Employee Entitlement

The provision is calculated based on the Annual Leave owing to employees at Balance Date.

Artena Society Limited & Subsidiary Company

Notes to the Financial Statements For the Year ended 31 December 2012

Prepaid Support Fee

Prepaid support fees (the fees) were received from members for the development of Artena 2008 project. Half the fees are repaid back to the members through a reduction in their annual subscriptions. The fees are initially recognised at fair value. Fair value is the present value of future cash flows discounted using the prevailing interest rate for similar financial instrument at the date of the transaction. The fees are subsequently recognised at amortised cost using the effective interest rate method.

Comparatives

The following comparatives have been restated to align with the current period's presentation:

- In the statement of financial performance for the year ended 31 December 2011, IT infrastructure (\$64,561), Management costs (\$17,041), Marketing and business development (\$21,230) was previously classified within Other operating expenses. These expenses are now separately classified.
- In the statement of financial position as at 31 December 2011, term deposits (Parent: \$332,268 and Group: \$338,579) was classified as non current assets. These are now classified as current as they are expected to be realised within twelve months of balance date.

Changes in Accounting Policies

There have been no changes in accounting policies. All other policies are applied on bases consistent with those used in the previous year.

2. Fixed Asset Schedule

<u>2012</u>	<u>Cost or Valuation</u>	<u>Depreciation For Year</u>	<u>Accumulated Depreciation</u>	<u>Book Value This Year</u>
Computer Software	78,785	4,394	78,218	567
Office Equipment & Hardware	162,882	14,082	149,902	12,980
Furniture & Fittings	26,110	2,713	14,137	11,973
Leasehold Improvements	659	64	86	573
	<u>\$268,436</u>	<u>\$21,253</u>	<u>\$242,343</u>	<u>\$26,092</u>
<u>2011</u>	<u>Cost or Valuation</u>	<u>Depreciation For Year</u>	<u>Accumulated Depreciation</u>	<u>Book Value This Year</u>
Computer Software	89,126	9,475	84,165	4,961
Office Equipment & Hardware	161,651	21,141	136,303	25,348
Furniture & Fittings	26,110	2,439	11,424	14,686
Leasehold Improvements	659	22	22	637
	<u>\$277,546</u>	<u>\$33,077</u>	<u>\$231,914</u>	<u>\$45,632</u>

All assets are held by SMSS.

Artena Society Limited & Subsidiary Company

Notes to the Financial Statements

For the Year ended 31 December 2012

3. Accounts Receivable	Parent		Group	
	2012	2011	2012	2011
	\$	\$	\$	\$
Accounts Receivable	-	-	19,955	18,538
Less Provision for Doubtful Debts	-	-	(5,072)	-
	<u>\$0</u>	<u>\$0</u>	<u>\$14,884</u>	<u>\$18,538</u>
4. Bank Accounts	Parent		Group	
	2012	2011	2012	2011
	\$	\$	\$	\$
Current Bank Accounts				
Bank of NZ Ltd - Cheque Account	149	85	1,917	1,334
Bank of NZ Ltd - Call Account	40,384	64,709	163,097	269,782
ASB Cheque Account	140	180	140	180
Kiwibank Ltd - Cheque Account	117	99	139	123
Kiwibank Ltd - Savings Account	-	17	-	218
	<u>\$40,790</u>	<u>\$65,090</u>	<u>\$165,293</u>	<u>\$271,636</u>
Term Deposits				
Bank of NZ Ltd - Term Deposits	51,741	50,000	51,741	50,000
ASB Ltd - Term Deposits	131,758	180,000	131,758	180,000
Kiwibank Ltd - Term Deposits	107,317	102,268	205,073	108,579
	<u>\$290,816</u>	<u>\$332,268</u>	<u>\$388,572</u>	<u>\$338,579</u>
Total Bank & Term Deposits	<u>\$331,605</u>	<u>\$397,359</u>	<u>\$553,865</u>	<u>\$610,215</u>

5. Share Capital

The capital of the Society consists of 12 shares which have been issued for a total consideration of \$24. The Society's subsidiary Company consists of 120 shares which have been issued for a total consideration of \$1. There has been no changes to the share capital since prior year.

The shares of the Society are withdrawable and not transferrable. In the event of a member withdrawing from the Society, that member shall be refunded the share capital paid by them. Upon dissolution of the Society, the members will be refunded their share capital and a pro rata distribution of any surplus funds.

6. Commitments & Contingent Liabilities

At Balance Date SMSS had commitments of \$115,000 relating to the lease of the Featherston Street premises (2011: \$207,000). The lease is up for renewal on 1 April 2014. The commitment comprised of a current obligation of \$92,000 (2011: \$92,000) up to the lease renewal date and a non-current obligation of \$23,000 (2011: \$115,000)

Artena Society Limited & Subsidiary Company

Notes to the Financial Statements

For the Year ended 31 December 2012

7. Prepaid Support Fees

In reviewing the discount structure the Board decided (November 2012) that no further repayment of these fees by way of a reduction in annual subscriptions would be made. The accrued fees that have not been paid back via discount have been written back to the statement of financial performance in 2012 including a reversal of the effective interest cost.

8. Related Party Transactions

Student Management Software Solutions Limited (SMSS) is wholly owned by Artena Society Limited.

The Society has six directors and one is independent. The non independent directors are appointed by the members of the Society. The non independent directors are either officer, director or trustee of their respective tertiary institution.

The Society maintains an active register which records potential conflict of interest and directors are required to disclose such potential interests at Board meetings in order to reduce risks surrounding their association with their respective tertiary institutions or other entities.

The major transactions between the Society and their members is receipt of income.

All transactions between the entities were conducted at an arm's length basis.

SMSS received no Software Development fees from Artena Society Limited this year (2011: \$160,000).

SMSS paid Artena \$57,337 licence fee for use of Artena software IP (2011: \$0).

All transactions between the entities were conducted at an arm's length basis.

9. Imputation Credit Account

At 31st December 2012 SMSS had Imputation Credits of \$49,738 to carry forward:

	<i>2012</i>	<i>2011</i>
	\$	\$
Balance at Beginning of Year	50,885	50,885
Plus: Income Tax Paid During Year	-	-
Less: Tax Refund received	1,147	-
Balance at End of Year	<u><u>\$49,738</u></u>	<u><u>\$50,885</u></u>

Artena Society Limited & Subsidiary Company

Notes to the Financial Statements

For the Year ended 31 December 2012

10. Software Research and Development

All costs associated with Research and Development are recognised as an expense in the period in which they are incurred.

11. Nature of Business

The Society is engaged in the business of developing student management software for its members and customers.

12. Investment in Subsidiary

The Society has 100% ownership in SMSS. The principal activity of SMSS is developing student management software. SMSS has the same balance date as the Society.

13. Events after Balance Date

There has been no material events impacting the Financial Statements at 31st December 2012 subsequent to Balance Date (2011: Nil).