



Artena Society Limited

Student Management Software Solutions Limited  
(SMSS)

*“The art of collaboration”*

2014

Annual Report

The Artena Society Limited's Annual Report for the year ending  
31 December 2014

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# Corporate Information

Artena Society Limited

Student Management Software Solutions Limited  
(SMSS)

## Artena Society Limited Board (31 December 2014)

Officer	Institute	Term
Lawrence Arps (Chair)	Whitireia New Zealand	May 2011 – Current
Kerry Marshall	Independent	June 2008 – Current
Patrick Jones	Eastern Institute of Technology	May 2010 – Current
Patsy Eade	Southern Institute of Technology	May 2012 – Current
Blair Keily	Tai Poutini Polytechnic	May 2012 – Current

## General Information

Lawyers	Duncan Cotterill McBride Davenport James Crengle, Shreves & Ratner
Accountants	Christine Young
Auditors	BDO Wellington on behalf of the Auditor General
Bankers	Bank of New Zealand Limited ASB Limited
Registered Office	Inspire House (Level 2), 125 Featherston Street, Wellington 6011
Company Number	654556
Wholly-owned Subsidiary Company	Student Management Software Solutions (SMSS) Limited

## Artena Society Limited Members (31 December 2014)

Institute	Date Joined	Shares
Aoraki Polytechnic	14 September 1995	1
Eastern Institute of Technology	14 September 1995	1
Northland Polytechnic	30 May 2007	1
Southern Institute of Technology	14 September 1995	1
Tai Poutini Polytechnic	14 September 1995	1
Wellington Institute of Technology	14 September 1995	1
Western Institute of Technology at Taranaki	14 September 1995	1
Whitireia New Zealand	14 September 1995	1

**Artena software users (December 2014)**

<b>Institute</b>
<b>Artena Society Members</b>
<b>BR Training</b>
<b>Carey Baptist College</b>
<b>Cut Above Academy</b>
<b>International Academy of New Zealand</b>
<b>Laidlaw College</b>
<b>National University of Samoa</b>
<b>Taruna College</b>
<b>The Catholic Institute of Aotearoa New Zealand</b>
<b>Te Whare Wānanga o Awanuiarangi</b>
<b>Te Wānanga-o-Raukawa</b>
<b>Whitecliffe College of Arts and Design</b>



## Objects

As a not for profit organisation any income, benefit, or advantage must be used to advance the purpose of the Artena Society Limited (the Society) and the Artena student management software.

Below are some excerpts which highlight the objects of the Society. The full objects for the establishment of the Society are detailed in the Rules of the Artena Society Limited.

**To own, either on its own or in conjunction with others the intellectual property comprising the (Artena) software or any other tertiary student management tools or information systems.**

**To institute and manage the Society on a co-operative basis for the benefit of its members.**

**To provide funds to enable the operation of the Society which supports corporate capability and sustainability of any or all business owned by the Society.**

**To provide other such services that the members of the Society determine to be sympathetic or incidental to the fostering, promoting or developing of tertiary student management tools or information systems.**

**To use any income, benefit or advantage to advance the charitable purposes of the organisation.**

## Artena Society & SMSS Ltd

### Strategic Plan

**Vision:** The preferred partner in New Zealand for tertiary student information systems

**Mission:** To help New Zealand Tertiary Education Institution's work smarter

**Values:** Excellence, Integrity, Respect

<b><i>Strategic Goals</i></b>	<b><i>Timeframe</i></b>	<b><i>Success measure</i></b>
1. Deliver a student information system that is perceived to be relevant and responsive.	2 years	<ul style="list-style-type: none"> <li>• Research and development process in place.</li> <li>• Product development plan in place with achievable timelines.</li> <li>• Client satisfaction high.</li> </ul>
2. Develop a sustainable financial model for the organisation that provides both operational and capital funding to support the organisation's strategy.	2 years	<ul style="list-style-type: none"> <li>• Break even annual financial position with capital available for product development.</li> <li>• Number of clients has increased by 2 with all current clients retained.</li> </ul>
3. Lead the development and adoption of optimised business practice (OBP) within our client organisations.	2 years	<ul style="list-style-type: none"> <li>• Optimised business practice guidelines are developed and published.</li> <li>• The majority of client institutions have adopted OBP.</li> </ul>
4. Create a well informed and collegial workplace that incorporates knowledge of client needs, environments and business practices.	1 year	<ul style="list-style-type: none"> <li>• Product development meets client needs.</li> <li>• Environmental scan information is available for strategy development.</li> <li>• Relationships with all clients are credible and proactive.</li> <li>• Clients participate willingly in R&amp;D projects and SMSS forums.</li> </ul>

# Board Chairperson's Report

The commitment of the Artena Board to the ideal that our clients/members will have the best tools to support their endeavours has resulted in a further strengthening of the organisation and two strategic initiatives.

## The Past Year

Following several years of repositioning the Society has continued to deliver good service, enhance its first class student management system, Artena, and improve the sustainability of the organisation. The Society, through its subsidiary SMSS, has continued to provide effective New Zealand based support that is a strength that our members and clients now appreciate. The growing need for customised information has seen the company working more closely with its members/clients to meet all their compliance and information requirements which is reflected in the increase in revenue from professional services.

## Governance

The Policy Governance framework adopted in 2012 has enabled the Board to focus on an effective Governance Management relationship and the strategic future of the organisation.

## Sale of Business

The most significant event of the past few months has been the sale of the Society's business, including all of the shares in SMSS, to Adapt IT Australasia Limited.

Following the approval of shareholders to the funding of the future directions project by way of a subscription the Board engaged *Act On Insight (Aol)* to carry out an investigation into future options for the Society. The first stage of this project, completed in August, provided the Board with a robust and realistic view of the organisation's strengths and weaknesses. It also identified the strategic options of doing nothing, making incremental changes or developing a new business model.

At the same time as the Board received the Aol report, the South African listed company, Adapt IT, put a proposal to the Board for the purchase of the Society's subsidiary company, SMSS Ltd, and the Artena system and IP.

There followed a period of investigation, negotiation and due diligence culminating in the Special General Meeting in December. At this meeting shareholders approved the sale and provided the Board with the mandate to negotiate the final details.

The Board considered the offer to be acceptable:

- based on past and projected financial performance the sale price was reasonable;
- a sale to Adapt IT has the potential to bring strong governance and management with a commercial focus to SMSS;
- it will make available expertise to take advantage of the opportunity to further develop the Artena student management system;
- it is one way in which access to international markets can be opened up;

- Adapt IT are interested in maintaining the good standing of SMSS and the Artena system as shown by the longer term commitment expressed in the offer.

For Adapt IT the purchase of SMSS and the Artena system provides access to a committed NZ client base which will add credibility and scale to Adapt IT's existing operations. It also provides Adapt IT with immediate access to a student management system which is good for smaller institutions and is scalable.

A conditional agreement was signed in mid-January 2015 and the transaction was settled in full at the agreed price on 2 March 2015. The transaction was structured so that accumulated reserves were paid by way of a distribution from SMSS in order to avoid any future tax issues arising from the deregistration of SMSS as a registered charity.

Since the agreement was signed management of SMSS has been working with Adapt IT to ensure a smooth transition.

### **Financial Position**

The end of year financial statements show the Society has finished the year in a good position with a small surplus of \$3,564 making closing equity \$751,687.

- For the Society, the surplus was \$2,761 compared to budget deficit of \$97k. The prime driver of this was the decision not to proceed with the second part of the Aol project. At year end the Society had \$395k in cash reserves.
- 
- For SMSS the year end surplus was \$803 compared to budget deficit of \$96k. Revenue was \$84k ahead of budget with a significant increase in professional services activity, while expenses were \$18k under budget. Management is to be acknowledged for their excellent oversight of the finances. Yearend equity for SMSS was \$376k.

### **Distribution**

The agreement for the sale of SMSS Ltd and the Artena system and IP contains a number of contingent liabilities in the form of warranties provided by the Society including taxation, IP ownership and other business matters. These warranties are limited to claims made within 2 years of settlement (March 2015) and to a maximum of the purchase price. The Board has considered the contingent liability represented by these warranties and the need to maintain the solvency of the Society during the period of the warranties. The Board's view at the present time is that the Society needs to retain sufficient funds to cover any future warranty claim for at least the next 18 months.

The reason for choosing 18 months is that most warranty claims arise within the first accounting period of the new owners. As Adapt IT has a June balance date, the first full year will not be completed until 30 June 2016 and then the audit will need to be completed.

At the date of the AGM (20 March) the Society will have, in addition to the accumulated reserves, as at 31 December 2014, funds received from sale together with the distribution from SMSS Ltd.

To leave the Society with sufficient equity to cover any contingent liabilities arising post sale the Board, in accordance with clause 41 (a) of the Society's rules, intends to make a distribution to

members on 30 June 2015 of \$400,000. The Board does not consider the distribution of more than this or the winding up of the Society at this time to be prudent.

Once the first full year audit of SMSS as a part of the Adapt IT is completed in the third quarter of 2016 the Board will be able to reassess the contingent liability

### **The Future**

With the sale of SMSS and the Artena system to Adapt IT, the Society's members face the decision of 'where to from here'. It is apparent that collaborative ventures in the tertiary education sector are fraught with difficulties and the fact that the Society has existed for 20 years is a tribute to the foresight of the people who had the vision in 1995 to establish it and all the people that have worked so hard to make it function in the years since. The fact that a multi-national organisation can see value in what we created is testimony to that vision and hard work.

### **Acknowledgements**

The Board appreciates the huge contribution made by management and staff of SMSS Ltd. Cheryl Horo (Client Relationship Manager) and Harvey Buchman (Product manager) lead a very committed and skilled team.

The ITP Board members, Patrick Jones (EIT), Patsy Eade (SIT) and Blair Keily (TPP) have continued to work for the best interests of the shareholders and I am grateful to them for their contributions. I wish to make a special acknowledgement of our independent board member, Kerry Marshall, for his efforts in the capacity of Executive Director of SMSS, providing inspirational leadership and commercial acumen. Kerry has expertly managed the sale process and the Board expresses its *sincere thanks for a job well done.*

Lawrence Arps  
Board Chair

# Executive Director's Report

## The Year in Review

The ongoing focus for the Management team has been supporting our clients and ensuring we are delivering a student management solution that supports their business processes and requirements. Feedback from the Artena Owners, supported by an excellent rating in our client feedback survey mid-year, indicates that we have achieved this.

The 2014 Client Roadshow in February and March was well received and it is gratifying for the team to see clients happy and positive about Artena. As a result of the visits we have been able to arrange extra support and training to maximise the use of Artena.

Our annual client forums continue to be successful and well attended. We introduced a PTE forum which was held in Auckland hosted by Whitecliffe College of Arts and Design in March 2014. Representatives from the PTE's attending found the day really valuable and agreed it should be an annual event.

The Artena X project sponsored by the Artena Society attracted much interest from clients with a diverse group participating in the surveys and the workshop through to mid year.

Two big milestones for Artena were Online Enrolments and ArtenaBI being rolled out by Western Institute of Technology in Q4. Both have been on our RoadMap for some time so it is exciting to see them come to fruition.

**Two big milestones were  
delivery of Online  
Enrolments and ArtenaBI**

## Releases

Two major releases were delivered in 2014: 9.07.00 and 9.08.00. The releases included ongoing maintenance, keeping in sync with changing compliance requirements and technological changes and resolution of defects. We also introduced some exciting new functionality, refactoring and enhancements that streamline many of the daily processes. The Professional Services team are very appreciative of clients' input into this new functionality as your input into the requirements gathering process ensures we get as wider view as possible in to the scoping.

New or improved functional changes included:

- Ability to capture and administer Online Enrolments from clients' web forms
- Availability of an Address Verification Service through partnering with Experian
- Improved functionality for managing Accommodation providers
- Refactoring of the interface for Student Card generation
- A Class Creation Wizard
- Making available functionality to manage Literacy, Language and Numeracy
- Introduction of Funding Pool Allocations to facilitate monitoring of enrolments to funding source
- Availability of Individual Attendance capture
- Making it easier for Security Administrators to grant roles to multiple users

- Making it easier to search in Admissions and Marketing dashboards
- Introduction of a REST Interface as a further option for clients integrating online services with Artena

#### User Testing

During 2014 we reviewed with client input our User Testing planning. The User Testing days at the office for each Release continue to be of benefit. It is a great opportunity to share experiences and work together to make a better Artena product. It is of particular advantage to our out-of-town clients who don't have the same access to the SMSS team as our Wellington based clients.

#### SMSS Job Tracking System

A new job tracking system, Jira, was introduced in the last quarter of 2014. Client jobs can now be tracked in one system from inception to closure. Clients can also view Jira to track and monitor the status of their jobs.

#### New Clients

Two new clients joined the group during 2014. BR Training, part of Learning Works, based in Hamilton, and the International Academy of New Zealand, based in Auckland. The smooth transition from their old student management system to Artena is without a doubt due to the development of effective working relationships between clients and SMSS.

We are continually promoting Artena as the student management solution of choice and working with several PTEs looking at moving to Artena in 2015.

#### Cloud

As advised in 2013 the Cloud continues to be a focus for SMSS and we are experiencing good uptake of the production service amongst PTE clients. We now have 10 clients with test sites in the cloud. IANZ, one of our newest clients, has gone straight onto the Cloud service and two current clients are moving production to the Cloud in 2015. PTEs considering Artena are being encouraged to consider the Cloud option.

**SMSS Clients take  
advantage of the Cloud  
Option**

Clients wanting information on the Cloud option should speak with the Client Relationship Manager.

#### Client Support

In 2014 our Silver and Gold Service Level Agreements were adopted by over 90% of our clients and are proving popular and reliable. They demonstrate SMSS' commitment to providing a range of IT services that support our clients' business.

We have also assisted clients with a range of report writing, training, business process reviews and finance health checks.

**Staff movements**

The development team has seen the departure of our testers Swetha Dasari early in the year with a family move to Auckland and Joey Parr emigrated to the US. Joey worked for us remotely from the United States for five months while in transition to his new life. Patrick Williams moved to Australia. We were joined by Esther Lee and Chris Miklos, both in testing roles and Dan Dixon and Elliott Marshall in development roles.

George Drayer, Emil Malinov and Lian Paea all celebrated six years' service with SMSS and Artena during the year, a great milestone. We are very fortunate to have staff of their calibre committing to SMSS.

**2015 and Beyond**

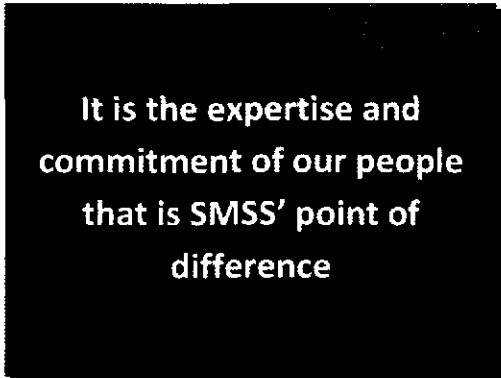
The most far reaching event during 2014 for SMSS has been the conclusion of negotiations between the Artena Society and Adapt IT Australasia for the sale of SMSS. The SMSS Management and staff are excited about the opportunities ahead of the organisation.

We will continue to promote SMSS and Artena as the preferred partner in New Zealand for tertiary student information systems and work with our clients to ensure they are maximising Artena to get the best out of your investment. The expertise and commitment of our people in SMSS continue to be our point of difference.

I would like to thank our two managers, Cheryl Horo and Harvey Buchman, for their leadership during 2014. The focus and commitment they bring to the role has been important to the success of the company in recent years. Staff have also played a big part in the turn around and with their knowledge and expertise the company is in a sound position for the future.

We thank you for your support over 2014 and will look forward to further exciting opportunities in 2015 and beyond. It is our hope that the work we are doing will see clients affirming Artena as a flexible and sophisticated strategic information management tool providing relevant information in a timely manner.

Kerry Marshall  
Executive Director



**It is the expertise and  
commitment of our people  
that is SMSS' point of  
difference**

# Artena Society Consolidated Financial Statements for the Year Ending 31 December 2014

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**Artena Society Limited & Subsidiary Company**  
**Directory**  
**As at 31 December 2014**

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

**Artena Society Limited & Subsidiary Company**  
**Annual Report**  
**For the Year ended 31 December 2014**

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The Board Members submit the Annual Report the for year ended 31st December 2014.

**Financial Statements**

The Financial Statements for the year ended 31st December 2014 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.

**Financial Result**

The Consolidated Net Surplus for the year was \$3,564 (2013: \$232,428)

	2014	2013
Retained Earnings as at 1 January	748,131	515,703
Net Surplus (Deficit)	3,564	232,428
Retained Earnings as at 31 December	<u>\$ 751,695</u>	<u>\$ 748,131</u>

**Dividend**

No dividend has been proposed for the year ended 31st December 2014.

**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 2014.

**Artena Society Limited & Subsidiary Company  
Annual Report (Continued)  
For the Year ended 31 December 2014**

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**Directors**

The board members holding office as at 31 December 2014 are disclosed in the society directory.

**Remuneration of Directors**


The Artena Board of Directors approved remuneration to K R Marshall & Associates Ltd by way of fees from Subsidiary company SMSS for working as Acting CEO during 2014 and from Artena for Artena related Projects of \$54,412 (2013: \$52,250).


**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.

<b>Number of Employees</b>	<b>Remuneration Range (\$)</b>
One	110,000 - 120,000
One	120,000 - 130,000

**For and on Behalf of the Board**

  
\_\_\_\_\_  
Director  
27 February 2015                      Date

  
\_\_\_\_\_  
Director  
27 February 2015                      Date

## Artena Society Limited & Subsidiary Company

### Statement of Financial Performance For the Year ended 31 December 2014

	Note	Parent		Group	
		2014	2013	2014	2013
		\$	\$	\$	\$
<b>Income</b>					
Membership Subscriptions		-	-	1,291,795	1,311,651
Support Revenue		-	-	56,250	43,750
Professional Fees		-	-	89,460	48,567
Research Project Income		80,000	-	80,000	-
Training		-	-	1,391	3,750
Intercompany Licence Fee	7	52,046	55,660	-	-
Miscellaneous Income		6	-	6	-
<b>Total Income</b>		<u>132,052</u>	<u>55,660</u>	<u>1,518,901</u>	<u>1,407,718</u>
<b>Less Expenses</b>					
Audit Fees		5,808	6,610	11,615	12,783
Board Member Fees		15,029	-	15,029	-
Depreciation	2	-	-	8,580	17,357
IT Infrastructure		-	-	60,344	56,741
Legal Fees		24,454	-	28,217	140
Management Costs		-	-	52,039	56,491
Marketing & Business Development		-	-	105,569	24,716
Project related Costs		80,858	-	80,858	-
Rent		-	-	92,000	92,000
Wages		-	-	1,011,546	844,626
Other Operating Expenses		17,637	19,828	92,212	109,119
<b>Total Expenses</b>		<u>143,786</u>	<u>26,438</u>	<u>1,558,009</u>	<u>1,213,972</u>
<b>Net Operating Surplus</b>		<u>(11,734)</u>	<u>29,222</u>	<u>(39,108)</u>	<u>193,745</u>
<b>Plus Other Income</b>					
Interest Received		14,495	13,315	42,672	38,683
<b>Total Other Income</b>		<u>14,495</u>	<u>13,315</u>	<u>42,672</u>	<u>38,683</u>
<b>Net Surplus</b>		<u>2,761</u>	<u>42,537</u>	<u>3,564</u>	<u>232,428</u>

## Artena Society Limited & Subsidiary Company

### Statement of Movements in Equity For the Year ended 31 December 2014

	<i>Note</i>	Parent		Group	
		2014	2013	2014	2013
		\$	\$	\$	\$
Share Capital		16	22	17	23
Retained Profits - Beginning of Year		372,955	330,418	748,106	515,678
<b>Total recognised revenues and expenses</b>					
Net Surplus for the year		2,761	42,537	3,564	232,428
<b>Total Equity at the end of Year</b>		<u><u>\$375,732</u></u>	<u><u>\$372,977</u></u>	<u><u>\$751,687</u></u>	<u><u>\$748,129</u></u>

## Artena Society Limited & Subsidiary Company

### Statement of Financial Position

As at 31 December 2014

	Note	Parent		Group	
		2014	2013	2014	2013
		\$	\$	\$	\$
<b>Current Assets</b>					
Cash on Hand		-	-	100	56
Bank Accounts	4	70,859	71,440	170,804	390,324
Term Deposits	4	314,465	302,161	645,712	390,540
Accounts Receivable	3	-	1,433	34,103	28,919
Interest Receivable		3,045	2,955	3,045	3,245
Prepayments		3,842	5,633	13,961	33,671
Work in Progress		-	-	804	-
GST Receivable		3,476	1,626	10,522	9,621
<b>Total Current Assets</b>		<b>395,688</b>	<b>385,248</b>	<b>879,051</b>	<b>856,376</b>
<b>Non Current Assets</b>					
<b>Investments</b>					
Investment in Subsidiary		1	1	-	-
<b>Fixed Assets</b>	2	-	-	19,385	20,341
<b>Total Non Current Assets</b>		<b>1</b>	<b>1</b>	<b>19,385</b>	<b>20,341</b>
<b>Total Assets</b>		<b>395,689</b>	<b>385,249</b>	<b>898,436</b>	<b>876,717</b>

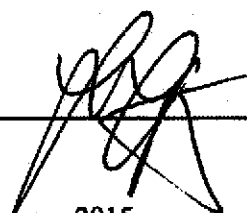
## Artena Society Limited & Subsidiary Company


### Statement of Financial Position

As at 31 December 2014

<i>Note</i>	<b>Parent</b>		<b>Group</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Less Liabilities</b>				
<b>Current Liabilities</b>				
Accounts Payable	19,956	12,272	61,344.81	51,543
Bank of New Zealand Visa	-	-	2,102	6,979
Payroll Liabilities	-	-	26,211	24,461
Employee Entitlement	-	-	54,342	45,605
Income in Advance	-	-	2,750	-
<b>Total Current Liabilities</b>	<b>19,956</b>	<b>12,272</b>	<b>146,749</b>	<b>128,587</b>
<b>Total Liabilities</b>	<b>19,956</b>	<b>12,272</b>	<b>146,749</b>	<b>128,587</b>
<b>Total Net Assets</b>	<b>\$375,732</b>	<b>\$372,977</b>	<b>\$751,687</b>	<b>\$748,129</b>
<b>Represented By</b>				
Share Capital	5	16	17	23
Retained Earnings		375,716	751,670	748,106
<b>TOTAL EQUITY</b>	<b>\$375,732</b>	<b>\$372,977</b>	<b>\$751,687</b>	<b>\$748,129</b>

For and on behalf of The Board

  
 \_\_\_\_\_ Director  
 27 February 2015 Date

  
 \_\_\_\_\_ Director  
 27 February 2015 Date

## **Artena Society Limited & Subsidiary Company**

### **Notes to the Financial Statements**

#### **For the Year ended 31 December 2014**

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

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.

##### **Monetary Measurement**

The financial statements are presented in NZ dollars which is the company's functional and presentational currency. Amounts have been rounded to the nearest one dollar.

##### **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.

## **Artena Society Limited & Subsidiary Company**

### **Notes to the Financial Statements**

#### **For the Year ended 31 December 2014**

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#### **Software Research and Development**

All costs associated with research and development are recognised as an expense in the period in which they are incurred in accordance with IAS 38 Intangible Assets.

#### **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.

## Artena Society Limited & Subsidiary Company

### Notes to the Financial Statements

For the Year ended 31 December 2014

#### 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.

#### 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>Cost or Valuation</u>	<u>Depreciation For Year</u>	<u>Accumulated Depreciation</u>	<u>Book Value This Year</u>
<b>2014</b>				
Computer Software	78,785	-	78,785	-
Office Equipment & Hardware	174,677	6,036	164,578	10,099
Furniture & Fittings	28,129	2,477	19,282	8,847
Leasehold Improvements	659	67	220	439
	<u>\$282,251</u>	<u>\$8,580</u>	<u>\$262,866</u>	<u>\$19,385</u>
<b>2013</b>				
Computer Software	78,785	567	78,785	-
Office Equipment & Hardware	169,037	14,055	159,767	9,270
Furniture & Fittings	27,370	2,668	16,805	10,564
Leasehold Improvements	659	67	153	506
	<u>\$275,851</u>	<u>\$17,357</u>	<u>\$255,510</u>	<u>\$20,341</u>

All assets are held by SMSS.

#### 3. Accounts Receivable

	Parent		Group	
	2014	2013	2014	2013
	\$	\$	\$	\$
Accounts Receivable	-	1,433	34,103	28,919
	<u>\$0</u>	<u>\$1,433</u>	<u>\$34,103</u>	<u>\$28,919</u>

## Artena Society Limited & Subsidiary Company

### Notes to the Financial Statements

For the Year ended 31 December 2014

4. Bank Accounts	Parent		Group	
	2014	2013	2014	2013
<b>Current Bank Accounts</b>	\$	\$	\$	\$
Bank of NZ Ltd - Cheque Account	245	387	1,494	1,479
Bank of NZ Ltd - Call Account	70,468	70,867	169,075	288,565
ASB Cheque Account	60	100	60	100
Kiwibank Ltd - Cheque Account	87	87	174	100,179
	<u>\$70,859</u>	<u>\$71,440</u>	<u>\$170,804</u>	<u>\$390,324</u>
<b>Term Deposits</b>				
Bank of NZ Ltd - Term Deposits	55,044	52,825	55,044	52,825
ASB Ltd - Term Deposits	142,784	137,292	142,784	137,292
Kiwibank Ltd - Term Deposits	116,637	112,044	447,884	200,423
	<u>\$314,465</u>	<u>\$302,161</u>	<u>\$645,712</u>	<u>\$390,540</u>
<b>Total Bank &amp; Term Deposits</b>	<u>\$385,324</u>	<u>\$373,601</u>	<u>\$816,516</u>	<u>\$780,864</u>

### 5. Share Capital

The capital of the Society consists of 8 shares which have been issued for a total consideration of \$16. The Society's subsidiary Company consists of 120 shares which have been issued for a total consideration of \$1.

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.

The voting rights of shareholders attached to owning shares in Artena is 1 vote per share.

### 6. Commitments & Contingent Liabilities

At Balance Date SMSS had commitments of \$272,000 relating to the lease of the Featherston Street premises (2013: \$69,000). The lease was renewed in December 2014 for a period of three years from 1 April 2015. The commitment comprised of a current obligation of \$85,250 (2013: \$23,000) up to the lease renewal date and a non-current obligation of \$249,000 (2013: \$Nil)

## Artena Society Limited & Subsidiary Company

### Notes to the Financial Statements For the Year ended 31 December 2014

#### 7. Related Party Transactions

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

The Society has five 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 paid Artena \$52,046 licence fee for use of Artena software IP (2013: \$55,660).

A fee of \$8,000 (2013: \$8,000) was paid by Artena to SMSS for work performed by Acting CEO Kerry Marshall in attending Artena Board meetings throughout the year.

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

#### 8. Imputation Credit Account

At 31st December 2014 SMSS had Imputation Credits of \$49,738 to carry forward:

	2014	2013
	\$	\$
Balance at Beginning of Year	49,738	49,738
Less: Tax Refund received	-	-
Balance at End of Year	<u>\$49,738</u>	<u>\$49,738</u>

#### 9. 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.

#### 10. Events after Balance Date

On 16 January 2015 Artena Society signed an agreement to sell all the shares in SMSS Ltd and the Artena business to Adapt IT Australasia subject to the completion of certain conditions.

The change in ownership does not affect the transactions and carrying values of balances recorded in these financial statements for the year ended and as at 31 December 2014.

From 2015 onwards, the figures in the financial statements will principally contain the business activities of the parent.



## INDEPENDENT AUDITOR'S REPORT

### TO THE READERS OF ARTENA SOCIETY LIMITED AND GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

The Auditor-General is the auditor of Artena Society Ltd ("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 and non-financial performance information of the Society and group on her behalf.

We have audited the financial statements of the Society and group on pages 4 to 12, that comprise the statement of financial position as at 31 December 2014, 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 12:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Society and group's:
  - financial position as at 31 December 2014; and
  - financial performance for the year ended on that date.

Our audit was completed on 27 February 2015. 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 Society 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 Society and group;
- the adequacy of all disclosures in the financial statements and non-financial performance information; and
- the overall presentation of the financial statements and non-financial performance information.



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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.

A handwritten signature in black ink that reads 'Michael Rania'.

**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 2014 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 February 2015 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.