SUPPORTING PRACTICES EVERY DAY

PROCARE ANNUAL REPORT 2014

ProCARE

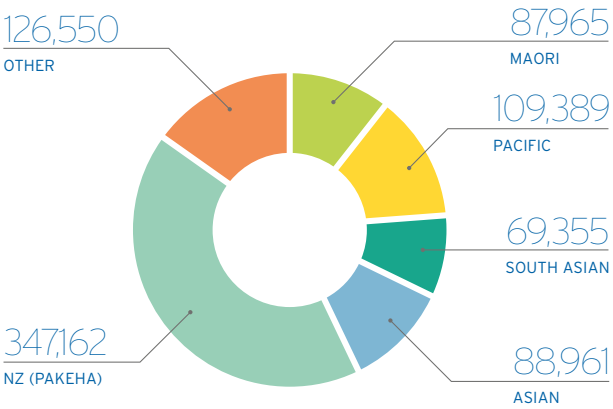
Contents

We are a cooperative of healthcare professionals committed to delivering world leading health services.

AT A GLANCE

Our patient population

We care for more than 829,380 enrolled patients:



Our membership

We represent Auckland's largest network of General Practitioners and general practice teams.

Strengthening our clinical expertise

The ProCare Board has strengthened ProCare's clinical expertise through additional resource to its Clinical Directorate.

Dr Allan Moffitt has been appointed Clinical Director, overseeing:

- Dr John Cameron – Clinical Director, Medical
- Dr Janine Bycroft – Clinical Director, Self-Management
- Dr Karl Cole – Clinical Director, Information
- Nursing Director – Appointment pending

PPS

- 20 psychologists
- 17,000 subsidised psychological consultations a year
- 90% of clients' distress resolved by interventions

Homecare Medical

Formed in early 2014 by ProCare (Auckland) and Pegasus Health (Canterbury):

- New Zealand-owned healthcare organisation providing telehealth services 24/7
- Anchored in primary healthcare and integrated into secondary care, emergency and community services
- Supports more than 600 general practices, caring for some 2.2 million New Zealanders
- Responding to more than 1 million calls for help a year

Education

ProCare's network has signalled that workforce is one of its biggest challenges. In response we are:

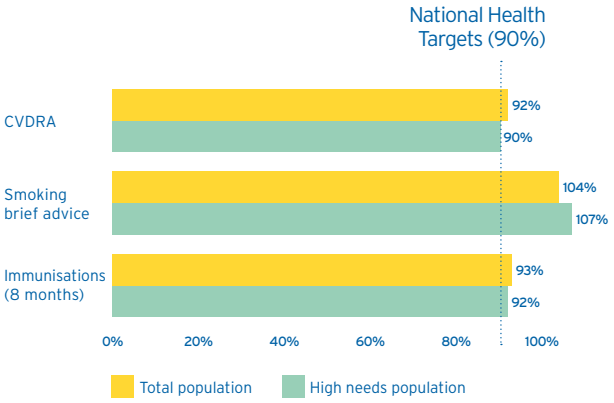
- Exploring junior doctors spending time in Homecare Medical
- Establishing a career path for young doctors, including facilitation of practice ownership (ie the business side of the process)

Last year we held:

- 3 Nursing days
- 26 Practice Manager meetings
- 58 Practice Nurse meetings
- 231 GP meetings

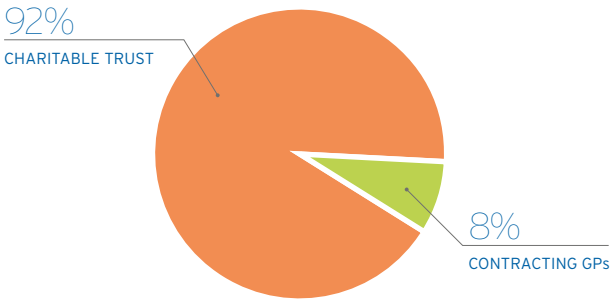
National Health Targets

Our June 2014 results show just how committed the network is to achieving the National Health Targets.



Charitable trust

2012: overwhelming majority of members agreed to ProCare being owned 92% by a Charitable Trust (with 8% ownership remaining with contracting GPs). The Charitable Trust is now established.



Alliances

ProCare is part of and has helped form a number of alliances, including:

- Community Care Auckland (CCA) – all Auckland PHOs
- Network 4 – ProCare, Pegasus Health, Midlands and Compass
- Auckland Regional Afterhours Network
- Counties Manukau Health Whole of System Strategy Board
- Auckland/Waitemata Health Alliance
- Auckland DHB Youth Health Alliance

Health promotion

We are the only PHO working to embed health promotion in primary care through the Health Promoting Practices Framework.

We work closely with:

- Primary care teams, iwi, Pacific, migrant and refugee groups, other PHOs, allied services and community groups

ICT

Investing in ICT

- Investing in ICT solutions that support our practices, eg ProExtra is an online tool that manages a virtual budget for practices to assess eligibility to programmes and referrals to services

Nursing

Senior Primary Care Nurses work across our governance structure including:

- As part of our Clinical Directorate
- Dedicated nurse advisors for practices
- Nurse-led cell groups
- Nurse-led education unit developing GP and Practice Nurse education
- PDRP and nursing development
- Highlighting the increased role of primary care nursing in acute and chronic care management

ACHIEVING THE NATIONAL HEALTH TARGETS

Health New Lynn – Dedicated champions key to success

Jane Barrett (NURSE), Virginia Amundsen (RECEPTIONIST), Dr Michel Arnephy (GP), Shona Mullings (NURSE), Ann Davis (NURSE TEAM LEADER), Dr Peter Woolford (GP), Greg Clarke (CHIEF EXECUTIVE) – NOT PICTURED

"Health New Lynn is an amalgamation of four local practices, opening its doors in April 2013. Our driving principles are providing excellent, evidence-based, community healthcare and wellness opportunities to the people of New Lynn and surrounding areas in an integrated way.

Another important goal of ours is reducing acute hospital demand. We care for more than 17,000 patients, with just over 20% high needs."

GREG: As we were still working through issues associated with the amalgamation, we accepted very early on that we needed a change in approach if we were to achieve the national health targets. We identified that critical success factors were strongly centred on a team approach, focus and clear leadership.

PETER: Absolutely agree. The development of a multi-disciplinary team was fundamental. A whole-of-practice approach was necessary to raise awareness of the targets within Health New Lynn and we appointed health promotion champions - Virginia from our front desk and recent graduate nurses Katie and Jane - with great results.

If we are truly serious about improving health outcomes for patients then the focus on screening tools for smoking and cardiovascular risk is highly appropriate. We have proactively acted on results and it's really satisfying to see the reduction in the number of our patients who smoke. The programmes fit neatly with our development of nurse-led clinics which also provide lifestyle advice to patients.

GREG: Working closely with the ProCare team was definitely a key enabler. ProCare supplied us accurate data on a weekly basis which we used to target patients and helped us with nursing and administration time. One area of support that really stood out was ProCare's suggestion that we consider using texting to reach our patients. These campaigns were very effective and we're keen to use them for other initiatives going forward.

PETER: Although we achieved our national health targets, progress was initially very slow. We're clear that the team's hard work is not going to be wasted and the systems are now in place to make sure this is just a normal part of everyday general practice.

96.1%
CVDRA

CityMed – Empowering clients

"CityMed is a large, modern, primary healthcare facility based in Auckland's CBD, with an enrolled population of 10,437. We have a diverse range of services on offer to our patients and provide high quality care. We are passionate about being involved in helping people manage their health."

CERYS: About 18 months ago, we became quite conscious that this is something we had to achieve. Twelve months out we were definitely ramping up. It just became something everyone had to prioritise. Screening became automatic. For example, at the beginning of every day we'd go through our bookings to see if there were things we could do for people coming in. We used Dr Info as well.

We had designated champions, a couple of us took on CVD; others took on smoking. We kept the team motivated, telling them our numbers and encouraging them to keep going. It gave us ownership, particularly the nurses.

We felt like we were empowering our clients by giving them the information, working with them to improve their lifestyle. People generally received this positively. There were some negatives, not going to lie. We were accused of interfering and harassing. One person even wanted to take us to Fair Go.

We just explained why we were doing this, apologised if we made them uncomfortable; all you can do is explain why you're doing it. Smokers, in particular, can get quite defensive. I have to say, most people accepted the explanations in the light they were given. A few told us not to contact them again and we noted that in their files.

The variety of ways to contact clients was really helpful – letters, texting, phone calls. We just have to keep working at it, keep the targets as normal part of our daily life

Leabank Health Centre – Evening clinics for hard-to-reach patients

"Leabank is a long-established Manurewa medical centre serving an enrolled population of 4381. Our mission is to provide the best health services for our multicultural community, especially the families and whanau we have looked after for so many years."

ROBYN: Twelve months ago we really looked like we weren't going to make it. We just hadn't put aside any dedicated time; usual story - big workload and a busy practice. We all sat down, looked closely at the PPP targets and worked out what we needed to do. We just went for it.

It really helped having our Practice Advisor coming out regularly, keeping us up-to-date with our figures, giving us ideas we could try. They knew us and our practice really well. They made it so much easier to find solutions when we had a problem. The challenge was not only to achieve a target but make a difference.

The first thing we did was make the time to bring our records up-to-date; we looked at different ways we could get the people in who hadn't had an assessment done.

DEBBIE: What was really great, though, were our evening clinics. We had four over two weeks, each about three hours long. We tried hard not to keep people hanging around – so many who came in had already had a long day. We did quite a few opportunistic screenings, smears, vaccinations, diabetic checks and so on. We also screened people who were concerned but were outside the PPP boundaries. There was also an awful lot of lifestyle advice given through that time.

Steve Chang (GP), Robyn Giles (PRACTICE NURSE), AND Debbie Mackie (RECEPTIONIST)

STEVE: The evening clinics were a very good team building experience. Everyone was happy to help out and we had a lot of fun. We were really able to connect with difficult-to-reach patients, and what was even better was that they brought in their support people with them. Wives would tear off and grab their husbands and drag them in in their work boots, or they'd divert them on their way home. These were not patients who would come in regularly. It's definitely on the cards to carry on with the clinics, simply because it's what's practical for the local population.

Probably our greatest success was identifying one chap who had a risk factor of 16% and is now down to 8%. We check everyone who came through the door, even people who weren't high risk because of their age but may have been because of their ethnicity and family history. The team helped a lot of people make changes. That's a bonus. Who knows, we may have helped prevent some of these people needing to go to hospital in 10 or 15 years' time. Our hope is that our target group will become smaller.

What we do know is that many of these patients will come back to us more easily next time.

93.9%
CVDRA

and maintain our clinical champions.

The health targets have to be worthwhile and they have to keep going. They're a great instigator for identifying people who are or will be at risk. It's not a tick box exercise. You hope that you've helped every person you've spoken to. The fact that we managed to engage with all but 9% of our smokers gives me hope... that's how many people we've helped.

Our Practice Nurse Advisor was a fantastic support. She regularly came to our nurse meetings, kept us striving, kept asking us if there was anything ProCare could do to help. In the end, we didn't really need anything but it was great that she was there and kept asking. The important thing is to maintain the relationship, work collaboratively. We really felt cared for and help was there if we needed it.

91.5%
Smoking Brief Advice

91.6%
CVDRA

Cerys Lang (NURSE MANAGER)

BEYOND THE PRACTICE DOORS

Whare Oranga – The house of wellbeing

Karen Parkes and Rattandeep Saini (GPs) PUKEKOHE FAMILY HEALTHCARE

"Pukekohe Family Healthcare is one of the larger practices in the country with 20,000 patients, 60 support staff and 20 doctors. Our size allows us to have a very special team of GPs with different interests, specialist nurses and support staff in dedicated roles. We are often at the forefront of trying new ways of working, both in our practice and in our wonderful Franklin community."

KAREN: The Whare Oranga's been running for a couple of years now and was set up initially in this community because there was a high percentage of Maori not registered with GPs. There was a definite need that was not being met and we wanted to create a space in which people might be more prepared to come into contact with health professionals.

We run the clinics at Nga Hau E Wha Marae in Pukekohe and Mangatangi Marae in Mangatangi. We do only one half day a week in each place - it's not nearly enough - but what we're trying to do is get some health promotion services wrapped around these visits and then try to get people to see a local doctor so they continue getting medical care.

When we set up the Whare Oranga, ProCare was very much involved. We provided medical services, Huakina Development Trust supplied the space, and ProCare managed a lot of the set up processes. It was a really collaborative effort.

We continue to work as a team; we rely on everybody to offer help to whoever walks in. They come because the doctor's sitting there but we have the receptionist and Community Health Coordinators (CHCs) and the nurse talking to them about home insulation, debt management, reducing barriers to seeing their own GP and advice on giving up smoking. The nurse sees most people before the doctor so she can continue those conversations and discuss mammograms, cervical smears, cardiovascular screening, childhood immunisations, flu vaccines and referrals to Green Prescription. So if someone hobbles in with gout, they get not only mediation but help with all these other things and the word spreads through the community of the extra things we can do for them.

To get the maximum out of our clinic we need to clone our CHC. We know the things that will be helpful to our patients but we can't navigate the system for them. We can end up being the ambulance at the bottom of cliff if patients aren't able to manage the system but the CHC can help people get to their appointments, understand what's going on, find solutions for problems - like transport difficulties or debts with their general practices, problems they've often had for a very long time that have stopped them getting regular healthcare.

The relationship between our patients and the health system has often been severed. Our role is to reengage them and rebuild that trust. We've found in many instances that by repairing their relationships with health professionals and systems, they start to see the benefits of engaging with the healthcare system and become much more involved in their healthcare.

The relationship between our patients and the health system is often severed. Our role is to reengage them and rebuild that trust. Repair that and they start to see the benefits.

RATTAN: Generally, people come in for minor acute conditions but have a Pandora's Box of issues that need addressing. For example, one of our patients, a lady well into her 80s with lots of comorbidities, was regularly presenting to hospital with heart attacks or pneumonia. She was considered palliative and rest home placement was suggested in 2011. She is fiercely independent and wanted to live and pass away in her own home. We encouraged her to come visit us once a week, even if it was just for a chat. As our relationship grew, we were able to refer her to a pulmonary rehabilitation programme and started chipping away at all her conditions - looking at her inhaler techniques; educating her on how to use them and what they're for; setting up a referral to NASC; she was visited by a needs coordinator to sort out her needs, like a rail so she could go into her garden, bathroom modifications so she could be a little more independent.

The CHC dealt with her home insulation issues and organised for her sister to become her paid, fulltime carer to help her get to her appointments and deal with her complex medication. We worked on how to take her insulin and warfarin appropriately, what to watch out for in her diet, how to monitor her weight/fluid status to keep her heart failure under control.

She's a very time consuming patient and in standard general practice would have been almost impossible to work through in a regular appointment. She's quite well now. She's empowered, knows who to ring when she needs help. She's quite a switched on person now and she used to be so lost.

Mangatangi is a close knit rural community. Some people are not only financially deprived but also geographically isolated. The role of our Whare Oranga has been to re-establish a relationship between the community and the health system with a very strong focus on health promotion and wellness rather than illness alone.

KAREN: The Whare Oranga is re-establishing trust in the health system among our high needs and Maori community and they are more willing to engage with us now. It has also allowed the community to take some control over their health decisions. People often arrive as a group to have their smears done or get their Green Prescriptions. They feel confident dealing with the health system because they manage it themselves. It's empowering.

The concepts of the At Risk Individuals Programme from Counties Manukau Health are similar to what we're doing at the Whare Oranga. It's all about where people are at with their health and what they need to do to better manage it. It's about seeing patients as a whole and wrapping round them the support they need, creating relationships with the health system and other providers. Then they feel more confident dealing with their health because they manage it themselves. It's empowering.

Response to rheumatic fever

Nurse Racheal Smith checking Soteria Maka's throat for infection
RAPID RESPONSE CLINIC – CLENDON MEDICAL CENTRE

Thirty-eight ProCare practices have joined the Rapid Response Sore Throat Management programme, set up by the Ministry of Health to reduce the incidence of rheumatic fever by two-thirds by June 2017.

The programme's aim is to improve access to care for high risk children and young people. Practices are complementing the Sore Throat Drop-in Clinics operating in decile one and two primary schools by providing free checks to the significant number of children who do not receive the school service.

Practice nurses are leading the work, triaging patients and swabbing and treating according to the Sore Throat Management Guideline. Initial audit results show heightened awareness, improved knowledge and marked improvement in use of the guidelines by practice teams.

"We've been going for about six months. So far we've swabbed around 200 children; about one third to half have had Strep A. Many of our families live in close proximity, lots of people in the house. It's very encouraging that the kids have been taking their antibiotics – they really like the sticker cards and parents are wrapped that they can see us, get the medication they need so easily. We're also building stronger relationships with public health nurses." Racheal Smith (Nurse)

BEYOND THE PRACTICE DOORS

Health and wellness clinics in local factories

"Manukau City Accident and Medical is a large, modernised A & M and general practice. We have an enrolled population of 11,147 and offer a diverse range of services to our patients. MCAM is a multicultural practice and we are passionate about helping people manage their health."

AUDREY: When I first came here, the practice didn't go outside the square. First thing I did was look at the population of Manukau, which has high deprivation, and tried to figure out how we could improve people's health.

It's all happened very quickly, in the last two years, really. Several companies had rung asking if we'd go out to them. Sandra and I worked together to set up clinics, offering pre-employment medicals, including alcohol and drug testing, and from there it just grew. We're now going into several local factories doing diabetes self-management sessions, general health checks, blood tests, all sorts to make sure staff are healthy.

Sandra came with the idea to do a health week to get people to value and improve their health. We're holding it next April at Westfield. Lots of people in this area don't see a doctor. Our aim is to get people to see a GP, any GP, so that they can have continuing care. We're going to set up diabetes checks, do blood pressure and blood tests, cervical screening, mammograms. It's very exciting. We just want better wellness for people in South Auckland and make them aware of the facilities that are available for them. Our Health Promotion Advisor from ProCare has been amazing. She's done so much to help get this off the ground.

SANDRA: Most of the people who work in Manukau don't live here. For them to see a doctor means taking a day off work. The company loses production time and they lose a day's pay. We started off carefully to see if we could manage it and if we could make a difference and we have. At Godfrey Hirst, for example, we've done six chronic care management courses with more than 70 people going through it.

These are people who have chronic health conditions, including CVD risk, chronic asthma, diabetes, alcohol problems and more.

The company is right behind this. They have exercises up on the wall and everyone does warm-ups before they start work, whatever shift they're on, they walk round the machines to get moving. They've told us they've had fewer sick days this year. We're able to do so much more now. Another example, last year, we did 39 flu shots there. This year, out of the 100 employees there, we gave 90 flu immunisations. By going in there, we've been able to heighten their awareness of health issues and have built relationships with the people we're now treating. And when our new meeting room is finished here, we're going to be running food awareness clinic and diabetes sessions for the whole community. Promotion of wellness is our philosophy. The doctor's shouldn't be a place to come just when you're ill. We want to help people to get to the next plane of health.

About one quarter of people here are not registered with a GP. What we're doing is not about poaching patients, it's about giving people quality of care. Everyone needs to have their own GP or they'll fall through the healthcare net.

Nurses should work as health promoters and educators. We're passionate about what we do. Our nurses were all new graduates when we employed them 18 months ago; I'll tell you what, they teach me a few things and they work like hell.

Audrey Cassidy (GENERAL MANAGER) and Sandra Hewlett (CHARGE NURSE)
MANUKAU CITY ACCIDENT AND MEDICAL

Lots of people in this area don't see a doctor. Our aim is to get people to see a GP, any GP, so that they can have continuing care. We've been able to heighten their awareness of health issues and have built relationships with the people we're now treating.

Tamaki mental health and wellbeing

The focus of this project is to develop a transformative model of mental healthcare delivery in collaboration with funders, providers and the Tamaki community. This is a key initiative of the Auckland and Waitemata Health Alliance and is being project managed by ProCare. The wider membership of the working groups includes strong representation from the NGO, social and health sectors.

The aim is to change the shape of services to support practices as they care for people with mental health concerns.

Following an initial co-design workshop to establish the project's vision, more than 100 meetings and focus groups were held over four months with local GPs, mental health clinicians, community groups, schools, police, family violence NGOs, mental health NGOs, and many other individuals, groups and organisations. The next phase involved further co-design workshops where more than 750 ideas were created. Workshop participants then shaped these into 32 project proposals which were then grouped into three interconnected streams of work. These are:

- Enabling better service provision by primary care providers
- Enabling primary care providers to link with community, other health and sector services
- Enabling the community to come together, support each other, link with appropriate care and sectors

A working group is currently developing an evaluation framework and scoping each of these work streams. The hope is that the core change and care models will be replicated across the Auckland and Waitemata DHB districts.

Tyrone Tangata-Makiri and Karl Baily
(COMMUNITY ACTION YOUTH AND DRUGS COORDINATORS), AUCKLAND COUNCIL

KARL: We both sit on the project group trying to create a hub of wellness for Tamaki. This locality, and especially the suburbs of Glen Innes and Pt England, are high need communities who have had a lot of interventions by externals over the past 20 years.

The value of this project is that it will create a model of wellbeing for Tamaki; what that looks like we're trying to still flesh out. I guess I know what it isn't; it isn't one based on illness. How we create wellness as a form of healthcare is something we're still figuring out. For the community, it would be something created, so not just an outcome. It's a way of life. For a service, a wellness model is something that's truly scientific, ethical and beautiful. Beautiful in the way it inspires people to be well. That's not an intervention, it's a core value. We can get given all the facts; we can have nice posters but is that going to inspire or help people make a change in their lives?

For a service, a wellness model is something that's truly scientific, ethical and beautiful. Beautiful in the way it inspires people to be well.

TYRONE: I'm a local so the project fits in with me personally as well as work-wise. What the project is trying to hold is that community is the key focus, and that hasn't always been the way in the past. We should be valuing being well. We're helping the community to create a process for managing their health; this process has good values and the hope is it will lead to a more positive vibe around wellness, as opposed to a health system where you go just to be sick. It's about including the community so they become more autonomous in managing their health.

KARL: It's been very refreshing and challenging to stay true to the principles we've agreed on. I really take my hat off to the people managing this project like ProCare and the ADHB. Working alongside each other like this gives the project that authenticity, that heart, instead of just words on a paper. There's a real effort to bring the project's values to life. It isn't easy. We all want different things but usually the power sits with the institutions, and so does knowledge and expertise generally. When you put the community at centre, it's amazing. We don't know if we're doing it well yet. There's still a long way to go but it's really refreshing and cool. It's the way we need to go. From a larger systems point of view, we can see the burden on the health system - rising demand because of chronic diseases, the pinch on the health sector to cater to that demand. It makes sense that instead of interacting with people when they're at that chronic stage we give the community the capacity and skills to be autonomous, to nurture that shift in behaviour. I think that's the way we need to go.

"The achievements of an organisation are the results of the combined effort of each individual"

Vince Lombardi

It is a great honour to reflect on the achievements of ProCare Health Ltd in the last 12 months. Reaching and exceeding national health targets has given the organisation, and its network of General Practice providers, a sense of accomplishment.

Reaching these targets will improve the health of our patients, by supporting them to quit smoking, assessing their cardiovascular risk and providing advice and interventions as appropriate, immunising children, and screening to detect cancers early.

Primary Care is a longitudinal relationship, so measuring health targets can distract observers from the quality and volume of healthcare provided every day, by our 670 GPs and 613 Practice Nurses.

Numbers only tell a part of the story but they are nevertheless impressive. For our enrolled population of approximately 800,000 in the Auckland Region, there were 2,702,999 consultations. As a support organisation, ProCare Health staff visited more than 180 practices approximately 4200 times, assisting with improvements in healthcare, and improving business processes.

As a provider organisation, ProCare Community Health Coordinators visited more than 2000 patients at home, and PPS psychologists provided 17,000 psychological consultations in the past year, resolving around 90% of a client's distress.

Via the ProExtra tool, ProCare has funded $6,914,033 patient services through general practice, community pharmacies, community radiology and others.

Homecare Medical (formerly HML), our joint venture with Pegasus Health, answered the phone afterhours for around 600 practices across NZ. The result of all of this has meant we have formed supportive relationships with many more organisations, aligned with our desire to improve the health of our population.

Working with other organisations is a key to achieving improvements in health, and ProCare is pleased to see an improvement in our stakeholder relationships. We are now participants in two regional alliances, and look forward to further collaboration with our DHB and PHO colleagues.

Financially, ProCare has made a small surplus, augmented by the proceeds from the sale of half of HML. As always, ProCare aims to return value to shareholders in a variety of ways, including valuable programmes and services to patients.

It has been a pleasure to work with the board of ProCare Health, using their collective wisdom to navigate the challenges of the current environment. In the last year, directors Jane Holden, Drs Doug Gillanders and Peter Didsbury have resigned. I especially want to acknowledge the leadership and passion that Peter gave to the organisation as director for the last 19 years, with the last seven as Chair.

Dr Harley Aish

CHAIR
PROCARE HEALTH LIMITED

As the largest network of general practices in New Zealand, we have made a very noticeable impact on the lives of New Zealanders and have striven to meet the needs of a diverse patient population. I have no doubt that the collective strength of the ProCare network can positively influence the health system which will be beneficial for practices and their patients.

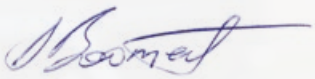
The past year has further highlighted the differing needs of practices across the network. My goal is to ensure the support we provide to practices is flexible and adding value. This includes engaging with practices in a way that suits the individual needs of the practice team, recognising that one size does not fit all.

I have talked often about building trust and creating opportunities for the network by demonstrating to funders that we are able to work collaboratively and deliver a strong clinical performance. Our health target success, particularly for our high needs population, shows we can not only meet our funders' expectations but exceed them. This puts us in a positive place to advocate for the network when the Government and Ministry of Health are developing policies and frameworks which directly affect practice teams. It also means they know we are serious and able to provide leadership when it comes to shaping the future of general practice.

Helping make general practice fit for the future has been a key theme for the management team this year and will continue to be a major focus for us going forward; it was certainly a popular topic of discussion at the Cell Leaders Retreat in May. I was heartened to see people's excitement as they explored new and emerging models of care. Implementing new and sustainable ways of working and caring for patients was something the GPs and nurses involved in those conversations saw as critical.

Throughout the year, the network has been letting me know about the range of issues facing their practices. As a support organisation, we recognise our responsibility in helping practices stay fit for the future. This is why a strong focus for the ProCare team this year is to fine tune, develop and deliver services that meet the clinical and non-clinical needs of our members, and we need to do this together.

Finally, I'd like to acknowledge the positive way practice teams and ProCare staff have worked together in the past year. Whether it's been systems improvements or finding creative solutions to help reach eligible patients for CVD screening, I have been proud to see the commitment and enthusiasm in seeing the network succeed.



Steve Boomert

CHIEF EXECUTIVE
PROCARE HEALTH LIMITED

PROCARE HEALTH LIMITED BOARD

The PHL Board's focus this year has been to steer the course for greater engagement and support for ProCare providers.

LEFT TO RIGHT James Sclater, Jonathan Fox, Lewis King, Jan White, Harley Aish, Sue Clark, Trevor Janes, June McCabe, Neil Hefford

Dr HE Aish

BHB, MB, CHB, DIPOBST, FRNZCGP

Harley Aish has worked as a GP in Otara since 1997. Past positions include director of Southmed IPA and ProCare Health Ltd, and director and later chair of ProCare Networks Ltd. He served on the executive of IPAC, was part of the team for the PSAAP PHO contract negotiations and a member of the PHO Performance Programme Governance Group. He has been a director of MAS since 2013. He was actively involved in the Greater Auckland Integrated Health Network (GAIHN) as clinical champion for the High Risk Individual Workstream.

Dr SM Clark

BMB, CHB, DIPOBST, FRNZCGP

Sue Clark has been a GP in Hobsonville for 14 years. She was a member of the Health West PHO Board.

Dr JEM Fox

MB, BS, MRCS, LRCP, MRCGP,
FRNZCGP (DIST), FRACGP (HON) CMINSTD

Jonathan Fox has been in general practice in Meadowbank with his wife for 23 years, since arriving in New Zealand from the United Kingdom. Past national positions include NZMA Board member, President of the Royal New Zealand College of General Practitioners (RNZCGP) and Chair of the Council of Medical Colleges in New Zealand. He is currently a member of the Medical Council of New Zealand and sits on the Education and Audit Committees.

Dr NJ Hefford

BHB, MB, CHB, FRNZCGP

Neil Hefford graduated from Auckland Medical School in 1985 and has been a GP in his own practice in Grey Lynn for 23 years. He is a director of ProCare Networks Ltd and chair of ProCare's Clinical Governance Committee. He was also chair of GAIHN's Alliance Clinical network. His passion is achieving better integrated care and quality outcomes for our patient population.

TD Janes

BCA, FCA, CFINSTD, FCFIP

Trevor Janes's career has been in investment banking and financial analysis. He is a Chartered Fellow of the Institute of Directors, a Fellow of the Institute of Financial Professionals in New Zealand and of the College of Chartered Accountants. He is currently chairman of Abano Healthcare Limited and deputy chairman of the Accident Compensation Corporation. He is also a member of the New Zealand Markets Disciplinary Panel and the International Development Advisory and Selection Panel of the Ministry of Foreign Affairs and Trade, and of the Postal Network Access Committee. Trevor is also a member of ProCare's Audit and Risk Assurance, and Remuneration and Governance committees.

Dr LEJ King

MB, CHB, DIPOBST, FRNZCGP, FNZMA

Lewis King is a Mairangi Bay GP. He is an accredited teacher for the registrar training programme of the RNZCG. He is also a former secretary of the RNZCGP and chairman of the NZMA.

JN McCabe

MBA

June McCabe has had a diverse career in both the public and private sectors at senior levels, including 20 years of investment and banking experience. Her past and current corporate governance experience spans public, private and not-for-profit boards in the education, finance, health, housing, television and venture capital sectors. She is currently a director on the Northland District Health Board, ProCare Networks Limited, a member of ProCare's Audit and Risk Assurance Committee and chair of the Remuneration and Governance Committee.

JM Sclater

BCOM, CA

James Sclater is a professional company director and trustee acting for a number of companies and investment trusts, including Hellaby Holdings, Damar Industries and Opus Group (an ASX listed company). James is a chartered accountant and a member of the New Zealand Institute of Chartered Accountants and Institute of Directors. Prior to 2009, James was chairman of Grant Thornton Auckland, where he was a business advisory services director for 18 years, specialising in small-to-medium enterprise accounting, taxation and management advice. James is chairman of ProCare's Audit and Risk Assurance Committee and a member of the Remuneration and Governance Committee.

Dr JFV White

MB, CHB, FRNZCGP

Jan has been in general practice in Mt Eden for 30 years, having graduated from University Of Otago in 1973. She was a member of the board of Medicine Mondiale and is currently a member of ProCare's Pacific Heath Advisory Committee (ProPa) and the Konnect Clinical Governance Group. She is partway through her third term as a member of the New Zealand Medical Association's General Practitioner Council (GPC).

Chair's Report

ProCare Networks Limited

It gives me great pleasure to present to you this report on behalf of the Board of ProCare Networks Ltd. I would like to start by acknowledging the commitment of my fellow directors to fulfilling the Board's governing roles and responsibilities, as well as the collaborative work of our operational team, led by CEO Steve Boomert, which has resulted in our achievements in this financial year. In this climate of constrained health spending and swelling health issues in our communities, the Board is very proud of the network's accomplishments.

ProCare is the largest PHO in New Zealand and provides primary healthcare services to more Maori (87,965) and Pacific (109,389) people than any other PHO. Given this, we are justifiably proud of the network's performance in achieving national health targets and, in particular, cardiovascular risk assessment and smoking cessation brief advice where we rank first equal and second in the country. This will flow through into significant health gains for all our communities as we proactively manage those identified and support more people to stop smoking. Cardiovascular disease is still the biggest killer, especially for our high needs populations and much of this is preventable with the right lifestyle and treatment options.

2013/14 has been a time of change for the ProCare network with consolidation of a new management team and the strengthening of our ability to engage with practices and other stakeholders. Collaboration is critical for us in delivering the best possible outcomes for our population and supporting clinicians in maintaining their good work. Taking a whole-of-system view and working with others has potential to deliver synergistic results. To this end we have been working to join forces with other PHOs and the three Auckland DHBs in finalising district alliances to achieve better health outcomes for our enrolled population. This transition - from the GAIHN (Greater Auckland Integrated Health Network) alliance to two district-wide alliances with a focus on partnering with DHBs to deliver service integration - is near fruition. We need to move on from the competitive model of the past to collaborating with networks of like-minded people in a genuine commitment to improving the health and wellbeing of Aucklanders. Social services have a key role to play in this and further collaboration in this area will be required.

We are a cooperative of healthcare professionals committed to delivering world leading health services and we are tracking well towards realising this. The demands on general practice are ever increasing and it is important we learn to work smarter to respond to this. American author Diana Sharf wrote that goals are dreams with deadlines. While work is still needed on developing the new models of care that will ensure sustainable, quality services to our patients, we are definitely moving in the right direction. The network's achievement with the National Health Targets demonstrates that when we focus our efforts, we can make a great difference.

The demands on general practice are ever increasing and it is important we learn to work smarter to respond to this.

Tevita Funaki

CHAIR
PROCARE NETWORKS LIMITED

Chair's Report

ProCare Psychological Services Limited

Diversification has been a key theme for the year, with services now being offered in 12 sites across the wider Auckland region, allowing for improved access to psychological services. This diversification is also being expressed by increasing the range of services offered to the at-risk population. This ranges from the Triple P Parenting Programmes in Counties that provide sound, evidence-based and practical advice to parents facing an array of behavioural issues, through to helping to develop new alcohol screening tools and associated support services that will be released in the coming year.

The year has proved challenging as the Ministry has refocused funding towards high needs groups, significantly restricting those who previously had ready access to psychological services. This has meant considering how services can be delivered differently in order to continue meeting community needs.

A number of initiatives are being trialled, looking at a more integrated, stepped care model of intervention. These include looking at the impact of providing supported eTherapy to clients, the strengthening of maternal mental health services, and a pilot single intervention reducing the rate of high user presentations to primary care services.

PPS is a key driver for a nationally-leading initiative that sees specialist child and adolescent psychologists working within low decile schools as part of a multi-disciplinary team made up of GPs, nurses and school counsellors.

Much of the thrust of the past year has been around developing a coherent plan for the delivery of mental health across the life span. The year ahead offers a significant opportunity to consolidate and formalise this work into a well-established primary mental health strategy. This integration of mental health into normal care across the PHO is central to the delivery of best care at the patients' medical home.

Much of the thrust of the past year has been around developing a coherent plan for the delivery of mental health across the life span.

Steve Boomert

CHAIR
PROCARE PSYCHOLOGICAL SERVICES LIMITED

Chair's Report

Homecare Medical (NZ) Limited Partnership

2013/14 was a landmark year for HML/ Homecare Medical NZ Limited Partnership, with HML transitioning to its new form in May 2014 as a partnership between Pegasus Health and ProCare.

Homecare Medical remains anchored in primary healthcare and integrated into secondary care, emergency and community services. We currently support more than 600 general practices and care for some 2.2 million New Zealanders, from the far north to the deep south.

Last year our team responded to close to one million calls for help and advice. Our experienced Registered Nurses triage calls from our Auckland base, with a South Island hub in the planning stages.

Homecare Medical has strengthened its relationships with organisations such as Quitline, Plunket and Lifeline, as we extend into and complement social, health and wellbeing services.

Sound clinical decision-making has been enhanced by the acquisition of Odyssey Tele Assess, an international decision support tool to manage all triage calls. Odyssey Tele Assess ensures we deliver safe, effective clinical advice to callers and connect them with the most appropriate care. Globally more than 25 million teleconsults take place annually using Odyssey in seven countries and seven languages.

Odyssey is supported by one of the UK's largest software companies and has a massive international clinical community contributing to its development. As a user we have access to best practice training, audit and other important quality systems. Homecare Medical is the only organisation in New Zealand using Odyssey.

Another recent initiative is our support role in the St John Clinical Hub, a 24/7 service operating in St John's Auckland Clinical Control Centre. A supervising Intensive Care Paramedic is on shift, providing clinical support and oversight across the ambulance service. The Clinical Hub includes Homecare Medical Registered Nurses who work with ambulance staff to handle Clinical Telephone Assessments for lower acuity callers, coordinate referrals and appropriate alternative pathways for patients.

As part of the Auckland Regional After Hours Networks, Homecare Medical continues to support local practices through providing afterhours care for their patients, while supporting patients' connection with their medical home.

Odyssey Tele Assess ensures we deliver safe, effective clinical advice to callers and connect them with the most appropriate care.

The Homecare Medical team has been building awareness of their services amongst GPs and health practitioners through exhibiting at several conferences where they have also introduced the new Homecare Medical brand.

The great success of Homecare Medical is due to a dedicated and committed team of nurses and management. The Board thanks the team for their excellent work through this period of change and their support for the new partnership.

Dr Martin Seers

CHAIR
HOMECARE MEDICAL (NZ) LIMITED PARTNERSHIP

Chair's Report

Clinical Assessments Limited

Clinical Assessments Limited (CAL) continues to successfully administer the Primary Options for Acute Care (POAC) programme on behalf of the three District Health Boards.

Over 18,000 patients were offered funded community-based care as an alternative to hospital admission. Of these, 87% were successfully cared for in the community, a great benefit to patients and relieving the hospitals from acute demand. The referral base to the service continues to grow with an increasing number originating in EDs, hospital and the St John Ambulance Service. The service continues to run within budget with the average cost per patient remaining stable at $206, resulting in cost savings from avoided hospital admission of $240.

Over 18,000 patients were offered funded community-based care as an alternative to hospital admission. Of these, 87% were successfully cared for in the community, a great benefit to patients and relieving the hospitals from acute demand.

CAL itself continues to run efficiently and returned a modest surplus.

I would like to thank the POAC staff, based in EastHealth Services Limited, for their considerable contribution to another successful year.

Dr Peter Didsbury

CHAIR
CLINICAL ASSESSMENTS LIMITED

COMMITTEES

Proper governance is the hallmark of a responsible company.

Recognising this, the Board has established four governance committees to assist the group company boards (ProCare Health Limited and its subsidiaries: ProCare Networks Limited, ProCare Psychological Services Limited, Homecare Medical Limited and Clinical Assessments Limited). The four governance committees are:

The Audit & Risk Assurance Committee

The Audit & Risk Assurance Committee acts as the point of contact with the group company boards for the external auditors and oversees how management discharges the delegated responsibility for financial reporting, internal control and the safekeeping of assets. The committee recommends the annual financial statements for approval and issue by each of the boards in the group and undertakes reviews of other specialist non-clinical matters referred by the boards. The committee reviews and reports to the boards on management's processes for the identification, prioritisation and management of risk.

The Remuneration & Governance Committee

The Remuneration & Governance Committee recommends remuneration policies for directors and senior staff for approval by the boards, approves senior management remuneration and monitors performance.

The Clinical Governance Committee (CGC)

The Clinical Governance Committee (CGC) supports the provision of safe and optimum health services in the populations for which we are responsible. The CGC has an advisory role to ProCare. It receives information and directive from the ProCare Health Board, ProCare administration and the greater ProCare membership.

The Community Engagement Committee

The Community Engagement Committee gathers information on the health needs and community aspirations within our enrolled populations, provides advice on public health issues, such as drinking age and tobacco legislation, works with other health organisations to promote greater cohesion within the health sector and offers community advice on the development and implementation of health services programmes within the ProCare network.

The four committees also act as a sounding board and point of reference for management in business and commercial matters.

Financial Statements

DIRECTORS' REPORT

For the year ended 30 June 2014

The directors present their annual report including financial statements of the Group for the year ended 30 June 2014.

Directors

The persons listed on the directory page held office as directors during the year. No other person held the office of director at any time during the year.

Principal activities

ProCare Health Limited provides management and clinical services to its subsidiary, ProCare Networks Limited, which is a Primary Health Organisation (PHO). The Company's functions include the design, development, implementation and management of health programmes with the objective of improving the health status of patients in the care of associated general practitioners and their professional colleagues.

The company's others subsidiaries are:

- ProCare Network West Limited was incorporated on 1 July 2007 and it did not trade during the year;
- ProCare Health (LP) Limited (previously known as Homecare Medical Limited) provided a telephone nurse triage service, which assists the patients of subscribing GPs, PHOs and District Health Boards to access healthcare on a 24-hour basis, until 1 May 2014. After that date it became the limited partner in Homecare Medical (NZ) Limited Partnership which has taken over the business and associated assets of ProCare Health (LP) Limited;
- Clinical Assessments Limited facilitates the delivery of specific health service initiatives in the wider Auckland region; and
- ProCare Psychological Services Limited provides clinical psychological and psychiatric services in the wider Auckland region.

Results

	Group		Parent	
	2014 $	2013 $	**2014 $**	2013 $
Profit after tax for the year	**1,269,302**	660,054	**457,936**	301,990
Non-controlling interest in profit of subsidiary	**(3,710)**	(11,614)	**-**	-
Redeemable preference shares bonus issue	**-**	(2,463,500)	**-**	(2,463,500)
Issue of redeemable preference shares	**-**	(2,371,456)	**-**	(2,371,456)
Retained earnings at 1 July	**3,322,413**	7,508,929	**2,902,968**	7,435,934
Retained earnings at 30 June	**4,588,005**	3,322,413	**3,360,904**	2,902,968

Dividends

On 1 October 2013, the board confirmed the payment of the coupon of 7.5% on the Redeemable Preference Shares issued on 2 October 2012. The payment was made on 25 October 2013.

No ordinary dividend was declared as the group restructuring is yet to be completed.

Capital Restructure

On 2 October 2012, pursuant to resolutions approved by shareholders at a special meeting held on 30 April 2012, the directors have resolved to restructure the Company's capital as follows:

1. issue 25 fully paid Redeemable Preference Shares (RPS) for every one ordinary share on issue, and subsequently resolved to immediately redeem 13 RPS for a consideration of $500 per share. The remaining RPS will pay a coupon rate set at the Board's discretion and is to be set at a premium over the five year swap rate at 30 June of the year of review. The coupon rate for the first five years shall be 7.5% per annum non-cumulative. This results in $12,500 per share being returned to shareholders.The effect of this transaction is a reduction in the Company and Group's retained reserves of $4,737,500, an increase in liabilities of $2,274,000 and a reduction in cash of $2,463,500.
2. The directors also resolved that 12 non-voting ordinary "B" shares be issued as fully paid, for every one ordinary share on issue, to the ProCare Charitable Foundation on the understanding that it obtains charitable status under the Charities Act 2005. The effect of this transaction is a reduction in the Company and Group's retained reserves of $2,274,000 and a corresponding increase in non-voting ordinary "B" share capital. There is no effect on cash.

An application was made on 31 May 2013 to the Charities Commission for charitable status. Charitable status was granted on 3 December 2013.

Due to the need to seek binding rulings from the Inland Revenue on the various transactions described above the issue of fully paid shares to the ProCare Charitable Foundation did not take place during the year ended 30 June 2014. The binding rulings were received on 26 June 2014.

DIRECTORS' REPORT (CONTINUED)

For the year ended 30 June 2014

On 7 October 2014, the Board agreed to issue 4,548 non-voting ordinary "B" shares to the ProCare Charitable Foundation, and to pay a fully imputed dividend of $300 per "A" and "B" share.

On 7 October 2014, the board of directors of the wholly owned subsidiaries ProCare Psychological Services Limited and ProCare Health (LP) Limited approved the payment of dividends to ProCare Health Limited totalling $400,000.

Auditors

BDO Auckland continue in office as auditors.

Directors' interests

Directors' interests have been declared pursuant to section 140(2) of the Companies Act 1993. Those directors are to be regarded as having an interest in any contract that may be made with any one of the group companies by virtue of their directorship or membership of those entities.

No material contracts involving directors' interests existed at the end of the financial year other than the transactions detailed below :

Directors' remuneration

ProCare Health Limited	2014 $ Directors Fees
Dr H E Aish (Chair)	16,667
Dr S M Clark	40,000
Dr P B Didsbury (resigned 1 July 2014)	80,000
Dr J E M Fox	40,000
Dr D J Gillanders (resigned 19 November 2013)	16,667
Dr N Hefford (appointed 19 November 2013)	23,333
J E Holden (resigned 29 May 2014)	36,667
T D Janes	50,000
Dr L E J King	40,000
J N McCabe	55,000
J M Sclater	55,000
Dr J F V White (appointed 19 November 2013)	23,333
	476,667

ProCare Networks Limited	2014 $ Directors Fees	2014 $ Committee Fees
T Funaki (Chair)	11,458	6,500
Dr H E Aish (resigned 19 November 2013)	6,875	-
Dr R K Bannister	11,000	3,300
Dr S Fuimaono	11,000	5,000
L A Going	11,000	-
Dr N Hefford	11,000	6,000
J E Holden (resigned 29 May 2014)	12,833	-
J Marsden (appointed 6 August 2013)	10,083	1,500
J N McCabe (appointed 3 June 2014)	917	-
R J E Newman	11,000	-
T Ngerengere (resigned 20 December 2013)	2,750	-
P O Te Ao (appointed 5 November 2013)	6,417	2,100
	106,333	**24,400**

DIRECTORS' REPORT (CONTINUED)

For the year ended 30 June 2014

ProCare Psychological Services Limited	2014 $ Directors Fees
Steve Boomert (Chair – appointed 1 October 2013)	-
Dennis Edward Baty (appointed 1 October 2013)	-
Catherine Rose Abel-Pattinson (appointed 1 October 2013, resigned 8 July 2014)	-
P D Hunter (resigned 1 October 2013)	3,750
Dr J E M Fox (resigned 1 October 2013)	2,500
Dr D J Gillanders (resigned 1 October 2013)	2,500
	8,750

Clinical Assessments Limited	2014 $ Directors Fees
Dr P B Didsbury (Chair)	5,000
Dr J H Betteridge- paid to East Health Services Limited	2,000
P D Roseman – paid to ProCare Health Limited	2,000
	9,000

ProCare Health (LP) Limited (previously known as Homecare Medical Limited)	2014 $ Directors Fees
Steve Boomert (Chair – appointed 1 October 2013)	-
Dennis Edward Baty (appointed 1 October 2013)	-
Liam Sheridan (appointed 1 October 2013)	-
Dr D J Gillanders (resigned 1 October 2013)	3,750
Dr J E M Fox (resigned 1 October 2013)	2,500
P D Hunter (resigned 1 October 2013)	2,500
	8,750

Additional remuneration was paid to directors for services separate from services as a director as disclosed in note 20.3 of the financial statements.

Employee remuneration

The number of employees in the Group, who are not directors, whose remuneration and benefits exceeded $100,000 in the financial year were:

	2014 Number
Range	
$350,001-$360,000	1
$200,001-$210,000	1
$180,001-$190,000	2
$150,001-$160,000	1
$130,001-$140,000	3
$120,001-$130,000	4
$110,001-$120,000	5

DIRECTORS' REPORT (CONTINUED)

For the year ended 30 June 2014

Directors and employees indemnity and insurance

The Company has insured all its directors and employees and those of its subsidiaries against liabilities to other parties (except the Company or a related party of the Company) that may arise from their positions as directors or employees.

Donations

In accordance with section 211(1)(h) of the Companies Act 1993, the Company records that it donated a total of $13,362 (2013: $2,658) to various charities during the year.

Director share ownership

ProCare Health Limited's ordinary shares owned by directors have the same voting rights as all other ordinary shares of ProCare Health Limited currently on issue.

As at 30 June 2014, directors had a relevant interest (as defined in the Securities Markets Act 1988) in ProCare Health Limited shares as follows:

Name	Relevant interest in ProCare Shares 30 June 2014
Dr H E Aish	1
Dr S M Clark	1
Dr P B Didsbury (resigned 1 July 2014)	1
Dr J E M Fox	1
Dr D J Gillanders (resigned 19 November 2013)	1
Dr L E J King	1
Dr R K Bannister	1
Dr S Fuimaono	1
Dr N Hefford (appointed 19 November 2013)	1
Dr J F V White (appointed 19 November 2013)	1

As at 7 October 2014, there was no change in directors' relevant interests in ProCare shares.

The above directors also received the Redeemable Preference Shares (RPS) as part of the capital restructure. Refer to note 18 on the RPS issue.

Use of company information

The board received no notices during the year from directors requesting to use company information received in their capacity as directors which would not have been otherwise available to them.

For and on behalf of the board

Director
7 October 2014

Director
7 October 2014

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2014

	Notes	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Revenue	3.1	**177,232,758**	171,431,101	**34,523,859**	31,249,236
Other income	3.2	**-**	-	**228,392**	390,513
Total income		**177,232,758**	171,431,101	**34,752,251**	31,639,749
Expenses					
Clinical costs		**156,428,164**	151,540,159	**16,422,661**	14,700,337
Administrative costs	4.2	**21,025,802**	19,734,099	**17,749,775**	16,626,462
Total expenses	4.1	**177,453,966**	171,274,258	**34,172,436**	31,326,799
Operating profit		**(221,208)**	156,843	**579,815**	312,950
Finance income	3.3	**799,527**	733,369	**322,453**	212,155
Less: Finance costs		**122,466**	91,774	**122,460**	91,172
Net finance income		**677,061**	641,595	**199,993**	120,983
Share of profit/(loss) of associate (net of income tax)	16	**(22,035)**	336	**-**	-
Profit before tax		**433,818**	798,774	**779,808**	433,933
Income tax expense	17.1	**417,441**	213,126	**321,872**	131,943
Profit from continuing operations		**16,377**	585,648	**457,936**	301,990
Profit on discontinued operations, net of tax	21	**1,252,925**	74,406	**-**	-
Profit for the year		**1,269,302**	660,054	**457,936**	301,990
Other comprehensive income		**-**	-	**-**	-
Total comprehensive income for the year		**1,269,302**	660,054	**457,936**	301,990
Profit attributable to:					
Owners of the company		**1,265,592**	648,440	**457,936**	301,990
Non-controlling interests		**3,710**	11,614	**-**	-
Profit for the year		**1,269,302**	660,054	**457,936**	301,990
Total comprehensive income attributable to:					
Owners of the company		**1,265,592**	648,440	**457,936**	301,990
Non-controlling interests		**3,710**	11,614	**-**	-
Total comprehensive income for the year		**1,269,302**	660,054	**457,936**	301,990

These financial statements are to be read in conjunction with the notes to the financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	Group 2014 $	Group 2013 Restated[1] $	Parent 2014 $	Parent 2013 Restated[1] $
ASSETS					
Current assets					
Cash and cash equivalents	6	**16,882,274**	18,730,691	**5,718,046**	7,360,367
Investments – short term deposits	6	**3,800,000**	-	**2,000,000**	-
Trade and other receivables	7	**5,233,800**	4,590,763	**3,009,797**	2,309,272
Income tax receivable		**74,940**	-	**-**	-
Intercompany receivable	11	**299,575**	-	**2,614,297**	2,471,127
		26,290,589	23,321,454	**13,342,140**	12,140,766
Non-current assets					
Property, plant and equipment	13	**522,617**	964,530	**522,617**	964,530
Computer software	14	**458,675**	528,315	**458,675**	528,315
Deferred tax assets	17.2	**472,186**	446,072	**447,692**	401,657
Deferred settlement	8	**314,151**	-	**-**	-
Investment in subsidiaries	15,16	**-**	-	**648,403**	648,403
Investment in equity accounted investees	15,16	**608,941**	15,628	**5,118**	5,142
		2,376,570	1,954,545	**2,082,505**	2,548,047
TOTAL ASSETS		**28,667,159**	25,275,999	**15,424,645**	14,688,813
LIABILITIES					
Current liabilities					
Trade and other payables	9	**6,190,254**	5,450,357	**4,250,740**	3,614,017
Provisions	10	**293,669**	280,000	**293,669**	280,000
Deferred revenue	12	**14,658,605**	13,476,342	**4,464,599**	5,032,957
Income tax payable		**225,063**	69,822	**225,063**	31,313
Intercompany payables	11	**-**	-	**157,979**	186,655
Redeemable Preference Shares	18	**230,460**	91,172	**230,460**	91,172
		21,598,051	19,367,693	**9,622,510**	9,236,114
Long-term liabilities					
Redeemable Preference Shares	18	**2,166,000**	2,274,000	**2,166,000**	2,274,000
TOTAL LIABILITIES		**23,764,051**	21,641,693	**11,788,510**	11,510,114
NET ASSETS		**4,903,108**	3,634,306	**3,636,135**	3,178,699
REPRESENTED BY:					
EQUITY					
Share capital	19	**275,231**	275,731	**275,231**	275,731
Retained earnings		**4,588,005**	3,322,413	**3,360,904**	2,902,968
Equity attributable to parent		**4,863,236**	3,598,144	**3,636,135**	3,178,699
Non-Controlling Interests		**39,872**	36,162	**-**	-
TOTAL EQUITY		**4,903,108**	3,634,306	**3,636,135**	3,178,699

For and on behalf of the board

Director
7 October 2014

Director
7 October 2014

1 Refer to note 27 for detail of the prior period restatement

These financial statements are to be read in conjunction with the notes to the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

PARENT 2013	Notes	Share Capital $	Retained Earnings $	Total Equity $
Balance at 1 July 2012		275,731	7,435,934	7,711,665
Total comprehensive income for the period				
Profit for the period		-	301,990	301,990
Total comprehensive income		-	301,990	301,990
Transactions with owners recorded directly in equity				
Redeemable preference shares bonus issue	18	-	(2,463,500)	(2,463,500)
Issue of redeemable preference shares	18	1,280,125	(2,371,456)	(1,091,331)
Impact of prior period restatement	27	(1,280,125)	-	(1,280,125)
Restated balance at 30 June 2013		**275,731**	**2,902,968**	**3,178,699**

PARENT 2014	Notes	Share Capital $	Retained Earnings $	Total Equity $
Restated balance at 1 July 2013		275,731	2,902,968	3,178,699
Total comprehensive income for the period				
Profit for the period		-	457,936	457,936
Total comprehensive income		-	457,936	457,936
Transactions with owners recorded directly in equity				
Share repurchased	19	(500)	-	(500)
Balance at 30 June 2014		**275,231**	**3,360,904**	**3,636,135**

These financial statements are to be read in conjunction with the notes to the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

GROUP 2013	Notes	Attributable to owners of the Company: Share Capital $	Retained Earnings $	Total $	Non-Controlling Interest $	Total Equity $
Balance at 1 July 2012		275,731	7,508,929	7,784,660	24,548	7,809,208
Total comprehensive income for the period						
Profit for the period		-	648,440	648,440	11,614	660,054
Total comprehensive income		-	648,440	648,440	11,614	660,054
Transactions with owners recorded directly in equity						
Redeemable preference shares bonus issue	18	-	(2,463,500)	(2,463,500)	-	(2,463,500)
Issue of redeemable preference shares	18	1,280,125	(2,371,456)	(1,091,331)	-	(1,091,331)
Impact of prior period restatement	27	(1,280,125)	-	(1,280,125)	-	(1,280,125)
Restated balance at 30 June 2013		**275,731**	**3,322,413**	**3,598,144**	**36,162**	**3,634,306**

GROUP 2014	Notes	Attributable to owners of the Company: Share Capital $	Retained Earnings $	Total $	Non-Controlling Interest $	Total Equity $
Restated balance at 1 July 2013		275,731	3,322,413	3,598,144	36,162	3,634,306
Total comprehensive income for the period						
Profit for the period		-	1,265,592	1,265,592	3,710	1,269,302
Total comprehensive income		-	1,265,592	1,265,592	3,710	1,269,302
Transactions with owners recorded directly in equity						
Share repurchased	19	(500)	-	(500)	-	(500)
Balance at 30 June 2014		**275,231**	**4,588,005**	**4,863,236**	**39,872**	**4,903,108**

These financial statements are to be read in conjunction with the notes to the financial statements.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2014

	Notes	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Cash flows from operating activities					
Cash provided from:					
Receipts from customers and funders		**181,765,719**	175,081,549	**33,422,878**	33,440,610
Interest income received		**656,115**	776,388	**219,939**	241,605
Dividends received		**-**	-	**-**	150,000
		182,421,834	175,857,937	**33,642,817**	33,832,215
Cash applied to:					
Payments to suppliers and providers		**(168,638,715)**	(162,304,587)	**(23,122,542)**	(22,284,678)
Payments to and on behalf of employees		**(10,892,396)**	(11,916,472)	**(9,772,557)**	(9,155,547)
Income tax paid		**(386,003)**	(412,851)	**(174,157)**	(178,457)
Interest paid		**(6)**	(1,341)	**-**	-
		(179,917,120)	(174,635,251)	**(33,069,256)**	(31,618,682)
Net cash from operating activities	25	**2,504,714**	1,222,686	**573,561**	2,213,533
Cash flows from investing activities					
Cash provided from:					
Investment in short term deposits		**-**	13,150,000	**-**	-
Proceeds from sale of property, plant and equipment		**-**	-	**125,750**	-
Cash applied to:					
Investment in short term deposits	6	**(3,800,000)**	-	**(2,000,000)**	-
Disposal of discontinued operation, net of cash disposed of	21.3	**(120,000)**	-	**-**	-
Purchase of property, plant & equipment and software		**(341,459)**	(495,860)	**(249,960)**	(495,860)
Net cash from/(to) investing activities		**(4,261,459)**	12,654,140	**(2,124,210)**	(495,860)
Cash flows applied to financing activities					
Cash applied to:					
Share repurchase	19	**(500)**	-	**(500)**	-
Redemption of non-taxable Redeemable Preference Shares	18	**-**	(2,463,500)	**-**	(2,463,500)
Interest on Redeemable Preference Shares		**(91,172)**	-	**(91,172)**	-
Withholding Tax paid on issue of Taxable Redeemable Preference Shares		**-**	(97,456)	**-**	(97,456)
Net cash applied to financing activities		**(91,672)**	(2,560,956)	**(91,672)**	(2,560,956)
Net increase/(decrease) in cash and cash equivalents		**(1,848,417)**	11,315,870	**(1,642,321)**	(843,283)
Cash and cash equivalents at beginning of the year		**18,730,691**	7,414,821	**7,360,367**	8,203,650
Cash and cash equivalents at the end of the year	6	**16,882,274**	18,730,691	**5,718,046**	7,360,367

These financial statements are to be read in conjunction with the notes to the financial statements.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 30 June 2014

1) CORPORATE INFORMATION

The financial statements presented are for the reporting entity ProCare Health Limited and for the Group comprising ProCare Health Limited (the parent company and the ultimate holding company), ProCare Health (LP) Limited (previously known as Homecare Medical Limited), Clinical Assessments Limited, ProCare Psychological Services Limited, ProCare Networks Limited and ProCare Network West Limited (non trading), (the subsidiaries), and the Group's interest in associates.

The financial statements of ProCare Health Limited and the financial statements for the Group for the year ended 30 June 2014 were authorised for issue in accordance with a resolution of the directors on 7 October 2014.

The financial statements are for the year ended 30 June 2014.

The companies are limited liability companies incorporated and domiciled in New Zealand under the Companies Act 1993.

Principal activities

ProCare Health Limited provides management and clinical services to its subsidiary ProCare Networks Limited which is a Primary Health Organisation (PHO). The Company's functions include the design, development, implementation and management of health programmes with the objective of improving the health status of patients in the care of associated general practitioners and their professional colleagues.

The company's others subsidiaries are:

ProCare Network West Limited was incorporated on 1 July 2007. It did not trade during the year.

ProCare Health (LP) Limited (previously known as Homecare Medical Limited) provided a telephone nurse triage service, which assists the patients of subscribing GPs, PHOs and District Health Boards to access healthcare on a 24-hour basis, until 1 May 2014. After that date it became the limited partner in Homecare Medical (NZ) Limited Partnership which has taken over the business and assets of ProCare Health (LP) Limited.

Clinical Assessments Limited facilitates the delivery of specific health service initiatives in the wider Auckland region.

ProCare Psychological Services Limited provides clinical psychological and psychiatric services in the wider Auckland region.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate for profit-orientated entities. The financial statements also comply with International Financial Reporting Standards. The financial statements comprise the consolidated financial statements of the Group and the separate financial statements of the parent Company. The Company and the Group are profit-orientated entities.

Functional and presentation currency

The financial statements are presented in New Zealand dollars, which is the Company's and Group's functional currency and presentation currency. All values are rounded to the nearest dollar.

Basis of measurement

The financial statements are prepared on the historical cost basis.

2.2 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are as follows:

- Income recognition and deferral utilising the income recognition policies in 2.3. See notes 3 – Income and 12 – Deferred Income.
- Recognition of deferred taxation in accordance with the taxation policy in 2.3. See note 17.2.
- Recognition of provisions in accordance with the provision policy in 2.3. See note 10.
- Estimation of when the Redeemable Preference Shares will be redeemed. See note 18.
- Estimation of the fair value of the deferred settlement. See note 8.

2.3 Specific accounting policies

The following specific accounting policies which materially affect the measurement of profit and the financial position have been applied.

Revenue recognition

Revenue is recognised when it is earned. Funding received in advance of service provision is treated as deferred income until the related service provision obligations are met. This includes initiatives funding.

Performance management income is recognised when the Ministry of Health confirms the level of entitlement. This is done six monthly, approximately six months after the period to which the income relates to. No accrual is made for periods yet to be confirmed, for the six months until 30 June year end, as it is not possible to reliably estimate this income given the complexity of the performance measures.

Interest earned on funding received in advance of service provision is also treated as deferred income per funding agreements required to be applied to the provision of future health services on the basis that the Company and Group have a constructive obligation to the funder. It is not regarded as income available to shareholders.

Interest income is recognised in the profit or loss on an accrual basis, using the effective interest method.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 30 June 2014

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Specific accounting policies (continued)

Deferred income held as 'Settlement saving funding' is held for the provision of general health services that meet criteria set when the funding was received. The deferral is based on the constructive obligations arising from undertakings given by the Company. These funds will be applied to meet current service expenditure at the directors' discretion.

Dividend income is recognised in the profit or loss on the date the Company's right to receive payment is established.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the company as at 30 June 2014 and the results of all subsidiaries for the year then ended. The Company and its subsidiaries together are referred to in these financial statements as the Group.

Subsidiaries are entities that are controlled, either directly or indirectly, by the Parent. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

For the Group, intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

Acquisition of non-controlling interests

Acquisition of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Investment in subsidiaries

In the parent Company's financial statements, investments in subsidiaries are stated at cost less any impairment if applicable.

Investments in associates (equity accounted investees) and joint venture

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results, assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or joint venture is initially recognised in the balance sheet at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is recognised in the profit or loss on a straight line basis over the estimated useful lives. Leased assets under finance leases are depreciated over the shorter of the lease term or their useful lives.

Property, plant and equipment depreciation rates are summarised as follows for the current and prior year:

Leasehold improvements: 20% straight line
Furniture and equipment: 20% – 40% straight line
Computer hardware: 33% straight line

The estimated useful lives, residual values and depreciation methods are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

Subsequent costs

The cost of replacing part of an item of property, plant or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group or parent Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other subsequent expenditure is expensed as incurred.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in the profit or loss.

Computer software

All costs directly incurred in the purchase or development of major computer software or subsequent upgrades and material enhancements, which can be reliably measured and are not integral to a related asset, are capitalised as computer software.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 30 June 2014

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Specific accounting policies (continued)

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Costs incurred on computer software maintenance are expensed to the profit or loss as they are incurred.

Computer software is amortised over the period of time during which the benefits are expected to arise, being two to five years. Amortisation commences once the computer software is available for use. The amortisation period is reviewed at each reporting date, with the effects of any changes in estimate accounted for on prospective basis.

Financial instruments

Financial assets and liabilities are recognised in the statement of financial position initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition financial instruments are measured as described below.

A financial instrument is recognised when the parent Company or Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, short term deposits, loans and other borrowings, trade and other payables, redeemable preference shares and intercompany receivables and payables.

Financial assets and financial liabilities are only offset if there is currently legally enforceable right of offset and the Group intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group has one classification of financial assets, loans and receivables. Loans and receivables comprise cash and cash equivalents, short term deposits, trade and other receivables and inter-company receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in the active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. Loans and receivables are carried at amortised cost using the effective interest method, less impairment loss.

Trade and other receivables

Trade and other receivables are stated at amortised cost using the effective interest method. Due allowance is made for impaired receivables (doubtful debts). An impairment allowance is established when there is objective evidence that the Group or parent Company will not be able to collect all amounts due according to the original terms of the receivable. Receivables of a short-term duration are not discounted.

Trade and other payables

Trade and other payables are carried at amortised cost using the effective interest method and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

Cash and cash equivalents

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

Investments – short term deposits

Investments in short term deposits include short-term liquid investments maturing within four to twelve months. These are measured at amortised cost using the effective interest method, less impairment loss.

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

Leased assets and lease incentives

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value or the present value of the minimum lease payments. Subject to initial recognition the asset is accounted for in accordance with the accounting policy applicable to that asset.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 30 June 2014

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Specific accounting policies (continued)

Lease payments made under finance lease are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant rate of interest on the remaining balance of the liability.

Other leases are operating leases and the leased assets are not recognised on the statement of financial position. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

The incentive to lease, paid by the landlord is amortised over the term of the lease, on a straight line basis.

Impairment

Financial assets (including receivables)

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss, and reflected in an allowance account against receivables.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

Non-financial assets

The carrying amounts of the Group's and parent's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ("the cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

In respect of other assets, impairment losses recognised in previous periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee benefits

Liabilities for annual leave are accrued and recognised in the statement of financial position in respect of annual leave when it is probable that settlement will be required and they are capable of being measured reliably.

The Group recognises a liability and an expense for employee bonuses where contractually obliged or when there is a constructive obligation to pay bonuses based on past practice.

Liabilities for wages and salaries, including non monetary benefits, and annual leave expected to be settled within 12 months of 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.

Taxation

Income tax for the period comprises current and deferred tax. Current and deferred tax are recognised as an expense or income in the profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss.

Current tax is the expected tax payable or receivable on the taxable income for the period, using tax rates enacted or substantively enacted at reporting date after taking advantage of all allowable deductions under current taxation legislation and any adjustment to tax liabilities in respect of previous years.

Deferred tax is recognised for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 30 June 2014

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Specific accounting policies (continued)

Dividend Policy

The Company has a dividend policy of distributing around 50 % of the Net Profit after Tax with imputation credits attached only to the extent that these are available from taxation payments. The Directors reserve the right to amend the dividend policy at any time. Each dividend will be determined after due consideration of the capital requirements, operating performance, financial position and cash flows of the Company at the time.

Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or is a subsidiary that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

The results of operations disposed during the year are included in the consolidated statement of comprehensive income up to the date of disposal.

Discontinued operations are presented in the consolidated statement of comprehensive income as a single line which comprises the post-tax profit or loss of the discontinued operation along with the post-tax gain or loss recognised on the re-measurement to fair value less costs to sell or on disposal of the assets or disposal groups constituting discontinued operations.

Deferred Settlement

The fair value of the deferred payment is recognised as an asset at the acquisition date, calculated by discounting the expected cash flows comprising the deferred payment. The difference between the nominal and discounted value of the deferred payment will be recognised as notional interest income over the period of the settlement.

Goods and services taxation (GST)

The statement of comprehensive income has been prepared on a basis exclusive of GST.

All items in the statement of financial position are stated net of GST, with the exception of receivables and payables which are GST inclusive.

Statement of cash flow

The following is the definition of the terms used in the statement of cash flows:

- Cash and cash equivalents means coins, notes, demand deposits and other highly liquid investments in which the Group has invested as part of its day to day cash management. Cash and cash equivalents does not include receivables or payables or any borrowing that forms part of a term liability.
- Investing activities include those relating to the addition, acquisition and disposal of property, plant and equipment and any addition and reduction of subsidiary investments and loans.
- Financing activities are those activities that result in changes in the size and composition of the capital structure of the Group.
- Operating activities include all transactions and other events that are neither investing or financing activities.

In addition to those policies the Group adopted the following accounting policies.

Compound financial instruments

Compound financial instruments issued by the company comprise Redeemable Preference Shares.

The liability component of a compound financial instrument is recognised initially at the fair value of the contractual coupon payable on the Redeemable Preference Shares over the estimated period to redemption.

The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest related to the financial liability is recognised in profit or loss.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 30 June 2014

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Specific accounting policies (continued)

Changes in accounting policies adopted in the preparation and presentation of financial statements

There are no standards or interpretations that are effective for the first time this year that have had a material impact on the Group. The following standards and amendments have been adopted by the Group in the current year:

	Standard/Interpretation	Effective date (Periods beginning on or after)
NZ IAS 27	Separate Financial Statements	1 January 2013
NZ IAS 28	Investment in Associates and Joint Ventures	1 January 2013
NZ IFRS 9	Financial Instruments	1 January 2013
NZ IFRS 10	Consolidated Financial Statements	1 January 2013
NZ IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
NZ IFRS 13	Fair Value Measurement	1 January 2013
NZ IFRS 19	Employee Benefits	1 January 2013

2.4 New standards and interpretations not yet effective

There are new standards, amendments to published standards and interpretations that are mandatory for the Group's financial periods beginning on or after 1 January 2016 or later periods that are applicable to the Group, but which the Group has not adopted earlier.

	Standard/Interpretation	Effective date (Periods beginning on or after)
NZ IFRS 9 (2013)	Financial Instruments	1 January 2017
NZ IFRS 11 amendment	Accounting for Acquisitions in Joint Operations	1 January 2016
NZ IFRS 15	Revenue	1 January 2017

The Group is yet to assess the full impact of NZ IFRS 15. NZ IFRS 15 is applicable for financial reporting periods beginning on or after 1 January 2017.

There are no other standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

3) INCOME

3.1 Revenue	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
First level services funding	**125,898,048**	122,775,655	**-**	-
Other DHB or Ministry of Health funding (health initiatives)	**42,434,738**	38,574,036	**28,062,602**	26,295,319
Performance management fees	**4,250,330**	3,003,136	**4,498,748**	3,344,974
Transfer (to)/from deferred income	**(1,753,454)**	(1,822,959)	**(2,833)**	(2,663,342)
Other	**6,403,096**	8,901,233	**1,965,342**	4,272,285
	177,232,758	171,431,101	**34,523,859**	31,249,236

3.2 Other Income	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Rent received from subsidiaries	**-**	-	**228,392**	240,513
Dividend received from subsidiaries	**-**	-	**-**	150,000
	-	-	**228,392**	390,513

3.3 Financial Income	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Interest received	**728,336**	762,819	**251,262**	241,605
Transfer (to)/from deferred interest income	**71,191**	(29,450)	**71,191**	(29,450)
	799,527	733,369	**322,453**	212,155

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

4) EXPENSES

4.1 Expenses	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
First level service to GPs	**125,898,554**	122,773,500	**-**	-
Other Primary Health Organisation expenses	**30,529,610**	28,766,659	**16,422,661**	14,700,337
Administrative expenditure – refer to 4.2 below	**21,025,802**	19,734,099	**17,749,775**	16,626,462
	177,453,966	171,274,258	**34,172,436**	31,326,799

4.2 Breakdown of administrative expenses	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Fees paid to auditors – BDO				
Audit of financial statements	**67,000**	64,750	**56,000**	54,250
Taxation services	**9,325**	9,622	**7,025**	6,700
Accounting advice	**20,459**	15,148	**20,459**	15,148
Review of half-year financial statements	**-**	18,500	**-**	18,500
Prospectus and Investment review	**-**	9,500	**-**	9,500
Bad debts	**3,663**	(3,508)	**-**	-
Allowance for impairment losses on trade receivables	**-**	(4,474)	**-**	-
Depreciation	**399,209**	425,298	**399,209**	425,298
Amortisation	**234,799**	268,440	**234,799**	268,440
Directors remuneration	**598,750**	633,588	**476,666**	480,672
Employee remuneration	**10,713,714**	10,041,526	**9,756,087**	9,062,951
Property expenses	**804,152**	806,309	**773,916**	766,011
Loss / (Gain) on disposal of property, plant & equipment	**1,755**	2,611	**1,755**	2,611
Staff cost (training, recruitment, temp/contract staff) [1]	**2,414,197**	1,909,886	**1,443,093**	1,069,076
Reversal of impairment on investment in subsidiaries	**-**	-	**-**	-
Impairment/Disposal of equity accounted investee	**24**	25	**24**	25
Other expenses	**5,758,755**	5,536,878	**4,580,742**	4,447,280
	21,025,802	19,734,099	**17,749,775**	16,626,462

1 Includes Kiwisaver defined contribution for the Group of $181,655 (2013: $124,295) and the Parent of $165,917 (2013: $111,887)

5) FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Loans and receivables				
Cash and cash equivalents	**16,882,274**	18,730,691	**5,718,046**	7,360,367
Investments – short term deposits	**3,800,000**	-	**2,000,000**	-
Trade and other receivables	**5,107,685**	4,457,344	**2,754,225**	2,071,366
Intercompany receivables	**299,575**	-	**2,614,297**	2,471,127
Deferred settlement	**314,151**	-	**-**	-
	26,403,685	23,188,035	**13,086,568**	11,902,860
Financial liabilities at amortised cost				
Trade and other payables	**5,127,348**	4,447,681	**3,581,436**	3,050,899
Intercompany payables	**-**	-	**157,979**	186,655
Redeemable Preference Shares	**2,396,460**	1,085,047	**2,396,460**	1,085,047
	7,523,808	5,532,728	**6,135,875**	4,322,601

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

6) CASH AND CASH EQUIVALENTS AND INVESTMENTS

	Group		Parent	
	2014 $	2013 $	**2014 $**	2013 $
Bank – Cash and cash equivalents	**16,882,274**	18,730,691	**5,718,046**	7,360,367
Short term deposits with maturities 4-12 months – Investments	**3,800,000**	-	**2,000,000**	-
	20,682,274	18,730,691	**7,718,046**	7,360,367

Bank balances and cash held by the Group is on a short term basis with original maturity of three months or less. The carrying amounts of these assets approximate their fair value.

7) TRADE AND OTHER RECEIVABLES

	Group		Parent	
	2014 $	2013 $	**2014 $**	2013 $
Trade receivables	**5,114,317**	4,463,162	**2,760,043**	2,077,184
Impairment allowance	**(6,632)**	(5,818)	**(5,818)**	(5,818)
	5,107,685	4,457,344	**2,754,225**	2,071,366
Prepayments	**126,115**	133,419	**109,255**	103,732
GST receivable	**-**	-	**146,317**	134,174
	5,233,800	4,590,763	**3,009,797**	2,309,272
Movements in the specific impairment allowance				
Balance at start of year	**(5,818)**	(10,292)	**(5,818)**	(5,818)
Amount collected from impaired debt	**-**	-	**-**	-
Balance written off	**-**	4,474	**-**	-
Additional impairment allowance	**(814)**	-	**-**	-
Balance at end of year	**(6,632)**	(5,818)	**(5,818)**	(5,818)

Trade receivables have a 30 day collection cycle. Any debtors that extend beyond this point are identified for discussion by management to include in the impairment allowance. The Group monitors its debtors closely and considers there is no requirement for a collective allowance.

8) DEFERRED SETTLEMENT

	Group		Parent	
	2014 $	2013 $	**2014 $**	2013 $
Deferred Settlement – receivable	**375,000**	-	**-**	-
Deferred Settlement – Notional Interest	**(63,495)**	-	**-**	-
Released notional interest	**2,646**	-	**-**	-
Net present value of deferred settlement	**314,151**	-	**-**	-

Under the terms of the sale and purchase agreement dated 27 March 2014, Homecare Medical (NZ) Limited Partnership (the Partnership) acquired assets and contracts of ProCare Health (LP) Limited. The terms of the sale and purchase agreement included provision of a deferred payment of part of the consideration for these assets and contracts.

The agreement allows for the consideration to be settled progressively throughout the earn out period (four years from the establishment of the Partnership) depending on earnings of Homecare Medical (NZ) Limited Partnership.

The fair value of the deferred payment is recognised as a receivable at the acquisition date, calculated by discounting the expected cash flows comprising the deferred payment. The difference between the nominal and discounted value of the deferred payment will be recognised as notional interest income over the period of the settlement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

9) TRADE AND OTHER PAYABLES

	Group		Parent	
	2014 $	2013 $	**2014 $**	2013 $
Trade creditors	**2,253,120**	2,756,292	**1,186,754**	1,817,025
Health service claims	**1,815,578**	716,830	**1,815,578**	716,830
Other accruals	**1,058,650**	974,559	**579,104**	517,044
	5,127,348	4,447,681	**3,581,436**	3,050,899
GST payable	**331,343**	215,088	**-**	-
Other taxes (PAYE)	**2,269**	2,426	**-**	158
Accrual for holiday pay	**526,306**	588,385	**484,400**	454,188
Accrual for bonuses	**117,632**	55,000	**117,632**	55,000
Accrual for employee entitlements	**85,356**	141,777	**67,272**	53,772
	6,190,254	5,450,357	**4,250,740**	3,614,017

The fair value of trade and other payables approximates their carrying value. No interest is paid on payables.

10) PROVISIONS

GROUP AND PARENT As at 30 June 2014	**DHB Recovery $**	**Redundancies $**	**Legal $**	**Total $**
Balance at 1 July 2013	50,000	130,000	100,000	280,000
Provisions made during the year	-	174,000	-	174,000
Provisions used during the year	-	(122,814)	(30,331)	(153,145)
Provisions reversed during the year	-	(7,186)	-	(7,186)
Balance at 30 June 2014	**50,000**	**174,000**	**69,669**	**293,669**
Non-current	-	-	-	-
Current	50,000	174,000	69,669	293,669

GROUP AND PARENT As at 30 June 2013	**DHB Recovery $**	**Redundancies $**	**Legal $**	**Total $**
Balance at 1 July 2012	66,000	43,500	55,000	164,500
Provisions made during the year	32,923	130,000	100,000	262,923
Provisions used during the year	(34,284)	(43,500)	(21,000)	(98,784)
Provisions reversed during the year	(14,639)	-	(34,000)	(48,639)
Balance at 30 June 2013	**50,000**	**130,000**	**100,000**	**280,000**
Non-current	-	-	-	-
Current	50,000	130,000	100,000	280,000

DHB recovery

The Auckland District Health Board (ADHB) has a potential claim against a contracted provider, if the claim is successful ProCare Health Limited will be required to pay ADHB the management fees received within the period to which the action relates. The provision for these fee has been recognised by the Company. These management fees will be repaid once the action against the GP is proven.

Redundancies

Redundancy provisions are recognised upon Board approval of the restructure of part of the Company which is expected to result in selected redundancies and once this has been communicated to the employees likely to be affected by the restructure. The provision was based on the estimated redundancy payouts associated with the plan. The 2014 redundancy provision is likely to be paid during the 2015 financial year.

Legal

The Company is involved in a legal issue. The provision represents the expected costs associated with the Company's involvement with this issue.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

11) INTERCOMPANY ADVANCES

	Group		Parent	
	2014 $	2013 $	**2014 $**	2013 $
Due to:				
Subsidiaries				
ProCare Psychological Services Limited	**-**	-	**157,979**	186,655
	-	-	**157,979**	186,655
Owing by:				
Subsidiaries				
ProCare Health (LP) Limited (previously known as Homecare Medical Limited)	**-**	-	**93,500**	71,666
Clinical Assessments Limited	**-**	-	**4,333**	4,333
ProCare Networks Limited	**-**	-	**2,445,304**	2,395,128
Equity accounted investees				
Homecare Medical (NZ) Limited Partnership	**258,111**	-	**29,696**	-
Homecare Medical (General Partner) Limited	**41,464**	-	**41,464**	-
	299,575	-	**2,614,297**	2,471,127

The amounts outstanding are unsecured, interest free, repayable on demand and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the current year for bad or doubtful debts in respect of the amounts owed to or by related parties.

12) DEFERRED INCOME

	Group		Parent	
	2014 $	2013 $	**2014 $**	2013 $
Settlement saving funding	**1,294,163**	1,229,232	**1,294,163**	1,229,232
Interest income from settlement saving funding	**554,361**	625,552	**554,361**	625,552
Other programme funding	**11,825,081**	10,136,558	**1,631,075**	1,693,173
Initiatives funding	**985,000**	1,485,000	**985,000**	1,485,000
	14,658,605	13,476,342	**4,464,599**	5,032,957
Non-current	**-**	-	**-**	-
Current	**14,658,605**	13,476,342	**4,464,599**	5,032,957

The above revenue is deferred to reflect either the contractual obligations associated with the contracts or the constructive obligations arising from commitments by the Board to spend these funds on specific projects. They have been classified as current or term depending on the terms of the contracts or if no time frame exists on management estimate of when the funds will be spent. The funds associated with this income are restricted for use in accordance with the obligations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

13) PROPERTY, PLANT AND EQUIPMENT

GROUP AND PARENT	Leasehold Improvements $	Furniture and Equipment $	Computer Hardware $	Total $
2013				
Cost				
At 1 July 2012	595,865	647,224	563,926	1,807,015
Additions	-	19,133	111,489	130,622
Disposals	-	(12,439)	(53,933)	(66,372)
At 30 June 2013	595,865	653,918	621,482	1,871,265
Accumulated depreciation				
At 1 July 2012	130,035	165,997	249,168	545,200
Depreciation for the year	119,087	138,116	168,095	425,298
Disposals	-	(11,490)	(52,273)	(63,763)
At 30 June 2013	249,122	292,623	364,990	906,735
Carrying amount at 30 June 2013	**346,743**	**361,295**	**256,492**	**964,530**
Carrying amount at 1 July 2012	**465,830**	**481,227**	**314,758**	**1,261,815**
2014				
Cost				
At 1 July 2013	595,865	653,918	621,482	1,871,265
Additions	4,598	7,213	72,996	84,807
Disposals	-	(257,748)	(38,213)	(295,961)
At 30 June 2014	600,463	403,383	656,265	1,660,111
Accumulated depreciation				
At 1 July 2013	249,122	292,623	364,990	906,735
Depreciation for the year	118,994	118,120	162,095	399,209
Disposals	-	(136,306)	(32,144)	(168,450)
At 30 June 2014	368,116	274,437	494,941	1,137,494
Carrying amount at 30 June 2014	**232,347**	**128,946**	**161,324**	**522,617**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

14) COMPUTER SOFTWARE

GROUP AND PARENT	$
2013	
Cost	
At 1 July 2012	904,508
Additions	
Acquisitions - internally developed	56,881
Other acquisition	308,355
Disposals	(115,541)
At 30 June 2013	1,154,203
Accumulated Amortisation	
At 1 July 2012	472,989
Amortisation for the year	268,440
Disposals	(115,541)
At 30 June 2013	625,888
Carrying amount at 30 June 2013	**528,315**
Carrying amount at 1 July 2012	**431,519**
2014	
Cost	
At 1 July 2013	1,154,203
Additions	
Acquisitions - internally developed	36,801
Other acquisition	128,358
Disposals	(10,773)
At 30 June 2014	1,308,589
Accumulated Amortisation	
At 1 July 2013	625,888
Amortisation for the year	234,799
Disposals	(10,773)
At 30 June 2014	849,914
Carrying amount at 30 June 2014	**458,675**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

15) INVESTMENTS

The following entities meet the definition of a subsidiary as described in the specific accounting policy "Principles of Consolidation" and accordingly are fully consolidated.

			Parent	
	2014	2013	**2014 $**	2013 $
Subsidiaries				
ProCare Networks Limited	**100%**	100%	**-**	-
ProCare Network West Limited	**100%**	100%	**-**	-
ProCare Health (LP) Limited (previously known as Homecare Medical Limited)	**100%**	100%	**100,000**	100,000
ProCare Psychological Services Limited	**100%**	100%	**534,303**	534,303
Clinical Assessments Limited	**67%**	67%	**14,100**	14,100
			648,403	648,403

In the prior year the Directors concluded that all non-fully owned entities above were under the control of ProCare Health Limited and therefore consolidated. This conclusion was based on the Directors deeming that they had power to govern the financial and operating policies of these entities so as to derive benefits from their activities, as in accordance with NZ IAS 27.

This conclusion was reassessed following the adoption of NZ IFRS 10 Consolidated Financial Statements which is now applicable for ProCare Health Limited for the year ended 30 June 2014. It was concluded that ProCare Health Limited controls these entities as it is exposed to variable returns from its involvement with them and has the ability to affect those returns through its power over them.

As a result there was no change to the treatment of these entities following the adoption of NZ IFRS 10 Consolidated Financial Statements.

			Group		Parent	
	2014	2013	**2014 $**	2013 $	**2014 $**	2013 $
Investments in equity accounted investees						
Primary Options Limited	**33%**	33%	**15,430**	15,486	**5,000**	5,000
Primary Health Services Limited	**33%**	33%	**-**	-	**-**	-
BPAC New Zealand Limited	**16.67%**	20%	**118**	142	**118**	142
Phoenix Health Limited	**25%**	25%	**-**	-	**-**	-
Homecare Medical (General Partner) Limited	**50%**	0%	**-**	-	**-**	-
Homecare Medical (NZ) Limited Partnership	**50%**	0%	**593,393**	-	**-**	-
			608,941	15,628	**5,118**	5,142

All entities are incorporated and domiciled in New Zealand.

The Company has written off its invesments in Primary Health Services, as it was struck off on 21 May 2013.

Phoenix Health Limited is a dormant company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

16) INVESTMENT IN EQUITY ACCOUNTED INVESTEES

	Group		Parent	
	2014 $	2013 $	**2014 $**	2013 $
Opening balance	**15,628**	15,317	**5,142**	5,167
Investment at cost of net assets contributed (Homecare Medical (NZ) Limited Partnership)	**417,249**	-	**-**	-
Share of goodwill (Homecare Medical (NZ) Limited Partnership)	**509,628**	-	**-**	-
Less deferred consideration receivable (Homecare Medical (NZ) Limited Partnership)	**(311,505)**	-	**-**	-
Disposal of investment in associate	**(24)**	-	**(24)**	-
Impairment of equity accounted investee	**-**	(25)	**-**	(25)
Group's Share of Profits/(Losses) – net of tax	**(22,035)**	336	**-**	-
	608,941	15,628	**5,118**	5,142

The Group's share of losses in its equity accounted investees for the year was $22,035 (2013 profit :$336).
In 2014 the Group did not receive dividends from its investment in the equity accounted investees.

Homecare Medical (General Partner) Limited

In February 2014, ProCare Health Limited and Pegasus Health (Charitable) Limited established Homecare Medical (General Partner) Limited which became the general partner in Homecare Medical (NZ) Limited Partnership.

Homecare Medical (NZ) Limited Partnership

On 19 February 2014, ProCare Health (LP) Limited (previously known as Homecare Medical Limited) entered into Limited Partnership agreement with Pegasus Health (LP) Limited.

The new Partnership acquired 100% of the business and associated assets of ProCare Health (LP) Limited as noted in note 21. The acquisition was effective from 2 May 2014.

Details for the assets and liabilities transferred to the new Partnership and the calculation of the profit or loss on sale of business, are disclosed in note 21.

Primary Options Limited

Primary Options Limited commenced trading on 25 February 2010 and ceased trading in December 2011.
The Company held one third of the share capital of Primary Options Limited.

BPAC New Zealand Limited and New Zealand Medicines Formulary Limited Partnership

The company is not in a position to obtain financial benefits from its investment in BPAC New Zealand Limited. As BPAC New Zealand Limited is a registered charity that is not able to make any distributions to its shareholders, all assets must be utilised in achieving its charitable purpose. Accordingly the financial performance of BPAC New Zealand Limited has not been equity accounted.

New Zealand Medicines Formulary Limited Partnership was formed in 2011 from seed capital provided from BPAC NZ on behalf of its shareholders.
The partnership has yet to commence business. Any returns from the partnership will first go to repay the initial advance from BPAC NZ Limited.

The Company held 16.67% of the share capital of BPAC New Zealand Limited.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

16) INVESTMENT IN EQUITY ACCOUNTED INVESTEES (continued)

Summary financial information for equity accounted investee, not adjusted for the percentage ownership held by the Group for the period ending 30 June 2014:

	Primary Options Limited		Homecare Medical (NZ) Limited Partnership		Homecare Medical (General Partner) Limited	
	2014 $	2013 $	**2014 $**	2013 $	**2014 $**	2013 $
Current assets	**48,521**	48,096	**1,765,820**	-	**41,464**	-
Non current assets	**-**	-	**1,276,577**	-	**-**	-
Total assets	**48,521**	48,096	**3,042,397**	-	**41,464**	-
Current liabilities	**1,800**	1,600	**522,205**	-	**41,464**	-
Non current liabilities	**-**	-	**314,151**	-	**-**	-
Total liabilities	**1,800**	1,600	**836,356**	-	**41,464**	-
Net assets	**46,721**	46,496	**2,206,041**	-	**-**	-
Group's share of net assets	**15,574**	15,499	**1,103,021**	-	**-**	-

	2014 $	2013 $	**2014 (2 months) $**	2013 $	**2014 (2 months) $**	2013 $
Revenues	**529**	513	**637,132**	-	**72,112**	-
Expenses	**696**	(495)	**681,090**	-	**72,112**	-
Profit/(Loss)	**(167)**	1,008	**(43,958)**	-	**-**	-
Group's share of profit/(loss)	**(56)**	336	**(21,979)**	-	**-**	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

17) TAXATION

	Group		Parent	
	2014 $	2013 $	**2014 $**	2013 $
17.1 Income tax				
Income tax represented by:				
Income tax expense from continuing operations	**417,441**	213,126	**321,872**	131,943
Income tax expense from discontinued operations (excluding gain on sale)	**22,750**	116,954	**-**	-
	440,191	330,080	**321,872**	131,943
Current tax	**466,305**	384,459	**367,907**	191,477
Deferred tax asset	**(26,114)**	(54,379)	**(46,035)**	(59,534)
	440,191	330,080	**321,872**	131,943
Net profit before taxation	**1,709,493**	990,134	**779,808**	433,933
Prima facie income tax at 28%	**478,658**	277,238	**218,346**	121,501
Tax effect of permanent differences	**(38,481)**	52,964	**103,526**	52,470
Under/(over) provision for tax prior year	**-**	(28)	**-**	(28)
Imputation credits on dividends received	**-**	-	**-**	(42,000)
Tax on associate	**14**	(94)	**-**	-
Income tax expense	**440,191**	330,080	**321,872**	131,943
17.2 Deferred tax asset and liabilities				
Balance at beginning of year	**446,072**	391,693	**401,657**	342,123
Current year temporary differences	**26,114**	54,379	**46,035**	59,534
Balance at end of year	**472,186**	446,072	**447,692**	401,657
Balance at year end attributable to:				
Employee Entitlements	**152,412**	161,989	**128,824**	117,574
Trade Receivables	**1,857**	1,629	**1,629**	1,629
Accruals	**3,887**	28,000	**3,887**	28,000
Deferred Revenue	**155,221**	143,398	**155,221**	143,398
Provisions	**70,793**	83,431	**70,793**	83,431
Property, Plant & Equipment	**88,016**	27,625	**87,338**	27,625
	472,186	446,072	**447,692**	401,657
17.3 Imputation Credit Account (ICA)				
Movements in the Group's and Parent's ICA for the year were:				
Opening balance	**1,483,098**	3,098,971	**548,246**	2,334,229
Add:				
Income tax paid	**378,110**	497,556	**174,060**	338,098
Resident Withholding Tax paid	**8,454**	5,797	**97**	94
Other credits	**550**	3,470	**541**	3,442
Credit attached to dividends (paid)/received	**(35,455)**	(2,029,830)	**(35,455)**	(1,965,545)
Less:				
Refund received	**-**	(91,525)	**-**	(91,495)
Other debits	**(44)**	(1,341)	**-**	(70,577)
Closing balance	**1,834,713**	1,483,098	**687,489**	548,246

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

18) REDEEMABLE PREFERENCE SHARES

In October 2012 the Board resolved to restructure the Company's capital by issuing 25 fully paid Redeemable Preference Shares (RPS) for every one ordinary share on issue.

13 RPS (Non-Taxable RPS) had been immediately redeemed for a consideration of $500 per share, totalling $2,463,500.

The remaining 12 RPS (Taxable RPS) were issued with a par value of $500 per share, totalling 4,548 shares for a total value of $2,274,000. Witholding tax of $97,456 has been paid on behalf of the shareholders.

The holders of Taxable RPS have the right to:

1. receive notice and attend but not vote at the Company's annual general meeting unless the business of the meeting includes consideration of a resolution directly or adversely varying any of the special rights attached to the Taxable RPS (in which case the holder may vote only in respect of that resolution).
2. return of the amount paid up on the RPS $500 and any accrued but unpaid (coupon) dividend in priority to the ordinary shares.

The RPS are redeemable at the discretion of the Board and shall bear interest at a coupon rate set every five years on 30 June. The coupon rate will be set at the Board's direction and is to be set at a premium over the five year swap rate at 30 June of the year of review. The coupon rate for the first five years shall be 7.5% per annum non-cumulative.

	Group and Parent	
	2014	2013 Restated[1]
Redeemable Preference Shares	**$**	$
Proceeds from the bonus issue of Redeemable Preference Shares (4,548 shares at $500)	**2,274,000**	2,274,000
Transaction costs	**-**	-
Net proceeds	**2,274,000**	2,274,000
Accrued interest	**122,460**	91,172
Carrying amount of liability at 30 June	**2,396,460**	2,365,172
Current	**230,460**	91,172
Non-current	**2,166,000**	2,274,000
	2,396,460	2,365,172

1 Refer to note 27 for detail of the prior period restatement

19) SHARE CAPITAL

	Group		Parent	
	2014	2013	**2014**	2013
	$	$	**$**	$
Paid in capital				
389 (2013:389) Ordinary shares	**275,231**	275,731	**275,231**	275,731
	275,231	275,731	**275,231**	275,731

All shares on issue are fully paid. All ordinary shares rank equally. Each fully paid ordinary share has one vote. Each ordinary share has identical dividend rights. Included in ordinary shares are 11 (2013: 10) treasury shares acquired by the Company for $1 each.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

20) RELATED PARTIES

For the purposes of this note, related parties include any of the following:

- Key management personnel or close member of their family
- Directors and entities they control or have significant influence over

	Group	
20.1 Transactions with key management personnel	**2014 $**	2013 $
Short-term employment benefits	**1,449,087**	1,449,715
Directors fees (See Directors' Report)	**598,750**	668,588
20.2 Transactions between related entities		
Subsidiaries		
ProCare Health (LP) Limited (previously known as Homecare Medical Limited)		
Cost recoveries and management fees paid to ProCare Health Limited	**625,677**	637,137
Subscriptions received from ProCare Health Limited	**33,333**	45,673
Dividend paid to ProCare Health Limited	**-**	150,000
Subscriptions received from Clinical Assessments Limited	**6,000**	7,200
Subscriptions & cost recoveries received from ProCare Psychological Services Limited	**5,000**	6,000
Subscriptions & cost recoveries received from ProCare Networks Limited	**-**	802,001
Clinical Assessments Limited		
Cost recoveries and management fees paid to ProCare Health Limited	**55,911**	57,980
Subscriptions paid to ProCare Health (LP) Limited (previously known as Homecare Medical Limited)	**6,000**	7,200
ProCare Psychological Services Limited		
Cost recoveries and management fees paid to ProCare Health Limited	**509,050**	486,775
Government funding via ProCare Health Limited	**2,174,023**	2,413,883
Government funding via ProCare Networks Limited	**83,879**	190,655
Subscriptions and cost recoveries paid to ProCare Health (LP) Limited (previously known as Homecare Medical Limited)	**5,000**	6,000
ProCare Networks Limited		
Funds paid to ProCare Health Limited to fund health initiatives	**-**	1,485,000
Health initiatives funds refunded by ProCare Health Limited	**500,000**	-
Cost recoveries and management fees paid to ProCare Health Limited	**30,852,226**	28,300,382
Subscriptions & cost recoveries paid to ProCare Health (LP) Limited (previously known as Homecare Medical Limited)	**-**	802,001
Clinical costs paid to ProCare Psychological Services Limited	**83,879**	190,655

The Company performs tax administration in respect of GST and Income tax for its wholly owned subsidiaries. Amounts due are paid to the Company, who in turns pays the Inland Revenue Department on behalf of the subsidiary.

Associates		
Homecare Medical (General Partner) Limited		
Management fees (including rent) paid to ProCare Health Limited	**72,112**	-
Homecare Medical (NZ) Limited Partnership		
Subscriptions and cost recoveries paid to ProCare Health Limited	**47,107**	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

20) RELATED PARTIES (continued)

20.2 Transactions between related entities (continued)	Group 2014 $	Group 2013 $
Outstanding balances at 30 June relating to these transactions were:		
Parent		
ProCare Health Limited		
Owed to related parties	**157,979**	186,655
Owed by related parties	**2,614,297**	2,471,127
Subsidiaries		
ProCare Health (LP) Limited (previously known as Homecare Medical Limited)		
Owed to related parties	**93,500**	71,666
Owed by related parties	**229,680**	67,679
Clinical Assessments Limited		
Owed to related parties	**5,023**	4,933
ProCare Psychological Services Limited		
Owed to related parties	**575**	500
Owed by related parties	**166,368**	195,043
ProCare Networks Limited		
Owed to related parties	**2,453,692**	2,470,095

The amounts outstanding are unsecured and payable on normal trade terms as with all creditors.

20.3 Other transactions with directors

During the year the Group made payments to GPs in relation to first level services, programme claims and PHO performance management. Some of these GPs are directors in the Company and its subsidiaries. In the case of payments for first level services, the payments are made on behalf of the District Health Boards and are based on registers of enrolled patients submitted by the doctors to the District Health Boards. The payments to GPs for programme claims are made to all GPs at the same rate within their PHO area regardless of their status as a director and non-director. The payments for performance management are based on algorithms that reflect the contribution of GPs and/or practices to PHO performance management targets. The algorithms are applied consistently in calculating and making of payments to GPs or GPs' practices regardless of whether the GP is a director or not.

The amounts outstanding are unsecured and payable on normal trade terms as with all GPs.

	Group 2014 $	Group 2013 $
Transactions between the Group and Directors in their capacity as shareholders in ProCare Health Limited		
First level services	**1,836,946**	1,975,170
Programme claims	**88,870**	117,320
Performance management[1]	**128,792**	180,782
Management services	**14,167**	100,001
Interest on Redeemable Preference Shares	**3,341**	-
Taxable Redeemable Preference Shares – fully imputed	**-**	54,000
Non-Taxable Redeemable Preference Shares – fully imputed	**-**	58,500
	2,072,116	2,485,773

1 The payment for performance management are made to the Directors' Practices, instead of each individual GPs.

	Group 2014 $	Group 2013 $
Balances arising from transactions with Directors in their capacity as shareholders in ProCare Health Limited		
Receivables	**-**	3,150
Payables	**20,775**	23,670

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

20) RELATED PARTIES (continued)

During the year, the Company purchased legal services of $31,924 (2013: $nil), from DLA Phillips Fox, a legal firm of which Trevor Janes' wife is a consultant. The services were in relation to advice over fees review and a new contract between the Company and General Practitioners. The outstanding balance owing to DLA Phillips Fox at 30 June 2014 is $1,952 (2013: $nil).

The Company also received revenue from Accident Compensation Corporation (ACC), which Trevor Janes is a Deputy Chair. The revenues were in relation to general practice support services. Total revenue received during the year is $286,540 (2013: $246,675). The outstanding balance owed by ACC at 30 June 2014 is $40,198 (2013: $43,489).

In conducting its activities, the Company is required to pay ACC levies. The payment of these levies is based on the standard terms and conditions that apply to all levy payers.

The terms and conditions of those transaction between the Company and DLA Phillips Fox and ACC are no more favourable than the Company would have adopted if there were no relationship to the Board of Directors.

21) DISCONTINUED OPERATIONS

On 19 February 2014, ProCare Health (LP) Limited entered into Limited Partnership agreement with Pegasus Health (LP) Limited. The new Partnership acquired 100% of the business and associated assets of ProCare Health (LP) Limited as noted below. The acquisition was effective from 2 May 2014.

21.1 Analysis of profit for the year from sale of business	**2014 $**	2013 $
Revenue	**2,641,207**	2,261,346
Gain on sale of business	**509,628**	-
	3,150,835	2,261,346
Expenses	**1,875,160**	2,069,986
Profit before tax	**1,275,675**	191,360
Attributable income tax expense	**22,750**	116,954
Profit for the year attributable to owners of the Company	**1,252,925**	74,406

21.2 Consideration received	
Consideration received in equity instruments of the limited partnership	**1,125,000**
Deferred settlement[1]	**375,000**
Net present value discount on deferred settlement	**(63,495)**
	1,436,505

1 To be settled in shares in the Limited Partnership

21.3 Gain on sale of business	
Consideration received	**1,436,505**
Less consideration for net assets disposed of	
Cash	**120,000**
Trade and other receivables	**437,124**
Accrued income	**17,486**
Property, plant & equipment	**125,750**
Software – Work in progress	**91,499**
Trade payables and accruals	**(66,248)**
Related party payables	**(308,362)**
Net identifiable assets and liabilities	**417,249**
Less elimination of unrealised profit on sale of business	**(509,628)**
Gain on sale of business	**509,628**

21.4 Statement of cash flows		
The statement of cash flows includes the following amounts relating to discontinued operations:		
Operating activities	**(197,529)**	324,320
Investing activities	**(337,249)**	-
Financing activities	**-**	(150,000)
Net cash from discontinued operations	**(534,778)**	174,320

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

22) OPERATING LEASE COMMITMENTS

Leases as lessee

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Group		Parent	
	2014 $	2013 $	**2014 $**	2013 $
Less than one year	**560,273**	549,700	**560,273**	549,700
One to five years	**855,176**	1,312,737	**855,176**	1,312,737
Five years and above	**-**	-	**-**	-
	1,415,449	1,862,437	**1,415,449**	1,862,437

During the year an amount of $502,988 was recognised as an expense in profit or loss in respect of operating leases (2013: $505,039).
The Company leases a number of premises under operating leases. The leases typically run for three to seven years, with rights of renewal for a further two to six years.

Leases as lessor

The Company sublet the premise on Stanley Street to the Homecare Medical (NZ) Limited Partnership. The lease expires in June 2016.
During the year, $9,612 was recognised as a revenue in profit or loss in respect of operating leases (2013: $nil).

Operating lease payments expected as an operating lessor

The value of future minimum operating lease payments receivable:

	Group		Parent	
	2014 $	2013 $	**2014 $**	2013 $
Less than one year	**57,670**	-	**57,670**	-
One to five years	**57,670**	-	**57,670**	-
Five years and above	**-**	-	**-**	-
	115,340	-	**115,340**	-

23) CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no contingent liabilities or other capital expenditure not provided for at reporting date (2013: $nil).

24) FINANCIAL INSTRUMENTS

Currency risk

The Group has no exposure to foreign exchange risk. The Group only transacts in New Zealand dollars.

Interest rate risk

At reporting date, the Group has the following financial assets exposed to New Zealand variable interest rate risk:

	Group		Parent	
	2014 $	2013 $	**2014 $**	2013 $
Bank – Cash and cash equivalents	**16,882,274**	18,730,691	**5,718,046**	7,360,367
Short term deposits with maturities 4-12 months – Investments	**3,800,000**	-	**2,000,000**	-
	20,682,274	18,730,691	**7,718,046**	7,360,367

3.70% was the average interest rate earned on cash deposits and short term deposits (2013: 3.95%). The Group has no significant debt exposure.

It is estimated a 100 basis point increase in interest rates would result in an increase in the Group's interest earned in a year by approximately $206,823 on the Group's investment portfolio exposed to floating rates at balance date (2013: $187,307).

A portion of interest income is included in deferred interest revenue and therefore the above amounts would not impact fully on the profit before tax and equity.

Based on historical movements and volatilities and management's knowledge and experience, management believes that the above movements are 'reasonably possible' over a 12 month period: A parallel shift of between 1%-2% in market interest rates. The impact on the profit or loss of a 1% movement is presented above.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

24) FINANCIAL INSTRUMENTS (continued)

Credit risk

To the extent that the Group has a receivable from another party, there is a credit risk in the event of non-performance of the counterparty. Financial instruments which potentially subject ProCare Health Limited to credit risk are listed below:

The Group manages its exposure to credit risk by performing credit evaluations on all customers requiring credit. Internal reporting surrounding the aging of its trade receivables occurs. The Group does not take guarantees, security interest as collateral or charge penalty interest on receivables past due.

	Group		Parent	
	2014 $	2013 $	**2014 $**	2013 $
Maximum exposures to credit risk at reporting date are:				
Cash and cash equivalents	**16,882,274**	18,730,691	**5,718,046**	7,360,367
Investments – short term deposits	**3,800,000**	-	**2,000,000**	-
Trade receivables	**5,114,317**	4,463,162	**2,760,043**	2,077,184
Intercompany receivables	**299,575**	-	**2,614,297**	2,471,127
Deferred settlement	**314,151**	-	**-**	-
	26,410,317	23,193,853	**13,092,386**	11,908,678
The status of trade receivables at reporting date is as follows:				
Up to 30 days	**4,161,782**	4,345,809	**1,947,420**	2,053,958
31 to 90 days	**130,780**	74,906	**101,085**	20,263
More than 90 days	**821,755**	42,447	**711,538**	2,963
	5,114,317	4,463,162	**2,760,043**	2,077,184
Allowance for impairment	**(6,632)**	(5,818)	**(5,818)**	(5,818)
	5,107,685	4,457,344	**2,754,225**	2,071,366
Trade receivables not past due and not impaired	**4,155,150**	4,339,991	**1,941,602**	2,048,140
Trade receivables past due but not impaired	**952,535**	117,353	**812,623**	23,226
Trade receivables impaired individually	**6,632**	5,818	**5,818**	5,818
Trade receivables impaired collectively	**-**	-	**-**	-
	5,114,317	4,463,162	**2,760,043**	2,077,184

Refer to note 7 for the reconciliation of the movement in the impairment allowance.

Concentrations of credit risk

Cash and short term deposits are held with two separate trading banks which all have acceptable credit ratings.

New Zealand Government departments and District Health Boards are regarded as a single customer. They comprise a significant amount of total revenue, being 99% (2013: 99%) for the Group and are considered an acceptable credit risk given their government backing. There are no other large concentrations of risk identified by the directors.

Credit facilities

The Group does not have an overdraft facility.

Group intercompany receivable

The receivable primarily relates to ProCare Networks Limited for fee payables under Primary Health Organisation's service agreement, which are due from the District Health Boards.

Deferred settlement

The receivable relates to fair value of deferred payment of the consideration receivable from Homecare Medical (NZ) Limited Partnership.

Liquidity risk

All contractual financial liabilities stated in note 5 are due to mature in less than six months time. There are no financial guarantees provided by the Group other than as disclosed below.

Liquidity represents the Group's ability to meet its contractual obligations.

The Group evaluates its liquidity requirements on an ongoing basis.

The Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

24) FINANCIAL INSTRUMENTS (continued)

The table below analyses the Group's financial liabilities into relevant maturity bands, based on the remaining period from reporting date to the contractual maturity date. The cash flow amounts disclosed in the table represent undiscounted cash flows liable for payment by the Group.

GROUP	Notes	Carrying amount	Total contractual cash flows	6 months or less	6 months - 1 year	1 - 5 years	More than 5 years
As at 30 June 2014							
Trade and other payables	9	6,190,254	6,190,254	6,190,254	-	-	-
Redeemable Preference Shares	18	2,396,460	842,760	230,460	122,460	489,840	[1]
		8,586,714	**7,033,014**	**6,420,714**	**122,460**	**489,840**	**-**
As at 30 June 2013							
Trade and other payables	9	5,450,357	5,450,357	5,450,357	-	-	-
Redeemable Preference Shares	18	2,365,172	811,472	91,172	122,460	597,840	[1]
		7,815,529	**6,261,829**	**5,541,529**	**122,460**	**597,840**	**-**

PARENT	Notes	Carrying amount	Total contractual cash flows	6 months or less	6 months - 1 year	1 - 5 years	More than 5 years
As at 30 June 2014							
Trade and other payables	9	4,250,740	4,250,740	4,250,740	-	-	-
Redeemable Preference Shares	18	2,396,460	842,760	230,460	122,460	489,840	[1]
		6,647,200	**5,093,500**	**4,481,200**	**122,460**	**489,840**	**-**
As at 30 June 2013							
Trade and other payables	9	3,614,017	3,614,017	3,614,017	-	-	-
Redeemable Preference Shares	18	2,365,172	811,472	91,172	122,460	597,840	[1]
		5,979,189	**4,425,489**	**3,705,189**	**122,460**	**597,840**	**-**

1 The Company is committed to pay $122,460 per annum until such time as the shares are redeemed.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Fair values

Due to the financial assets and liabilities being cash, short term deposits and trade balances of a short term nature, the carrying amount is a reasonable approximation of their fair values. As such additional disclosure relating to the fair value of financial assets is not required.

Other risk

A significant amount of funding comes from the New Zealand Government departments and District Health Boards. The Group has contracts with these entities that sets pricing and some programmes have capped claim drawdowns. As noted above, there is a concentration of reliance on the New Zealand Government departments and District Health Boards. When contracts are due for renewal, there is always a risk that pricing may be adjusted or contracts will not be renewed with entities within the Group.

Capital risk management

The Group does not rely on any external debt and does not have any externally imposed capital requirements. The Group's capital includes share capital and retained earnings. The Group's capital management objectives are to safeguard the Group's ability to continue as going concern and to deliver its services to its members and the public.

There were no changes in the Group's approch to capital management.

Bank guarantee

ProCare Health Limited has signed a lease with Manukau City Centre Limited for premises in Westfield Manukau mall. The lease is for seven years effective from 30 June 2011. The condition of the lease is an ANZ bank guarantee in favour of Manukau City Centre Limited of $40,000.

Bank security agreement

The Company has executed a General Security Agreement providing a first ranking charge over its present and after property in favour of its bankers in consideration of receiving a clean credit payroll facility of $550,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

25) NET CASH FLOW FROM OPERATING ACTVITIES

	Group		Parent	
	2014 $	2013 $	**2014 $**	2013 $
Profit for the year	**1,269,302**	660,054	**457,936**	301,990
Non-cash items				
Depreciation	**634,008**	693,738	**634,008**	693,738
Amortisation of lease incentive	**37,500**	37,500	**37,500**	37,500
Loss/(Gain) on sale of property, plant and equipment	**1,755**	2,611	**1,755**	2,611
Bad and impairment allowance accounts	**814**	(4,474)	**-**	-
Deferred income tax	**(26,114)**	(54,379)	**(46,035)**	(59,534)
Movement in deferred interest income	**(71,191)**	29,450	**(71,191)**	29,450
Share of associate's net (profits)/loss	**22,035**	(336)	**-**	-
Profit on sale of discontinued operations, net of tax	**(509,628)**	-	**-**	-
Disposal of investment in associate	**24**	-	**24**	-
Impairment on investment in associates	**-**	25	**-**	25
	89,203	704,135	**556,061**	703,790
Movements in working capital				
(Increase)/decrease in prepayments	**7,304**	21,574	**(5,523)**	26,338
(Increase)/decrease in trade receivable	**(733,801)**	(382,788)	**(682,859)**	(674,981)
(Increase)/decrease in inter-company receivable	**(299,575)**	-	**(171,846)**	355,869
Increase/(decrease) in taxation payable	**80,301**	(28,393)	**193,750**	13,020
Increase/(decrease) in trade payable	**759,771**	(1,488,384)	**772,852**	(1,169,624)
Increase/(decrease) in deferred revenue	**1,215,954**	1,785,459	**(534,667)**	2,625,842
Increase/(decrease) in GST	**116,255**	(48,971)	**(12,143)**	31,289
	1,146,209	(141,503)	**(440,436)**	1,207,753
Net cash from operating activities	**2,504,714**	1,222,686	**573,561**	2,213,533

26) SUBSEQUENT EVENTS

Capital Restructure

On 2 October 2012, pursuant to resolutions approved by shareholders at a special meeting held on 30 April 2012, the directors have resolved to restructure the Company's capital as follows:

1. issue 25 fully paid Redeemable Preference Shares (RPS) for every one ordinary share on issue, and subsequently resolved to immediately redeem 13 RPS for a consideration of $500 per share. The remaining RPS will pay a coupon rate set at the Board's discretion and is to be set at a premium over the five year swap rate at 30 June of the year of review. The coupon rate for the first five years shall be 7.5% per annum non-cumulative. This results in $12,500 per share being returned to shareholders. The effect of this transaction is a reduction in the Company and Group's retained reserves of $4,737,500, an increase in liabilities of $2,274,000 and a reduction in cash of $2,463,500.
2. The directors also resolved that 12 non-voting ordinary "B" shares be issued as fully paid, for every one ordinary share on issue, to the ProCare Charitable Foundation on the understanding that it obtains charitable status under the Charities Act 2005. The effect of this transaction is a reduction in the Company and Group's retained reserves of $2,274,000 and a corresponding increase in non-voting ordinary "B" share capital. There is no effect on cash.

   An application was made on 31 May 2013 to the Charities Commission for charitable status. Charitable status was granted on 3 December 2013.

Due to the need to seek binding rulings from the Inland Revenue on the various transactions described above the issue of fully paid shares to the ProCare Charitable Foundation did not take place during the year ended 30 June 2014. The binding rulings were received on 26 June 2014.

On 7 October 2014, the Board agreed to issue 4,548 non-voting ordinary "B" shares to the ProCare Charitable Foundation, and to pay a fully imputed dividend of $300 per "A" and "B" share.

On 7 October 2014, the board of directors of the wholly owned subsidiaries ProCare Psychological Services Limited and ProCare Health (LP) Limited approved the payment of dividends to ProCare Health Limited totalling $400,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

27) PRIOR PERIOD RESTATEMENT

During the 2012-13 financial year the Company issued Redeemable Preference Shares (RPS) on terms as outlined in note 18.

In determining the characteristics of the RPS for presentation purposes at 30 June 2013, regard was had to the contractual obligations of the Company to deliver cash to the holders of the shares. The RPS were considered to be a compound financial instrument having the characteristics of both debt and equity.

The portion of the RPS recognised as a liability was determined based on the net present value of interest payments over 10 years, the period for which the Company estimated that there was an obligation to pay interest to the holders of the shares. The balance of the value of the RPS was recognised as equity.

During financial year 2013-14 the Directors have reviewed this treatment. Having regard to the information disclosed to shareholders at the special general meeting (April 2012) at which the issue of RPS were approved, they have concluded that there is a clear contractual obligation on the Company to deliver cash, in the form of dividend to the holders of the shares until such time as the shares are redeemed for cash. Accordingly, they have concluded that the RPS exhibit the fundamental characteristic of a financial liability and have resolved to restate the comparative balance recorded at 30 June 2013 by reclassifying the portion originally shown as equity, of $1,280,125, as a long term liability. There is no effect on profit or cash flows. There was no impact on any period prior to 2012-13 as the RPS were issued in the 2012-13 financial year.

The following summarises the changes made to the statement of financial position:

	Equity - Redeemable Preference Shares	Long-term Liabilities - Redeemable Preference Shares
Balance reported at 30 June 2013	1,280,125	993,875
Effect of Redeemable Preference Shares on 30 June 2013	(1,280,125)	1,280,125
Restated balance at 30 June 2013	-	**2,274,000**

INDEPENDENT AUDITOR'S REPORT

BDO AUCKLAND

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of
ProCare Health Limited

Report on the Financial Statements
We have audited the financial statements of ProCare Health Limited ("the Company") and group on pages 26 to 56, which comprise the consolidated and separate statements of financial position of ProCare Health Limited as at 30 June 2014, the consolidated and separate statements of changes in equity, statements of comprehensive income and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements
The directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. Those standards require that we comply with 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 auditor's 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 auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In addition to audit services, our firm provides other services in the areas of taxation advice. We have no other relationship with or interests in ProCare Health Limited or any of its subsidiaries.

Opinion
In our opinion, the financial statements on pages 26 to 56:
- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of ProCare Health Limited and the Group as at 30 June 2014, and the financial performance and the cash flows of the Company and Group for the year ended on that date.

Report on Other Legal and Regulatory Requirements
In accordance with the Financial Reporting Act 1993 we report that:
- We have obtained all the information and explanations that we have required.
- In our opinion, proper accounting records have been kept by ProCare Health Limited as far as appears from our examination of those records.

BDO Auckland

BDO Auckland
7 October 2014
Auckland
New Zealand

DIRECTORS' INTERESTS

As at 30 June 2014

The following are general disclosures of interest given by Directors of the Group pursuant to section 140(2) of the Companies Act 1993 as at 30 June 2014.

Dr P B Didsbury

ProCare Health Limited	*Chair & Shareholder (retired in July 2014)*
ProCare Network West Limited	*Director*
Auckland Clinical Network GAIHN	*Member*
Zodiac Property Limited	*Shareholder*
BPAC NZ Limited	*Director*
Clendon Medical Centre	*Proprietor*
Takanini Care Limited	*Shareholder*
Counties Care	*Shareholder*
Clinical Assessments Limited	*Director*
Whare Tapa Wha Limited	*Director & Shareholder*

Dr H E Aish

ProCare Networks Limited	*Chair (retired in November 2013)*
ProCare Health Limited	*Director (retired in November 2013, appointed Chair in July 2014)*
ProCare Health Limited	*Shareholder*
ProCare Network West Limited	*Director*
Otara Family & Christian Health Centre	*Director & Shareholder*
OFCH Property Limited	*Director & Shareholder*
Medical Life Assurance Society Limited	*Director*
Medical Pensions Limited	*Director*
Medical Funds Management Limited	*Director*
Bendito Limited	*Director & Shareholder*
Anevac Limited	*Director & Shareholder*
Medasoty Securities Limited	*Director*

Dr S M Clark

Hobsonville Medical Centre	*General Practitioner*
ProCare Health Limited	*Director & Shareholder*

Dr J E M Fox

ProCare Health Limited	*Director & Shareholder*
ProCare Psychological Services Limited	*Director (retired in October 2013)*
Homecare Medical Limited	*Director (retired in October 2013)*
Goodfellow Foundation	*Trustee*
Institute of Directors	*Member*
Meadowbank General Practice	*Partner*
Medical Council of NZ	*Member*
Renown Medical Services Limited	*Director & Shareholder*

T D Janes

ProCare Health Limited	*Director*
Abano Healthcare Group Limited	*Chair*
Accident Compensation Corporation	*Deputy Chair*
International Development Advisory and Selection Panel	*Member*
NZ Post	*Member, Postal Network Access Committee*
Selenium Corporation Limited	*Director & Shareholder*
Rovert Investments Limited	*Director & Shareholder*
Mighty River Power	*Deputy Chair (retired in December 2013)*
NZ Markets Disciplinary Tribunal	*Member*

Dr L E J King

ProCare Health Limited	*Director & Shareholder*
Lewis King Limited	*Director & Shareholder*
Mairangi Medical Centre Limited	*Director*
Mairangi Properties Owners Limited	*Director & Shareholder*
Shorecare Medical Services Limited	*Shareholder*

J N McCabe

ProCare Health Limited	*Director*
ProCare Networks Limited	*Director*
Avanti Finance Limited	*Director*
Galatos Finance Limited	*Director*
Samespeak Limited	*Shareholder (retired in May 2014)*
Sustainable Prosperity NZ Limited	*Director*
Northland District Health Board	*Director*
Maori Liaison Committee with The Law Commission	*Member*
Open Wananga Limited	*Director*
Te Waka Pupuri Putea (a commercial subsidiary of Te Rarawa Runanga)	*Director*
Te Wananga o Aotearoa	*Councillor (retired in July 2013)*
Te Whainga Putea Limited	*Director*

J M Sclater

ProCare Health Limited	*Director*
ProCare Network West Limited	*Director*
Homecare Medical (General Partner) Limited	*Director*
Jamiga Investments Limited	*Director & Shareholder*
Hellynann Limited	*Director & Shareholder*
Callander Farms Limited	*Director*
Avoca Lime Co (2010) Limited	*Director & Shareholder*
Invvent Holdings Limited	*Director (retired in November 2013)*
Clark Products Limited	*Director*
Damar Industries Limited	*Director*
Gillespie Property Group Limited	*Director*
Reloaders Supplies Limited	*Director*
PQ Group Limited	*Director*
Hellaby Holdings Limited	*Director & Shareholder*
Opus Group Limited	*Director & Shareholder*
Westlake Boys High School BOT	*Trustee*

Dr N Hefford

ProCare Health Limited	*Director & Shareholder*
ProCare Networks Limited	*Director*
ProCare Clinical Governance Committee	*Member*
ProCare Clinical Directorate	*Member*
Grey Lynn Family Medical Limited	*Director / GP*
Hefford Parkes Properties Limited	*Director & Shareholder*
Konnect Clinical Advisory Group	*Member*
POAC (Auckland DHB area)	*Clinical Director*
Primary Care Clinical Advisory Group ADHB	*Ex officio*

DIRECTORS' INTERESTS (CONTINUED)

As at 30 June 2014

Dr J F V White

ProCare Health Limited	*Director & Shareholder*
ProCare Pacific Advisory Board (ProPa)	*Member*
Dr Jan Venus White Limited	*Director & Shareholder*
White Family Company Limited	*Director & Shareholder*
GLCC Research Organisaton	*Shareholder*
Mt Eden Medical Centre	*General Practitioner*
Konnect Clinical Advisor Group	*Member*
NZMA General Practice Council	*Member*

T F Funaki

ProCare Networks Limited	*Chair*
ProCare Pacific Advisory Committee	*Member*
ProCare Community Engagement Committee	*Chair*
West Fono Health Trust	*Chief Executive*
C.M. Mentoring Trust	*Chair*
Health West Finance & Audit Committee	*Member (retired in November 2013)*
Health West PHO	*Director (retired in November 2013)*
MOH Pacific Providers IT Investment Governance Group	*Member (retired in December 2013)*
St Mary's School, Avondale Board of Trustees	*Chair*
Waitakere Task Force on Family Violence	*Member*
Waitemata Police District Pacific Advisory Board	*Member*
Pacific Peoples Advisory Panel – Auckland Council	*Member*
Safer West Community Trust	*Trustee*

Dr R K Bannister

ProCare Health Limited	*Shareholder/Contracted GP*
ProCare Networks Limited	*Director*
ShoreCare Accident and Medical	*Shareholder*
WDHB – Clinical Advisor in Primary Healthcare	*Employee*
Mairangi Medical Centre Limited	*Director*
Mairangi Properties Owners Limited	*Director*
McClann Medical Services Limited	*Director*

Dr S Fuimaono

ProCare Health Limited	*Shareholder*
ProCare Networks Limited	*Director*
ProCare Pacific Advisory Committee	*Chair*
Takanini Care Limited	*Shareholder*

R J E Newman

ProCare Networks Limited	*Director*
Milford Family Medical Centre	*Employee*
National Influenza Specialist Group	*Member*
New Zealand Nurses Organisation	*Financial Member*
New Zealand Practice Manager's Organisation	*Financial Member*

L A Going

ProCare Networks Limited	*Director*
Nurses Council of New Zealand	*Member*
Ongoing Enterprises Limited	*Manager/Shareholder*
Peninsula Medical Centre Limited	*Managing Director/Shareholder*
Practice Managers & Administrators of New Zealand	*Financial Member*
South Pacific Clinical Trials Limited	*Director & Shareholder*

J A Marsden

ProCare Networks Limited	*Director*
ProMa Advisory Committee	*Member*
Te Puna Hauora o te Raki Paewhenua	*General Manager*
TWONA – Te Puna Whanau Ora Network Alliance	*Director*
Tahi Holdings Limited	*Director*
Hapai te Hauora o Tapui Trust	*Director*
Te Runanga o Ngati Whatua	*Trustee*

P O Te Ao

ProCare Networks Limited	*Director*
ProCare Clinical Governance Committee	*Member*
ProMa Advisory Committee	*Member*
Watercare Limited, Monitoring Group	*Member*
Te Kauhanganui O Waikato	*Member*

S J Boomert

ProCare Health Limited	*CEO*
ProCare Psychological Services Limited	*Chair*
ProCare Health (LP) Limited *(Previously known as Homecare Medical Limited)*	*Director*
Homecare Medical (General Partner) Limited	*Director*

D E Baty

ProCare Health Limited	*COO*
ProCare Psychological Services Limited	*Director*
ProCare Health (LP) Limited *(Previously known as Homecare Medical Limited)*	*Director*
Siquol Limited	*Director*

L Sheridan

ProCare Health Limited	*CFO*
ProCare Health (LP) Limited *(Previously known as Homecare Medical Limited)*	*Director*

Dr J H Betteridge

Clinical Assessments Limited	*Director*
John Betteridge Medical Limited	*Director & Shareholder*
General Practice New Zealand	*Councillor*
East Health Trust PHO	*Trustee*
East Health Services Limited	*Shareholder*
East Care Properties Limited	*Shareholder*
East Care Limited	*Shareholder*

P D Roseman

ProCare Health Limited	*Employee*
Clinical Assessments Limited	*Director*
Manukau Health Trust	*Trustee*
Roseman & Associates Limited	*Director & Shareholder*

DIRECTORY

Directors

ProCare Health Limited

Dr H E Aish *(Chair appointed 1 July 2014)*
Dr S M Clark
Dr P B Didsbury *(resigned 1 July 2014)*
Dr J E M Fox
Dr D J Gillanders *(resigned 19 November 2013)*
Dr N Hefford *(appointed 19 November 2013)*
J E Holden *(resigned 29 May 2014)*
T D Janes
Dr L E J King
J N McCabe
J M Sclater
Dr J F V White *(appointed 19 November 2013)*

ProCare Networks Limited

T F Funaki *(Chair)*
Dr H E Aish *(resigned 19 November 2013)*
Dr R K Bannister
Dr S Fuimaono
L A Going
Dr N Hefford
J E Holden *(resigned 29 May 2014)*
J Marsden *(appointed 6 August 2013)*
J N McCabe *(appointed 3 June 2014)*
R J E Newman
T Ngerengere *(resigned 20 December 2013)*
P O Te Ao *(appointed 5 November 2013)*

ProCare Network West Limited

Dr T H Marshall *(Chair)*
Dr H E Aish
Dr P B Didsbury
Dr D J Gillanders
J E Holden *(resigned 29 May 2014)*
J M Sclater

ProCare Psychological Services Limited

S J Boomert *(appointed 1 October 2013)*
D E Baty *(appointed 1 October 2013)*
C R Abel-Pattinson *(appointed 1 October 2013, resigned 8 July 2014)*
P D Hunter *(resigned 1 October 2013)*
Dr J E M Fox *(resigned 1 October 2013)*
Dr D J Gillanders *(resigned 1 October 2013)*

ProCare Health (LP) Limited
(Previously known as Homecare Medical Limited)

S J Boomert *(appointed 1 October 2013)*
D E Baty *(appointed 1 October 2013)*
L Sheridan *(appointed 1 October 2013)*
Dr D J Gillanders *(resigned 1 October 2013)*
Dr J E M Fox *(resigned 1 October 2013)*
P D Hunter *(resigned 1 October 2013)*

Clinical Assessments Limited

Dr P B Didsbury *(Chair)*
Dr J H Betteridge
P D Roseman

Group Chief Executive

S J Boomert

Subsidiaries

	%
ProCare Networks Limited	100
ProCare Network West Limited (non-operating)	100
ProCare Psychological Services Limited	100
ProCare Health (LP) Limited *(Previously known as Homecare Medical Limited)*	100
Clinical Assessments Limited	67

All subsidiaries have a 30 June balance date.

Registered Office

Level 2
110 Stanley Street
Grafton
Auckland

Bankers

ANZ Bank
PO Box 12 060
Penrose
Auckland 1642

Solicitor

Buddle Findlay
PricewaterhouseCoopers Tower
188 Quay Street
Auckland 1140

Auditor

BDO Auckland
Chartered Accountants
Level 8, BDO Tower
120 Albert Street
Auckland 1010

ProCare Health Limited

ProCare Networks Limited
ProCare Psychological Services Limited
Homecare Medical Limited
Clinical Assessments Limited

Level 2, 110 Stanley Street, Grafton
PO Box 105346, Auckland 1143

Phone 09 377 7827
Fax 09 377 7826
www.procare.co.nz