ProCare

Annual Report
2023

He whakataukī

He ika kai ake i raro, he rāpaki ake i raro
Committing to a journey begins with the first steps

Contents

ProCare
Who we are

For more than 25 years, ProCare has been committed to creating equitable health outcomes.

As a leading healthcare provider, the ProCare Group delivers healthcare services both directly and indirectly to the people of Aotearoa New Zealand.

We work to improve the health and wellbeing of New Zealanders in many ways through:

- **The ProCare Network:** the largest co-operative network of healthcare professionals in New Zealand, supporting nearly 850,000 enrolled patients across Tāmaki Makaurau, including the largest Māori population enrolled in general practice (82,427) and the largest enrolled Pacific population in New Zealand (101,847)
- **Fresh Minds:** our leading mental and behavioural health and wellbeing services
- **CareHQ:** virtual general practice services in partnership with Southern Cross
- **Whakarongorau Aotearoa:** a national telehealth service in partnership with Pegasus Health
- **Clinical Assessments Limited:** supporting healthcare professionals to provide care in the community in partnership with East Health
- **Ready Steady Quit:** supporting people to improve wellbeing by quitting smoking
- **Here Toitū:** a collaborative programme with the Ministry of Social Development supporting whānau living with a health condition or disability
- **Charitable Foundation:** reducing health inequities and increasing community health and wellbeing
- **Elevate:** supporting the future generation of healthcare business owners
- **Your Health Summary:** a digital platform which allows authorised medical practitioners to easily access up-to-date health information so they can continue to provide the best care if a patient can't visit their normal medical centre or if they need emergency care.

As an organisation we have a strong commitment to Te Tiriti o Waitangi and wider equity principles, and this is something that is actively at the forefront of ProCare's approach to increase positive health outcomes for Māori, Pacific and those in need.

ProCare's purpose is to support and uplift the health and wellbeing of the people of Aotearoa New Zealand and our mission is to deliver the most progressive, proactive and equitable health and wellbeing services in Aotearoa New Zealand.

You can read more about the ProCare Group by visiting our website procare.co.nz.

OUR PURPOSE
Our reason for being

Supporting and uplifting the health and wellbeing of the people of Aotearoa New Zealand.

OUR MISSION
How we act on our purpose

Together we are reimagining healthcare to deliver the most progressive, pro-active and equitable health and wellbeing services in Aotearoa New Zealand.

OUR VISION
What the world will look like when we've completed the mission?

An Aotearoa where all people, across all life stages are enabled to meet their full potential.

The ProCare team
As of 30 June 2023

437 Employees
(Includes contractors)

Chair's Report

ProCare Network

Dr Craig King,
GP & ProCare Network Limited Chair

Tēnā koutou katoa,

It is with great pleasure that I present my first ProCare Annual Report.

I am very aware of the difficulties general practices and healthcare teams have had to bear over the last 12 months. Areas such as practice funding, workforce issues and practice sustainability spring to mind. The reduced funding associated with the covid pandemic, the high rate of inflation, and wage cost pressures have all had a significant impact on practice revenue.

ProCare (alongside others across the primary care sector) has done its utmost to raise these issues on behalf of the network to those who can influence the outcomes. In some areas we've had some good wins e.g. nurses being added to the 'green list' to be fast-tracked for residency and the uplift in funding for general practice nurses. However, in other areas such as capitation, our calls have, frustratingly, gone unheeded.

However, this won't stop us continuing to advocate on your behalf. The Board and I will continue to exert pressure where it's needed, but please know Bindi and her Executive team are working hard in this area and we will continue to support them as need be.

Changing economic environment
Naturally, the Board has a strategic view on how we want to drive the network forward proactively, but we must also be adaptive, and respond accordingly to the wider environment we operate in; in terms of the economy, the wider costs of doing business, and also bearing in mind the competing demands for funding.

As many of you will have heard, the Board has reassessed a few key strategic decisions in relation to our Elevate strategy as a response to the current economic environment. We believe this is a sensible decision in light of the economic environment, funding models and workforce pressures.

With the constantly changing face of healthcare, and pressures the system faces, Elevate will continue to play a key role in our future, we will just have to be flexible as to how quickly we move forward. The Board is continuingly reviewing this decision and will update you over the year on any changes to this policy.

Financial Update
In positive news the majority of our business units in the group achieved their financial targets for the year. There was growth in the mental health, talking therapies and the wellbeing space. For those entities which didn't reach their targets they were either close to the target or had overachieved in prior years. The reduction in covid related income however impacted the financial results in most of the patient facing business units.

At a group level the financial results show an overall loss, which is attributable to the loss on our joint venture entity Whakarongorau, the difficult trading environment we are operating in alongside the uplift in inflationary pressures. With a 50% shareholding in Whakarongorau, this naturally impacts the overall bottom line of the group. Looking forward, we have forecasted a return to profitability at a group level for the coming financial year.

Support for practices

In addition to the existing benefits and services in place to support our Co-operative members, in the last 12 months we have made a number of new services available to members. One of the most notable benefits included access to the ProCare Buying Group. Around 40% of you have already signed up to the buying group and in the first year alone those practices have reportedly saved in excess of $100,000. Collectively, this is a significant saving, and the Board looks forward to more practices taking advantage of these opportunities.

Additionally, the team arranged access to a discounted influenza vaccination, which saved those practices that accessed the opportunity a significant sum on the cost of vaccinations. Again, this is an excellent example of the power of our network.

Lastly, we introduced the ProCare app which gives our members, their staff and their families free access (through a special code) to discounts on products such as appliances, technology, vehicle hire, fuel discounts, coffee, food, healthcare, and hotels.

Looking forward, as we continue to foster member engagement and provide shared success for our members, the team will focus on delivering more innovative solutions, services and benefits to support our Co-operative members.

Board level changes

At last year's AGM we were delighted that Dr Francesco Lentini was re-appointed to the Co-Op Board as an Elected Director for an additional three-year term. We farewelled, and acknowledged, Dr Jan White as she stepped down having served her maximum nine-years on the Board and Dr Harley Aish as he stepped down as Chair, after serving in the role for eight years.

During April 2023, ProCare's Māori Advisory Committee, colloquially known as ProMa, saw its members join the ProCare Co-op and PHO Boards to ensure that all current and future decisions at a Board level uphold the principles of Te Tiriti o Waitangi and to strengthen and enhance the focus of tangata whenua population health needs at a governance level.

We are working to strengthen relationships between ProCare, local iwi and pacific providers. We are also working across ProCare governance on a structure that continues to be fit for purpose in the new health environment. We hope this will position us to be integral to the implementation of the new health strategy.

Acknowledgements

I would like to acknowledge and thank my fellow Board members for their support, commitment and expertise over the last 12 months. We have a diverse group of Directors who all bring different skills and strengths to the Boardroom table, and this collegiality allows us to support the network in an uplifting and positive way. I also want to express my thanks to the Executive Leadership Team who day in, and day out, drive the organisation forward and do their best to support our practices in an ever-changing environment.

It will be an interesting year ahead with the upcoming general election, and whatever legislative changes are directed towards healthcare, and more specifically primary care. I know the team will rise to the challenge and respond accordingly.

We will continue to plan for the future of primary care and ensure ProCare remains at the forefront of any decisions and is at the table to represent our members' best interests.

Here's to a wonderful year ahead of supporting and uplifting the health and wellbeing of the people of Aotearoa New Zealand.

Ngā mihi,

Chair's Report

ProCare Health

Tevita Funaki
ProCare Health Limited Chair

Mālō e lelei,

The last 12 months have been challenging for general practices in our primary health organisation. As the population of Aotearoa continues to grow and people live longer, we have seen an uplift in the number of patients presenting to general practice and a rise in the number of more complex conditions and comorbidities in those patients.

In part this can be attributed to deferred care, where many people postponed routine check-ups or ignored minor health issues during covid to avoid doctor or hospital visits. It can also be attributed to post-covid complications with a significant number of patients facing long-term health issues, known colloquially as "long-covid".

The pandemic's social, economic, and health impacts have also intensified mental health issues. Practices are now seeing a higher number of patients with anxiety, depression, and other mild or moderate mental health issues, necessitating more integrated care for their patients.

Lastly, there has been a general increase in vaccine and treatment hesitancy over the last few years, which has made for more challenging conversations with medical professionals. If those marked as contraindicated or refusing treatment were included, then we would have likely seen more targets being met.

These issues often cannot all be addressed in a short 15-minute appointment. GPs are cognisant of not wanting to rush their patients or their diagnoses, but they are also acutely aware that patients may have waited a number of weeks to see their doctor, and they may have concerns around when they might be able to get another appointment or whether they need follow-up care.

Throughout Year Four of the Population Health Strategy (PHS) delivery, it was clear that the post-covid impact of the pandemic and its long tail, were still prevalent through

the primary healthcare landscape. This had a roll-on effect on many of the areas that the PHS focuses on, particularly when it came to preventative care and working with those with long-term conditions, as the focus for many remained elsewhere.
In conjunction with this, the ongoing workforce shortages in primary care meant that practices focused their limited resources on presenting issues and did not have expendable capacity to make up, in full, the preventative care missed during the covid outbreaks and sustain efforts across the multiple indicators within the planned strategy.

However, that said, and despite all the challenges general practices have faced, our practices, with support from the ProCare team, had some fantastic achievements throughout the last 12 months including around:

- Cardiovascular risk assessments
- 8 month immunisation rates for Māori and Pacific children
- 2 year immunisation rates for Total Population
- Flu vaccines for those aged 65+ overall and for Māori and Pacific aged 55+
- Increased Māori and Pacific Youth Engagement
- Increased diabetic eligible GLP1/SGLT2 prescribing rate
- Ensuring pregnant women are on a pregnancy register to receive appropriate monitoring and care, and
- Increased Māori/Pacific smoking cessation service referrals.

Well done to everyone for all their hard work in supporting their patients to better health outcomes.

Advocacy
Throughout the year, the ProCare team continued to advocate on behalf of its enrolled population for health, social, and environmental policy change which supports improved wellbeing.

Some of the specific areas we advocated on in relation to our PHS included the Smokefree Environments and Regulated Products (Smoked Tobacco) Amendment Bill, the Sale and Supply of Alcohol (Community Participation) Amendment Bill and the Smoked Tobacco Regulatory Regime.

This activity ties closely to our population health goal: All people in a whānau are engaged and enabled to improve wellbeing.

Looking forward
With an upcoming election, the ongoing health reforms, and continued uncertainty around the exact direction of the primary healthcare landscape, this has meant that future planning for our Population Health Strategy beyond Year Five (2023-24) is still being worked through. Therefore, the next 12 months will see us re-assessing how we continue to take a population approach to improving health outcomes.

What we do know however, is that future goals will still revolve around striving to improve equity of access and outcomes for Māori, Pacific, and at-risk communities.

Additionally, ProCare will continue to lead the way by shaping systems and new models of care encompassing acute, chronic disease, mental health and care planning, all of which support our practices to improve the health and wellbeing of their patients.

Acknowledgement
I would like to thank my fellow Directors for their commitment and dedication to their governance role and for guiding ProCare's commitment to improving the health of our enrolled population. As a Board we are all equally passionate about population health and improving equity of access and outcomes for our Māori and Pacific communities.

Special thanks to ProCare's Clinical Directorate, Population Health team and the wider practice support teams — all of whom work tirelessly behind the scenes to support our practices and the communities they serve.

Mālō 'aupito,

Group CEO Report

ProCare Group

Bindi Norwell,
ProCare Group CEO

Kia ora koutou,

I am delighted to present the Group Report as part of our 22/23 Annual Report. Whilst the past 12 months have been without any major covid outbreaks or lockdowns, it certainly hasn't meant it's been any quieter for primary care – in fact, the opposite has been true. Most primary care teams have had an extremely busy 12 months, and with the health reforms in full swing, no doubt the next 12 months will be just as active.

The ProCare team has had a busy year, as outlined by the many achievements throughout this document. This report covers off just some of the highlights, and also addresses some of the ways in which we've supported our network and communities throughout the year.

Partnerships
If there was one great lesson that covid taught us, it was that we can achieve more by working together, and through partnerships, than we can alone. Our journey of strong partnerships began in our 21/22 financial year with Manurewa Marae and Taumata Kōrero with our work around covid vaccinations. Following the success of those partnerships, this current financial year has seen us announce and build strong relationships with Asian Family Services, Auckland City Mission, Moana Connect, Smear your Mea, and South Seas.

All of these partnerships support different sectors of our community and mean our ability to reach and support both our members' patients and the wider community is far greater than we could have achieved on our own. The partnerships have fostered a spirit of mutual support, sharing of resources where appropriate, undertaking of best practices, and the ability to use the knowledge and skills both partners bring to the table.

Looking forward, we will continue to actively seek opportunities to build strong partnerships with other

organisations and further uplift the health and the wellbeing of the people of Aotearoa.

Advocating on behalf of General Practices
If I can sum the last 12 months up in two key words, they would be funding and workforce. These two words (read: issues) have dominated the conversation with our network, and practices, and have been front of mind.

We are all too aware that the cost pressures facing primary care practices are enormous. The Sapere Report found that funding for practices "lies below the likely true cost of delivering care at current levels" particularly "with widespread anecdotal evidence of constraint in general practice services, with difficulty recruiting and retaining the workforce, and rising barriers for access to care (such as delays in being able to make appointments and practices declining to enrol new patients)". In terms of the uplift in capitation, the Report recommended "…for most practices, the median modelled increase is between 10% and 20% of current capitation revenue".

Despite the recommendations, we know that funding has been nowhere near these levels.

We have raised these issues with key contacts at Te Whatu Ora and politicians on both sides of the House, so that they are aware of the downstream impact this is having on practices and patient care.

Other primary care organisations and the 'voice' of our primary care industry, GPNZ, have also undertaken significant advocacy work in this space, however, the calls continue to fall on deaf ears.

Outside of funding and workforce, key areas we advocated for, on behalf of our network, included vaping, alcohol, funding for Trikafta, auto-injectors (EpiPens), prescription charges, and ADHD medication. Everything we do in this space is about supporting our practices to ensure their workload isn't increased and that patients can continue to access affordable healthcare.

Equity
Equity continues to lie at the heart of everything we do, and the last 12 months have seen a continued focus on ensuring we purposefully and strategically thread equity and Te Tiriti o Waitangi throughout our organisation, the wider primary care sector, and how we operate as a group.

The launch of 'Te Taukaea', our Māori Health Strategy, was a significant milestone for the organisation. It is our commitment to Te Tiriti o Waitangi and Māori health equity, and a call to action for our Board, ProCare whānau, and our wider network too. Our launch event, which involved mana whenua representatives, the Chief Executives of Te Whatu Ora and Te Aka Whai Ora, representatives from our Māori partners/ communities, and staff, culminated in a rousing and moving kapa haka performance.

We also celebrated an upgrade to our ihi app and launched Te Pūheke, our te ao Māori cultural confidence training programme for staff and our network.

Our Pacific Health Strategy launch saw Pacific partners, community and church leaders, key health professionals and staff come together to celebrate the launch of the strategy and to receive an exclusive sneak preview of Tala-Moana, our Pacific cultural competency app which was also launched this year.

Our Pacific Health Strategy focused on the needs of our Pacific communities, reducing inequities and outlined how we can support and uplift Pacific people in their health journeys. It was another step forward in ProCare's equity journey and was the first time we have brought together the wider Pacific community to celebrate with us in ProCare's history.

Innovation

Part of our approach to innovation over the past 12 months has been around planning for the future and ensuring as an organisation that we're ready for whatever changes come our way in the next few years.

Some of the initiatives in this space have included leveraging our new modern data platform which uses AI to provide enhanced analytics to practices and support population health systems and services through our enhanced data, bolstering our capabilities from a cyber security perspective — particularly as the number of threats from both New Zealand and offshore are increasing at a significant rate, and investing in cloud-based platforms.

We were delighted to be announced as the winner of the 'Business Transformation through Digital and IT' Award at the 2022 IDC CIO Awards. The award was for ProCare's digital health solutions UnifyHealth and CareHQ which helped to relieve the pressure on general practices and aimed to improve equitable access to healthcare services by reducing delays, cost, and travel burdens for patients seeking healthcare.

Our GPMRI team reached the milestone of training more than 1,000 General Practitioners in how to make a referral to MRI services. This meant that more than 1,000 GPs across the North Island could now make direct referrals for MRIs, thereby removing the need for patients to visit a specialist before they can access an MRI.

Health Reforms

In response to proposed changes under the Health and Disability Reforms, we spent considerable time over the past 12 months considering and innovating around what the transformation of PHOs might look like in the future. This involved working with key stakeholders to plan, partner and innovate on change, and assess where we might be able to leverage our infrastructure and capabilities for the future.

We also spent considerable time focusing on how we might be able to leverage localities, including meeting with the right stakeholders at Te Whatu Ora and Te Aka Whai Ora to work together on how we might collaborate for future change and how we utilise everyone's expertise across the health sector in this space.

There is more work to be done on the Health Reforms and localities, and in part some of these changes may depend on the election result.

However, what is important is, that we're at the table and involved in some of the decision making going forward, so that we can best represent our practices' interests.

Right at the end of the financial year, we were pleased to see the progress made towards the implementation of Comprehensive Primary Care and Community Teams (CPCTs), and we were delighted to be appointed as a key contract holder to support the integration of CPCTs.

The aim of CPCTs is to combine traditional primary care services with additional roles within general practice, such as kaiāwhina, pharmacists, physiotherapists, care coordinators, and in some cases extended care paramedics. CPCTs will prioritise care for people and whānau at greatest risk of inequitable health outcomes and that care will be provided in line with Te Tiriti o Waitangi principles. We look forward to further development of CPCTs in due course and working with healthcare practices to help work through this.

Promotion and protection of mental health & wellbeing in the community

We've seen significant growth of the Fresh Minds business over the last 12 months and this should continue going forward.

As always, our Fresh Minds teams are at forefront in the promotion and protection of mental health and wellbeing in our communities. However, special mention goes to the team for their work that went above and beyond with community groups in West Auckland to support the mental health of residents during the clean-up after the floods and cyclone damage at the beginning of this year. After three years of covid, anxiety levels in the community were already at a high level, so to add in floods and a cyclone in a short space of time meant many individuals were at breaking point. I'm extremely proud of the team for their plan to support adults and children alike through this stressful period, and it was amazing to see them help pull the community together and create a feeling of connectedness and control at such a difficult time.

Vote of thanks

Thanks to my amazing team, the Board, and our network. It is wonderful to have your support. To quote the wonderful Helen Keller: "Alone, we can do so little, together, we can do so much".

Thank you,

Bindi Norwell

Services for our Healthcare Practices

Running a healthcare business can be challenging at the best of times, let alone in the midst of issues such as workforce shortages, having access to sufficient funding and dealing with the healthcare reforms. As a way of supporting our practices, ProCare offers a range of services to support general practices in order to allow them to get on with their core business – caring for patients.

Some of the core services that we offer include:

- Data & Analytics Capability
- Individualised 'Your Population Health reports' for practices
- Cultural competency training
- Professional development
- Online resources and reporting
- Employee benefits package
- Dedicated Business & Clinical advisors
- Cornerstone & Foundation Standards support
- Clinical support and guidance
- Members' Website & weekly Members' Bulletin
- Access to the Practice Leaders Series forums
- Financial benchmarking
- Support with fees reviews – in the last financial year we supported 11 practices through a fees review and all were successful with their request of the fees review committee
- Help desk with dedicated resource during business hours for queries
- PMS advice & funding claims
- Emergency event & support management e.g. floods, cyclones, fire, power outages, liquidations & pandemics
- Afterhours' patient advice & practice support via phone cover delivered by Whakarongorau & funded cover over Christmas.

In this last financial year, we also offered our network of practices access to a number of new benefits including:

- Access to the ProCare Buying Group to provide discounts on items such as stationery, power, and couriers. So far, practices have reported back to use that they have saved in excess of $100,000
- Discounted influenza vaccinations, which saved those practices that accessed the opportunity in excess of $30,000 on the cost of vaccinations
- The ProCare app which offers discounts on products such as appliances, technology, vehicle hire, fuel discounts, coffee, food, healthcare, and hotels
- Access to Te Pūheke for free cultural competency training
- Tala-Moana – our Pacific languages app to help practices build closer relationships with their Pacific patients
- Discounts on managed print services with Brother
- Health TV subscription discount
- Xero accounting services resources
- Rollex Medical vaccine fridge discounts
- Bi-annual access to The Warehouse Group Friends and Family discounts (includes Noel Leeming and Warehouse Stationery as part of the Group).

Going forward we will continue to look to offer our members further value for being part of the Co-operative and will announce further services and benefits in due course.

Financial Highlights

Financial measures

Revenue

$352m

Down 31.5% from $514m in 2022

Operating Profit

$1.8m

Up 28.6% from $1.4m in 2022

Net Cash Flow

$2.2m

Up $4.9m from ($2.6m) in 2022

Total Equity

$16.5m

Down 1.8% from $16.8m in 2022

Employee engagement measures

ProCare alignment to Te Tiriti

77%

Up 2 percentage points from 75% in 2022

Employee engagement

73%

Equal to 73% in 2022

Gender pay gap

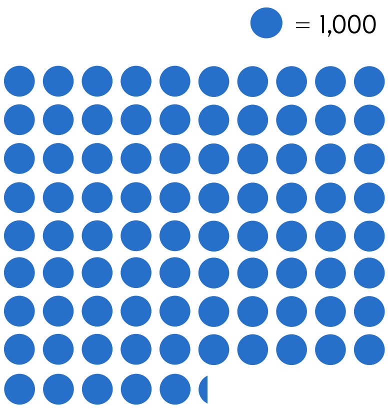
0.9%

down 2 percentage points from 2.9% in 2022

Co-op

Increased ESUs by

8,503



ProCare Network in Numbers

As at 30 June 2023

172
Practices

848,951
Enrolled patients

874
General Practitioners

731
Nurses

88
Healthcare Assistants

141
Practice Managers

35
Health Improvement Practitioners (HIPs)

33
Health Coaches

49%
Of Auckland DHB's population

16%
Of estimated NZ population*

29.6%
Of patients are considered high needs

22.1%
Of patients are Māori or Pacific

*5,199,100 as at March 2023
Source: Stats NZ

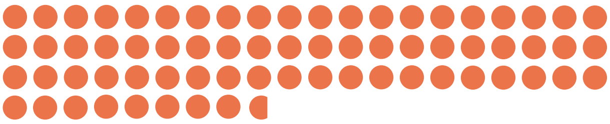
Clinical Highlights

July 2022 — June 2023

Working together, we have impacted the health of 848,951 people living in Tāmaki Makaurau and Te Tai Tokerau by providing preventative healthcare.

● = 1,000

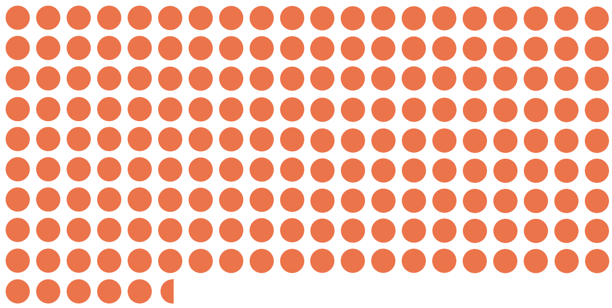
68,938 CERVICAL SCREENS



21,127 REFERRALS TO MENTAL HEALTH SERVICES

1,829 REFERRALS TO QUIT SMOKING

185,556 FLU VACCINES



25,010 HPV VACCINES

CLINICAL RESULTS

Results as at 30 June 2023, displayed as percentage of eligible population.

CVDRA screens (old cohort)

82%

CVDRA screens (new cohort)

63%

Alcohol Brief Advice rate

73%

Cervical screens

71%

Smoking Brief Advice given

77%

8-month immunisations

87%

2-year immunisations

85%

Our Impact

Ways of delivering population health

A population approach to improving health and wellbeing

Our Population Health Strategy (PHS) is a direct response to the health gaps identified in 'Our Picture of Health', a comprehensive health needs analysis, completed in 2018, using aggregated health data of approximately 800,000 enrolled patients across the ProCare network.

The ProCare Population Health Strategy is a five-year programme of work, and guides clinical care and practices until 2024, with the 2022-2023 financial year being Year Four. To deliver the strategy, ProCare is leading the way by shaping systems and new models of care encompassing acute, chronic disease, mental health and care planning, all of which support our practices to improve the health and wellbeing of their patients.

The strategy aims to improve health outcomes, experience of care and address equity across the ProCare network, especially for Māori and Pacific people.

The strategy takes a life course approach based around five goals that are designed to improve the health of the population:

1. Encouraging a healthy start to life, focusing on pregnancy, newborns and children up to school age (0 - 4 years)
2. Youth engagement (15 - 24 years), focusing on encouraging young people to access primary care
3. Supporting people of all ages in their mental health, wellbeing, and preventive care
4. Improving the health experiences and wellbeing of people living with long term conditions
5. Improving the quality of life of older people (65 years+ for Māori and Pacific, and 75 years+ for all others).

Year Four summary
Due to the ongoing workforce shortages in primary care, in the first instance practices focused their limited resources on presenting issues, complex patients and in supporting key population health measures. Where time and resources allowed, practices did their best to catch up on health indicators such as immunisations, CVDRAs and cervical screenings, that were missed because of covid over the last three years. Despite these challenges, some fantastic results were achieved to improve the health and wellbeing of our community, which we have detailed further below.

Cervical screening
Following Cervical Screening Awareness Month in September 2022, ProCare ran a three-month campaign through to the end of November to help practices reach and motivate patients to get their smear screen completed, with a particular focus on those that were overdue or unscreened. There were some great initiatives by the practices throughout the campaign, including smear parties, whānau days, free screenings offered, and providing vouchers to patients for completing their smears.

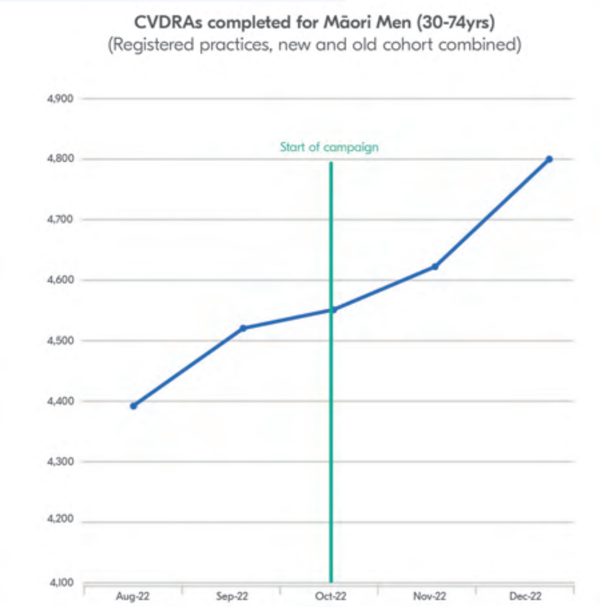
Throughout the three-month campaign, there was a substantial increase (679) in the number of smears completed from September to October. This was due to the amazing mahi by our practices with support from the ProCare team.

Following this campaign, we also formalised a partnership with the #SmearYourMea Trust to provide cervical screening and education at Te Matatini, the nationwide Māori kapa haka competition featuring performers from all across Aotearoa. Further detail about this partnership is outlined in the Equity, Community and Partnerships section.

CVDRA - Be Smart Love Your Heart
There were several different initiatives throughout the year to increase cardiovascular risk assessments (CVDRA), particularly for our high needs and vulnerable populations. This was to support the KPIs of 'Achieve 60% of cardiovascular risk assessment (new cohort)' and 'Achieve 90% of cardiovascular risk assessment (old cohort)'.

One of the campaigns was targeted at Māori men aged 30-74 years to improve CVDRA rates. Bulk text messages were sent by practices to due/overdue Māori men aged between 30-74 years old to encourage them to have a healthy heart check. To help encourage patients to come into the practice, ProCare provided practices with $50 whānau practice credit (or whānau debt reduction) and $50 PAK'nSAVE vouchers. These were provided to each Māori man after they completed their healthy heart check.

The ProCare team also took the opportunity to complete CVDRA checks in the community at the various events attended throughout the year. Events supported included Pasifika, Ngāti Whātua Ōrākei health days, HVAZ church events, and the Whānau Hauora Day at Otakanini "Haranui" Marae.

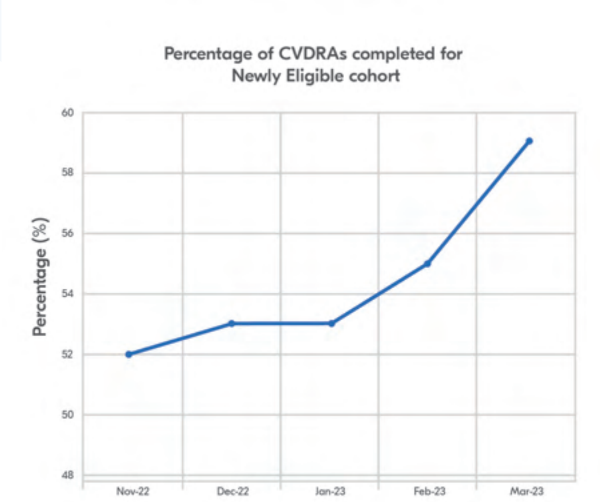


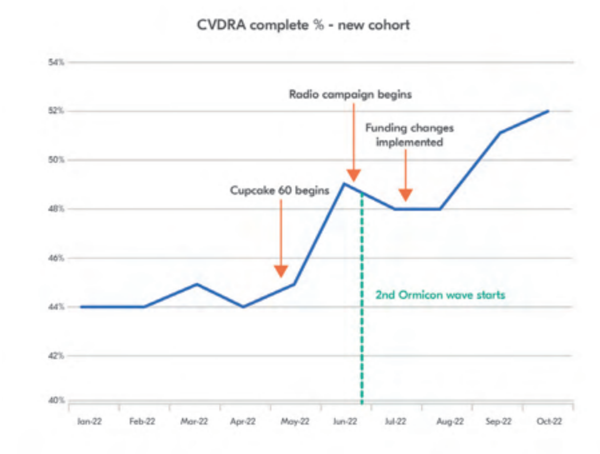
When speaking with patients, many were surprised to learn of the young age that CVDRA checks are recommended for Māori/Pacific/Indian people, and those with serious mental illness and diabetes.

To increase awareness overall of who should be getting a healthy heart check, we ran two different six-to-eight-week blocks of radio advertisements along with 5-10 minute interviews with health professionals on Pacific Media Network, Radio Samoa, Mai FM and Radio Tarana. This initiative was done in collaboration with the wider metro-Auckland Primary Healthcare Organisations, led by ProCare.

Additionally, between January and April, ProCare's Clinical Advisors provided targeted support to help complete CVDRAs for the newly eligible cohort. More than 20,000 patient records were reviewed and 3,260 CVDRAs were completed for the new cohort.

To encourage and provide a sweet incentive for our practices, we ran a campaign called Cupcake 60. Practices who reached the 60% CVDRA target for the newly eligible group, were sent cupcakes to show our appreciation for their continued hard work. We're pleased to share that 52 practices hit the target and enjoyed some sweet treats!





'Protect Our Whānau — Immunise' Campaign
In February 2023, Tāmaki Makaurau recorded it's first measles case since the outbreak in 2019. This sparked concerns for our community, particularly vulnerable populations, as vaccination rates were well below recommended levels due to covid. Measles is highly contagious and can be deadly for young children, so there were concerns this could spread quickly through the community.

In response to this, we ran a campaign called "Protect Our Whānau — Immunise' to encourage people to get vaccinated, initially focusing on the Measles/Mumps/Rubella (MMR) vaccination.

Our key populations of focus were:
- Adult Māori and Pacific with no recorded MMR 1
- Previously declined tamariki immunisations (all scheduled childhood immunisations)
- Overdue Māori and Pacific tamariki (all scheduled childhood immunisations)
- Others in the 1 and 2 priority groups as per the national immunisation prioritisation matrix e.g. Q5.

In April, we extended the campaign and increased intensity following the announcement of the pertussis (whooping cough) deaths. PAK'nSAVE vouchers were given to practices to engage hard to reach and vulnerable whānau, with immunisation clinics run in and out of hours to further increase the network's immunisation rates. Support in the form of social media promotion and posters were provided to practices to try and spread the message as far as possible, with the ProCare team sharing similar messages through its own social media platforms as well.

The campaign resulted in the highest number of vaccinations administered since August 2022 across the network for childhood and adult MMR Māori/Pacific immunisations. A fantastic result, and yet another demonstrable example of how working closely with practices and the community can achieve great results.

Healthy Village Action Zone (HVAZ)
The HVAZ team continued to build on their partnerships and educating their allocated churches on healthy lifestyle changes throughout the last financial year.

One of the key activities that has continued is the Garden4Health programme. This started during lockdown for families and churches to create gardens to grow their own fruit and vegetables, learn about healthy eating, and bond over a shared activity. Many families have influenced others with gardening skills and ideas, expanding the Garden4Health teachings into other parts of the country and overseas.

Earlier this year, HVAZ leaders and church ministers attended the HVAZ Bonding Day for 2023. The purpose of this day was to bring the HVAZ churches together to share learnings from covid and how whānau accessed other support systems in the community.

A very special part of this was reflecting on the support from Global Hope Mission and Kingdomized Church, who work in partnership with the Ark Collective. They supported many of our HVAZ families with food parcels during covid, and the floods across Tāmaki Makaurau and Hawke's Bay in early 2023. Ark Collective also helped with other necessities including providing temporary housing for displaced families, which included using donations from Health New Lynn, a ProCare-owned Elevate practice.

This year, HVAZ also supported Men's Health Week to encourage Pacific men to look inwards and make small, consistent changes to improve their own health and wellbeing. For Pacific men, life expectancy is 75.4 years (according to Statistics New Zealand) which is the second lowest ethnic group life expectancy measure in Aotearoa to date. HVAZ encouraged their male members to take charge of their health and be a role model for others in their community.

Bindi Norwell, ProCare CEO, Equity and HVAZ team members at the Healthy Village Action Zone Leadership Bonding Day

While all these steps towards a healthier lifestyle will reduce the overall likelihood of needing emergency services, it was important to empower whānau with the knowledge of what to do in an emergency. Therefore, the team worked in partnership with Hato Hone St John, sharing and promoting the Three Steps For Life training with its churches.

The HVAZ team also trained Nutrition Champions from 11 churches to support the mentoring of healthy eating with church functions. Some of the key successes from this were:
- More families and individuals have reduced their intake of soft drinks. Water is the main drink and some churches have banned 'fizzy' drinks
- Takeaways are becoming less popular as families make healthier changes
- Fruit bowls have become normal at church functions
- Two churches were assessed against the HVAZ 15 Healthy Eating Guidelines and achieved Silver level and are now working towards achieving the Gold Level. Three new churches are still working to be assessed for the bronze level.

Ara Hauora
This year, Ara Hauora has continued to build on the relationships with practices and community organisations from last year to support hard to reach and vulnerable whānau.

The team have regularly supported patients from Mangere Health Centre, Ōtara Family and Christian Health Centre, Health New Lynn, Etu Pasifika, and Ōrākei Health, with services such as vaccinations, CVDRAs, blood pressure checks and cervical smears.

To ensure patient data is captured accurately, Ara Hauora has implemented Indici as its practice management system (PMS). This is to ensure patient data is recorded directly into a trusted system and transferred via a secure link to the patient's practice, and therefore updates the patients' records.

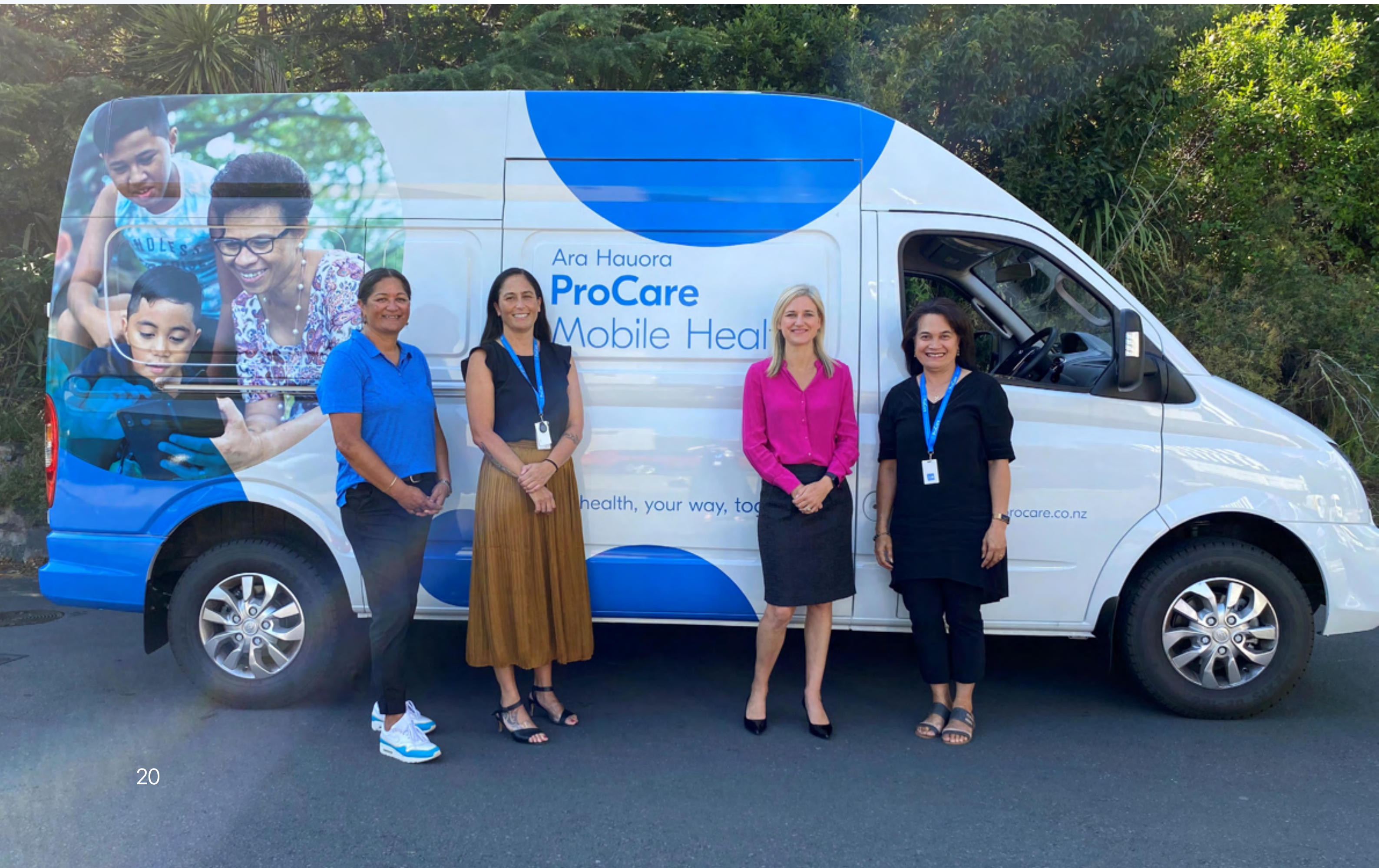
The Ara Hauora team have also supported various events, such as the Haranui and Reweti Marae in Kaipara, Ngāti Whātua Ōrakei Whānau Day, HVAZ events, Te Matatini, and Pasifika Festival.

Advocacy Activity
We represent more than 170 general practices across the Tāmaki Makaurau and Te Tai Tokerau regions, including approximately 850,000 enrolled patients of whom around 80,000 are Māori and 100,000 are Pacific. We have a duty to advocate on behalf of the communities we serve.

As an organisation we have a strong commitment to Te Tiriti o Waitangi, population health and wider equity principles, and this is something that is actively at the forefront of ProCare's approach to increase positive health outcomes for Māori, Pacific, and those in need.

Some of the key submissions and letters of advocacy completed during the 2022-2023 financial year included:

- Smokefree Environments and Regulated Products (Smoked Tobacco) Amendment Bill - written submission and subsequent in-person presentation to the Health Select Committee
- Proposal to list adrenaline auto-injectors for emergency treatment of severe anaphylaxis — written submission
- Proposal to amend Pharmaceutical Schedule rules on prescribing and dispensing Class B controlled drugs — written submission
- Letter to Pharmac regarding Proposal to fund Elexacaftor with Tezacaftor and Ivacaftor (Trikafta) for people with Cystic Fibrosis
- Smoked Tobacco Regulatory Regime — written submission
- Therapeutic Products Bill — written submission
- Sale and Supply of Alcohol (Community Participation) Amendment Bill — written submission.



Our Impact

Health and wellbeing services

ProCare Fresh Minds

ProCare Fresh Minds continued to deliver value to whānau across the motu in the year ended 30 June 2023. A number of new initiatives, partnerships, and programmes were established, giving more New Zealanders greater access to the mental and behavioural health and wellbeing services they may need.

Weather events
This year our communities were faced with different challenges. In February and March of 2023, many parts of the North Island were impacted by the severe adverse weather events, including the Auckland floods and Cyclone Gabrielle. This left many members of our communities displaced, and struggling to deal with the emotional and physical toll this took on themselves and their whānau. In response to this, the Fresh Minds team worked with the Regional Emergency Management teams from Te Whatu Ora, Auckland Council, community mental health groups and non-government agencies to develop a plan to support adults and children, through the period of uncertainty, stress, and anxiety. Reaching out to help those in need in a timely manner, while ensuring clinical quality was at the forefront, was a key focus.

As a result of this, members of the Fresh Minds team were despatched to both Piha and Napier to connect and speak with members of the community who were hardest hit and help process their experiences and work through any presenting issues.

Another Fresh Minds Psychologist was placed at Waimauku School in West Auckland, where there was a lot of devastation, to support the rangatahi and their whānau with an additional brief therapy intervention service.

For rangatahi in other areas of Aotearoa, a pre-recorded webinar was prepared by a Fresh Minds psychologist to help parents and caregivers understand the reactions, responses and needs of young people through these difficult times.

Fresh Minds Centres
As many New Zealanders are still adapting to a "new normal" after the many lockdowns and facing new challenges such as the adverse weather events, a steady increase in referrals came through to the Fresh Minds Centres. We have continued to offer the option for both virtual and in-person appointments with a clinician. The opportunity to have choice on how our clients want to access our service meant that there were fewer no-shows/DNAs as clients were able to attend appointments in the way that best suited them.

Over the 12 months ending 30 June 2023, Fresh Minds Centres received 5,290 referrals, with 4,531 of those coming from ProCare practices. While our wait-times are lower than other mental health services it, nonetheless, is higher than we would like. A shortfall in our publicly funded capacity, or client's rescheduling or not being able to be contacted, can easily disrupt our scheduling. This can be further compounded by staff sickness, or vacancies. The team have introduced an initial triage process to ensure clients in need are engaged early or referred to the right service if required.

As part of the ongoing efforts to diversify the ProCare Fresh Minds offering, and provide a structured stepped model of care, 25 webinar series were delivered throughout the 2023 year totalling 100 sessions. In addition to these, to further expand our reach, the Fresh Minds team have continued to include e-resources, webinars, video conferencing, and apps in their recommendations to clients, all of which have been well-received now that clients are so used to receiving a hybrid model of care.

Webinars and Virtual
As part of Fresh Minds' virtual offering, the team have continued to offer webinars, run by qualified and accredited therapists and cover a single topic over four weekly sessions. Topics this year included Managing Anxiety, and Mind, Mood, and Wellness, and offered support to an additional 518 individuals. New topics are in development to launch in the new financial year.

Wellbeing Solutions
Fresh Minds continued to develop on its Wellbeing in the Workplace and EAP offerings over the last 12 months, with a significant partnership signed with Sonder, a leading employee health, wellbeing and safety platform in April 2023. This partnership saw Fresh Minds as the sole provider of mental health and wellbeing support to their customers across Aotearoa New Zealand, with an expectation that this would generate approximately 10 referrals a month. The offering has been a great success already, with more than ten times the expected number coming through the Sonder platform, resulting in a very busy Fresh Minds team, but a great opportunity to expand ahead.

Triple P
Fresh Minds has continued to deliver the Triple P service (Positive Parenting Programme) to whānau in Counties Manukau alongside various community organisations. This programme is delivered in a bid to support parents and help them provide the 'best start' in life for their tamariki. The early years in a child's life have a long-lasting impact and can affect their future — our goal is to enable whānau to empower their children in their day-to-day life.

Collectively, this year the Triple P programme supported 257 whānau attending parenting groups (0-12 years, or teen), 35 whānau receiving one-to-one support, and many more who accessed the online Triple P service available to whānau, free of charge.

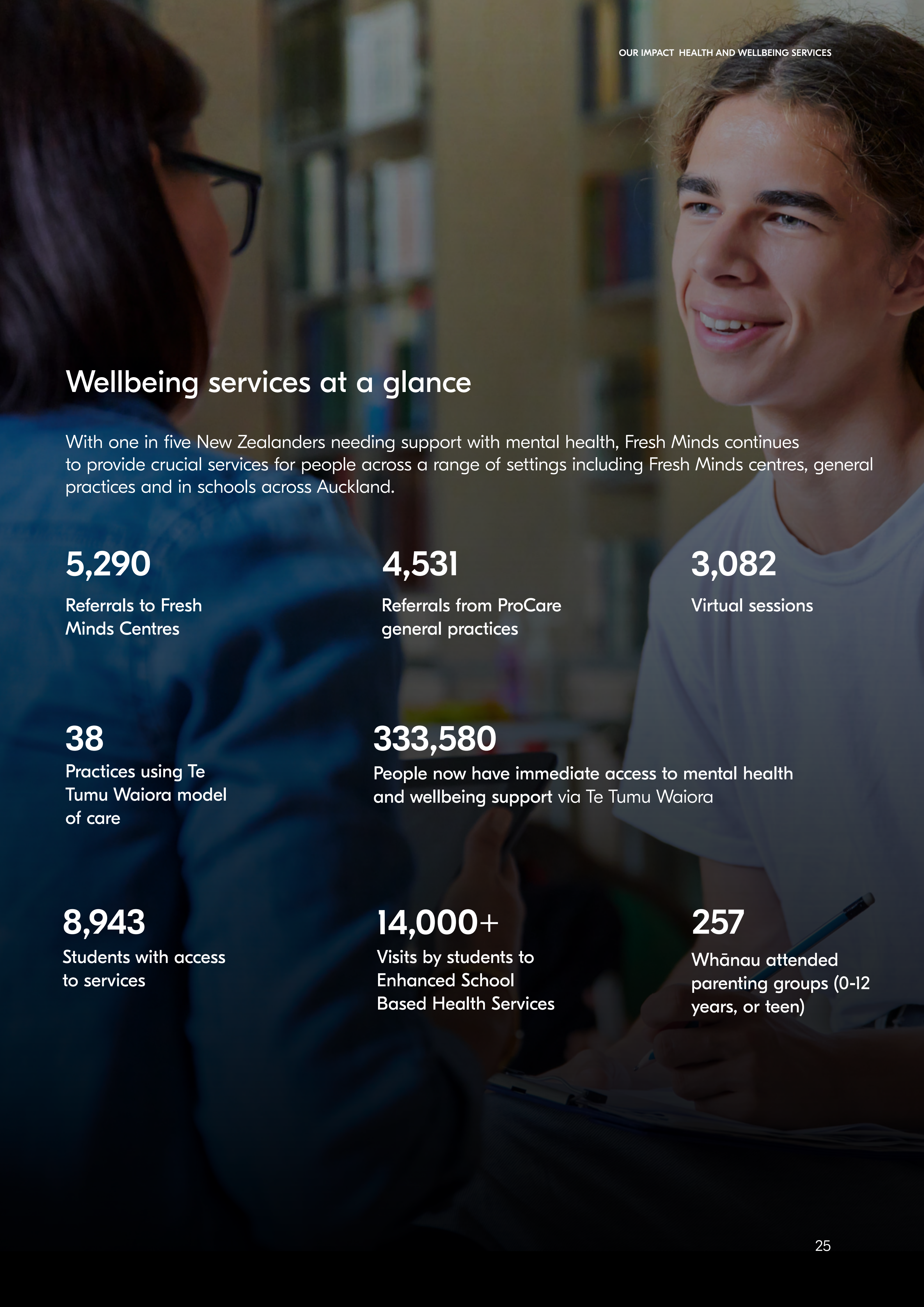
Te Tumu Waiora
Te Tumu Waiora has continued to grow and expand over the last 12 months, introducing the model to an additional 19 practices, now being present in 38 practices across Tāmaki Makaurau with 68 Te Tumu Waiora team members at Fresh Minds. This means that 333,580 patients now have access to a Health Improvement Practitioner and/or a Health Coach, free of charge via their general practice.

Toward the end of 2022, Tū Whakaruruhau, Auckland Wellbeing Collaborative was recognised at TheMHS Conference Awards in Australia — being awarded the Supreme Award for the Collaborative's delivery of the IPMHAS (Te Tumu Waiora) programme. ProCare Fresh Minds is a proud, long-standing member of the collaborative, alongside six other PHOs, Te Whatu Ora and many NGOs across Tāmaki Makaurau. This is the first time the top award has been presented since 2019 and recognises innovation, research excellence, best practice and lived experience leadership in mental health services.

Enhanced School Based Health Services (ESBHS)
The hauora of our young communities in Tāmaki Makaurau continues to be a top priority for Fresh Minds. Our health in schools programme provides free support for more than 8,943 students across 10 decile 1 to 5 schools in the Te Toka Tumai (previously ADHB) region, as well as seven alternate education sites; supported by two nurse educators, 10 general practitioners, 28 nurses and four psychologists.

More than 14,000 visits were made by students to the school health centres by the end of June. Like many parts of the country, we have seen a decrease in school attendance levels and a decline in student resilience as a result of the general student and staff wellbeing, teacher strikes, severe weather events and general respiratory illness in the community amongst students and staff. We hope to see this improve in the future. This work being completed in schools is continuing to help close the health access equity gap for young people, with higher numbers of Māori and Pacific students accessing the service.

This year the Fresh Minds team piloted and started the rollout of a Resilience Group for Year 9 and 10 students across the 10 participating schools in Te Toka Tumai. Resilience Groups run for five sessions and cover mindfulness concepts, emotional literacy, mindfulness at school, reaching out, and self-care. Each group is given practical strategies and memorable metaphors to illustrate how to stay strong in the face of life's challenges. Students come away with tools and techniques that they can use to support themselves, which are critical for those in their final years of high school. These groups have proven popular with good repeat attendance and requests for more groups in the future.



Wellbeing services at a glance

With one in five New Zealanders needing support with mental health, Fresh Minds continues to provide crucial services for people across a range of settings including Fresh Minds centres, general practices and in schools across Auckland.

5,290
Referrals to Fresh Minds Centres

4,531
Referrals from ProCare general practices

3,082
Virtual sessions

38
Practices using Te Tumu Waiora model of care

333,580
People now have immediate access to mental health and wellbeing support via Te Tumu Waiora

8,943
Students with access to services

14,000+
Visits by students to Enhanced School Based Health Services

257
Whānau attended parenting groups (0-12 years, or teen)

Here Toitū

The Here Toitū model of care has demonstrated significant growth over the past year, now operating within 24 practices across the ProCare network, a notable increase from the 10 practices at the start of the financial year.

In early 2023, we proudly introduced the Responding Early service as part of the Here Toitū programme. This innovative service was designed to provide essential support to whānau, enabling them to sustain their employment or explore more suitable and sustainable employment opportunities. An integral aspect of this service was the integration of a Work Retention Specialist into participating practices. Collaborating closely with our dedicated kaimanaaki, this specialist role played a crucial part in empowering whānau who faced the risk of job loss. Together, they helped individuals maintain their sense of purpose, secure their income, and provide for themselves and their families.

In the past 12 months, we have witnessed achievements in the following areas:

- Successfully transitioned whānau into the work readiness stage
- Whānau seamlessly entered full-time employment
- Whānau secured part-time positions (15 hours or more per week)
- Whānau reported enhancements in their overall wellbeing.

One heartwarming whānau story from this year features 'MV', a resilient Tongan woman in her 60s. MV, who had been caring for her late husband, sought support for multiple aspects of her life, including fitness, sleep improvement, obtaining a driver's license and car, and finding employment.

Our dedicated kaimanaaki partnered with MV, and their combined efforts led her back to part-time employment, fostering her independence and financial stability. MV's progress exemplifies the transformative impact of the Here Toitū service. It's important to emphasise that Here Toitū operates as a collaborative national initiative, receiving funding from the Ministry of Social Development. Further strengthening this collaborative spirit, key national partners include the National Hauora Coalition in Auckland, Pegasus Health in Christchurch, and Think Hauora in Palmerston North.

"I can't thank you enough, if not for you I would still sitting be in the house feeling sorry for myself."

— MV, Here Toitū whānau

Ready Steady Quit
In the span of this year, our dedicated smoking cessation service, Ready Steady Quit (RSQ), has strategically executed a series of initiatives aimed at significantly improving clients' success rates in quitting smoking. These efforts have been meticulously designed to resonate with the entire community, fostering a culture of healthier choices. A central focus of our endeavours has been to maximise the reach and impact of our services:

- **Enhanced accessibility:** Our commitment to broad accessibility is evident through upgrades to our digital platforms, improved signage, and informative flyers. These enhancements ensure that essential information about our smoking cessation support is easily accessible to a wide audience
- **Community engagement:** Collaborative partnerships with community groups, libraries, schools, marae, and various other organisations have been instrumental in raising awareness and promoting the availability of our quit smoking services. This collective effort has effectively elevated awareness and empowered individuals to make healthier lifestyle choices
- **Evolution of support:** Transitioning from individualised home-based sessions to conveniently located group support gatherings reflects our community-centric approach. By optimising internal processes and creating a transparent communication framework, we've established a more efficient service delivery system
- **Empowering the wider community:** Our dedication to enhancing the wellbeing of the community extends to every member. Strengthening initiatives like the Hapū Māmā incentives programme, collaborating with Te Whatu Ora partners, and introducing culturally sensitive drop-in sessions have collectively contributed to motivating and supporting participants on their smokefree journey. This approach, combined with partnerships with community-based groups, helped provide deeper insights into the community's unique needs, fostering an environment that encourages successful smoking cessation.

The accomplishments over the past year reaffirm our commitment to fostering healthier communities:
- **1,081 enrolments** reflect the strong demand for our services within the community
- A remarkable **90% of clients** displayed their commitment by setting a quit date, showcasing their determination to embrace positive change
- Among those who embarked on this transformative journey, **71%** successfully achieved CO2-validated four-week quit status. This underscores the effectiveness of our support in guiding individuals through the critical initial phases of quitting.

These achievements stand as a testament to our commitment to empowering the broader community with the resources and support necessary to lead healthier, smokefree lives.

Our Impact

Delivering healthcare services in the community

With increased expenses, reduced capitation, workforce pressures, the high rate of inflation and an uncertain economic outlook, this year the Board made the decision to maintain a holding pattern in terms of the Elevate programme. Therefore, no new practice acquisitions were announced during the financial year.

Additionally, ProCare maintained full ownership of those practices in the Elevate programme – Kaipara Medical Centre, OneCare Health Ōtāhuhu, OneCare Health Papatoetoe, Mt Smart Medical Centre, and Health New Lynn.

With no new acquisitions, there has been a key focus over the last 12 months on working with the practices to support them, weather the economic headwinds and to empower the practice teams with their support to patients.

As the primary healthcare landscape continues to change, and the pressures the system faces evolve, we will further develop the Elevate programme as and when is appropriate – as we still believe it plays a key role in the future growth of ProCare. We will keep watch on the patterns of the economy and react accordingly with our plan. We will reassess our position on an ongoing basis, and update members accordingly should anything change.

Clinical research is an area identified as providing significant opportunities for our patient-facing businesses. Totara Clinical Research, acquired as part of Health New Lynn, performed strongly this past year and is well positioned for future growth, offering our patient population the opportunity to access leading edge treatments and to play a role in advancing health outcomes.

The Exchange brokerage service ProCare offers continued to facilitate the sale and transfer of practice ownership between clinicians, having completed several transactions in the past year. As more general practitioners look to exit the market, Exchange will be there to assist as is required.

Our Impact

Virtual Healthcare

CareHQ has now delivered more than 30,000 online consultations since its launch in November 2020. Patients are now very comfortable with the idea of virtual consults, and see CareHQ as a helpful adjunct to their enrolled GP, and not a replacement.

The CareHQ model ensures continuity of care for patients by working with a patient's registered general practice and sharing consultation notes (with permission) to ensure ongoing health care management toward the goal of high quality, cost effective medical care. The CareHQ team have clear objectives that they are here to undertake a support role in the wider primary care system, in a way that benefits the health and wellbeing of patients and does not negatively impact the financial wellbeing of practices as it does not enrol patients or take a clawback.

In July 2022, to make access even easier, CareHQ launched the web-based booking functionality, to allow patients to book and attend their appointments on their computer, without having to download the phone-based app.

A number of initiatives were undertaken throughout the year to improve access to healthcare for harder to reach communities, and those struggling to get in to see their regular GP. This included a partnership with FMG Insurance allowing rural New Zealanders access to a GP when they need it, as they traditionally don't always have easy access to healthcare.

In early 2023, CareHQ developed a partnership with Auckland City Mission Te Tāpui Atawhai to deliver a co-designed telehealth clinic to support the Mission. This collaboration has meant that Calder Health Centre can triage telehealth appropriate cases onsite at the centre, using nurse-led hybrid consultations. Critical healthcare support has already proved successful with some highlights including helping a patient access ACC-funded rehabilitation after a domestic violence injury, guiding a young mother to accessible dental care, and helping a patient get a refill of regular medications that allowed her to travel to visit her mother in palliative care.

The UnifyHealth programme that was first piloted under the Ministry of Health's Digital Enablement Programme in December 2021 made a return in December 2022, running through until May 2023, funded by ProCare. The programme offered support for high needs whānau/patients and allowed them to access a consultation for the same price they would pay at their enrolled practice. This programme continued to address some of the challenges faced by these patients, including cost, transport, childcare, doctor availability, and time off work.

In March 2023, CareHQ launched three new services to broaden its offerings to patients in addition to their standard consultations including:

- Afterhours appointments between 7pm – 9pm
- International visitor consults for non-residents, international students, and visitors
- Injury Management assisting people to return-to-work quickly.

These initiatives and services have led to substantial growth in CareHQ and its abilities. The platform now sees more than double the number of patients from 12 months ago. Patient experience has been positive, with 90% of patients rating the service 4 or 5 stars, out of 5.

Our Impact

Community, Equity, and Partnerships

A key thread across the ProCare Group is to build authentic partnerships with community, health and equity focused organisations in order to help improve the health and wellbeing of our Māori, Pacific and high-needs communities. Building relationships with emerging communities in need have seen our partnerships grow to support our diverse range of population groups in Tāmaki Makaurau.

Committing to our partnerships helps us collectively design and deliver localised solutions to health issues.

As a result, ProCare has formed partnerships and collaborations with the following organisations over the 22/23 financial year:

Asian Family Services: ProCare currently serves the largest South Asian population enrolled in general practice across Aotearoa. Formalising our partnership with Asian Family Services was a fantastic opportunity to combine our efforts in providing quality care to our Asian communities – particularly through population health data.

Part of our agreement with Asian Family Services is creating an Asian Health Strategy, to work alongside the Māori and Pacific Health Strategies we have already at ProCare. We believe this strategy would be the first of its kind in primary healthcare for our Asian communities in Aotearoa, so we are honoured to be partnering with Asian Family Services in this ground-breaking opportunity.

Our partnership with Asian Family Services is a step forward in working towards a collective health strategy that is more responsive towards improving the health and wellbeing of our Asian communities faster.

Moana Connect: ProCare has worked with Moana Connect for many years and together we have built a trusted relationship. Moana Connect is a key influencer in Pacific communities, especially in research and evidence-based studies. We have a commitment to support each other's strategic objectives to improve the wellbeing of our Pacific families.

This partnership ensures an open and ongoing dialogue between our organisations and the Pacific communities we represent. It promotes knowledge sharing that will benefit the wider Pacific community especially as ProCare has the highest enrolled Pacific population in Aotearoa.

Specific initiatives our organisations will work on together include:

- DigiFale App training to improve knowledge and confidence in using the patient portal for booking GP appointments, requesting repeat medication, view lab results etc.
- Au Project – Pacific model of care for Before School assessments
- Child health research studies
- Pacific Data Sovereignty.

South Seas Healthcare: We have formally partnered with the growing Ōtara-Papatoetoe prototype locality, Le Afio'aga o Aotearoa through a locality charter and a partnership agreement with the locality system convenor, South Seas.

Le Afio'aga o Aotearoa is the only Auckland locality currently underway, so ProCare is proud to contribute to this important mahi that will shape how we deliver healthcare going forward. A key part of this new shift is partnering with local mana whenua, Pacific providers and community groups.

"ProCare brings a wealth of experience with delivering primary health care services, a strong understanding of funding and workforce management, along with hugely beneficial population health data. Having this expertise alongside our knowledge and relationships with our community is key to delivering successful health and wellbeing outcomes for our people."

— Lemalu Silao Vaisola-Sefo, CEO at South Seas Healthcare Trust

Smear Your Mea: Earlier this year, we signed a partnership with cervical cancer charitable trust #SmearYourMea to raise awareness of the importance of regular smear tests for wāhine, their whānau, hapori (communities) and the wider kapa haka community.

This is because while rates of screening have improved, wāhine Māori continue to have higher rates of cervical cancer than non-Māori women and are 2.5 times more likely to die from cervical cancer than non-Māori women.

We believe this kaupapa is even more important now that we're in a post-covid environment, as around 40,000 wāhine Māori didn't receive their smear during lockdown due to issues around accessing healthcare. We're determined to ensure history doesn't repeat going forward and get as many wāhine as possible getting their smear test going forward.

This partnership kicked off at Te Matatini Kapa Haka 2023, where numerous wāhine had their cervical smear or completed the HPV-self-testing option!

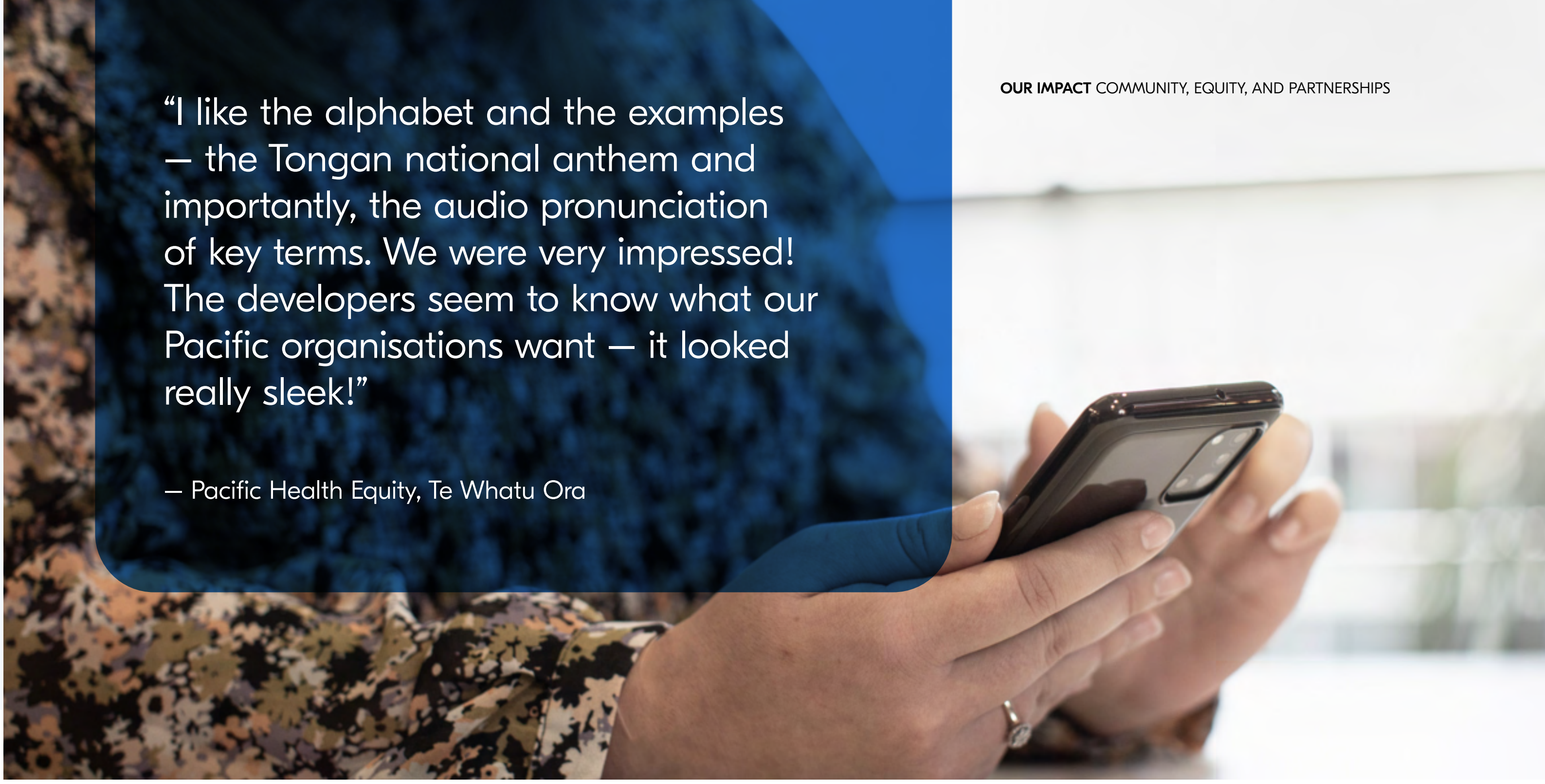
Pacific Health Strategy and Tala-Moana app

This year we proudly launched Tala-Moana, our free Pacific cultural app, alongside the Pacific Health Strategy.

This was the first time in ProCare's 25-year history we have brought together a range of Pacific community and health providers at an event to celebrate and recognise our collective achievements and commitment to Pacific health.

Our Pacific Strategy follows similar objectives as our overall Population Health Strategy, however, it prioritises specific areas within the health goals that affect Pacific people disproportionately, and outlines ways to address this.

The Tala-Moana app features seven different Pacific languages to help nurture and sustain our Pacific languages. There are sections to help our Pacific community translate terms for diseases or body parts when visiting their doctor. The app can also be used by health practitioners to contribute to positive engagement with patients to improve health outcomes for Pacific people. Tala-Moana can be downloaded free from the Apple App, Google Play or Microsoft Stores.



"I like the alphabet and the examples — the Tongan national anthem and importantly, the audio pronunciation of key terms. We were very impressed! The developers seem to know what our Pacific organisations want — it looked really sleek!"

— Pacific Health Equity, Te Whatu Ora

Te Taukaea Māori Health Strategy and ihi 2.0
At the end of 2022 we launched Te Taukaea our Māori Health Strategy event. At the launch event we were joined by the Chief Executives of Te Whatu Ora and Te Aka Whai Ora, along with representatives from our Māori partners and communities.

As part of this event we shared ProCare's equity journey over the last 18 months, the new resources we have created for our network, and launched ihi 2.0 — an updated version of ProCare's cultural competency app which is aimed to help users get comfortable with using Te Reo Māori in their everyday language, understand customs, protocols, waiata (songs) and karakia (prayers). This updated version was based on feedback from our users and included updated features such as easier navigation throughout the app and more information about iwi in Tāmaki Makaurau. It also included the first ever He Ara Poutama where you can develop your own mihi which is suitable for the occasion.

It was fantastic to have Ngāti Whātua Ōrākei open the evening, and a wonderful performance from the Auckland Girls Grammar Kapa Haka group close our evening. We also had a fantastic panel session with Te Aka Whai Ora CEO — Riana Manuel, Papakura Marae CEO — Tony Kake and a ProCare Co-op Board Member about partnerships in the primary care space.

The ihi app can be downloaded free from the Apple app, Google Play or Microsoft Stores.

Te Pūheke
In July 2022 we launched our cultural competency training course, Te Pūheke, to staff followed by a rollout to practices earlier this year. This training is a step towards understanding unconscious bias, becoming culturally responsive, developing your cultural confidence and learning to empower our community. We are delighted that the course is RNZCGP CME Endorsed.

"We are pleased to see that ProCare is aligning with the College's endorsement criteria. It's excellent to see that [ProCare] has been able to continue to provide valuable education to our health care professionals, especially as we continue to recover (the best we can) post-covid. It's also great to see [ProCare] is working to address and include topics on inequity. The College appreciates your high standard of educational content and looks forwards to our ongoing relationship."
— RNZCGP

Cultural support for practices and ProCare staff
This year we have continued to build on the cultural support we provide for our staff and general practices to support positive health outcomes for Māori and Pacific people. Some of the support we offer includes:

- Our Kaitiaki o Hauora and Pacific Matua act as an advisor to staff to provide appropriate ways to support staff to confidently use Te Reo Māori and Pacific languages. They lead and support with weekly karakia and lotu and encourage wider staff to get involved
- The team supports practices with queries and promotes cultural initiatives
- Our Kaitiaki o Hauora provide support in completing the Te Pūheke training by providing reflective feedback and having a kōrero about how staff can apply what they learnt into their everyday mahi.

Youth voices were heard loud and clear at Pou Tautoko Rangatahi – ProCare's first ever youth health forum. Held on 25 March 2023, rangatahi from across Auckland gathered at the University of Auckland to spend a day interacting with industry experts in youth mental health, alcohol, vaping and other drugs, and share their thoughts on how healthcare can better tackle these issues.

Some of the guest speakers included:

- Hon. Willow-Jean Prime, Minister for Youth and Associate Minister for Health
- Chlöe Swarbrick, MP for Auckland Central and Green spokesperson on drug reform and mental health
- Shaqaila Uelese, Co-director/Founder of mental health organisation Nevertheless
- Professor Dr Kerry Gibson, a clinical psychologist in the School of Psychology at the University of Auckland
- Romy Lee, Youth Advisory/Peer Workforce Development Lead at Whāraurau, Aotearoa's national workforce development programme
- Dr Sam Manuela, Senior Lecturer at the School of Psychology at The University of Auckland.

A number of key themes were discussed regarding youth mental health at the forum. Rangatahi identified several challenges, including:

- Lack of support and coping strategies
- Inequities in mental health care
- Affordability issues
- Delays in accessing help through helplines.

To combat these challenges, rangatahi proposed targeted solutions which included:

- Providing mental health training for teachers
- Incorporating mental health education into school curriculums
- Increasing cultural representation in the mental health workforce
- Offering free or affordable services
- Improving the responsiveness of helplines.

Vaping, alcohol, and other drugs had its own set of challenges. Rangatahi identified several challenges such as:

- Accessibility and marketing
- Substances being used as coping mechanisms
- Relationship harm
- Lack of research and awareness
- Ineffective vaping cessation approaches
- Family influence
- Lack of strict regulation
- Peer pressure.

Rangatahi suggested solutions such as:

- Enforcing stricter regulations
- Comprehensive substance education in schools
- Harm reduction strategies
- Engagement of youth and families in prevention
- Stricter regulations regarding accessibility of substances.

Following the forum, the ProCare Youth Advisory Group (YAG) collated the recommendations from the forum and produced a white paper. At GP23, the YAG formally shared the white paper with our healthcare colleagues and industry partners. This white paper will help inform our youth advocacy going forward, our submissions on mental health, smoking and alcohol-related issues, and can be used by other organisations in their mahi.

“These kinds of events are so important for rangatahi from all walks of life to help them realise that the issues that they face, and often feel so isolated in dealing with, are actually more common than they may realise."

— Shaqaila Uelese, Founder of Nevertheless and keynote speaker

Whakarongorau Aotearoa // New Zealand Telehealth Services

Whakarongorau Aotearoa// New Zealand Telehealth Services//

The mahi that matters

A look at our work and impact in the 12 months to 30 June 2023, that included:

Across all our services **we responded to over 2.2 million contacts**

That's over **6,000 contacts a day**

We **connected with nearly 1.6 million individual people*** — that's 1 in 3 people in Aotearoa

We **answered 95% of all calls** within 10 minutes (up 3% on last year)

Supporting general practice

Our clinicians **supported ~60% of GP practices** in Aotearoa -answering **112,400+ after-hours calls for them**

COVID services

While our COVID services dropped from previous peaks, demand remained strong:

The team responded to **1.3 million contacts** (in and outbound) across COVID Healthline, the Vaccination Healthline, the dedicated Disability Helpline, and supporting people in isolation - connecting with ~783,000 people (1 in 6 people in Aotearoa)

Doctor support

The new Primary Care Services team:

Provided **15,500+ telehealth consults** across Healthline and COVID services

Supported **~2,000 paramedics on-scene**, resulting in **73% of patients diverted from EDs**

Responded to 3,200+ calls into the Clinical Advice Line to provide peer-to-peer medical advice to frontline clinicians, pharmacists and allied health professionals

Help to quit smoking and vaping

The Quitline team supported **16,800+ people on their quit journey - 28% were smokefree after 4 weeks** (an increase of 2% on last year)

New Māori pathways in Healthline and Quitline for tāngata whai ora

42,000+ contacts chose to speak to a Māori clinician

Family violence and sexual harm support

~23,000 women and concerned whānau were supported by our 3 family violence services, and by our webchat and after-hours support for 40 Women's Refuges

~7,300 people were supported by the Safe to talk sexual harm team who responded to **~15,200 contacts**

We answered **3,500+ contacts** to the Elder Abuse Response Service

Mental health

Across all Whakarongorau-run mental health services we supported **~151,300 people**, responding to **~351,300 contacts**

The 1737 Need to talk? team supported **~42,500 people** – answering **~124,200** contacts including **66,000+ text conversations (~800,000 text exchanges)**

Our mental health nurses answered **~91,000 contacts** on behalf of **12 TWO regions**

The Earlier Mental Health Response team triaged **11,700+ contacts** from Police and ambulance services to support **6,300+ people** in social and psychological distress

The Puāwaitanga team received **~2,200 referrals** and delivered nearly **7,000 appointments** to people seeking ongoing mental health support

Health

Healthline nurses, paramedics, advisors and doctors supported **322,000+ people** and answered **~432,800 calls**

Our Emergency Triage nurses triaged **42,000+ incidents - 52% were redirected** to non-emergency services which keeps our hospitals and ambulances for emergencies

The National Bowel Screening Programme team made **follow-up calls to 55,200+ priority people** who were yet to return their test kits - **28% subsequently did**

The National Cervical Screening Programme team received **~450,000 test results**

The Poisons team helped **26,100+ people – 72% of contacts required no further treatment or info**

Supporting general practice

Supporting **~60%** of GP practices in Aotearoa answering **~102,000** after-hours calls for them

*The total number of individual people in the year is the sum of unique service users each month, so may include users who have contacted the service in multiple months.

Chair's Report

ProCare Foundation

June McCabe,
ProCare Charitable Foundation Chair

It has been a privilege to be the founding Chair of the Foundation since its inception in 2012-2013 and this report is my last as I pass on the baton. As many of you may recall, the Foundation was established thanks to the generosity of its shareholding members who gifted their non-voting shares (B Shares) so the Foundation could receive dividends to build a capital base and create an annual granting programme. I am proud to have given oversight on your behalf and seen the Foundation grow and flourish over this time, resulting in a solid capital base and a record of granting more than $1.8 million in funding to benefit the people of the Greater Auckland Region.

Much of the success comes down to having a clear purpose as our guiding path that we have not wavered from. These have included:

1. Reducing health inequity
2. Alleviating the symptoms of poverty, and
3. Increasing community health and wellbeing through promotions and education.

Over the decade, all of our grants have made differences through delivering on our purpose. I will take very fond memories with me of some remarkable programmes and the commitment of many people in the charitable sector.

As we reflect on the past 12 months, we need to acknowledge the tough few years the people of Tāmaki Makaurau have endured, with severe weather events and heightened cost of living putting a huge amount of pressure on whānau.
The charities the Foundation chose this year help a wide range of whānau who all need support. They embody the mantra of 'people first', and the Foundation is so proud to support charities that are doing meaningful mahi.

The Foundation is immensely grateful for the remarkable work that these organisations undertake, and the sheer number of whānau they support — often in difficult or trying circumstances.

Thank you to all the volunteers and staff who go above and beyond to support those in need — we hope our support goes some way toward helping the whānau of Tāmaki Makaurau.

Foundation recipients for 2022 were:

- Continence NZ
- Dayspring Trust
- Fair Food Trust
- Family Success Matters
- Heart Kids NZ
- Home and Family Counselling
- Talk Link Trust
- The Friendship House Trust
- Youth In Transition Charitable Trust.

A huge thank-you to the current and past members who have supported me through my tenure. Also, a thank you to our two business partners: the Public Trust team who provide an efficient grants programme and administration service; and Craigs Investment Partners for their exemplary financial advisory services.

Finally, I wish the Foundation the best and look forward to seeing how the Foundation continues to support the whānau and families of Greater Auckland going forward.

Haere rā,

Dayspring Trust

"Dayspring Trust is very thankful for the grant fund received from the ProCare Foundation. It is estimated that one in four Aotearoa New Zealand mothers will develop depression, anxiety or other mental health issues during the perinatal period. Through ProCare we can reach more mothers who are trying to deal with intergenerational trauma, who are facing their past to move forward to a more hopeful future and greater sense of wellbeing for them and their child."

Fair Food

"The ProCare Charitable Foundation gave us the support to grow our operations across north-west Auckland, and trial running seven days a week to meet the demand for food support in our community. The donation is the equivalent of providing fresh healthy kai for 100,000 meals. By helping rescue fruits, veggies, meat and dairy that would otherwise go to landfill, it saved 92 tonnes of greenhouse gas emissions."


Fair Food volunteer helping sort kai donations.

Heart Kids volunteers in the community.

Heart Kids

"Thanks to the funding received from the ProCare Charitable Foundation, our South Auckland community family taituarā (support) has been able to provide practical, emotional and social support to 271 heart members via face-to-face visits, phone calls and in-person events including at murmurs coffee groups and family events. This has enabled Heart Kids NZ members in South Auckland to establish relationships within our heart community to help them feel supported, informed, connected, and hopeful for the future."

Talk Link Trust

"Demand for our services remains high and resources are stretched. The grant from ProCare Charitable Foundation funded our delivery of Communication Opportunities Throughout the Day workshops. These were individualised to ensure basic communication needs are supported, particularly for non-verbal clients. We are extremely grateful for the generous support of the Foundation as it allows us to continue our important work with a vulnerable population in our society."

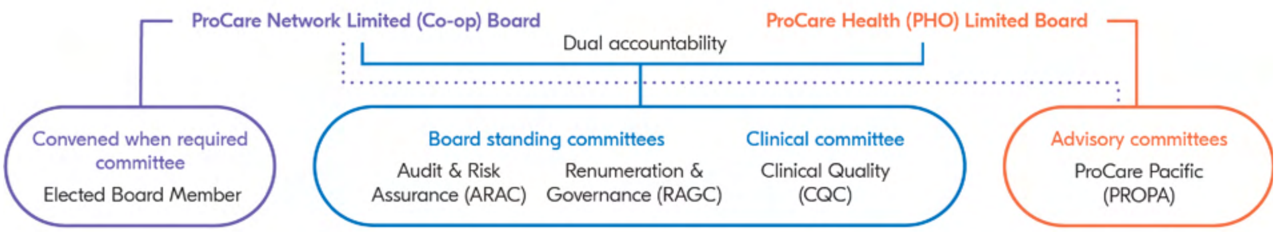
"The grant from ProCare Charitable Foundation provided clinical staff with iPads for use with clients in their own homes, making our assessment process more efficient and ultimately supporting access to vital communication resources for our clients with complex communication needs."

Youth in Transition

"Thanks to the grant received from the ProCare Foundation, Youth in Transition has been able to provide more than 500 hours of free counselling to suicidal children and young people on the North Shore and Hibiscus Coast of Auckland. Youth in Transition's specialist counsellors are vital to the success of our youth suicide prevention programmes and work tirelessly to help very unwell young people find hope in their lives. Without supporters like the ProCare Foundation, the outcomes for our young people could be very different."

ProCare Governance Boards and Committees

ProCare Governance Boards and Committees
ProCare's Governance Boards and Committees provide business expertise, leadership and clinical governance for our organisation, ensuring the ongoing success of our business and clinical direction. They are as follows:



ProCare Network Limited
ProCare Network Limited is the largest Co-operative of healthcare professionals in New Zealand. The Co-operative provides services to general practices in the network. Shareholders in the Co-operative hold shares aligned to their individual general practice in accordance with the constitution and the share standard adopted by the ProCare Network Limited Board.

ProCare Network Limited (Co-op) Board
The ProCare Network Limited Board is responsible for setting the strategic direction of the organisation and adopting appropriate governance processes to ensure effective oversight of the organisation on behalf of shareholders, employees, and other stakeholders. The Board is committed to high standards of corporate governance and follows, in principle, the corporate governance guidelines and principles developed by the Financial Markets Authority and the New Zealand Institute of Directors.

BOARD OF DIRECTORS: Dr Craig King (Chair), Dr Harley Aish, Donovan Clarke, Tevita Funaki (appointed July 2022), Dr Wikitoria Gillespie, Alister Lawrence, Dr Francesco Lentini, Dr Jodie O'Sullivan, Mike Schubert, Dr Jan White (retired November 2022).

Dr Craig King (Chair)

Dr Harley Aish

Donovan Clarke

Tevita Funaki

Dr Wikitoria (Wiki) Gillespie

Alister Lawrence

Dr Francesco Lentini

Dr Jodie O'Sullivan

Mike Schubert

ProCare Health (PHO) Limited
ProCare Health (PHO) Limited is a Primary Health Organisation, it has full charitable status and operates exclusively for the charitable purposes set out in the charitable objectives. The objects of the company are to promote and enhance the health and wellbeing of all individuals, families, and communities within Aotearoa New Zealand. Accordingly, all income of the Charity will be applied to carrying out and fulfilling those charitable purposes and are not intended for any other purpose.

ProCare Health (PHO) Limited
The ProCare Health (PHO) Limited Board is responsible for ensuring that the PHO discharges its responsibilities under its PHO Services Agreement and achieves the agreed outcomes and ensures the provision of essential primary health care services, mostly through general practices, to those people who are enrolled with the PHO. The PHO currently holds a PHO agreement with Te Whatu Ora (Health New Zealand) for Auckland, Counties Manukau, Waitematā and Northland regions.

BOARD OF DIRECTORS: Tevita Funaki (Chair), Sally Dalhousie, Ann Davis, Sarah Kinred, Dr Jodie O'Sullivan, Stephanie Taylor, Braden Te Ao (appointed April 2023).

Tevita Funaki (Chair)

Sally Dalhousie

Ann Davis

Sarah (Hera) Kinred

Dr Jodie O'Sullivan

Dr Stephanie Taylor

Braden Te Ao

Audit & Risk Assurance Committee (ARAC)
ARAC assists the ProCare Network Co-op and PHO Boards in fulfilling their responsibilities relating to accounting and reporting, external audit, legislative and regulatory compliance and general risk management for ProCare. The Committee oversees, reviews and provides advice to the Boards on each company's financial information, policies and procedures in regard to financial matters, external audit functions and internal control and risk management policies and processes. The Committee reviews and reports to the Boards on management's processes for the identification, prioritisation and management of risk.

ARAC members: Mike Schubert (Chair), Tevita Funaki, Dr Wikitoria Gillespie, Dr Craig King, Alister Lawrence.

Remuneration & Governance Committee (RAGC)
RAGC assists the ProCare Co-op and PHO Boards in the establishment of remuneration policies and practices for each company, and in discharging the Boards' responsibilities related to remuneration and governance; and monitors the Chief Executive Officer's performance.

RAGC members: Alister Lawrence (Chair), Tevita Funaki, Dr Wikitoria Gillespie, Dr Craig King, Mike Schubert.

Clinical Quality Committee (CQC)
CQC advises the ProCare Co-op, PHO and ProCare Fresh Minds Limited Boards. The Committee provides a population health perspective in relation to the clinical performance of ProCare and its provider network, recommends clinical goals, champions a culture of clinical excellence while providing oversight of the clinical safety and quality of ProCare's providers, and sets and oversees the clinical direction and performance of ProCare. The Committee advises and is supported by ProCare's Clinical Directorate for implementing its programme of work and managing clinical risks.

CQC members: Dr Wikitoria Gillespie (Chair), Dr Cannan Amua (retired December 2022), Michelle Cray, Dr David Hassan (resigned March 2023), Dr Georgina Kaye, Dr Jim Kriechbaum (voluntary member), Dr Willem Landman Fakaanga Mapa (retired December 2022), Charotte Roberts (appointed February 2023), Dr Stephanie Taylor (retired December 2022), Dr Doone Winnard.

ProCare Māori Advisory Committee
During April 2023, ProCare's Māori Advisory Committee, colloquially known as ProMA, saw its members join the ProCare Co-op and PHO Boards to ensure that all current and future decisions at a Board level uphold the principles of Te Tiriti o Waitangi and to strengthen and enhance the focus of tangata whenua population health needs at a governance level.

Former ProMA Members: Dr Braden Te Ao (Chair), Dr Wikitora Gillespie, Donovan Clarke, Sarah Kinred.

ProCare Pacific Advisory Committee
ProCare's Pacific Advisory Committee (ProPA) advises and supports the ProCare PHO Board in recognising the special place Pacific people have in New Zealand society, to respond to the diverse cultural needs of Pacific people, and to prioritise Pacific health and wellbeing. The Committee is responsible for developing a Pacific Strategy to support ProCare achieving Pacific health goals and reduce inequities in Pacific health. The Committee also provides the Pacific voice, advice and support to other ProCare entities as required.

ProPA members: Sally Dalhousie (Chair), Dr Canaan Aumua, Tevita Funaki, Judy Matai'a, Dr Viliami Puloka, Stephen Stehlin.

Other Boards
CAREHQ LIMITED Board of Directors: Kerry Boielle (Chair), Nicholas Astwick, Dr Craig King (retired September 2022), Bindi Norwell, Stephen Webber.

CLINICAL ASSESSMENTS LIMITED (CAL) Board of Directors: Paul Roseman (Chair), John Betteridge, Dr Allan Moffitt (appointed July 2022).

PROCARE FRESH MINDS LIMITED (PFM) Board of Directors: Bindi Norwell (Chair), Dr Allan Moffitt, Stephen Webber.

WHAKARONGORAU Board of Directors: Roger Sowry (Chair), Anna Currie (retired March 2023), Shayne Hunter (appointed September 2022), Dr Francesco Lentini (appointed December 2022), Bindi Norwell (retired August 2022), Jacquelyn Percy, Mike Schubert, Benesia Smith.

ProCare Network Limited and Subsidiaries

DIRECTORS' REPORT & FINANCIAL STATEMENTS

For the year ended 30 June 2023

Contents

PROCARE NETWORK LIMITED AND SUBSIDIARIES

DIRECTORY

DIRECTORS

PROCARE NETWORK LIMITED
Dr C L King (Chair)
Dr H E Aish
D R Clarke
T F Funaki (appointed 5 July 2022)
W E Gillespie
A J Lawrence
Dr F Lentini
J J O'Sullivan
M Schubert
Dr J F V White (resigned 25 November 2022)

PROCARE FRESH MINDS LIMITED
B Norwell (Chair)
Dr A Moffitt
S Webber

PROCARE HEALTH (LP) LIMITED
B Norwell (Chair)
W E Gillespie (appointed 1 August 2023)
M Schubert (appointed 1 August 2023)
S Webber

PROCARE HEALTH (PHO) LIMITED
T F Funaki (Chair)
S M Dalhousie (appointed 1 July 2022)
A T Davis
S A M Kinred
Dr J J O'Sullivan
Dr S L Taylor
B Te Ao (appointed 1 April 2023)

PROCARE NETWORK PARTNERSHIPS LIMITED
B Norwell (Chair)
S Webber

CLINICAL ASSESSMENTS LIMITED
Dr J H Betteridge
Dr A Moffitt (appointed 1 July 2022)
P D Roseman

HEALTH NEW LYNN LIMITED
B Norwell
S Webber

KAIPARA HEALTH LIMITED
S Webber

MT SMART HEALTH (2020) LIMITED
S Webber

ONECARE HEALTH (2020) LIMITED
S Webber

TOTARA CLINICAL RESEARCH LIMITED
B Norwell
S Webber

GROUP CHIEF EXECUTIVE
B Norwell

SUBSIDIARIES

ProCare Fresh Minds Limited	100%
ProCare Health (LP) Limited	100%
ProCare Health (PHO) Limited	100%
ProCare Network Partnerships Limited	100%
Clinical Assessments Limited	67%
Health New Lynn Limited	100%
Kaipara Health Limited	100%
Mt Smart Health (2020) Limited	100%
OneCare Health (2020) Limited	100%
Totara Clinical Research Limited	100%

All subsidiaries have a 30 June balance date

JOINT VENTURES

Whakarongorau Aotearoa New Zealand Telehealth Services LP	50%
CareHQ Limited Partnership	50%

REGISTERED OFFICE
Level 1, 12-16 Nicholls Lane, Parnell, Auckland

BANKERS
ANZ Bank
PO Box 12 060, Auckland 1642

SOLICITOR
Buddle Findlay
PricewaterhouseCoopers Tower
188 Quay Street, Auckland 1140

AUDITOR
BDO Auckland
Level 4, BDO Centre, 4 Graham Street Auckland

PROCARE NETWORK LIMITED AND SUBSIDIARIES
DIRECTORS REPORT

For the year ended 30 June 2023

The Directors present their Annual Report including the consolidated financial statements of the Group for the year ended 30 June 2023.

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 Network Limited is a Co-operative Company that provides management services to its subsidiaries, as well as clinical and corporate services support to its Practices. It also provides the design and management of health programmes funded by non-Te Whatu Ora partners.

ProCare Health (PHO) Limited is a Registered Charity and a Primary Health Organisation (PHO) that provides primary healthcare services in the Auckland and Northland region. 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 other subsidiaries and joint ventures are:

- ProCare Health (LP) Limited (PHLP) is an intermediate holding company that holds the Group's investment in Whakarongorau Aotearoa New Zealand Telehealth Services LP, CareHQ Limited Partnership (CHQLP) and Fresh Minds NZ Limited Partnership (FMNZLP) (ceased trading, see detail below), which are 50% owned equity accounted joint ventures;
- Clinical Assessments Limited facilitates the delivery of specific health service initiatives in the wider Auckland region;
- Health New Lynn Limited, Kaipara Health Limited, Mt Smart Health (2020) Limited and OneCare Health (2020) Limited provide primary care medical services in the wider Auckland region;
- Totara Clincial Research Limited (subsidiary of Health New Lynn) undertakes clincial research trials;
- ProCare Fresh Minds Limited provides services which aim to support the health and wellbeing of children, youth, young adults, and adults in the Auckland and Northland regions;
- ProCare Network Partnerships Limited is a holding company;
- CareHQ Limited Partnership (CHQLP) is aligned with ProCare's strategy to adopt and integrate a sustainable virtual GP service for practices to benefit patients and their businesses;
- Whakarongorau Aotearoa New Zealand Telehealth Services LP ("the Partnership") is a limited partnership. The Partnership provides telephone services to General Practitioners so their patients' calls are answered after-hours, and National Telehealth Services (helplines) to the public, 24 hours a day, seven days a week. The Partnership is the provider of the first integrated national telehealth service for New Zealand. The Partnership is the National Coordination Centre Provider for the National Bowel and Cervical Screening Programmes. In conjunction with the Ministry of Health (Manatū Hauora), the Partnership is responsible for supporting participant progress through the screening pathway, central coordination, mail-house functions, call centre operations and data management; and
- Fresh Minds NZ Limited Partnership (FMNZLP) provides clinical psychological services through managing the implementation of the Te Tumu Waiora model of care throughout New Zealand. The partnership was put into hibernation in December 2020 and ceased trading.

RESULTS	2023	2022
	$	$
(Loss)/Profit after tax for the year	(225,362)	9,210,662
Non-controlling interest in profit of subsidiary	(2,221)	(2,367)
Opening retained earnings	16,388,550	7,180,255
Closing retained earnings	16,160,967	16,388,550

DIVIDENDS

No dividends were paid during this financial year.

REDEEMABLE PREFERENCE SHARES

Interest on Redeemable Preference Shares was paid in December 2022 at a coupon rate of 7.09% and is recognised as an interest expense for accounting purposes.

AUDITORS

BDO Auckland continue in office as auditors. Please refer to Note 4.2 for fees paid to 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.

DIRECTORS' REMUNERATION

	2023	2023
	$	$
ProCare Network Limited	**Directors' Fees**	**Committee Fees**
Dr C L King (Chair)	71,250	2,250
Dr H E Aish	63,750	–
D R Clarke	45,000	7,500
T F Funaki	41,250	–
W E Gillespie	45,000	9,917
A J Lawrence	45,000	15,000
Dr F Lentini	45,000	2,375
Dr J J O'Sullivan	45,000	–
M Schubert	45,000	15,000
Dr J F V White	18,750	–
	465,000	52,042

	2023
	$
ProCare Fresh Minds Limited	**Directors' Fees**
B Norwell (Chair)	–
Dr A Moffitt	–
S Webber	–
	–

	2023
	$
ProCare Health (LP) Limited	**Directors' Fees**
B Norwell (Chair)	–
W E Gillespie	–
M Schubert	–
S Webber	–
	–

ProCare Health (PHO) Limited	2023 $ Directors' Fees	2023 $ Committee Fees
T F Funaki (Chair)	27,000	–
S Dalhousie	13,500	4,167
A T Davis	13,500	–
S A M Kinred	13,500	–
Dr J J O'Sullivan	13,500	–
Dr S L Taylor	13,500	–
B Te Ao	3,375	3,750
	97,875	7,917

ProCare Network Partnerships Limited	2023 $ Directors' Fees
B Norwell (Chair)	–
S Webber	–
	–

Clinical Assessments Limited	2023 $ Directors' Fees
Dr J H Betteridge – paid to East Health Services Limited	2,000
Dr A Moffitt – paid to ProCare Network Limited	2,000
P D Roseman – paid to ProCare Network Limited	2,000
	6,000

Health New Lynn Limited	2023 $ Directors' Fees
B Norwell	–
S Webber	–
	–

DIRECTORS' REMUNERATION (CONTINUED)

	2023
	$
Kaipara Health Limited	**Directors' Fees**
S Webber	–
	–

	2023
	$
Mt Smart Health (2020) Limited	**Directors' Fees**
S Webber	–
	–

	2023
	$
OneCare Health (2020) Limited	**Directors' Fees**
S Webber	–
	–

	2023
	$
Totara Clinical Research Limited	**Directors' Fees**
B Norwell	–
S Webber	–
	–

Additional remuneration was paid to Directors for services separate from services as a Director as disclosed in Note 17.3 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:

	2023
Range	**Number**
$100,001 – $110,000	12
$110,001 – $120,000	9
$120,001 – $130,000	8
$130,001 – $140,000	5
$140,001 – $150,000	2
$150,001 – $160,000	5
$160,001 – $170,000	1
$170,001 – $180,000	1
$180,001 – $190,000	3
$190,001 – $200,000	3
$200,001 – $210,000	1
$210,001 – $220,000	2
$220,001 – $230,000	1
$230,001 – $240,000	2
$240,001 – $250,000	1
$310,001 – $320,000	1
$330,001 – $340,000	1
$480,001 – $490,000	1

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 $1,029 (2022: $680) to various charities during the year.

DIRECTOR SHARE OWNERSHIP

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

As at 30 June 2023, Directors had a relevant interest in ProCare Network Limited shares as follows:

Name	**Relevant interest in ProCare Network Limited Shares 30 June 2023**
Dr H E Aish	1
W E Gillespie	1
Dr C L King (Chair)	1
Dr F Lentini	1
J J O'Sullivan	1
Dr S L Taylor	1
Dr J F V White	1

Some Directors also received Redeemable Preference Shares (RPS) as part of the capital restructure. Refer to Note 15 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.

DIRECTORS RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of these financial statements in accordance with New Zealand Generally Accepted Accounting Principles and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are neccessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

For and on behalf of the Board

Dr Craig King
Director
3 October 2023

Mike Schubert
Director
3 October 2023

PROCARE NETWORK LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2023

	NOTES	2023 $	2022 $
Revenue	3.1	352,219,734	513,773,302
Total income		352,219,734	513,773,302
Expenses			
Clinical costs	4	(304,055,083)	(476,243,394)
Administrative expenses	4.2	(46,359,767)	(36,128,022)
Total expenses		(350,414,850)	(512,371,416)
Net Operating Profit		1,804,884	1,401,886
Finance Income and Expenses			
Finance income - financial assets at amortised cost		214,288	58,031
Investment gain on disposal		–	249,882
Derivative fair value loss	19	(23,024)	(15,706)
Lease liability interest	21	(683,705)	(380,566)
Other finance costs - financial liabilities at amortised cost		(491,861)	(308,633)
Net finance (expense)	4.3	(984,302)	(396,992)
Profit before share of results of equity accounted joint ventures		820,582	1,004,894
Share of (loss)/profit of equity accounted joint ventures	13	(1,331,222)	11,511,582
(Loss)/Profit before tax		(510,640)	12,516,476
Income tax credit/(expense)	14.1	285,278	(3,305,814)
Total comprehensive (loss)/income for the year		(225,362)	9,210,662
(Loss)/Profit and total comprehensive income attributable to:			
Owners of the Company		(227,583)	9,208,295
Non-controlling interests		2,221	2,367
(Loss)/Profit for the year		(225,362)	9,210,662

The accompanying notes should form part of, and should be read in conjunction with, these financial statements.

PROCARE NETWORK LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

ASSETS	NOTES	2023 $	2022 $
Current assets			
Cash and cash equivalents	5	7,277,221	5,042,472
Investments – short term deposits	5	2,900,000	1,200,000
Trade and other receivables	6	16,570,607	31,365,522
Inventory		18,751	24,085
Derivative asset	19	11,423	–
Income tax receivable		598,998	–
Receivables from equity accounted joint ventures	8	231,587	118,086
Total current assets		27,608,587	37,750,165
Non-current assets			
Property, plant and equipment	10	1,441,481	1,892,243
Right of use assets	21	12,598,944	11,959,676
Computer software	11	605,674	1,041,529
Goodwill	11	16,435,628	16,333,082
Deferred tax asset	14.2	1,142,316	869,849
Derivative asset	19	–	34,447
Investment in equity accounted joint ventures	13	6,100,421	14,464,930
Total non-current assets		38,324,464	46,595,756
TOTAL ASSETS		65,933,051	84,345,921
LIABILITIES			
Current liabilities			
Trade and other liabilities	7	15,200,163	32,071,382
Contract liabilities	9	12,113,582	9,462,711
Income tax payable		–	2,200,367
Payables to equity accounted joint ventures	8	45,402	84,362
ProCare Charitable Foundation loan	17	2,274,000	–
Borrowings	22	1,557,070	1,728,827
Redeemable preference shares	15	144,000	144,000
Lease liability	21	1,127,716	1,087,142
Total current liabilities		32,461,933	46,778,791
Long-term liabilities			
Redeemable preference shares	15	1,626,000	1,716,000
Contract liabilities	9	3,336,104	3,436,619
ProCare Charitable Foundation loan	17	–	2,274,000
Borrowings	22	–	2,317,314
Lease liability	21	11,967,557	11,069,128
Total non-current liabilities		16,929,661	20,813,061
TOTAL LIABILITIES		49,391,594	67,591,852
NET ASSETS		16,541,457	16,754,069

The accompanying notes should form part of, and should be read in conjunction with, these financial statements.

PROCARE NETWORK LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2023

REPRESENTED BY:	NOTES	2023 $	2022 $
EQUITY			
Share capital	16	331,981	319,231
Treasury Shares	16	(7,250)	(7,250)
Retained earnings		16,160,967	16,388,550
Non-Controlling Interests		55,759	53,538
TOTAL EQUITY		16,541,457	16,754,069

For and on behalf of the Board

Dr Craig King
Director
3 October 2023

Mike Schubert
Director
3 October 2023

The accompanying notes should form part of, and should be read in conjunction with, these financial statements.

PROCARE NETWORK LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2023

ATTRIBUTABLE TO OWNERS OF THE COMPANY	NOTES	Share Capital $	Treasury Shares $	Retained Earnings $	Total Equity $	Non-Controlling Interests $	Total Equity $
Balance at 1 July 2022		319,231	(7,250)	16,388,550	**16,700,531**	53,538	**16,754,069**
Total comprehensive (loss) for the year							
(Loss) for the year		–	–	(227,583)	**(227,583)**	2,221	**(225,362)**
Total comprehensive (loss)		–	–	(227,583)	**(227,583)**	2,221	**(225,362)**
Transactions with owners in their capacity as owners							
Ordinary "A" shares repurchased	16	(12,750)	–	–	**(12,750)**	–	**(12,750)**
Issue of ordinary "A" shares	16	25,500	–	–	**25,500**	–	**25,500**
Balance at 30 June 2023		331,981	(7,250)	16,160,967	**16,485,698**	55,759	**16,541,457**

ATTRIBUTABLE TO OWNERS OF THE COMPANY	NOTES	Share Capital $	Treasury Shares $	Retained Earnings $	Total Equity $	Non-Controlling Interests $	Total Equity $
Balance at 1 July 2021		314,731	–	7,180,255	**7,494,986**	51,171	**7,546,157**
Total comprehensive income for the year							
Profit for the year		–	–	9,208,295	**9,208,295**	2,367	**9,210,662**
Total comprehensive income		–	–	9,208,295	**9,208,295**	2,367	**9,210,662**
Transactions with owners in their capacity as owners							
Ordinary "A" shares repurchased	16	(10,500)	–	–	**(10,500)**	–	**(10,500)**
Issue of ordinary "A" shares	16	15,000	–	–	**15,000**	–	**15,000**
Shares owned by Subsidiaries	16	–	(7,250)	–	**(7,250)**	–	**(7,250)**
Balance at 30 June 2022		319,231	(7,250)	16,388,500	**16,700,531**	53,538	**16,754,069**

The accompanying notes should form part of, and should be read in conjunction with, these financial statements.

PROCARE NETWORK LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2023

	NOTES	2023 $	2022 $
Cash flows from operating activities			
Cash provided from:			
Receipts from customers and funders of health services		369,338,855	494,705,694
Interest income received		207,928	58,031
		369,546,783	494,763,725
Cash applied to:			
Payments to suppliers and providers		(337,938,957)	(468,682,643)
Payments to and on behalf of employees		(27,495,412)	(20,577,185)
Income tax paid		(2,097,675)	(2,153,206)
		(367,532,044)	(491,413,034)
Net cash from operating activities	20.1	2,014,739	3,350,691
Cash flows from investing activities			
Cash provided from:			
Proceeds from short term deposits		–	5,800,000
Gain on Sale of Investment		–	249,882
Distributions by equity accounted joint ventures	13	7,341,183	2,220,000
Cash applied to:			
Purchase of property, plant and equipment		(158,697)	(341,221)
Purchase of software		(111,213)	(147,915)
Settlement of business acquisition (net of cash acquired)	24	(102,546)	(15,409,781)
Settlement of business acquisition (held in escrow)	24	200,000	(200,000)
Investment in equity accounted joint ventures	13	(440,776)	(506,253)
Investment in short term deposits		(1,700,000)	–
Net cash from/(to) investing activities		5,027,951	(8,335,288)
Cash flows from financing activities			
Cash provided from:			
Issue of ordinary "A" shares	16	25,500	15,000
Receipt of ANZ Loans		–	6,000,000
Cash applied to:			
Share repurchase	16	(12,750)	(10,500)
Redemption of non-taxable Redeemable Preference Shares	15	(90,000)	(90,000)
Payment of lease liabilities (net of interest)	21	(1,091,434)	(922,649)
Payment of lease liabilities (interest)	21	(683,705)	(380,556)
Payment of ANZ loans (principal)		(2,489,071)	(1,953,859)
Payment of Interest on ANZ Loans, RPS, PCF and others		(466,481)	(314,576)
		(4,833,441)	(3,672,150)
Net cash (to)/from financing activities	20.2	(4,807,941)	2,342,850
Net increase/(decrease) in cash and cash equivalents		2,234,749	(2,641,747)
Cash and cash equivalents at the beginning of the year		5,042,472	7,684,217
Cash and cash equivalents at the end of the year	5	7,277,221	5,042,472

The accompanying notes should form part of, and should be read in conjunction with, these financial statements.

PROCARE GROUP
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 30 June 2023

1 CORPORATE INFORMATION

The consolidated financial statements presented are for the reporting entity ProCare Network Limited ("the Company" or "the Parent"). The Group comprises ProCare Network Limited (the parent company and the ultimate holding company), ProCare Health (LP) Limited, Clinical Assessments Limited, ProCare Fresh Minds Limited, ProCare Health (PHO) Limited, ProCare Network Partnerships Limited, Kaipara Health Limited, Mt Smart Health (2020) Limited, Health New Lynn Limited (including Totara Clinical Research) and OneCare Health (2020) Limited (together, the subsidiaries), and the Group's interest in equity accounted joint ventures. The Company and its subsidiaries together are referred to in these financial statements as the Group.

The financial statements for the Group for the year ended 30 June 2023 were authorised for issue in accordance with a resolution of the Directors on 3 October 2023.

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

The Group is registered under the Companies Act 1993 and is a Financial Markets Conduct Act 2013 reporting entity in terms of the Financial Reporting Act 2013. ProCare Health (PHO) Limited is a Public Benefit Entity for reporting purposes. ProCare Network Limited is a Co-operative Company and complies with the Co-operative Companies Act 1996.

For the purposes of complying with generally accepted accounting practice in New Zealand ("NZ GAAP"), the Company and its subsidiaries (other than the PHO) are for-profit entities.

Principal Activities
ProCare Network Limited is a Co-operative Company that provides management services to its subsidiaries, as well as clinical and corporate services support to its GP shareholders' medical practices. It also provides the design and management of health programmes funded by non-Te Whatu Ora partners.

ProCare Health (PHO) Limited is a Registered Charity and a Primary Health Organisation that provides primary healthcare services in the Auckland and Northland regions. 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 other subsidiaries are:
ProCare Health (LP) Limited holds the Group's investment in Whakarongorau Aotearoa New Zealand Telehealth Services LP, CareHQ Limited Partnership and Fresh Minds New Zealand Limited Partnership (see the detail below), which are 50% owned equity accounted joint ventures.

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

Health New Lynn Limited, Kaipara Health Limited, Mt Smart Health (2020) Limited, and OneCare Health (2020) Limited provide primary care medical services in the wider Auckland region.

Totara Clinical Research Limited is a clinical research trial company based in the Auckland region.

ProCare Fresh Minds Limited provides services which aim to support the health and wellbeing of children, youth, young adults, and adults in the Auckland and Northland regions.

ProCare Network Partnerships Limited is a holding company.

CareHQ Limited Partnership (CHQLP) is aligned with ProCare's strategy to adopt and integrate a sustainable virtual GP service for practices to benefit patients and their businesses.

Whakarongorau Aotearoa New Zealand Telehealth Services LP ("the Partnership") is a limited partnership. The Partnership provides telephone services to General Practitioners so their patients' calls are answered after-hours, and National Telehealth Services (helplines) to the public, 24 hours a day, seven days a week. The Partnership is the provider of the first integrated national telehealth service for New Zealand. The Partnership is the National Coordination Centre Provider for the National Bowel and Cervical Screening Programmes. In conjunction with the Ministry of Health (Manatū Hauora), the Partnership is responsible for supporting participant progress through the screening pathway, central coordination, mail-house functions, call centre operations and data management.

1.1 BASIS OF PREPARATION

The consolidated financial statements comply with NZ GAAP, New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and International Financial Reporting Standards and the relevant requirements of the Financial Markets Conduct Act 2013.

The accounting policies of all subsidiaries are amended where necessary to comply with those of the Group.

Changes in Accounting Policies
The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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

Basis of Measurement
The consolidated financial statements are prepared on the historical cost basis, other than the embedded derivative which is recorded at fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 USE OF ESTIMATES AND JUDGEMENTS

The preparation of consolidated 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:

Revenue
- The Group derives revenue from various health and clinical services and projects. Estimates and judgements are made relating to a number of factors when assessing different contracts. These primarily include the programme of work throughout the contract period and assessment of future costs after considering changes in the scope of work. The details around income recognition and deferral utilising the income recognition policies can be found in notes 2.2, 3.1 and 9.

- Funds received from customers are deferred until the Group has satisfied the performance obligations. The balance is shown as deferred revenue and is classified as current if the Group expects to satisfy the performance obligations in the next financial year. The remaining balances are classified as non-current.

- Primary health organisations (PHOs) ensure the provision of essential primary health care services, mostly through general practices, to people who are enrolled with the PHO. PHOs are funded by Te Whatu Ora which focuses on the health of the population. A PHO provides primary health services either directly or through its contracted providers. The services provided aim to improve and maintain the health of the enrolled PHO population, ensuring that general practice services are connected with other health services to ensure a seamless continuum of care. As such, the Directors have judged that the Company is a principal not an agent with regard to Government funding.

2.2 SIGNIFICANT ACCOUNTING POLICIES

Leases
- Significant judgements were made to only recognise leases to the first renewal date in the lease agreements and excluded leases shorter than 12 months and low value assets (under $10,000). An exception is Health New Lynn Limited that valued the full term of the medical centre property lease including right of renewals, and Mt Smart Health (2020) Limited which included leases on some low value office equipment. The determination of the expected term and discount rates in lease calculations can be found in Note 21.

Impairment Assessments
- The goodwill arising from the acquisitions were tested for impairment at June 2023. The recoverable amount of the business was tested for impairment on a value-in-use basis using a discounted cash flow model. Management has used its past experience of sales growth, operating costs and margin, and external sources of information where appropriate, to determine their expectations for the future. Assumptions used in the discounted cashflow model to assess the value of goodwill are noted in Note 11.

- The Group's investment in CareHQ were tested for impairment at June 2023. The recoverable amount of the investment was tested for impairment on a value-in-use basis using a discounted cash flow model. Management has used its past experience of sales growth, operating costs and margin, and both internal and external sources of information where appropriate, to determine their expectations for the future.

- While Whakarongorau has a loss in 2023 due to technology improvements, based on past performance and long-term projections, it is expected to return to a profit position. Management believe that both companies will continue to achieve ongoing growth with all the initiatives and growth strategies hence this indicates there is no impairment needed. Please see Note 13 for more details.

Control

- NZ IFRS 10 Consolidated Financial Statements outlines the requirements for the preparation and presentation of consolidated financial statements, requiring entities to consolidate entities it controls. Control requires exposure or rights to variable returns and the ability to affect those returns through power over an investee. When assessing the 4-step consideration of control; understand the investee design and the relevant activities; how are decisions about relevant activities made, specifically the power, variable returns; and the link between power and returns as defined by NZ IFRS10 , management deem that the Group sufficiently control their investment in Clinical Assessments Limited (majority of share ownership and the Board and control of decision making), and therefore it is correct to consolidate this entity in their annual financial statements.

Revenue Recognition

NZ IFRS 15 Revenue from Contracts with Customers
The Group's revenue recognition policy is detailed below. Please refer to Note 3.1 for revenue details.
Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
(i) Stand Ready (Over Time)	For service agreements in which the contract obligation is to provide a “stand ready” service. These relate to the provision of general practitioner (GP) services. They are funded based on registered patient (ESU) numbers and their demographics. Payment terms are monthly or quarterly as per the contracted agreement.	Revenue is therefore recognised over time as the GP practices stands ready to provide the contracted performance obligations which are simultaneously received and consumed by the customer.
(ii) Provision of Service (Over Time)	For service agreements in which the contract obligation is to provide certain health services. The Group satisfies the performance obligations in the contracts by provision of services by GP practices, specific strategic initiatives and employment of specified staff. Payment terms are monthly or quarterly as per the contracted agreement.	Health service-related revenue is recognised over time, based on the input method of when the costs of meeting the performance obligations are incurred. As the benefits provided are simultaneously received and consumed by the customer.
(iii) Activity Basis (Point in Time)	For service agreements in which the contract obligation is to provide certain activity to specifically address certain health priorities (CVD assessments, cervical screenings for example). Payment terms are monthly or quarterly as per the contracted agreement.	Activity-related revenue is recognised at point in time when the contracted activity is delivered.
(iv) Performance Targets (Point in Time)	For service agreements in which the contract obligation is to meet certain criteria or performance targets (Health System Indicators, other clinical targets for example). Payment terms are monthly or quarterly as per the contracted agreement.	Revenue from performance targets is recognised at a point time in the accounting period(s) in which the target is met.

Principles of Consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2023 and the results of all subsidiaries for the year then ended.

Subsidiaries are entities that are controlled, either directly or indirectly, by the Company. 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.

2.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The accounting policies of subsidiaries are consistent with the policies adopted by the Group, and have been amended where necessary to comply with those of the Group.

Business Combinations
The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of profit or loss and other comprehensive income from the date on which control is obtained. Transaction costs are expensed as incurred and goodwill is stated at cost.

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.

Investments in Joint Ventures
A joint venture is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (i.e. activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in 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 joint venture 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.

The results, assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting.

Under the equity method, an investment in a joint venture is initially recognised in the statement of financial position at cost and is adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture, the Group discontinues recognising its share of further losses. Distributions received from a joint venture reduce the equity accounted investment.

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.

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

- Computer hardware: 33% straight line
- Furniture and fittings: 20% straight line
- Leasehold improvements: 12.5% – 20% straight line
- Office and other equipment: 20 – 40% 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 and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other subsequent expenditure is expensed as incurred.

Intangibles
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangibles are carried at cost less any accumulated amortisation and accumulated impairment losses.

Goodwill is not amortised but is tested for impairment annually. Intangible assets with a definite life are amortised on a straight-line basis. Goodwill is stated at cost, less any impairment losses.

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. Where a contract only gives ProCare a right to receive access to the supplier's application software, ProCare does not receive a software intangible asset, in accordance with NZ IAS 38 Intangible Assets.

Development expenditure that is directly attributable to the design and testing of identifiable and unique software products controlled by the Group 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 based on normal operating capacity 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 a prospective basis.

Financial Instruments
Non-derivative financial assets and liabilities are initially recognised in the statement of financial position at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, financial instruments are measured as described below.

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group 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.

(i) Derivative Financial Instruments

Derivatives are initially recorded at fair value and are then revalued to fair value at reporting date with the resulting gain or loss on remeasurement recognised in profit or loss. The derivative is a conversion feature on a convertible note. The fair value of this derivative financial instrument is determined by applying market discount rates to the value of the loan and scheduled payments.

Financial instrument derivatives (embedded derivative) are measured at fair value determined on a daily basis. The fair value was determined by applying a net present value model comparing the market discount rate to the interest rate payable on the ProCare Charitable Foundation Loan. Please see Note 19 for more details.

The Group holds derivative instruments until expiry except where the underlying rationale from a risk management point of view changes, in which case early termination occurs.

(ii) Non-Derivative Financial Instruments

Non-derivative financial instruments carried on the Statement of Financial Position includes cash and cash equivalents, trade and other receivables and trade and other payables.

Subsequent measurement of financial instruments that are debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The measurement category into which the Group classifies its debt instruments is amortised cost because they are held for collection of the contractual cash flows and those cash flows represent solely payments of principal and interest.

A gain or loss on a debt investment that is subsequently measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Financial assets measured at amortised cost includes cash and cash equivalents, short term deposits, trade receivables, and related party receivables. Please see Note 19 for more details.

2.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities at amortised cost includes trade payables, related party payables, borrowings, and redeemable preference shares. The interest rate on redeemable preference shares is set once every five years by the Board. The fair value of this will depend upon the relationship of the current market interest rates to the coupon rate set by the Board. Please see Note 19 for more details.

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

Trade and Other Receivables
Trade and other receivables are stated at amortised cost using the effective interest method less expected credit loss allowance. The Group applies the NZ IFRS 9 simplified approach to measuring expected credit losses for trade receivables which uses a lifetime expected loss allowance for all trade receivables and accrued income. Receivables of a short-term duration are not discounted.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset.

Cash and Cash Equivalents
Cash and cash equivalents includes cash on 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 in more than 3 months to 12 months. These are measured at amortised cost using the effective interest method, less impairment losses.

Trade and Other Payables
Trade and other payables (including intercompany payables) are subsequently 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.

Redeemable Preference Shares
Redeemable preference shares are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method.

Non-Financial Assets Impairment
The carrying amounts of the Group's non-financial assets, other than deferred tax assets and inventories, 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.

Impairment tests on goodwill are undertaken annually at the financial year end.

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 (CGU) exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss and are adjusted first against any goodwill in the CGU and then against other assets in the CGU on a pro-rata basis.

An impairment loss for goodwill is not reversed. 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.

For the purposes of considering whether there has been an impairment (CGU assets) are grouped at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. When the book value of a group of assets exceeds the recoverable amount, an impairment loss arises and is recognised in profit or loss immediately.

Assessing the carrying value of goodwill requires management to estimate future cash flows to be generated. The key assumptions used in the value in use models include the expected rate of growth of revenues and earnings, the terminal growth rate and the appropriate discount rate to apply.

Employee Benefits

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 wholly 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 and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future and goodwill.

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.

When there is uncertainty concerning the Group's filing position regarding the tax bases of assets or liabilities, the taxability of certain transactions or other tax-related assumptions, then the Group:

- Considers whether uncertain tax treatments should be considered separately, or together as a Group, based on which approach provides better predictions of the resolution;
- Determines if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

Goods and Services Taxation (GST)

The consolidated statement of profit or loss and other 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.

2.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement of Cash Flows
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, intangible assets and any addition and reduction of equity account joint ventures 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.

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
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.

Lease Accounting
All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

a) Leases of low value assets; and
b) Leases with a duration of 12 months or less.

Identifying Leases

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:
(a) There is an identified asset
(b) The Group obtains substantially all the economic benefits from use of the asset; and
(c) The Group has the right to direct use of the asset.

(i) Initial measurement

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate, however, in such cases the initial present value determination assumes that the variable element will remain unchanged throughout the lease term.

Other variable lease payments are expensed in the period in which they relate.

For leases of property, the Group has elected to apply the practical expedient to include contractual payments to the lessor for non-lease elements of the arrangement in determining the lease liability.

On initial recognition, the carrying value of the lease liability also includes:

a) Amounts expected to be payable under residual value guarantee
b) The exercise price of any purchase option grants in favour of the Group if it is reasonable certain to assess that option
c) Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increase for:

a) Lease payments made at or before commencement of the lease
b) Initial direct costs incurred
c) The amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset (typically make-good provisions on buildings).

Right of use assets are depreciated over the term of the lease ranging from 2 to 44 years.

(ii) Subsequent measurement

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term. Right-of-use assets are also subject to impairment assessment at reporting date.

(iii) Remeasurement

When the Group revises its determination of the use (or non-use) of renewal and/or termination options, the carrying amount of the lease liability is adjusted to reflect the payments to make over the revised term, which are discounted at the revised discount rate.

The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, however this is discounted at the original discount rate.

In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

(iv) Modifications to lease agreements

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

Increase in scope:

a) If the renegotiation results in one or more additional assets being leased for an amount commensurate with the stand-alone price (i.e. market rate) for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.
b) In all other cases (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the revised discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.

Decrease in scope:

a) Both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss.

The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

2.3 NEW STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

There were a number of new standards that have been adopted in the annual financial statements for the year ended 30 June 2023 but have not had a significant impact on the Group.

There are a number of standards, amendments to standards, and interpretations which have been issued by the NZASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2023:
- Disclosure of Accounting Policies (Amendments to NZ IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to NZ IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to NZ IAS 12).

The following amendments are effective for the period beginning 1 January 2024:
- NZ IFRS 16 Leases (Amendment – Liability in a Sale and Leaseback)
- NZ IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current)
- NZ IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants)

The Group is currently assessing the impact of these new accounting standards and amendments. The Group does not believe that the amendments to NZ IAS 1 will have a significant impact on the classification of its liabilities.

PROCARE NETWORK LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

3 REVENUE AND OTHER INCOME

3.1 REVENUE

		2023	2022
		$	$
Ministry of Health			
Ready Steady Quit programme	(ii)	1,423,054	1,497,018
Telehealth and Digitally Enabled Health Services	(ii)	116,054	129,147
Patient Access Subsidies	(i)	815,287	628,841
Other	(ii & iii)	164,568	48,722
Te Whatu Ora (formerly District Health Boards)			
First Level Services	(i)	179,857,762	164,809,013
Care Plus	(ii)	14,492,259	13,009,024
Services to Improve Access	(ii)	10,425,485	9,864,407
Health Promotion	(ii)	1,990,074	2,048,337
Health System Indicator	(i & iv)	3,921,926	4,053,090
Management Fees	(ii)	7,693,808	7,171,083
Programmes	(ii, ii, & iv)	29,121,589	19,711,581
Covid Testing & Vaccinations	(ii & iii)	91,986,420	284,420,222
Ministry of Social Development	(ii & iii)	1,790,621	1,785,539
Accident Compensation Corporation	(ii)	1,110,406	796,949
General Practice Co-Payments	(iii)	2,203,816	1,065,360
Health Alliance	(ii)	696,728	682,440
Other	(ii, iii, & iv)	4,409,877	2,052,529
		352,219,734	513,773,302

Covid testing and vaccinations revenue has declined significantly year-on-year with the pandemic now over and the Group expect the funding to be minimal moving forward.

In accordance with NZ IFRS 15 Revenue, the Group has reviewed the performance obligations required within its contracts and recognises revenue based on the following categories:

		2023	2022
IFRS 15 Analysis		$	$
Stand Ready (Over Time)	(i)	183,614,493	168,477,735
Provision of Service (Over Time)	(ii)	59,048,542	48,382,992
Activity Basis (Point in Time)	(iii)	106,341,537	287,674,619
Performance Targets (Point in Time)	(iv)	3,215,162	9,237,956
		352,219,734	513,773,302

The Group operates within the Auckland and Northland region.

Contract balances	**NOTE**	**2023**	**2022**
		$	$
Receivables in trade and other receivables	6	14,476,140	19,290,414
Accrued income (contract assets)	6	1,626,725	11,565,773
Deferred revenue (contract liabilities)	9	(15,449,686)	(12,899,330)

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on health services provided. The contract assets are transferred to receivables when the services are complete for the relevant invoicing period as per the contract. As at reporting date this movement on the prior year relates to decreased covid testing claims by Clinical Assessments Limited and HSI (formerly SLMF) revenue paid in September, based on performance measured against the targets.

The contract liabilities primarily relate to the Group's advance consideration for payments received as per the relevant invoicing period as per the contract but the performance obligation has not yet been satisfied. This will be recognised as revenue once the performance obligation has been met. As at reporting date this movement on the prior year primarily relates to new contract funding from Te Whatu Ora which for the majority of them is the Primary Care Equity Adjustment for selected primary care providers to more equitably allocate primary care funding to practices on the basis of their enrolled high needs populations.

No information has been provided about remaining performance obligations at 30 June 2023 or at 30 June 2022 that have an original expected duration of one year or less, as allowed by NZ IFRS 15.

4 EXPENSES

4.1 CLINICAL COSTS

	2023 $	2022 $
Expenses		
Clinical costs		
First level services to GPs	170,909,208	157,362,271
Covid testing and vaccination claims	89,974,459	282,630,884
Other clinical costs	43,171,416	36,250,239
Clinical costs	304,055,083	476,243,394
Administrative expenses — refer Note 4.2	46,359,767	36,128,022
	350,414,850	512,371,416

4.2 ADMINISTRATIVE EXPENSES

	NOTE	2023 $	2022 $
Administrative Expenses			
Fees paid to auditors — BDO			
Audit of financial statements		164,500	157,000
Taxation services		39,250	38,300
Due diligence services		19,320	77,055
Professional fees		786,962	1,082,716
IT costs		3,476,790	2,934,630
Licencing		718,722	686,065
Management Fees		1,911,271	1,479,306
Depreciation	10, 21	2,096,601	1,501,326
Amortisation	11	422,735	411,663
Directors remuneration	17	626,639	579,243
Employee remuneration		27,748,189	20,891,303
Impairment of obsolete assets	11	—	130,972
Property expenses		806,086	400,133
Staff cost (training, recruitment, temp/contract staff) [1]		4,153,976	3,103,359
Direct Covid-19 expenses [2]		453,133	505,721
Co-op Practice Support Payment		(13,849)	300,000
Other expenses		2,949,442	1,849,229
		46,359,767	36,128,022

1) Includes KiwiSaver defined contribution for the Group of $629,780 (2022: $554,070).

2) Direct Covid-19 expenses relate to the running of the Community Based Assessment Centre, non-financial support to Practices, and POAC management fees to East Health.

4 EXPENSES (CONTINUED)

4.3 FINANCE INCOME AND COSTS	NOTE	2023 $	2022 $
Interest received — financial assets at amortised cost		214,288	58,031
Investment gain on disposal	13	-	249,882
Derivative fair value loss		(23,024)	(15,706)
Interest expense on lease liabilities	21	(638,705)	(380,566)
Interest paid on tax liabilities		(7,762)	(7,900)
Interest on redeemable preference shares	15	(104,111)	(92,070)
Interest expense on ANZ loans		(218,761)	(47,436)
Interest expense on PCF loan		(161,227)	(161,227)
Interest expense — financial liabilities at amortised cost		(491,861)	(308,633)
		(984,302)	(396,992)

5 CASH AND CASH EQUIVALENTS AND SHORT TERM DEPOSITS	2023 $	2022 $
Cash at bank available on demand	7,276,221	5,041,472
Cash on hand	1,000	1,000
Cash and cash equivalents	7,277,221	5,042,472
Short term deposits with maturities >3-12 months	2,900,000	1,200,000
Total short term deposits	2,900,000	1,200,000

Bank balances and cash held by the Group is on a short term basis with an original maturity of three months or less. The carrying amounts of these assets approximate their fair value. Short term deposits are held with both ANZ and Westpac at interest rates 3.9% - 5.73%. The original investment term of these ranges from 90-92 days.

Cash on hand earned interest rates of 2.75% (2022: 0.5%)

6 TRADE AND OTHER RECEIVABLES	2023 $	2022 $
Trade receivables	14,476,140	19,290,414
Accrued income (contract assets)	1,626,725	11,565,773
Impairment allowance	(19,563)	(10,476)
Trade financial assets at amortised cost	16,083,302	30,845,711
Prepayments	487,305	519,811
	16,570,607	31,365,522
Movements in the specific impairment allowance		
Balance at start of year	(10,476)	(9,725)
Additional allowance	(9,088)	(751)
Balance at end of year	(19,564)	(10,476)

Trade receivables have a 30 day collection cycle. Any debtors that extend beyond this point are assessed for the change in the credit risk and generally they don't change due to the nature of the debtors. Aged debtors are identified for discussion by management to include in the impairment allowance.

See Note 3 for discussion on contract assets. See Note 19 for further disclosures related to credit risk.

7 TRADE AND OTHER LIABILITIES

	2023 $	2022 $
Trade creditors	1,124,751	997,713
Health service claims (contract liabilities)	8,491,863	25,909,519
Other accruals	2,327,952	2,582,021
Trade financial liabilities at amortised cost	11,944,566	29,489,253
GST payable	777,884	437,056
Other taxes (PAYE)	68,764	(184)
Accrual for holiday pay	1,204,615	1,279,907
Accrual for bonuses	280,370	238,100
Accrual for employee entitlements	923,964	627,250
	15,200,163	32,071,382

The fair value of trade financial liabilities at amortised cost and other payables approximates their carrying value. No interest is paid on payables.

8 RECEIVABLES FROM/(PAYABLES TO) EQUITY ACCOUNTED JOINT VENTURES

	2023 $	2022 $
Receivables Owed From:		
CareHQ Limited Partnership	231,587	118,086
Payables Owing To:		
Whakarongorau Aotearoa New Zealand Telehealth Services LP	(42,564)	(62,171)
CareHQ Limited Partnership	(2,838)	(22,191)
	186,185	33,724

The amounts outstanding are unsecured, interest free, repayable on demand and will be settled in cash. No guarantees have been given or received.

Refer to Note 17 Related Parties.

9 CONTRACT LIABILITIES

	2023 $	2022 $
Programme funding	15,449,686	12,899,330
	15,449,686	12,899,330
Current	12,113,582	9,462,711
Non-current	3,336,104	3,436,619
Contract liabilities	15,449,686	12,899,330

Funds received from Te Whatu Ora and other health sector funders are deferred until the Company has satisfied the performance obligations. The balance is shown as deferred revenue and is classified as term or current depends on the conditions of the contract and when the Company expects to spend the funds on meeting the underlying performance obligations. Any unspent funds from prior years are to be used for future period service delivery, or may be subject to recovery of funding by Te Whatu Ora and other health sector funders.

The current year deferred revenue has been classified as a term and current liability based on Revenue Recognition Policies (refer 4.1). Prior year figures have been restated based on this criteria.

Contract liabilities of $6,576,664 carried forward from 2022 was recognised as revenue or recovered by Te Whatu Ora in the current financial year (2022: $6,129,388). The remaining balance carried forward remains a contract liability until the performance obligation is satisified.

No funds have been received for services not currently being provided.

10 PROPERTY, PLANT, AND EQUIPMENT

	Computer Hardware	Furniture & Fittings	Leasehold Improvements	Office & Other Equipment	Total
	$	$	$	$	$
2023					
Carrying value at 1 July 2022	318,693	158,281	1,268,935	146,334	**1,892,243**
Additions	207,500	11,074	7,351	31,917	**257,842**
Reclassifications, Disposals and Transfers	(443)	(5,997)	(357)	(7,289)	**(14,086)**
Depreciation expense net of reclassifications	(229,496)	(59,118)	(347,711)	(58,193)	**(694,518)**
Carrying value at 30 June 2023	**296,254**	**104,240**	**928,218**	**112,769**	**1,441,481**
Represented by:					
Cost	961,536	323,037	3,134,434	381,130	**4,800,137**
Accumulated depreciation	(665,282)	(218,797)	(2,206,216)	(268,361)	**(3,358,656)**
	296,254	**104,240**	**928,218**	**112,769**	**1,441,481**

	Computer Hardware	Furniture & Fittings	Leasehold Improvements	Office & Other Equipment	Total
	$	$	$	$	$
2022					
Carrying value at 1 July 2021	421,436	176,002	369,601	58,032	**1,025,071**
Additions	122,328	41,312	1,029,654	123,901	**1,317,195**
Reclassifications, Disposals and Transfers	(1,258)	(13,329)	2	(9,944)	**(24,529)**
Depreciation expense net of reclassifications	(223,813)	(45,704)	(130,322)	(25,655)	**(425,494)**
Carrying value at 30 June 2022	**318,693**	**158,281**	**1,268,935**	**146,334**	**1,892,243**
Represented by:					
Cost	810,523	346,586	3,128,735	388,376	**4,674,220**
Accumulated depreciation	(491,830)	(188,305)	(1,859,800)	(242,042)	**(2,781,977)**
	318,693	**158,281**	**1,268,935**	**146,334**	**1,892,243**

	Computer Hardware	Furniture & Fittings	Leasehold Improvements	Office & Other Equipment	Total
	$	$	$	$	$
2021					
Represented by:					
Cost	920,001	236,101	660,167	94,217	**1,910,486**
Accumulated depreciation	(498,565)	(60,099)	(290,566)	(36,185)	**(885,415)**
	421,436	**176,002**	**369,601**	**58,032**	**1,025,071**

There is a general security agreement over these assets as part of the ANZ loan agreement, refer to Note 22.

11 INTANGIBLE ASSETS

2023		2023 $ Computer Software	2023 $ Goodwill	2023 $ Total
Cost				
At 1 July		1,829,290	16,333,081	**18,162,371**
Additions				
— Additions — software & internally developed		26,152	–	**26,152**
— Adjustments to prior year acquisition	24	–	102,547	**102,547**
Write off of obsolete or impaired assets	4.2	(39,272)	–	**(39,272)**
At 30 June		1,816,170	16,435,628	**18,251,798**
Accumulated Amortisation				
At 1 July		787,761	–	**787,761**
Amortisation for the year		462,007	–	**462,007**
Write off of obsolete or impaired assets	4.2	(39,272)	–	**(39,272)**
At 30 June		1,210,496	–	**1,210,496**
Carrying amount at 30 June		605,674	16,435,628	**17,041,302**

2022	2022 $ Computer Software	2022 $ Goodwill	2022 $ Total
Cost			
At 1 July	3,210,057	1,930,339	**5,140,396**
Additions			
— Additions — software & internally developed	278,888	–	**278,888**
— Acquired through business acquisitions	–	14,402,742	**14,402,742**
Write off of obsolete or impaired assets	(1,659,655)	–	**(1,659,655)**
At 30 June	1,829,290	16,333,081	**18,162,371**
Accumulated Amortisation			
At 1 July	1,904,780	–	**1,904,780**
Amortisation for the year	411,663	–	**411,663**
Write off of obsolete or impaired assets	(1,528,682)	–	**(1,528,682)**
At 30 June	787,761	–	**787,761**
Carrying amount at 30 June	1,041,529	16,333,081	**17,374,610**

Goodwill

Goodwill arose from the purchase of the general practices: Kaipara Health in December 2019, OneCare Health (including Rangitoto Medical Centre) and Mt Smart Health in February 2021 and Health New Lynn in March 2022.

	2023 $	2022 $
Kaipara Health	482,439	482,439
OneCare Health	1,406,320	1,411,320
Mt Smart Health	253,000	253,000
Health New Lynn	14,293,869	14,186,322
	16,435,628	16,333,081

Goodwill Impairment Assessment

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment, by comparing the carrying amount of each CGU to its recoverable amount.

The existing goodwill was tested for impairment at June 2023. The recoverable amount of the businesses was valued on a value-in-use basis using a discounted cash flow model.

The impairment assessment confirmed that the recoverable amount exceeds carrying values as at 30 June 2023 and hence no impairment was recognised during the financial year. For Kaipara Health, OneCare Health (including Rangitoto Medical Centre), Mt Smart Health and Health New Lynn, based on current economic

11 INTANGIBLE ASSETS (CONTINUED)

conditions and performances of these businesses, no reasonable possible change in any of the key assumptions used in the determination of the recoverable value of these CGUs would result in a material impairment to the Group. The inputs and sensitivity to these key assumptions is outlined in the table below. Based on these calculations there are no impairments.

Cash-generating units - Key Assumptions

	2023 Growth Rate	2023 Terminal Growth Rate	2023 Discount Rate
Kaipara Health	6.0%	2.5%	11.6%
OneCare Health	6.0%	2.5%	11.6%
Mt Smart Health	6.0%	2.5%	11.6%
Health New Lynn	8.0%	2.5%	11.6%

Cash-generating units - Prior Year Rates

	2022 Growth Rate	2022 Terminal Growth Rate	2022 Discount Rate
Kaipara Health	5.0%	2.5%	10.8%
OneCare Health	5.0%	2.5%	10.8%
Mt Smart Health	5.0%	2.5%	10.8%
Health New Lynn	5.0%	2.5%	10.8%

Management are required to assess if any of the value in use calculations are sensitive to a reasonably possible changes in its key assumptions on which management has based its determination of the CGU's recoverable amounts that would cause the CGU's carrying amount to exceed its recoverable value. Management have applied the below sensitivities, changing one assumption at a time to each of the discounted cash flow models, and concluded that based on current economic conditions and performances of these businesses, no reasonable possible change in any of the key assumptions used in the determination of the recoverable value of these CGUs would result in a material impairment to the Group. In the unlikely event all three key assumptions were as per the table below (6% growth rate, 2% terminal growth rate and 12.6% discount rate) and no corrective actions were taken by Directors an impairment of $1.04m is possible for Health New Lynn.

Health New Lynn's recoverable amount would equal the carrying amount if one of the assumptions were made. Growth rate decreased by 4.6% to 3.4%, terminal growth rate decreased by 1.5% to 1.0% and discount rate increased by 1.1% to 12.7%.

Cash-generating units - Sensitivity Analysis (Considered Reasonably Possible)

	Growth Rate	Terminal Growth Rate	Discount Rate
Kaipara Health	4.5%	2.0%	12.6%
Onecare Health	4.5%	2.0%	12.6%
Mt Smart Health	4.5%	2.0%	12.6%
Health New Lynn	6.0%	2.0%	12.6%

Basis of Key Assumptions

Cash flow projections
The cashflow projections used in the value in use calculations are based on management's forecasts for the year ending 30 June 2024, then applicable growth rates applied to revenue and costs from year 2 to 5. Management has used its past experience of revenue growth, operating costs and margin, and external sources of information where appropriate, to determine their expectations for the future.

Growth rates
The growth rates reflect the long-term average growth rates for the product lines and healthcare industry (publicly available). The growth rate for the healthcare segment is expected to continue to grow at above-average rates for

11 INTANGIBLE ASSETS (CONTINUED)

the foreseeable future. Investors are optimistic on the New Zealander Healthcare industry, and appear confident in long term growth rates.

Discount rate
The present value of the expected cash flows is determined by applying a suitable discount rate. The discount rate was derived based on the weighted average cost of capital (WACC) for comparable entities in the healthcare industry, based on market data. The discount rates reflect appropriate adjustments relating to market risk.

12 INVESTMENT IN SUBSIDIARIES

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

Subsidiaries

	2023	2022
Clinical Assessments Limited	67%	67%
Health New Lynn Limited	100%	100%
Kaipara Health Limited	100%	100%
Mt Smart Health (2020) Limited	100%	100%
OneCare Health (2020) Limited	100%	100%
ProCare Fresh Minds Limited	100%	100%
ProCare Health (LP) Limited	100%	100%
ProCare Health (PHO) Limited	100%	100%
ProCare Network Partnerships Limited	100%	100%
Totara Clinical Research Limited (Subsidiary of Health New Lynn)	100%	100%

Clinical Assessments Limited

Non-controlling interest as per NZ IFRS 12.

	2023 $	2022 $
Current assets	5,857,079	24,550,148
Total assets	5,857,079	24,550,148
Current liabilities	5,689,801	24,389,535
Total liabilities	5,689,801	24,389,535
Net assets	167,278	160,613
Total liabilities	167,278	160,613
Non-controlling share	**55,759**	**53,538**

	2023 $	2022 $
Revenue	103,222,188	289,772,797
Finance income	211	28
Clinical Costs	(101,730,363)	(288,328,727)
Administration Costs	(1,482,779)	(1,434,236)
Income Tax Expense	(2,592)	(2,761)
Profit	6,665	7,101
Non-controlling share	**2,221**	**2,367**

13 INVESTMENT IN EQUITY ACCOUNTED JOINT VENTURES

All entities are incorporated and domiciled in New Zealand, and have a 30 June balance date.
All Group transactions are unsecured, interest-free and repayable upon demand.

Investment in equity accounted joint ventures	2023	2022
	$	$
Whakarongorau Aotearoa New Zealand Telehealth Services LP	5,855,690	14,373,015
CareHQ Limited Partnership	244,694	91,878
Fresh Minds NZ Limited Partnership	37	37
Total	6,100,421	14,464,930

Share of (loss)/profit of equity accounted joint ventures	2023	2022
	$	$
Whakarongorau Aotearoa New Zealand Telehealth Services LP	(1,176,142)	11,874,809
CareHQ Limited Partnership	(155,080)	(363,197)
Fresh Minds NZ Limited Partnership	–	(30)
Total	(1,331,222)	11,511,582

Whakarongorau Aotearoa New Zealand Telehealth Services LP

	2023	2022
	$	$
Opening Balance	14,373,015	4,718,206
Distribution received	(7,341,183)	(2,220,000)
Share of profit of equity accounted joint ventures	(1,176,142)	11,874,809
Total	5,855,690	14,373,015

As Whakarongorau Aotearoa is a limited partnership it is not responsible for income tax. The results reported above are exclusive of income tax which is accounted for by the limited partners (ProCare Health (LP) Limited and Pegasus Health (LP) Limited).

The Group holds 50% of the capital of Whakarongorau Aotearoa. This investment has been accounted for as a Joint Venture.

Summary financial information for the equity accounted joint venture, not adjusted for the percentage ownership held by the Group for the period ending 30 June 2023:

	2023	2022
	$	$
Current assets		
Cash & cash equivalents	17,775,094	66,709,000
Other current assets	12,958,837	7,171,000
Non current assets	8,380,056	9,915,000
Total assets	39,113,987	83,795,000
Current liabilities		
Financial liabilities	8,830,565	15,142,000
Deferred revenue	7,750,930	24,690,000
Other current liabilities	5,252,139	9,040,000
Non current liabilities	4,547,802	5,219,000
Total liabilities	26,381,436	54,091,000
Net assets	12,732,551	29,704,000
Group's share of net assets	6,366,275	14,852,000

	2023	2022
	$	$
Revenue	109,013,000	304,585,000
Interest Income	381,000	83,000
Expenses		
Interest Expense	(323,000)	(326,000)
Depreciation	(1,830,000)	(1,831,000)
Other expenses	(109,530,422)	(278,761,382)
Profit	(2,289,422)	23,749,618
Group's share of profit	**(1,176,142)**	**11,874,809**

13 INVESTMENT IN EQUITY ACCOUNTED JOINT VENTURES (CONTINUED)

CareHQ Limited Partnership
CareHQ Limited Partnership is aligned with ProCare's strategy to adopt and integrate a sustainable virtual GP service for practices to benefit patients and their businesses.

CareHQ, a joint venture limited partnership between ProCare Health (LP) Limited and Southern Cross, was established in November 2020. It has also positioned itself as an 'after hours' and 'overflow' service for practices and patients and maintains an important point of difference in the market by not enrolling patients or seeking capitation. Its processes are designed to support continuity of care with the patient's regular GP and aim to be the most trusted and preferred Telehealth Provider in the market and seen as an extension of general practice.

The Partnership was established with both intellectual property and cash contributions by both partners.

Investment in CareHQ Limited Partnership	**2023 $**	**2022 $**
Investment in Limited Partnership	244,694	91,878
	244,694	91,878
Opening Balance	91,877	175,440
Additional Capital introduced during the year	308,171	279,830
Share of loss of equity accounted joint ventures	(155,080)	(363,197)
RWT Credit Transferred (Current Year)	(274)	(196)
	244,694	**91,877**

The Group holds 50% of the capital of CareHQ. This investment has been accounted for as a Joint Venture.

Summary financial information for the equity accounted joint venture, not adjusted for the percentage ownership held by the Group for the period ending 30 June 2023:

	2023 $	**2022 $**
Current assets		
Cash & cash equivalents	427,734	32,612
Related parties	2,838	22,191
Other current assets	207,681	151,826
Non current assets		
Intellectual property asset	155,800	155,800
Property, plant and equipment	8,208	10,607
Total assets	802,261	373,036
Current liabilities		
Related parties	231,587	118,086
Other current liabilities	77,308	70,898
Total liabilities	308,895	188,984
Net assets	493,366	184,052
Group's share of net assets	246,683	92,026
Advances (RWT credits) to Limited Partnership	(196)	(101)
Total investment and advances	246,487	91,925

	2023	2022
	$	$
Revenue	1,670,859	665,470
Interest Income	1,843	870
Expenses		
Other Expenses	(1,982,863)	(1,392,734)
Loss	(310,161)	(726,394)
Group's share of loss	**(155,080)**	**(363,197)**

14 TAXATION

14.1 INCOME TAX

	2023	2022
	$	$
Income tax		
Income tax represented by:	(285,278)	3,305,814
Current tax	(12,811)	3,556,173
Deferred tax asset	(272,467)	(250,359)
	(285,278)	3,305,814
Net (loss)/profit before taxation	(510,640)	12,516,476
Prima facie income tax at 28%	(142,979)	3,504,613
Non-assessable income	(204,292)	(244,051)
Non-deductible expenses	66,063	47,920
Adjustments including prior year	(4,070)	(2,668)
Income tax (credit)/expense	(285,278)	3,305,814

14.2 DEFERRED TAX ASSET/(LIABILITY)

	2023	2022
	$	$
Balance at beginning of year	869,849	616,822
Prior year tax adjustment	(68,941)	2,668
Current year temporary differences	341,408	250,359
Balance at end of year	1,142,316	869,849

	2023	2022
Balance at year end attributable to:	$	$
Employee entitlements	725,519	780,974
Trade receivables	25,878	73,616
Provisions/Accruals	75,091	–
Property, Plant & Equipment (incl Right of Use asset)	395,325	392,951
NZ IFRS15 Revenue	(323,190)	(377,692)
Benefit of tax losses carried forward	243,693	–
	1,142,316	869,849

Recognition of the benefit of tax losses carried forward and other temporary differences
The Group has recognised the benefit of tax losses carried forward of $244,000 as the Group expects to make future taxable profits against which the losses and other temporary differences can be utilised.

14.3 IMPUTATION CREDIT ACCOUNT (ICA)

The Company is part of a consolidated imputation credit tax group and accordingly imputation credits are only presented at a Group level.
Movements for the year were:

	2023	2022
	$	$
Opening balance	3,161,298	1,041,823
Add:		
Income tax paid	2,656,461	2,155,873
Resident Withholding Tax paid	8,997	1,717
Less:		
Refund received	(597)	–
Credit attached to dividends (paid)	(36,805)	(38,115)
Closing balance (at year end)	5,789,384	3,161,298

The closing credits represent the maximum amount of tax credits available to be attached to future dividends payable by the Group and are subject to shareholder continuity rules.

15 REDEEMABLE PREFERENCE SHARES (RPS)

The 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 last review set the coupon rate at 8.34% per annum non-cumulative, effective from 1 July 2022 (previously 7.09% 1 July 2017).

The holders of non-voting taxable RPS have the right to the 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 for cash at the discretion of the Board.

Redeemable Preference Shares	**Number of shares**	**$**
Opening balance as at 1 July 2022	3,720	1,860,000
Shares repurchased	(180)	(90,000)
Closing balance as at 30 June 2023	3,540	1,770,000

	Number of shares	**$**
Opening balance as at 1 July 2021	3,900	1,950,000
Shares repurchased	(180)	(90,000)
Closing balance as at 30 June 2022	3,720	1,860,000

	2023	2022
	$	$
Current	144,000	144,000
Non-current	1,626,000	1,716,000
	1,770,000	1,860,000

The liability represents the net present value of the shares payable over the expected term until redemption, which has been estimated at 10 years. See Note 4.3 for current year interest accrued.

16 SHARE CAPITAL

	2023 $	2022 $
Paid in capital		
540 (2022: 523) Ordinary A shares	331,981	319,231
Treasury Shares	(7,250)	(7,250)
	324,731	311,981

Movement in Ordinary A shares	**Number of shares**	**$**
Opening balances as at 1 July 2022	523	319,231
Share repurchased	(17)	(12,750)
Issue of shares	34	25,500
Closing balance as at 30 June 2023	540	331,981
Treasury shares repurchased via acquisition	(10)	(7,250)
Opening balance as at 1 July 2021	517	314,731
Share repurchased	(14)	(10,500)
Issue of shares	20	15,000
Closing balance as at 30 June 2022	523	319,231
Treasury shares repurchased via acquisition	(10)	(7,250)

All shares on issue are fully paid. All ordinary shares rank equally. Each fully paid ordinary A share has one vote. Each ordinary share has identical dividend rights. During the year there were 17 buy back shares that have been acquired by the Company at $750 and cancelled (2022: 14 at $750). Health New Lynn was acquired in March 2022 and holds 10 shares in ProCare Network Limited. These shares have not been cancelled and have been recorded as Treasury Shares in accordance with The Companies Act 1993 67A.

17 RELATED PARTIES

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

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

17.1 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

	2023 $	2022 $
Transactions with Key Management Personnel		
Short-term employment benefits	2,883,476	2,400,552
Directors' fees	626,639	579,243

17.2 TRANSACTIONS BETWEEN RELATED ENTITIES

	2023 $	2022 $
EQUITY ACCOUNTED JOINT VENTURES		
Whakarongorau Aotearoa New Zealand Telehealth Services LP		
Revenue (including lease income and locums) paid to ProCare Network Ltd	(16,667)	(50,000)
Costs paid by the Group	466,084	474,474
Distribution to ProCare Health (LP) Ltd	(7,341,183)	(2,220,000)
CareHQ LP		
Capital introduced by ProCare Health (LP) Ltd	308,171	279,830
Management fee paid to ProCare Network Ltd	(59,416)	(59,416)
Cost recoveries (including locum payments) paid to ProCare Network Ltd	(1,428,275)	(822,303)
Costs paid by the Group	50,459	54,649
Withholding Tax Credit transferred to ProCare Health (LP) Ltd	(274)	(196)

17.2 TRANSACTIONS BETWEEN RELATED ENTITIES (CONTINUED)

All Group receivables and payables are unsecured, interest-free and repayable upon demand.

At reporting date, receivables from equity accounted joint ventures equate to $231,587 (2022: $118,086) and payables of $45,402 (2022: $84,362).

Other entities	**2023**	**2022**
East Health Services Limited	**$**	**$**
Common Director in Clinical Assessments Ltd		
Income paid to Group practices	(1,204,600)	(1,076,503)
Management Fee paid to ProCare Network Ltd	(49,391)	(28,000)
Clinical costs and management fees paid by the Group	112,544,798	282,285,323
ProCare Charitable Foundation		
Trustees are Directors in ProCare Network Limited		
Interest expense paid by the Group	161,227	161,227
Loan to ProCare Network Partnerships Limited	(2,274,000)	(2,274,000)

On 30 June 2019, the 4,548 Ordinary B shares held by ProCare Charitable Foundation were bought back by ProCare Network Limited for $2,274,000. Refer Note 19.

ProCare Charitable Foundation agreed to the assignment of this debt to the Group's wholly owned subsidiary ProCare Network Partnerships Limited ("PNPL"). The debt is repayable in whole or in part at any time, at the discretion of PNPL and must be repaid 60 months from date of assignment. The current loan agreement matures in June 2024.

At its discretion, PNPL can repay the loan in part or in full, along with any accrued interest, at any time during the period of the loan. PNPL can also elect to settle the outstanding principal amount of the debt in whole or in part to ordinary shares in PNPL at a conversion rate based on the current and future profitability of PNPL at a set multiple.

The Group has elected to recognise the conversion feature embedded derivative separately. Refer to Note 19. It is not an equity instrument as the conversion rate is not fixed and is accounted for at fair value through the Profit or Loss. It is fair valued annually and is a derivative asset at reporting date as the costs of paying the loan and related interest is higher than the payments on a loan at current market rates.

The debt component is accounted for at amortised cost. The debt is unsecured and attracts interest at a rate of 7.09% per annum (2022: 7.09%).

17.3 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, as well as Practice Support Payments from ProCare Network Ltd. Some of these GPs are Directors in the Company and its subsidiaries.

In the case of payments for first level services, the payments are based on registers of enrolled patients submitted by the doctors to the Te Whatu Ora. 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 or 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 GP's practices regardless of whether the GP is a Director or not.

Comparatives have been restated to include the full payments made to practices (not just those they received as a GP), and all practices where they have significant influence either as a shareholder or a manager.

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

17.3 OTHER TRANSACTIONS WITH DIRECTORS (CONTINUED)

Transactions between the Group and Directors in their capacity as shareholders in ProCare Network Limited	**2023 $**	**2022 $**
First level services	13,356,593	5,686,938
Programme claims	1,723,019	1,998,873
Health System Indicator (formerly SLMF)*	230,416	309,284
Practice Support Payment *	28,165	–
Interest on redeemable preference shares	1,702	1,702
Income earned	(59,587)	–
Medical Services and Other	295,902	12,302
	15,576,210	8,009,099

* the payments for performance management are made to the Directors' Practices, instead of each individual GP

Balances arising from transactions with Directors in their capacity as shareholders in ProCare Network Limited	**2023 $**	**2022 $**
Payables	120,617	29,226

18 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no contingent liabilities or other capital expenditure not provided for at reporting date (2022: $Nil).

19 FINANCIAL INSTRUMENTS

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

	NOTE	**2023 $**	**2022 $**
Financial assets at Amortised Cost			
Cash and cash equivalents	5	7,277,221	5,042,472
Investments – short term deposits	5	2,900,000	1,200,000
Trade and other receivables	6	16,083,302	30,845,711
Receivables from equity accounted joint ventures	8	231,587	118,086
		26,492,110	37,206,269
Financial Assets at Fair Value			
Derivative asset		11,423	34,447
		11,423	34,447
Financial Liabilities at Amortised Cost			
Trade and other liabilities	7	11,944,566	29,489,253
Lease liability	21	13,095,273	12,156,270
Payables to equity accounted joint ventures	8	45,402	84,362
Redeemable preference shares	15	1,770,000	1,860,000
ProCare Charitable Foundation loan	17.2	2,274,000	2,274,000
ANZ Bank Loans	22	1,557,070	4,046,141
		30,686,311	49,910,026

19 FINANCIAL INSTRUMENTS (CONTINUED)

Derivative asset is the fair value of the embedded derivative recorded in ProCare Network Partnerships and relates to the value of the option to convert the ProCare Charitable Foundation loan to shares. Refer to Note 17.2.

The ProCare Charitable Foundation loan was accounted for at amortised cost and therefore the embedded derivative “the conversion feature embedded in the loan” was carried at fair value under NZ IFRS 13 assessed at $11,423 ($34,447 at 30 June 2022). See section on Fair Values later in this note.

The ProCare Charitable Foundation loan repayment date is 60 months from 28 June 2019 or earlier at the borrower’s option. Interest is at 7.09% and payable at the discretion of the Group at an earlier date.

The ANZ loan repayment date is 24 months from 15 April 2022 or earlier at the borrower's option. Interest is at 7.34% and 8.50% and payable at the discretion of the Group at an earlier date.

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:

	2023	2022
	$	$
Bank — Cash and cash equivalents	7,277,221	5,042,472
Investments — short term deposits with maturities > 3-12 months	2,900,000	1,200,000
	10,177,221	6,242,472

The average interest rate earned on cash deposits and short term deposits was 2.61% (2022: 0.55%).

The Group is not exposed to floating interest rates on its debt; lease liabilities, Redeemable Preference Shares and ProCare Charitable Foundation loan, other than the flexible facility with ANZ, see Note 22. At 30 June the rate was 6.7% fixed until 12 November 2023.

It is estimated a 100 basis point decrease in interest rates would result in a decrease in the Group’s interest earned in a year by approximately $2,143 on the Group’s investment portfolio exposed to floating rates at reporting date (2022: 100 basis point decrease of $62,425).

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 shift of between 1%-2% in market interest rates. The impact on the profit or loss of a 1% (100 basis points) movement is presented above.

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 the Group 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.

19 FINANCIAL INSTRUMENTS (CONTINUED)

Maximum exposures to credit risk at reporting date are:

	NOTE	2023 $	2022 $
Trade receivables	6	16,083,302	30,845,711
Receivables from equity accounted joint ventures	8	231,587	118,086
		26,492,110	37,206,269

The ageing of trade receivables at reporting date that were not impaired was as follows:

	2023 $	2022 $
Neither past due nor impaired	12,787,842	30,373,861
1-90 days past due	1,728,101	304,615
Over 90 days past due	1,547,796	128,890
	16,063,739	30,807,366
Allowance for impairment	19,563	10,476
	16,083,302	30,817,842
Trade receivables not past due and not impaired	12,787,842	30,373,861
Trade receivables past due but not impaired	3,275,897	433,505
Trade receivables impaired individually	19,563	10,476
	16,083,302	30,817,842

Refer to Note 6 for the reconciliation of the movement in the impairment allowance. The allowance for impairment is deemed sufficient despite the high value of trade receivables over 90 days as there is confidence these amounts are collectible due to correspondence with the relevant debtors (primarily New Zealand Government departments) and receipts post-reporting date.

Loss allowances for trade receivables are always measured at an amount equal to lifetime Expected Credit Losses (ECLs). When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. Delays in settlement do not necessarily result in increased credit risk, because of the nature of the debtors.

Concentrations of Credit Risk

Cash and short term deposits are held with two separate trading banks which both have acceptable credit ratings. Acceptable credit ratings are defined as Standard & Poor's "Strong" or above as per the Reserve Bank of New Zealand.

The New Zealand Government departments and Te Whatu Ora are regarded as a single customer. They comprise 98% (2022: 96%) of revenue 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. It does have a flexible credit facility —see Note 22.

19 FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity Risk

All contractual financial liabilities stated in Note 7 are due to mature in less than six months time. Redeemable Preference Shares liability only arises when a shareholder leaves the Group, at the discretion of the Board.

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.

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	On demand >6 months	6 months – 1 year	More than 1 year
As at 30 June 2023						
Trade and other liabilities	7	11,944,566	11,944,566	11,944,566	–	–
Redeemable Preference Shares [1]	15	1,770,000	1,874,111	1,874,111	–	–
ProCare Charitable Foundation Loan	17	2,274,000	2,435,227	–	2,435,227	–
ANZ Bank Loans	22	1,557,070	1,885,393	353,617	1,531,776	–
		17,545,636	18,139,297	14,172,294	3,967,003	–
As at 30 June 2022						
Trade and other liabilities	7	29,489,253	29,489,253	29,489,253	–	–
Redeemable Preference Shares [1]	15	1,860,000	1,952,070	1,952,070	–	–
ProCare Charitable Foundation Loan	17	2,274,000	2,596,453	–	–	2,596,453
ANZ Bank Loans	22	4,046,141	3,418,298	353,617	353,617	2,711,064
		37,669,394	37,456,074	31,794,940	353,617	5,307,517

[1] The Group is committed to pay $106,200 per annum (2022: $94,949) until such time as the shares are redeemed. The liability for the face value of the shares only arises when a shareholder leaves the Group, at the discretion of the Board.

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

19 FINANCIAL INSTRUMENTS (CONTINUED)

Fair Values

The following financial assets and liabilities being cash, investments – short term deposits and trade balances are of a short term nature, accordingly the carrying amount is a reasonable approximation of their fair values. The interest rate on Redeemable Preference Shares is set once every five years by the Board (next review 30 June 2027). The fair value of this financial instrument will depend upon the relationship of the current market interest rates to the coupon rate set by the Board (refer to Note 15).

As market interest rates are higher than when the coupon rate was fixed, the fair value of the loans would be higher than the current book value (ProCare Charitable Foundation loan $2,435,227).

The fair value of the derivative financial instrument (derivative conversion feature) was determined by applying a net present value model comparing the market discount rate to the interest rate payable on the ProCare Charitable Foundation Loan. The ANZ loans were fixed within three months of balance date, management deem the book value to be a fair approximation of the market value of the liabilities, though there is a interest rate risk with the volatility in the market.

(i) Fair Value Measurement

The Group embedded derivative is measured and recognised at fair value (refer above).
The derivatives is a Level 3 valuation based on an accepted valuation methodology.

Interest rate derivatives are calculated by discounting the future principal and interest cash flows at current market interest rates that are available for similar financial instruments.

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 Inputs that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) other than quoted prices included within Level 1
- Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(ii) Fair Value Disclosures

The fair values of borrowings used for disclosure are measured under Level 3, by discounting future principal and interest cash flows at the current market interest rate plus an estimated credit margin that is available for similar financial instruments with a similar credit profile to the Group.

The interest rate used to discount future principal and interest cash flows was 7.17% (ProCare's rate of borrowing), for both accounting and disclosure purposes.

Capital Risk Management

The Group's capital management objectives are to safeguard the Group's ability to continue as a going concern and to deliver its services to its members and the public. The Group has various debt facilities. Some key measures are maintaining a bank debt to EBITDA ratio of 3:1 or lower as well as a EBITDA to interest cost ratio of 2:1 or higher. The current bank debt to EBITDA ratio is 0.2:1 (2022: 0.8:1) and EBITDA to interest cost ratio is 8.3:1 (2022: 5.16:1).

Working Capital Deficit

Current liabilities exceed current assets at balance date. The Directors assessment is that this will be resolved with careful management and monitoring of key lending covenants and recognition of Deferred Income as performance obligations are met. It is intended that the Group will not be materially outside the target leverage ratio ranges on a long-term basis. The Group has produced a cashflow forecast that confirms the Group can meet its obligations going forward and will continue to forecast and monitor its cashflow position.
The borrowings are recorded as current as they expire in May 2024. The Group has contacted the lenders and are in the process of extending these facilities. Additionally, there is a $6.5m flexible facility available (currently available at least until May 2024 if needed).

Bank Guarantee

In June 2011 ProCare Network Limited signed a lease with Manukau City Centre Limited for premises in Westfield Manukau mall for seven years. The condition of the lease is an ANZ bank guarantee in favour of Manukau City Centre Limited of $39,015.

In February 2021 ProCare Network Limited signed a lease with P.F.I Property No 1 Limited to lease part of Level 1, Building 1 at 12-16 Nicholls Lane for six years. The condition of the lease is an ANZ bank guarantee in favour of P.F.I Property No 1 Limited of $214,348.

Bank Security Agreement

The Group 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 $1,218,750.

19 FINANCIAL INSTRUMENTS (CONTINUED)

Changes in Liabilities Arising From Financing Activities

The Group's principal liabilities arising from financing activities are its Redeemable Preference Shares see Note 15 and the loan from the ProCare Charitable Foundation which arose from the buyback in June 2019 of the Ordinary B shares owned by them, see Note 17.2. Lease liabilities see Note 21 and cashflows are reconciled in Note 20.2.

During the prior period (year ended 30 June 2022), the Group entered a loan agreement with ANZ to enable acquisitions. The agreement includes secured loans of $1,557,070 and a $6,500,000 flexible credit facility with ANZ Bank New Zealand Limited. See details in Note 22.

Other Risk

On 1 July 2022, New Zealand moved to a new national health system, under Te Whatu Ora, to create a more equitable, accessible, cohesive and people-centred system that will improve the health and wellbeing of all New Zealanders. It is proposed that the Primary Health Organisations (PHO) will be replaced or evolve into local networks alongside Iwi-Maori Partnership Boards, responsible for how community and primary health care is delivered. These reforms will be implemented over three years. Many of the services provided by PHOs such as coordinating multi-disciplinary teams and supporting clinical improvement will be all the more important in the future health system. Te Whatu Ora will be responsible for determining how best to deliver these services in each locality, including whether there is a role for an organisation to coordinate locality networks.

The ProCare Board and Management meet regularly as part of their strategic plan to work on how ProCare can be organised in locality networks in order to continue our support and provide primary care and community services in New Zealand. At this stage, the Company does not consider this as a significant risk in the short term as the Company should have sufficient time and resources to implement any changes and strategies as required. However, there is always a risk whether the Company will be part of the locality networks, that this will be determined by the commissioning function of Te Whatu Ora in consultation with localities.

A significant amount of funding comes from the New Zealand Government departments and Te Whatu Ora. 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 Te Whatu Ora. 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.

20 SUPPORTING STATEMENT OF CASHFLOWS

20.1 NET CASHFLOW FROM OPERATING ACTIVITIES

	2023	2022
	$	$
Profit for the year	(225,362)	9,210,662
Non-Cash Items		
Depreciation and amortisation	2,558,608	1,912,989
Bad debt and impairment allowances	9,087	750
Deferred income tax	286,319	(250,360)
Share of (losses)/profit of equity accounted joint ventures	1,331,222	(11,511,582)
Derivative fair value loss/(gain)	23,024	15,706
Right of use asset & liability	672,791	303,200
	4,881,051	(9,529,297)
Movements in Working Capital		
Decrease/(increase) in Prepayments	32,506	(75,764)
Decrease in Inventory	5,334	3,827
Decrease/(increase) in Trade/Other Receivables	14,525,447	(18,731,611)
(Increase)/decrease in Related Parties Receivables/Payables	(152,460)	152,127
(Decrease)/increase in Taxation Payable	(2,799,365)	1,451,631
(Decrease(/increase in Trade Payments	(17,212,040)	20,942,765
Increase/(decrease) in Deferred Revenue	2,578,225	(336,747)
Increase/(decrease) in GST	340,829	(74,013)
Increase in Lease Liability	40,574	337,111
	(2,640,950)	3,669,326
Net cash from operating activities	2,014,739	3,350,691

20.2 NET CASHFLOW FROM FINANCING ACTIVITIES

	Redeemable Preference Shares	ProCare Charitable Foundation Loan	Lease Liability	ANZ Bank Loans	Total
	Notes 4.3, 15	Notes 4.3, 17	Notes 4.3, 21	Notes 4.3, 22	
Financing Liabilities	$	$	$	$	$
Balance at 1 July 2022	1,860,000	2,274,000	12,156,270	4,046,141	**20,336,411**
Cash Flows	(182,070)	(161,227)	(1,775,139)	(2,489,071)	**(4,607,507)**
Non-cash flows					
Interest in the period	–	161,227	683,705	–	**844,932**
Net interest accrued not paid	92,070	80,613	–	10,395	**183,078**
Lease additions	–	–	515,381	–	**515,381**
Lease modifications	–	–	1,515,056	–	**1,515,056**
Balance at 30 June 2023	1,770,000	2,354,613	13,095,273	1,567,465	**18,787,351**

	Redeemable Preference Shares	ProCare Charitable Foundation Loan	Lease Liability	ANZ Bank Loans	Total
	Notes 4.3, 15	Notes 4.3, 17	Notes 4.3, 21	Notes 4.3, 22	
Financing Liabilities	$	$	$	$	$
Balance at 1 July 2021	1,950,000	2,274,000	4,539,715	–	**8,763,715**
Cash Flows	(185,584)	–	(1,303,215)	4,046,141	**2,557,342**
Non-cash flows					
Interest accruing in the period	92,070	161,227	380,566	–	**633,863**
Net interest accrued not paid	3,514	(161,227)	–	–	**(157,713)**
Lease additions	–	–	7,991,849	–	**7,991,849**
Lease modifications	–	–	547,355	–	**547,355**
Balance at 30 June 2022	1,860,000	2,274,000	12,156,270	4,046,141	**20,336,411**

21 LEASES

		Properties $	Vehicles & Other Equipment $	Total $
Right-of-Use Asset				
Balance at 1 July 2022		11,947,191	12,485	11,959,676
Additions		515,381	–	515,381
Depreciation	4.2	(1,346,661)	(55,422)	(1,402,083)
Lease modifications		1,392,216	133,754	1,525,970
Balance at 30 June 2023		**12,508,127**	**90,817**	**12,598,944**
Lease Liability				
Balance at 1 July 2022		12,143,367	12,903	12,156,270
Additions		515,381	–	515,381
Interest	4.3	677,122	6,583	683,705
Lease payments		(1,713,700)	(61,439)	(1,775,139)
Lease modifications		1,376,557	138,499	1,515,056
Balance at 30 June 2023		**12,998,727**	**96,546**	**13,095,273**
Current				1,127,716
Non-current				11,967,557
Total Liabilities				**13,095,273**

		Properties $	Vehicles & Other Equipment $	Total $
Right-of-Use Asset				
Balance at 1 July 2021		4,418,938	–	4,418,938
Additions		7,978,660	13,188	7,991,848
Depreciation	4.2	(1,062,400)	(13,432)	(1,075,832)
Lease modifications		611,993	12,729	624,722
Balance at 30 June 2022		**11,947,191**	**12,485**	**11,959,676**
Lease Liability				
Balance at 1 July 2021		4,539,716	–	4,539,716
Additions		7,978,660	13,188	7,991,848
Interest	4.3	379,413	1,153	380,566
Lease payments		(1,288,884)	(14,331)	(1,303,215)
Lease modifications		534,462	12,893	547,355
Balance at 30 June 2022		**12,143,367**	**12,903**	**12,156,270**
Current				1,087,142
Non-current				11,069,128
Total Liabilities				**12,156,270**

The Group leases various offices at different locations. These range from terms of 2 to 22 years, with some contracts containing further extension options. Contracts may contain both lease and non-lease components, in which case the consideration in the contract is allocated to each component based on their relative stand-alone prices.

Payments associated with short-term leases, with a lease term of 12 months or less, and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

During the year ended 30 June 2023 $683,705 (2022: $380,566) of interest expense relating to lease liabilities was recognised and total cash outflow for leases was $1,775,139 (2022: $1,303,215).

Significant judgements were to only value leases to the first renewal date in the lease agreements and excluded leases under 12 months and on low value assets (under $10,000 NZD). An exception is Health New Lynn Limited that valued the full term of the medical centre property lease including right of renewals, and Mt Smart Health (2020) Limited which included leases on some low value office equipment.

22 LOANS

	2023	2022
ANZ Bank Loans	**$**	**$**
Flexible Credit Facility	–	1,200,000
Current	1,557,070	528,827
Non-current	–	2,317,314
Total ANZ Bank Loans	**1,557,070**	**4,046,141**

At 30 June 2023, the Group had secured loans of $1,557,070 (2022: $4,046,141) and a $6,500,000 flexible credit facility with ANZ Bank New Zealand Limited. The terms of the loans and credit facility will end in May 2024. At balance date the facility has not been drawn down.

At 30 June 2023, the Group was in compliance with the applicable covenants. There is a general security agreement with these ANZ bank loans held over the subsidiaries Health New Lynn Limited, ProCare Fresh Minds Limited, ProCare Network Partnerships Limited, ProCare Network Limited and ProCare Health (LP) Limited.

23 DIVIDENDS

On 3 October 2023 the Board resolved no dividend was payable during that financial year (2022: $Nil).

24 BUSINESS COMBINATIONS COMPLETED IN PRIOR PERIOD

The Group acquired the business of Rangitoto Medical Centre on 31 January 2022 and the shares in Health New Lynn (including its wholly owned subsidiary Totara Clinical Research) on 31 March 2022 and started trading from that date.

Both Rangitoto Medical Centre and Health New Lynn were acquired for inclusion in the Elevate ownership programme. The programme is focused on facilitating ongoing independent general practice ownership by clinicians. Under the programme, the ProCare co-operative acquires practices and then offers shareholdings to clinicians and other key staff over time.

A fair value assessment of the Health New Lynn (including Totara Clinical Research) and Rangitoto assets and liabilities has been undertaken and the identifiable assets and liabilities are shown at fair value.

The table below summaries the major classes of consideration transferred, and the recognised amounts of asset required, and liabilities assumed at the acquisition date. All amounts are in NZD'000.

		Health New Lynn incl Totara Clinical	Rangitoto	Total
Fair value of net assets acquired		**$**	**$**	**$**
Debtors and other receivables		1,896,726	1,500	1,898,226
Property, plant and equipment		83,383	3,156	86,539
Creditors and accruals		(563,262)	(26,420)	(589,682)
Income tax		(103,169)	–	(103,169)
Total net assets		**1,313,678**	**(21,764)**	**1,291,194**
Fair value of consideration paid		**$**	**$**	**$**
Cash paid (NZD), net of cash acquired		15,500,000	194,656	15,694,656
Cash deferred consideration settlement/(repayment)		27,747	(5,000)	22,747
Total consideration		**15,527,747**	**189,656**	**15,717,403**
Asset Deferred consideration		**$**	**$**	**$**
Goodwill		79,800	–	79,800
	11	**14,293,869**	**211,420**	**14,505,289**

25 SUBSEQUENT EVENTS

There are no subsequent events to reporting date that would affect the financial statements.

PROCARE GROUP

INDEPENDENT AUDITOR'S REPORT

BDO Auckland

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF PROCARE NETWORK LIMITED AND SUBSIDARIES

Opinion

We have audited the consolidated financial statements of Procare Network Limited ("the Company") and its subsidiaries (together, "the Group"), which comprise the consolidated statement of financial position as at 30 June 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our firm carries out other assignments for the Group in the areas of taxation compliance and corporate finance services. The firm has no other relationship with, or interests in, the Company or any of its subsidiaries.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PROCARE GROUP

INDEPENDENT AUDITOR'S REPORT

BDO Auckland

Revenue Recognition

Key Audit Matter	How The Matter Was Addressed in Our Audit
The Group reported revenue with contracts with customers of $352m, detailed disclosed in note 3.1. The judgements and estimates that significantly impact the accuracy of revenue recognition include: • Identifying the separate performance obligations; • Assessing whether the performance obligation are satisfied at a point in time or overtime; • Assessing when to recognise revenue; and • Whether the Group is acting as the principal or agent in the transactions. We focussed on revenue recognition as a key audit matter due to the significance of the balance on the profit or loss for the year and the judgements and estimates involved in revenue recognition. The Group's accounting policy in relation to revenue recognition is included in accounting policy note 2.2, significant estimates and judgements related to contract revenue is included in note 2.1, and revenue is disclosed in note 3.1 of the consolidated financial statements.	• We assessed the compliance of the Group's revenue recognition policies with applicable accounting standards. • We evaluated the systems, processes, and controls in place for recording revenue. • We verified a sample of revenue transactions to supporting contracts and associated receipts. • We performed cut off testing focused on satisfaction of performance obligations to ensure revenue is recognised or deferred into the correct period. • We considered management's assessment of whether they are the principal or agent in the transactions. • We assessed the Group's basis for the identification of performance obligations and compared these, on a sample basis, to the underlying contractual agreements. • We reviewed disclosures in the consolidated financial statements to the requirements of the accounting standard.

PROCARE GROUP

INDEPENDENT AUDITOR'S REPORT

BDO Auckland

Goodwill Impairment Assessment	
Key Audit Matter	**How The Matter Was Addressed in Our Audit**
The Group has recognised goodwill on historical acquisitions. The total goodwill balance of $16.43m at 30 June 2023 is subject to an annual impairment test in accordance with NZ IAS 36 *Impairment of* Assets. No impairment has been recorded as a result of the test. Management performed their impairment test by considering the recoverable amount of the Group's Cash Generating Units (CGU), GP Practices, using a value in use calculation. This calculation is complex and subject to key inputs and assumptions, such as discount rates, terminal growth rates and future cash flows, which inherently include a degree of estimation uncertainty and are prone to potential bias or inconsistent application. Refer to note 11 of the consolidated financial statements.	• We obtained an understanding of key controls relating to the review and approval of the impairment review. • We obtained Management's value in use calculations prepared for each of the cash generating units and evaluated the key inputs and assumptions for material CGUs. The key inputs included revenue, operating margin, costs, forecast period growth rates, terminal growth rates, and discount rates. • We agreed the forecasts to approved budgets. • We assessed the accuracy of previous forecasts to actual performance in order to form a view on the reliability of management's forecasting ability and to understand key differences between historical actual versus forecast performance. • We reviewed managements sensitivity analysis in relation to the growth rate, terminal value and discount rates to consider the potential impact of changes in these assumptions. • We engaged our internal valuation experts to review the HNLL value in use calculation. They assessed if the methodology used is consistent with NZ IAS 36 *Impairment of Assets*, the model was accurate, and an appropriate discount rate was used. • We tested the mathematical accuracy of the value in use calculations. • We have compared the carrying value of the CGUs' assets to the recoverable amount determined by the impairment test to identify any impairment losses. • We reviewed disclosures in the consolidated financial statements to the requirements of the accounting standard.

BDO Auckland

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report and Directors' Interests (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Annual Report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors.

Directors' Responsibilities for the Consolidated Financial Statements

The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at: https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/. This description forms part of our auditor's report.

Who we Report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Blair Stanley.

BDO Auckland

BDO Auckland
Auckland, New Zealand
6 October 2023

PROCARE NETWORK LIMITED AND SUBSIDIARIES

DIRECTORS' INTERESTS

As at 30 June 2023

The following are general disclosures of interest given by Directors of the Parent pursuant to section 140(2) of the Companies Act 1993 as at 30 June 2023.

A J Lawrence	
Finesse Holdings Ltd	Chairman
The Building Research Association of NZ Inc. (BRANZ)	Director
AJ Lawrence Ltd	Managing Director
Miro Partners Ltd	Managing Director
Enviroplaz International Ltd	Director – HK Registered
Lawrence Corporate Trustee Ltd	Director
Aquatherm NZ Ltd	Director
Dr C L King	
NLHCC Ltd	Director/Chair
Westcare Medical Limited	Shareholder
GPNZ	Director
Dr F Lentini	
Mairangi Medical Centre	Director
Elevate Practice Advisory Committee	Associate Clinical Director
Medical Council	Educational Supervisor
Whakarongorau Aotearoa New Zealand Telehealth Services LP	Director
Dr H E Aish	
Otara Family & Christian Health Centre	Director/Shareholder
MAS	Director
Dr T Funaki	
ProCare Health (PHO) Limited	Director
ProPa (ProCare Pacific Advisory)	Member
The Fono Trust	CEO
MSD Pacific Steering Group	Chair
Waitematā Police District Pacific Advisory Board	Member
Oceania Career Academy	Chair
NZ Police Commissioner National Pacific Board	Member
Family Action	Trustee
Foundation North	Trustee
Pacific Advisory WAVES	Trustee
Moana Pasifika	Director
Public Health, Community and Primary Care Committee	Independent Member
D R Clarke	
Anglesea Urgent Care Clinic	Chair
Te Rau Ora	Deputy Chair

M Schubert	
AIG Insurance New Zealand Limited	Non-executive Director
Resolution Life NZ Limited	Director
Mimomax Wireless Limited	Director
ProCare Charitable Foundation Trust Board	Trustee
Whakarongorau Aotearoa New Zealand Telehealth Services LP	Director
TSB Bank Limited	Director
W E Gillespie	
Te Ohu Rata O Aotearoa: Māori Medical Practitioners Association	Member
RNZCGP Te Akoranga a Maui — Māori Chapter	Member
Swanson Medical Centre	Shareholder
White Cross WestCare	Shareholder
ProCare Clinical Quality Committee	Member
J O'Sullivan	
Mt Eden 575 Doctors	Director
Procare Health (PHO) Limited	Director

DIRECTORS OF PROCARE NETWORK LIMITED SUBSIDIARIES (AS AT 30 JUNE 2021)

ProCare Health (PHO) Limited	T F Funaki (Chair)
ProCare Health (PHO) Limited	B Te Ao
ProCare Health (PHO) Limited	S Dalhouise
ProCare Health (PHO) Limited	A T Davis
ProCare Health (PHO) Limited	S A M Kinred
ProCare Health (PHO) Limited	Dr J J O'Sullivan
ProCare Health (PHO) Limited	Dr S L Taylor
ProCare Fresh Minds Limited	B Norwell (Chair)
ProCare Fresh Minds Limited	Dr A Moffitt
ProCare Fresh Minds Limited	S Webber
ProCare Health (LP) Limited	B Norwell
ProCare Health (LP) Limited	S Webber
ProCare Network Partnerships Limited	B Norwell
ProCare Network Partnerships Limited	S Webber
Health New Lynn Limited	B Norwell
Health New Lynn Limited	S Webber
Kaipara Health Limited	S Webber
Clinical Assessments Limited	Dr J H Betteridge
Clinical Assessments Limited	Dr A Moffitt
Clinical Assessments Limited	P D Roseman
Mt Smart Health (2020) Limited	S Webber
OneCare Health (2020) Limited	S Webber
Totara Clinical Research Ltd	B Norwell
Totara Clinical Research Ltd	S Webber

Reimagining healthcare

ProCare