FINANCIAL STATEMENTS

Directors' Report

For the year ended 30 June 2016

The Directors present their annual report including financial statements of the Group for the year ended 30 June 2016.

Directors

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

Principal activities

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

The Company's other subsidiaries are:

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

Results

	Group		Parent	
	2016	2015	**2016**	2015
	$	$	**$**	$
Profit after tax for the year	**275,029**	664,644	**1,077,785**	1,390,759
Non-controlling interest in profit of subsidiary	**(1,345)**	(3,494)	**-**	-
Dividends paid to Ordinary A shareholders	**(18,800)**	(113,400)	**(18,800)**	(113,400)
Dividends paid to Ordinary B shareholders	**(227,400)**	(1,364,400)	**(227,400)**	(1,364,400)
Issue of non-voting ordinary "B" shares	**-**	(2,274,000)	**-**	(2,274,000)
Retained earnings at 1 July	**1,497,355**	4,588,005	**999,863**	3,360,904
Retained earnings at 30 June	**1,524,839**	1,497,355	**1,831,448**	999,863

Dividends

On 6 October 2015, the Board also resolved to pay fully imputed dividends of $50 per "A" and "B" share.

Dividends were paid in December 2015 on Redeemable Preference Shares at a coupon rate of 7.5% and are recognised as an interest expense. An accrual is recognised for dividends earned as at 30 June 2016, at the coupon rate.

Auditors

BDO Auckland continue in office as auditors.

Directors' Report

For the year ended 30 June 2016

Directors' interests

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

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

Directors' remuneration

ProCare Health Limited	**2016 $ Directors Fees**	**2016 $ Committee Fees**
Dr H E Aish	80,000	-
Dr S M Clark (resigned 17 November 2015)	16,667	-
Dr J E M Fox	40,000	-
Dr N J Hefford	40,000	-
T D Janes (resigned 31 August 2016)	40,000	10,000
Dr L E J King	40,000	-
J N McCabe	40,000	15,000
J M Sclater	40,000	15,000
Dr J F V White	40,000	-
Dr C L King (appointed 17 November 2015)	23,333	-
H Janes (appointed 27 April 2016)	6,667	-
	406,667	**40,000**

ProCare Networks Limited	**2016 $ Directors Fees**
T F Funaki (Chair)	16,500
Dr R K Bannister	11,000
Dr S Fuimaono	11,000
L A Going	11,000
Dr N J Hefford	11,000
J Marsden	11,000
J N McCabe	11,000
R J E Newman	11,000
P O Te Ao	11,000
	104,500

ProCare Psychological Services Limited	**2016 $ Directors Fees**
S Boomert (Chair)	-
D E Baty	-
Dr A Moffitt (appointed 26 February 2016)	-
	-

Directors' Report

For the year ended 30 June 2016

Directors' remuneration (continued)

Clinical Assessments Limited	2016 $ Directors Fees
Dr N Hefford (Chair – appointed 8 December 2015)	2,667
Dr S M Clark (resigned 8 December 2015)	2,916
Dr J H Betteridge – paid to East Health Services Limited	2,000
P D Roseman – paid to ProCare Health Limited	2,000
	9,583

ProCare Health (LP) Limited	2016 $ Directors Fees
S Boomert (Chair)	-
D E Baty	-
L Sheridan (resigned 29 January 2016)	-
	-

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

Employee remuneration

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

Range	2016 Number
$420,001-$430,000	1
$250,001-$260,000	2
$220,001-$230,000	1
$180,001-$190,000	1
$170,001-$180,000	1
$160,001-$170,000	1
$140,001-$150,000	1
$130,001-$140,000	1
$120,001-$130,000	5
$110,001-$120,000	7
$100,001-$110,000	4

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 $750 (2015: $1,284) to various charities during the year.

Directors' Report

For the year ended 30 June 2016

Director share ownership

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

As at 30 June 2016, directors had a relevant interest (as defined in the Securities Markets Act 1988) in ProCare Health Limited shares as follows:

Name	**Relevant interest in ProCare Shares 30 June 2016**
Dr H E Aish	1
Dr S M Clark	1
Dr J E M Fox	1
Dr L E J King	1
Dr R K Bannister	1
Dr S Fuimaono	1
Dr N Hefford	1
Dr J F V White	1
Dr C L King	1

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

Use of company information

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

For and on behalf of the board

Dr H Aish, Director
4 October 2016

JM Scalter, Director
4 October 2016

Statement of Comprehensive Income

For the year ended 30 June 2016

		Group		Parent	
		2016	2015	**2016**	2015
	Notes	**$**	$	**$**	$
Revenue	3	**184,830,197**	180,961,748	**36,517,800**	35,233,159
Other income	3	**-**	-	**244,637**	601,515
Total income		**184,830,197**	180,961,748	**36,762,437**	35,834,674
Expenses					
Clinical costs		**162,002,303**	158,610,422	**17,062,178**	16,305,396
Administrative costs	4	**21,688,218**	21,420,480	**18,283,485**	17,810,449
Total expenses	4	**183,690,521**	180,030,902	**35,345,663**	34,115,845
Operating profit		**1,139,676**	930,846	**1,416,774**	1,718,829
Finance income	3	**764,341**	855,932	**270,820**	232,192
Less: Finance costs		**125,155**	129,207	**122,484**	122,460
Net finance income		**639,186**	726,725	**148,336**	109,732
Profit before share of losses of equity accounted investees		**1,778,862**	1,657,571	**1,565,110**	1,828,561
Share of losses of equity accounted investees	16	**(1,108,902)**	(683,263)	**-**	-
Profit before tax		**669,960**	974,308	**1,565,110**	1,828,561
Income tax expense	17	**394,931**	309,664	**487,325**	437,802
Profit for the year		**275,029**	664,644	**1,077,785**	1,390,759
Other comprehensive income		**-**	-	**-**	-
Total comprehensive income for the year		**275,029**	664,644	**1,077,785**	1,390,759
Profit attributable to:					
Owners of the company		**273,684**	661,150	**1,077,785**	1,390,759
Non-controlling interests		**1,345**	3,494	**-**	-
Profit for the year		**275,029**	664,644	**1,077,785**	1,390,759
Total comprehensive income attributable to:					
Owners of the company		**273,684**	661,150	**1,077,785**	1,390,759
Non-controlling interests		**1,345**	3,494	**-**	-
Total comprehensive income for the year		**275,029**	664,644	**1,077,785**	1,390,759

Statement of Financial Position

As at 30 June 2016

		Group		Parent	
		2016	2015	**2016**	2015
	Notes	**$**	$	**$**	$
ASSETS					
Current assets					
Cash and cash equivalents	6	**12,613,767**	16,121,317	**2,655,954**	3,286,528
Investments – short term deposits	6	**6,000,000**	7,000,000	**2,000,000**	3,000,000
Trade and other receivables	7	**6,453,354**	5,946,287	**2,276,155**	2,258,085
Income tax receivable		**2,608**	20,636	**-**	-
Intercompany receivable	11	**28,750**	271,522	**5,188,270**	2,630,606
		25,098,479	29,359,762	**12,120,379**	11,175,219
Non-current assets					
Property, plant and equipment	13	**211,996**	571,010	**211,996**	571,010
Computer software	14	**965,135**	739,656	**965,135**	739,656
Deferred tax assets	17	**493,747**	516,229	**480,927**	479,751
Deferred settlement	8	**345,903**	330,027	**-**	-
Investment in subsidiaries	15	**-**	-	**648,403**	648,403
Investment in equity accounted investees	16	**1,816,779**	15,674	**5,118**	5,118
		3,833,560	2,172,596	**2,311,579**	2,443,938
TOTAL ASSETS		**28,932,039**	31,532,358	**14,431,958**	13,619,157
LIABILITIES					
Current liabilities					
Trade and other payables	9	**7,878,386**	9,050,642	**4,551,896**	4,302,011
Provisions	10	**179,669**	222,669	**179,669**	222,669
Deferred revenue	12	**14,062,037**	15,656,249	**2,489,959**	3,079,713
Income tax payable		**283,018**	27,390	**246,853**	2,191
Intercompany payables	11	**-**	-	**172,754**	68,019
Committed Funding to Limited Partnership	16	**-**	89,996	**-**	-
Redeemable Preference Shares	18	**218,148**	230,460	**218,148**	230,460
		22,621,258	25,277,406	**7,859,279**	7,905,063
Long-term liabilities					
Redeemable Preference Shares	18	**2,166,000**	2,166,000	**2,166,000**	2,166,000
TOTAL LIABILITIES		**24,787,258**	27,443,406	**10,025,279**	10,071,063
NET ASSETS		**4,144,781**	4,088,952	**4,406,679**	3,548,094
REPRESENTED BY:					
EQUITY					
Share capital	19	**2,575,231**	2,548,231	**2,575,231**	2,548,231
Retained earnings		**1,524,839**	1,497,355	**1,831,448**	999,863
Equity attributable to parent		**4,100,070**	4,045,586	**4,406,679**	3,548,094
Non-Controlling Interests		**44,711**	43,366	**-**	-
TOTAL EQUITY		**4,144,781**	4,088,952	**4,406,679**	3,548,094

For and on behalf of the board

Dr H Aish, Director
4 October 2016

JM Scalter, Director
4 October 2016

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

Statement of Changes in Equity

For the year ended 30 June 2016

Parent 2015	Notes	Share capital $	Retained Earnings $	Total Equity $
Balance at 1 July 2014		275,231	3,360,904	3,636,135
Total comprehensive income for the period				
Profit for the period		-	1,390,759	1,390,759
Total comprehensive income		-	1,390,759	1,390,759
Transactions with owners recorded directly in equity				
Dividends	25	-	(1,477,800)	(1,477,800)
“A” shares repurchased	19	(1,000)	-	(1,000)
Issue of non-voting ordinary “B” shares	19	2,274,000	(2,274,000)	-
Balance at 30 June 2015		**2,548,231**	**999,863**	**3,548,094**

Parent 2016	Notes	Share capital $	Retained Earnings $	Total Equity $
Balance at 1 July 2015		2,548,231	999,863	3,548,094
Total comprehensive income for the period				
Profit for the period		-	1,077,785	1,077,785
Total comprehensive income		-	1,077,785	1,077,785
Transactions with owners recorded directly in equity				
Dividends	25	-	(246,200)	(246,200)
“A” shares repurchased	19	(21,000)	-	(21,000)
Issue of ordinary “A” shares	19	48,000	-	48,000
Balance at 30 June 2016		**2,575,231**	**1,831,448**	**4,406,679**

Statement of Changes in Equity

For the year ended 30 June 2016

Group 2015	Notes	Attributable to owners of the Company Share capital $	Retained Earnings $	Total $	Non-Controlling Interest $	Total Equity $
Balance at 1 July 2014		275,231	4,588,005	4,863,236	39,872	4,903,108
Total comprehensive income for the period						
Profit for the period		-	661,150	661,150	3,494	664,644
Total comprehensive income		-	661,150	661,150	3,494	664,644
Transactions with owners recorded directly in equity						
Dividends	25	-	(1,477,800)	(1,477,800)	-	(1,477,800)
"A" shares repurchased	19	(1,000)	-	(1,000)	-	(1,000)
Issue of non-voting ordinary "B" shares	19	2,274,000	(2,274,000)	-	-	-
Balance at 30 June 2015		2,548,231	1,497,355	4,045,586	43,366	4,088,952

Group 2016	Notes	Attributable to owners of the Company Share capital $	Retained Earnings $	Total $	Non-Controlling Interest $	Total Equity $
Balance at 1 July 2015		2,548,231	1,497,355	4,045,586	43,366	4,088,952
Total comprehensive income for the period						
Profit for the period		-	273,684	273,684	1,345	275,029
Total comprehensive income		-	273,684	273,684	1,345	275,029
Transactions with owners recorded directly in equity						
Dividends	25	-	(246,200)	(246,200)	-	(246,200)
"A" shares repurchased	19	(21,000)	-	(21,000)	-	(21,000)
Issue of ordinary "A" shares	19	48,000	-	48,000	-	48,000
Balance at 30 June 2016		**2,575,231**	**1,524,839**	**4,100,070**	**44,711**	**4,144,781**

Statement of Cash Flows

For the year ended 30 June 2016

		Group		Parent	
		2016	2015	**2016**	2015
	Notes	**$**	$	**$**	$
Cash flows (to)/from operating activities					
Cash provided from:					
Receipts from customers and funders		**181,373,212**	182,586,414	**36,364,142**	34,787,115
Interest income received		**635,674**	914,968	**133,899**	282,974
Dividends received		**-**	-	**-**	309,000
		182,008,886	183,501,382	**36,498,041**	35,379,089
Cash applied to:					
Payments to suppliers and providers		**(171,802,837)**	(167,446,552)	**(24,524,060)**	(24,425,378)
Payments to and on behalf of employees		**(10,911,108)**	(10,683,964)	**(9,831,688)**	(9,436,495)
Income tax paid		**(98,792)**	(497,075)	**(71,839)**	(520,733)
Interest paid		**(2,671)**	(6,747)	**-**	-
		(182,815,408)	(178,634,338)	**(34,427,587)**	(34,382,606)
Net cash (to)/from operating activities	24	**(806,522)**	4,867,044	**2,070,454**	996,483
Cash flows (to)/from investing activities					
Cash provided from:					
Investment in short term deposits	6	**1,000,000**	-	**1,000,000**	-
Proceeds from sale of property, plant and equipment		**1,710**	-	**1,710**	-
Cash applied to:					
Investment in and advance to equity accounted investees	16	**(3,000,000)**	-	**-**	-
Investment in short term deposits	6	**-**	(3,200,000)	**-**	(1,000,000)
Cash advance to subsidiaries		**-**	-	**(3,000,000)**	-
Purchase of property, plant & equipment and software		**(348,742)**	(826,741)	**(348,742)**	(826,741)
Net cash (to)/from investing activities		**(2,347,032)**	(4,026,741)	**(2,347,032)**	(1,826,741)
Cash flows applied to financing activities					
Cash applied to:					
Share repurchase	19	**(33,312)**	(1,000)	**(33,312)**	(1,000)
Issue of ordinary "A" shares		**48,000**		**48,000**	
Dividends paid to Ordinay A shareholders		**(18,800)**	(113,400)	**(18,800)**	(113,400)
Dividends paid to Ordinary B shareholders		**(227,400)**	(1,364,400)	**(227,400)**	(1,364,400)
Interest on Redeemable Preference Shares		**(122,484)**	(122,460)	**(122,484)**	(122,460)
Net cash applied to financing activities		**(353,996)**	(1,601,260)	**(353,996)**	(1,601,260)
Net (decrease) in cash and cash equivalents		**(3,507,550)**	(760,957)	**(630,574)**	(2,431,518)
Cash and cash equivalents at beginning of the year		**16,121,317**	16,882,274	**3,286,528**	5,718,046
Cash and cash equivalents at the end of the year	6	**12,613,767**	16,121,317	**2,655,954**	3,286,528

Statement of Significant Accounting Policies

For the year ended 30 June 2016

1. CORPORATE INFORMATION

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

The financial statements of ProCare Health Limited and the financial statements for the Group for the year ended 30 June 2016 were authorised for issue in accordance with a resolution of the Directors on 4 October 2016.

The financial statements are for the year ended 30 June 2016.

The companies are limited liability companies incorporated and domiciled in New Zealand under the Companies Act 1993 and are reporting under the Financial Reporting Act 2013.

The company is registered under the Companies Act 1993 and is an issuer for the purposes of the transitional provisions legislated under section 55 of the Financial Reporting Act 2013, accordingly the Financial Reporting Act 1993 continues to apply to the company.

Principal activities

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

The Company's other subsidiaries are:

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

Functional and presentation currency

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

Basis of measurement

The financial statements are prepared on the historical cost basis.

2.2 Use of estimates and judgments

The preparation of financial statements requires management to make judgments, 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 judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are as follows:

- Income recognition and deferral utilising the income recognition policies in 2.3. See notes 3 – Income and 12 – Deferred Income.
- Revenue recognition in relation to the National Telehealth contract in HMLP. See note 16.
- Recognition of deferred taxation in accordance with the taxation policy in 2.3. See note 17.2.
- Recognition of provisions in accordance with the provision policy in 2.3. See note 10.
- Estimation of when the Redeemable Preference Shares will be redeemed. See note 18.
- Estimation of the fair value of the deferred settlement. See note 8.
- Taxation. See note 17.

2.3 Specific accounting policies

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

Revenue recognition

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

Performance management income is recognised when the Ministry of Health confirms the level of entitlement. Historically, this was done six monthly, approximately six months after the period to which the income related to. No accrual was made for periods yet to be confirmed, for the six months until 30 June year end, as it was not possible to reliably estimate this income given the complexity of the performance measures. Changes to reporting processes has enabled the Ministry of Health to confirm the entitlement for 30 June 2015 prior to the finalisation of the 30 June 2015 financial statements, according the 30 June 2015 period has six quarters income.

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

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

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

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

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2016 and the results of all subsidiaries for the year then ended. The Company and its subsidiaries together are referred to in these financial statements as the Group.

Statement of Significant Accounting Policies

For the year ended 30 June 2016

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

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

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

Acquisition of non-controlling interests

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

Investment in subsidiaries

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

Investments in associates and joint venture

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

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

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

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

Property, plant and equipment

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

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

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

Leasehold improvements: 20% straight line

Furniture and equipment : 20% – 40% straight line

Computer hardware: 33% straight line

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

Subsequent costs

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

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

Computer software

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

Research and development

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

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

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

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

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

Financial instruments

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

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

Statement of Significant Accounting Policies

For the year ended 30 June 2016

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

Non-derivative financial instruments

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

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

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

Trade and other receivables

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

Trade and other payables

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

Cash and cash equivalents

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

Investments – short term deposits

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

Provisions

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

Restructuring

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

Leased assets and lease incentives

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

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

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

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

Impairment

Financial assets (including receivables)

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

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

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

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

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

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

Non-financial assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped

Statement of Significant Accounting Policies

For the year ended 30 June 2016

together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ("the cash-generating unit").

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

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

Employee benefits

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

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

Liabilities for wages and salaries, including non monetary benefits, and annual leave expected to be settled within 12 months of reporting date, are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Taxation

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

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

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

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

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

Dividend Policy

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

Discontinued operations

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

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

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

Deferred Settlement

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

Goods and services taxation (GST)

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

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

Statement of cash 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 and any addition and reduction of subsidiary investments and loans.
- Financing activities are those activities that result in changes in the size and composition of the capital structure of the Group
- Operating activities include all transactions and other events that are neither investing or financing activities.

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

Compound financial instruments

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

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

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

Statement of Significant Accounting Policies

For the year ended 30 June 2016

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

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

Share capital

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

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

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

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

There are no standards or interpretations that are effective for the first time this year that have had a material impact on the Group.

2.4 New standards and interpretations not yet effective

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

	Standard/ Interpretation	Effective date (Periods beginning on or after)
NZ IFRS 9 (2013)	Financial Instruments	1 January 2018
NZ IFRS 15	Revenue	1 January 2018
NZ IFRS 16	Leases	1 January 2019
NZ IAS	Presentation of Financial Statements	1 January 2016

The Group is yet to assess the full impact of NZ IFRS 15 and 16. NZ IFRS 15 and 16 are applicable for financial reporting periods beginning on or after 1 January 2018 and 2019, respectively.

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

Notes to the Financial Statements

For the year ended 30 June 2016

3. INCOME

	Group		Parent	
	2016	2015	**2016**	2015
3.1 Revenue	**$**	$	**$**	$
First level services funding	**127,619,842**	125,329,931	**-**	-
Other DHB or Ministry of Health funding (health initiatives)	**44,574,583**	45,264,964	**29,666,901**	27,249,128
Performance management fees	**4,555,499**	6,283,212	**4,564,087**	6,452,618
Transfer (to)/from deferred income	**1,363,529**	(1,567,541)	**359,070**	812,325
Other	**6,716,744**	5,651,182	**1,927,742**	719,088
	184,830,197	180,961,748	**36,517,800**	35,233,159

	Group		Parent	
	2016	2015	**2016**	2015
3.2 Other income	**$**	$	**$**	$
Rent received from subsidiaries	**-**	-	**244,637**	192,515
Dividend received from subsidiaries and associates	**-**	-	**-**	409,000
	-	-	**244,637**	601,515

	Group		Parent	
	2016	2015	**2016**	2015
3.3 Financial income	**$**	$	**$**	$
Interest received	**623,894**	890,743	**130,373**	267,003
Transfer (to)/from deferred interest income	**140,447**	(34,811)	**140,447**	(34,811)
	764,341	855,932	**270,820**	232,192

Notes to the Financial Statements

For the year ended 30 June 2016

4. EXPENSES

	Group		Parent	
	2016	2015	**2016**	2015
4.1 Expenses	**$**	$	**$**	$
First level service to GPs	**127,619,917**	125,329,930	**-**	-
Other Primary Health Organisation expenses	**34,382,386**	33,280,492	**17,062,178**	16,305,396
Administrative expenditure – refer to 4.2 below	**21,688,218**	21,420,480	**18,283,485**	17,810,449
	183,690,521	180,030,902	**35,345,663**	34,115,845

	Group		Parent	
	2016	2015	**2016**	2015
4.2 Breakdown of administrative expenses	**$**	$	**$**	$
Fees paid to auditors – BDO				
Audit of financial statements	**81,750**	70,750	**63,000**	58,750
Taxation services	**12,300**	9,900	**7,750**	7,450
Accounting advice	**9,204**	3,889	**9,204**	3,889
Review of half-year financial statements	**18,825**	-	**18,825**	-
Bad debts	**1,670**	(242)	**-**	-
Allowance for impairment losses on trade receivables	**948**	(2,634)	**-**	-
Depreciation	**316,001**	325,255	**316,001**	325,255
Amortisation	**156,107**	172,063	**156,107**	172,063
Directors remuneration	**558,750**	556,500	**446,666**	445,000
Employee remuneration	**10,990,642**	10,580,524	**9,895,775**	9,351,052
Property expenses	**743,991**	809,384	**712,220**	784,065
Loss on disposal of property, plant & equipment	**8,459**	49	**8,459**	49
Staff cost (training, recruitment, temp/contract staff) [1]	**2,486,628**	2,432,205	**1,548,206**	1,443,603
Other expenses	**6,302,943**	6,462,837	**5,101,272**	5,219,273
	21,688,218	21,420,480	**18,283,485**	17,810,449

[1] *Includes Kiwisaver defined contribution for the Group of $240,328 (2015: $167,672) and for the Parent of $214,233 (2015: $143,896)*

Notes to the Financial Statements

For the year ended 30 June 2016

5. FINANCIAL INSTRUMENTS BY CATEGORY

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

	Group		Parent	
	2016	2015	**2016**	2015
	$	$	**$**	$
Loans and receivables				
Cash and cash equivalents	**12,613,767**	16,121,317	**2,655,954**	3,286,528
Investments - short term deposits	**6,000,000**	7,000,000	**2,000,000**	3,000,000
Trade and other receivables	**6,416,246**	5,887,625	**1,976,294**	1,814,208
Intercompany receivables	**28,750**	271,522	**5,188,266**	2,630,606
Deferred settlement	**345,903**	330,027	**-**	-
	25,404,666	29,610,491	**11,820,514**	10,731,342
Financial liabilities at amortised cost				
Trade and other payables	**6,665,691**	8,200,440	**3,662,082**	3,559,288
Intercompany payables	**-**	-	**172,754**	68,019
Redeemable Preference Shares	**2,384,148**	2,396,460	**2,384,148**	2,396,460
	9,049,839	10,596,900	**6,218,984**	6,023,767

6. CASH AND CASH EQUIVALENTS AND INVESTMENTS

	Group		Parent	
	2016	2015	**2016**	2015
	$	$	**$**	$
Bank - Cash and cash equivalents	**12,613,767**	16,121,317	**2,655,954**	3,286,528
Short term deposits with maturities 4-12 months - Investments	**6,000,000**	7,000,000	**2,000,000**	3,000,000
	18,613,767	23,121,317	**4,655,954**	6,286,528

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

7. TRADE AND OTHER RECEIVABLES

	Group		Parent	
	2016	2015	**2016**	2015
	$	$	**$**	$
Trade receivables	**6,421,192**	5,891,623	**1,980,292**	1,818,206
Impairment allowance	**(4,946)**	(3,998)	**(3,998)**	(3,998)
	6,416,246	5,887,625	**1,976,294**	1,814,208
Prepayments	**37,108**	58,662	**14,694**	49,961
GST receivable	**-**	-	**285,167**	393,916
	6,453,354	5,946,287	**2,276,155**	2,258,085
Movements in the specific impairment allowance				
Balance at start of year	**(3,998)**	(6,632)	**(3,998)**	(5,818)
(Additional allowance)/balance written off	**(948)**	2,634	**-**	1,820
Balance at end of year	**(4,946)**	(3,998)	**(3,998)**	(3,998)

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

Notes to the Financial Statements

For the year ended 30 June 2016

8. DEFERRED SETTLEMENT

	Group		Parent	
	2016	2015	**2016**	2015
	$	$	**$**	$
Deferred Settlement – receivable	**375,000**	375,000	**-**	-
Deferred Settlement – notional interest	**(44,973)**	(60,849)	**-**	-
Released notional interest	**15,876**	15,876	**-**	-
Net present value of deferred settlement	**345,903**	330,027	**-**	-

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

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

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

9. TRADE AND OTHER PAYABLES

	Group		Parent	
	2016	2015	**2016**	2015
	$	$	**$**	$
Trade creditors	**3,181,906**	4,967,810	**1,851,372**	1,706,769
Health service claims	**1,279,974**	1,214,061	**1,279,974**	1,214,061
Other accruals	**2,203,811**	2,018,569	**530,736**	638,458
	6,665,691	8,200,440	**3,662,082**	3,559,288
GST payable	**263,172**	63,080	**-**	-
Other taxes (PAYE)	**2,269**	2,406	**-**	-
Accrual for holiday pay	**589,081**	546,826	**538,497**	509,882
Accrual for bonuses	**162,240**	167,044	**162,240**	167,044
Accrual for employee entitlements	**195,933**	70,846	**189,077**	65,797
	7,878,386	9,050,642	**4,551,896**	4,302,011

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

Notes to the Financial Statements

For the year ended 30 June 2016

10. PROVISIONS

Group and Parent As at 30 June 2015	ADHB recovery & legal $	Redundancies $	Total $
Balance at 1 July 2014	119,669	174,000	293,669
Provisions made during the year	60,000	43,000	103,000
Provisions used during the year	-	(158,862)	(158,862)
Provisions reversed during the year	-	(15,138)	(15,138)
Balance at 30 June 2015	**179,669**	**43,000**	**222,669**
Non-current	-	-	-
Current	179,669	43,000	222,669

Group and Parent As at 30 June 2016	ADHB recovery & legal $	Redundancies $	Total $
Balance at 1 July 2015	179,669	43,000	222,669
Provisions made during the year	73,871	40,000	113,871
Provisions used during the year	(73,871)	(83,000)	(156,871)
Provisions reversed during the year	-	-	-
Balance at 30 June 2016	**179,669**	**-**	**179,669**
Non-current	-	-	-
Current	179,669	-	179,669

DHB recovery & legal

The Auckland District Health Board (ADHB) has notified the Company of a potential claim against a contracted provider and the Company under the PHO services agreement for capitation incorrectly claimed and the costs of the subsequent investigation. If the claim is successful the Company will be required to pay ADHB the management fees received within the period to which the action relates. Should ADHB be successful in its claim but unsuccessful in recovering capitation funding from the provider, it has reserved the right to seek to recover these funds from the Company.

The provision for the management fee recovery has been recognised by the Company. These management fees will be repaid if the action against the GP is proven. The Company has not made any provision for the balance of funds not recovered from the provider because the Company cannot reliably measure the quantum of any claims and because the Company intends to contest any such claims made.

The Company has provided for the expected legal costs associated with the Company's involvement with this issue.

Redundancies

Redundancy provisions are recognised upon Board approval of the restructure of part of the Company which is expected to result in selected redundancies and once this has been communicated to the employees likely to be affected by the restructure. The provision is based on the estimated redundancy payouts associated with the plan. The 2015 redundancy provision has been paid during the 2016 financial year.

Notes to the Financial Statements

For the year ended 30 June 2016

11. INTERCOMPANY ADVANCES

	Group		Parent	
	2016	2015	**2016**	2015
	$	$	**$**	$
Due to:				
Subsidiaries				
ProCare Psychological Services Limited	**-**	-	**172,754**	68,019
	-	-	**172,754**	68,019
Owing by:				
Subsidiaries				
ProCare Health (LP) Limited	**-**	-	**2,663,208**	18,000
Clinical Assessments Limited	**-**	-	**4,333**	5,216
ProCare Networks Limited	**-**	-	**2,491,975**	2,575,509
Equity accounted investees				
Homecare Medical (NZ) Limited Partnership	**-**	239,641	**-**	-
Homecare Medical (General Partner) Limited	**28,750**	31,881	**28,750**	31,881
	28,750	271,522	**5,188,266**	2,630,606

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

12. DEFERRED INCOME

	Group		Parent	
	2016	2015	**2016**	2015
	$	$	**$**	$
Settlement saving funding	**1,294,163**	1,294,163	**1,294,163**	1,294,163
Interest income from settlement saving funding	**448,725**	589,172	**448,725**	589,172
Other programme funding	**12,031,758**	13,395,286	**459,680**	818,750
Initiatives funding	**287,391**	377,628	**287,391**	377,628
	14,062,037	15,656,249	**2,489,959**	3,079,713
Non-current	**-**	-	**-**	-
Current	**14,062,037**	15,656,249	**2,489,959**	3,079,713

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

Notes to the Financial Statements

For the year ended 30 June 2016

13. PROPERTY, PLANT AND EQUIPMENT

Group and Parent	Leasehold improvements $	Furniture and equipment $	Computer hardware $	Total $
2015				
Cost				
At 1 July 2014	600,463	403,383	656,265	1,660,111
Additions	30,490	17,911	325,296	373,697
Disposals	-	(3,016)	(193,832)	(196,848)
At 30 June 2015	630,953	418,278	787,729	1,836,960
Accumulated depreciation				
At 1 July 2014	368,116	274,437	494,941	1,137,494
Depreciation for the year	122,525	67,092	135,638	325,255
Disposals	-	(2,967)	(193,832)	(196,799)
At 30 June 2015	490,641	338,562	436,747	1,265,950
Carrying amount at 30 June 2015	**140,312**	**79,716**	**350,982**	**571,010**
Carrying amount at 1 July 2014	**232,347**	**128,946**	**161,324**	**522,617**

Group and Parent	Leasehold improvements $	Furniture and equipment $	Computer hardware $	Total $
2016				
Cost				
At 1 July 2015	630,953	418,278	787,729	1,836,960
Additions	7,768	15,568	29,110	52,446
Disposals	-	(10,718)	(97,887)	(108,605)
At 30 June 2016	638,721	423,128	718,952	1,780,801
Accumulated depreciation				
At 1 July 2015	490,641	338,562	436,747	1,265,950
Depreciation for the year	116,647	63,320	136,034	316,001
Disposals	-	(9,975)	(3,171)	(13,146)
At 30 June 2016	607,288	391,907	569,610	1,568,805
Carrying amount at 30 June 2016	**31,433**	**31,221**	**149,342**	**211,996**

Notes to the Financial Statements

For the year ended 30 June 2016

14. COMPUTER SOFTWARE

Group and Parent	**$**
2015	
Cost	
At 1 July 2014	1,308,589
Additions	
– Acquisitions – internally developed	138,062
– Other acquisition	314,982
Disposals	(7,616)
At 30 June 2015	1,754,017
Accumulated Amortisation	
At 1 July 2014	849,914
Amortisation for the year	172,063
Disposals	(7,616)
At 30 June 2015	1,014,361
Carrying amount at 30 June 2015	**739,656**
Carrying amount at 1 July 2014	**458,675**

Group and Parent	**$**
2016	
Cost	
At 1 July 2015	1,754,017
Additions	
– Acquisitions – internally developed	94,304
– Other acquisition	287,282
Disposals	-
At 30 June 2016	2,135,603
Accumulated Amortisation	
At 1 July 2015	1,014,361
Amortisation for the year	156,107
Disposals	-
At 30 June 2016	1,170,468
Carrying amount at 30 June 2016	**965,135**

Notes to the Financial Statements

For the year ended 30 June 2016

15. 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.

			Parent	
	2016	2015	**2016**	2015
	$	$	**$**	$
Subsidiaries				
ProCare Networks Limited	**100%**	100%	**-**	-
ProCare Network West Limited	**100%**	100%	**-**	-
ProCare Health (LP) Limited	**100%**	100%	**100,000**	100,000
ProCare Psychological Services Limited	**100%**	100%	**534,303**	534,303
Clinical Assessments Limited	**67%**	67%	**14,100**	14,100
			648,403	648,403

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

This conclusion was reassessed following the adoption of NZ IFRS 10 Consolidated Financial Statements which is now applicable for ProCare Health Limited for the year ended 30 June 2015. It was concluded that ProCare Health Limited controls these entities as it is exposed to variable returns from its involvement with them and has the ability to affect those returns through its power over them.

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

16. INVESTMENT IN EQUITY ACCOUNTED INVESTEES

All entities are incorporated and domiciled in New Zealand.

Homecare Medical (General Partner) Limited

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

Homecare Medical (NZ) Limited Partnership

On 19 February 2014, ProCare Health (LP) Limited entered into a Limited Partnership agreement with Pegasus Health (LP) Limited. The new Partnership acquired 100% of the business and associated assets of ProCare Health (LP) Limited as noted in note 20. The acquisition was effective from 2 May 2014.

	2016	2015
	$	$
Investment in/(committed funding) to Homecare Medical (NZ) Limited Partnership		
Committed Funding to Limited Partnership	**-**	(89,996)
Investment in Limited Partnership	**1,801,120**	-
Committed Funding and Investment in Limited Partnership	**1,801,120**	(89,996)
Opening Balance	**(89,996)**	593,392
Capital contribution	**3,000,000**	-
Share of losses of equity accounted investees	**(1,108,887)**	(683,388)
Others	**3**	-
	1,801,120	(89,996)

As Homecare Medical (NZ) Limited Partnership (HMLP) is a limited partnership it is not responsible for income tax. The losses reported above are exclusive of income tax which is accounted for by the limited partners. Procare Health (LP) Limited is a limited partner in HMLP and accounts for income tax in relation to the above losses.

Notes to the Financial Statements

For the year ended 30 June 2016

16. INVESTMENT IN EQUITY ACCOUNTED INVESTEES (continued)

The Group holds 50% of the capital of HMLP. This investment has accounted as a Joint Venture. Following a lengthy procurement process, on 18th June 2015 HMLP was identified as the preferred provider of National Telehealth Services by the Ministry of Health. The contract is a significant one that commenced on 1 November 2015. The Company and its fellow limited partner have committed to provide funding to HMLP to cover the costs of initially setting up systems and processes to enable the partnership to service the new contract. In October 2015, the limited partners contributed additional capital of $3million each to cover the set up costs. In 2015 the Company has recognised the contribution as an advance payment to the limited partner. The net position has been shown as a Committed Funding under liabilities.

The new National Telehealth Services contract, together with its existing business, is expected to ensure that HMLP is sufficiently profitable in the future to enable it to repay the Company's additional funding, existing receivables and deferred consideration.

Primary Options Limited

Primary Options Limited is a dormant company.

Primary Options Limited commenced trading on 25 February 2010 and ceased trading in December 2011.

The Company held one third of the share capital of Primary Options Limited.

			Group		Parent	
	2016	2015	**2016**	2015	**2016**	2015
			$	$	**$**	$
Primary Options Limited	**33%**	33%	**15,541**	15,556	**5,000**	5,000
			15,541	15,556	**5,000**	5,000

BPAC New Zealand Limited and New Zealand Medicines Formulary Limited Partnership

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

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

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

			Group		Parent	
	2016	2015	**2016**	2015	**2016**	2015
			$	$	**$**	$
BPAC New Zealand Limited	**16.67%**	16.67%	**118**	118	**118**	118
			118	118	**118**	118

Notes to the Financial Statements

For the year ended 30 June 2016

16. INVESTMENT IN EQUITY ACCOUNTED INVESTEES (continued)

Summary financial information for equity accounted investee, not adjusted for the percentage ownership held by the Group for the period ending 30 June 2016:

	Primary Options Limited		Homecare Medical (NZ) Limited Partnership		Homecare Medical (General Partner) Limited	
	2016	2015	**2016**	2015	**2016**	2015
	$	$	**$**	$	**$**	$
Current assets						
Cash & cash equivalents	**21,828**	21,896	**931,423**	80,075		-
Other current assets	**23**	-	**2,927,437**	483,105	**28,750**	31,881
Non current assets	**-**	-	**4,613,530**	1,394,354	**-**	-
Total assets	**21,851**	21,896	**8,472,390**	1,957,534	**28,750**	31,881
Current liabilities						
Financial Liabilities	**1,800**	1,800	**2,226,579**	545,665	**28,750**	31,881
Other current liabilities	**-**	-	**1,278,416**	242,577	**-**	-
Non current liabilities						
Financial Liabilities	**-**	-	**345,903**	330,027	**-**	-
Total liabilities	**1,800**	1,800	**3,850,898**	1,118,269	**28,750**	31,881
Net assets	**20,051**	20,096	**4,621,492**	839,265	**-**	-
Group's share of net assets	**6,684**	6,699	**2,310,746**	419,633	**-**	-
Dividends Received	**-**	9,000	**-**	-	**-**	-

	Primary Options Limited		Homecare Medical (NZ) Limited Partnership		Homecare Medical (General Partner) Limited	
	2016	2015	**2016**	2015	**2016**	2015
	$	$	**$**	$	**$**	$
Revenues	**-**	-	**29,617,917**	4,003,945	**319,861**	332,672
Interest Income	**69**	491	**141,711**	24,776	**-**	-
Expenses						
Interest Expense	**-**	-	**15,876**	15,876	**-**	-
Depreciation	**-**	-	**308,331**	91,569	**-**	-
Other Expenses	**114**	115	**31,653,194**	5,288,052	**319,861**	332,672
Income Tax	**-**	-	**-**	-	**-**	-
Profit/(Loss)	**(45)**	376	**(2,217,773)**	(1,366,776)	**-**	-
Group's share of profit/(loss)	**(15)**	125	**(1,108,887)**	(683,388)	**-**	-

Notes to the Financial Statements

For the year ended 30 June 2016

17. TAXATION

	Group		Parent	
	2016	2015	**2016**	2015
	$	$	**$**	$
17.1 Income tax				
Income tax represented by:				
Income tax expense from continuing operations	**394,931**	309,664	**487,325**	437,802
	394,931	309,664	**487,325**	437,802
Current tax	**372,449**	353,707	**488,501**	469,861
Deferred tax asset	**22,482**	(44,043)	**(1,176)**	(32,059)
	394,931	309,664	**487,325**	437,802
Net profit before taxation	**669,960**	974,308	**1,565,110**	1,828,561
Prima facie income tax at 28%	**187,589**	272,806	**438,231**	511,997
Tax effect of permanent differences	**207,342**	36,858	**49,094**	40,325
Non-assessable dividend income	**-**	-	**-**	(114,520)
Income tax expense	**394,931**	309,664	**487,325**	437,802
17.2 Deferred tax asset and liabilities				
Balance at beginning of year	**516,229**	472,186	**479,751**	447,692
Current year temporary differences	**(22,482)**	44,043	**1,176**	32,059
Balance at end of year	**493,747**	516,229	**480,927**	479,751
Balance at year end attributable to:				
Employee Entitlements	**159,549**	167,803	**146,995**	135,990
Trade Receivables	**1,385**	1,119	**1,119**	1,119
Deferred Revenue	**125,643**	164,968	**125,643**	164,968
Provisions	**63,676**	62,276	**63,676**	62,276
Property, Plant & Equipment	**143,494**	120,062	**143,494**	115,398
	493,747	516,229	**480,927**	479,751

Notes to the Financial Statements

For the year ended 30 June 2016

17. TAXATION (continued)

17.3 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:

	Group	
	2016	2015
	$	$
Opening balance	**827,727**	1,834,713
Add:		
Income tax paid	**101,484**	599,493
Resident Withholding Tax paid	**13,995**	2,827
Other credits	**424**	412
Less:		
Refund received	**(28,845)**	(103,123)
Credit attached to dividends (paid)/received	**(143,498)**	(1,506,595)
Closing balance (at year end)	**771,288**	827,727

The 2015 numbers have been updated to correct the level of credits attached to the bonus issue. The closing credits represent the maximum amount of tax credits available to be attached to future dividends payable by the company and subject to shareholder continuity rules.

Notes to the Financial Statements

For the year ended 30 June 2016

18. REDEEMABLE PREFERENCE SHARES

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

They issued 25 fully paid RPS for every one ordinary share on issue, and subsequently resolved to immediately redeem 13 RPS for a consideration of $500 per share. The remaining RPS will pay a coupon rate set at the Board's discretion and is to be set at a premium over the five year swap rate at 30 June of the year of review. The coupon rate for the first five years shall be 7.5% per annum non-cumulative. This results in $12,500 per share being returned to shareholders. The effect of this transaction is a reduction in the Company and Group's retained reserves of $4,737,500, an increase in liabilities of $2,274,000 and a reduction in cash of $2,463,500.

The holders of Taxable RPS have the right to:

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

The RPS are redeemable at the discretion of the Board.

Redeemable Preference Shares	**Number of shares**	**$**
Opening balance as at 1 July 2014	4,548	2,274,000
Share repurchased	-	-
Issue of shares	-	-
Closing balance as at 30 June 2015	**4,548**	**2,274,000**
Opening balance as at 1 July 2015	4,548	2,274,000
Share repurchased	(24)	(12,000)
Issue of shares	-	-
Closing balance as at 30 June 2016	**4,524**	**2,262,000**

	Group and Parent	
	2016	2015
Redeemable Preference Shares	**$**	$
Proceeds from the bonus issue of Redeemable Preference Shares (4,524 shares at $500)	**2,262,000**	2,274,000
Transaction costs	**-**	-
Net proceeds	**2,262,000**	2,274,000
Accrued interest	**122,148**	122,460
Carrying amount of liability at 30 June	**2,384,148**	2,396,460
Current	**218,148**	230,460
Non-current	**2,166,000**	2,166,000
	2,384,148	2,396,460

Notes to the Financial Statements

For the year ended 30 June 2016

19. SHARE CAPITAL

	Group		Parent	
	2016	2015	**2016**	2015
	$	$	**$**	$
Paid in capital				
443 (2015:389) Ordinary A shares	**301,231**	274,231	**301,231**	274,231
4548 Ordinary B shares	**2,274,000**	2,274,000	**2,274,000**	2,274,000
	2,575,231	2,548,231	**2,575,231**	2,548,231

All shares on issue are fully paid. All ordinary shares rank equally. Each fully paid ordinary share has one vote. Each ordinary share has identical dividend rights.

Included in ordinary shares are 67 (2015: 13) treasury shares have been acquired by the Company at a range of prices but most recently $500.

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

The Directors also resolved that 12 non-voting ordinary "B" shares be issued as fully paid, for every one ordinary share on issue, to the ProCare Charitable Foundation on the understanding that it obtains charitable status under the Charities Act 2005. The effect of this transaction is a reduction in the Company and Group's retained reserves of $2,274,000 and a corresponding increase in non-voting ordinary "B" share capital. There is no effect on cash.

On 7 October 2014, the Board issued 1 "B" Share as a non-taxable bonus issue and then issued 4,547 non-voting ordinary "B" shares as a taxable bonus issue to the ProCare Charitable Foundation.

Notes to the Financial Statements

For the year ended 30 June 2016

20. RELATED PARTIES

For the purposes 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.

	Group	
	2016	2015
20.1 Transactions with key management personnel	**$**	$
Short-term employment benefits	**1,492,997**	1,472,688
Directors fees (See Directors' Report)	**558,750**	556,500
20.2 Transactions between related entities		
Subsidiaries		
ProCare Health (LP) Limited		
Cash advances	**3,000,000**	-
Dividend payable to ProCare Health Limited	**-**	100,000
Clinical Assessments Limited		
Cost recoveries and management fees paid to ProCare Health Limited	**50,000**	52,664
ProCare Psychological Services Limited		
Cost recoveries and management fees paid to ProCare Health Limited	**763,234**	592,768
Government funding via ProCare Health Limited	**2,444,254**	2,630,145
Government funding via ProCare Networks Limited	**101,270**	101,270
Dividend paid to ProCare Health Limited	**-**	300,000
ProCare Networks Limited		
Health initiatives funds refunded by ProCare Health Limited	**-**	385,000
Cost recoveries and management fees paid to ProCare Health Limited	**30,379,742**	30,215,878
Clinical costs paid to ProCare Psychological Services Limited	**101,270**	101,270

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

Equity accounted investees		
Homecare Medical (General Partner) Limited		
Management fees (including rent up to 31 October 2015) paid to ProCare Health Limited	**319,861**	332,672
Homecare Medical (NZ) Limited Partnership		
Cost recoveries (including rent from 1 November 2015) paid to ProCare Health Limited	**1,004,633**	386,032
Capital contribution by ProCare Health (LP) Limited	**3,000,000**	-
Other entities		
Procare Charitable Foundation		
Issue of Ordinary "B" shares	**-**	2,274,000
Payment of dividend	**227,400**	1,364,400

Notes to the Financial Statements

For the year ended 30 June 2016

20. RELATED PARTIES (continued)

20.2 Transactions between related entities (continued)

	Group 2016 $	Group 2015 $
Outstanding balances at 30 June relating to these transactions were:		
Parent		
ProCare Health Limited		
Owed to related parties	**172,754**	68,019
Owed by related parties	**5,188,266**	2,630,606
Subsidiaries		
ProCare Health (LP) Limited		
Owed to related parties	**2,663,208**	(82,000)
Owed by related parties	**-**	239,641

A letter of support from the Company confirms continued financial support and that the cash advance of $3 million will not need to be repaid unless ProCare Health (LP) Limited is in a position to do so.

	Group 2016 $	Group 2015 $
Clinical Assessments Limited		
Owed to related parties	**4,333**	5,216
ProCare Psychological Services Limited		
Owed by related parties	**181,193**	76,460
ProCare Networks Limited		
Owed to related parties	**2,500,414**	2,583,948

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

20.3 Other transactions with directors

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

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

	Group 2016 $	Group 2015 $
Transactions between the Group and Directors in their capacity as shareholders in ProCare Health Limited		
First level services	**1,978,590**	1,603,706
Programme claims	**70,582**	74,426
Performance management*	**160,802**	115,067
Management services	**6,250**	15,000
Interest on Redeemable Preference Shares	**2,585**	2,585
	2,218,809	1,810,784

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

Notes to the Financial Statements

For the year ended 30 June 2016

20. RELATED PARTIES (continued)

20.3 Other transactions with directors (continued)	Group 2016 $	Group 2015 $
Balances arising from transactions with Directors in their capacity as shareholders in ProCare Health Limited		
Receivables	**18,468**	-
Payables	**38,519**	20,675

The Company has received revenue from Accident Compensation Corporation (ACC), of which Trevor Janes is a Deputy Chair. The revenues were in relation to general practice support services. Total revenue received during the year is $8,436 (2015: $2,483). The outstanding balance owed by ACC at 30 June 2016 is $nil (2015: $nil).

During the year, the Company purchased legal services of $9,084 (2015: $7,466), from Hanne Janes, director of ProCare Health Limited.

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

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

21. OPERATING LEASE COMMITMENTS

Leases as lessee

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

	Group		Parent	
	2016	2015	**2016**	2015
	$	$	**$**	$
Less than one year	**546,426**	571,947	**546,426**	571,947
One to five years	**1,220,125**	166,203	**1,220,125**	166,203
Five years and above	**-**	-	**-**	-
	1,766,551	738,150	**1,766,551**	738,150

During the year an amount of $481,553 was recognised as an expense in profit or loss in respect of operating leases (2015: $494,400).

The Company leases a number of premises under operating leases. The leases typically run for three to seven years, with rights of renewal for a further two to six years.

Leases as lessor

The Company sublets the premise on Stanley Street to the Homecare Medical (NZ) Limited Partnership. The lease expires in June 2020.

During the year, $260,748 was recognised as revenue in profit or loss in respect of operating leases (2015: $57,672).

Operating lease payments expected as an operating lessor

The value of future minimum operating lease payments receivable:

	Group		Parent	
	2016	2015	**2016**	2015
	$	$	**$**	$
Less than one year	**354,012**	57,670	**354,012**	57,670
One to five years	**1,069,749**	-	**1,069,749**	-
Five years and above	**15,508**	-	**15,508**	-
	1,439,269	57,670	**1,439,269**	57,670

Notes to the Financial Statements

For the year ended 30 June 2016

22. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Other than the matters noted in note 10, there were no contingent liabilities or other capital expenditure not provided for at reporting date (2015: $nil).

23. FINANCIAL INSTRUMENTS

Currency risk

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

Interest rate risk

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

	Group		Parent	
	2016	2015	**2016**	2015
	$	$	**$**	$
Bank – Cash and cash equivalents	**12,613,767**	16,121,317	**2,655,954**	3,286,528
Short term deposits with maturities 4–12 months – Investments	**6,000,000**	7,000,000	**2,000,000**	3,000,000
	18,613,767	23,121,317	**4,655,954**	6,286,528

2.99% was the average interest rate earned on cash deposits and short term deposits (2015: 4.07%).

The Group has no significant debt exposure.

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 $186,138 on the Group's investment portfolio exposed to floating rates at balance date (2015: 50 basis point decrease of $115,607).

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

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

Notes to the Financial Statements

For the year ended 30 June 2016

23. FINANCIAL INSTRUMENTS (continued)

Credit risk

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

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

	Group		**Parent**	
	2016	2015	**2016**	2015
	$	$	**$**	$
Maximum exposures to credit risk at reporting date are:				
Cash and cash equivalents	**12,613,767**	16,121,317	**2,655,954**	3,286,528
Investments - short term deposits	**6,000,000**	7,000,000	**2,000,000**	3,000,000
Trade receivables	**6,421,192**	5,891,623	**1,980,292**	1,818,206
Intercompany receivables	**28,750**	271,522	**5,188,266**	2,630,606
Deferred settlement	**345,903**	330,027	**-**	-
	25,409,612	29,614,489	**11,824,512**	10,735,340
The status of trade receivables at reporting date is as follows:				
Up to 30 days	**6,009,984**	5,587,725	**1,820,687**	1,765,911
31 to 90 days	**182,293**	174,400	**17,808**	9,915
More than 90 days	**228,915**	129,498	**141,797**	42,380
	6,421,192	5,891,623	**1,980,292**	1,818,206
Allowance for impairment	**(4,946)**	(3,998)	**(3,998)**	(3,998)
	6,416,246	5,887,625	**1,976,294**	1,814,208
Trade receivables not past due and not impaired	**6,005,038**	5,583,727	**1,816,689**	1,761,913
Trade receivables past due but not impaired	**411,208**	303,898	**159,605**	52,295
Trade receivables impaired individually	**4,946**	3,998	**3,998**	3,998
Trade receivables impaired collectively	**-**	-	**-**	-
	6,421,192	5,891,623	**1,980,292**	1,818,206

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

Notes to the Financial Statements

For the year ended 30 June 2016

23. FINANCIAL INSTRUMENTS (continued)

Concentrations of credit risk

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

New Zealand Government departments and District Health Boards are regarded as a single customer. They comprise a significant amount of total revenue, being 99% (2015: 99%) for the Group and are considered an acceptable credit risk given their government backing. There are no other large concentrations of risk identified by the Directors.

Credit facilities

The Group does not have an overdraft facility.

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

Deferred settlement

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

Liquidity risk

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

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

The Group evaluates its liquidity requirements on an ongoing basis.

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

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 - 1 year	1 - 5 years	More than 5 years
As at 30 June 2016							
Trade and other payables	9	7,878,386	7,878,386	7,878,386	-	-	-
Redeemable Preference Shares	18	2,384,148	612,300	-	122,460	489,840	(1)
		10,262,534	**8,490,686**	**7,878,386**	**122,460**	**489,840**	**-**
As at 30 June 2015							
Trade and other payables	9	9,050,642	9,050,642	9,050,642	-	-	-
Redeemable Preference Shares	18	2,396,460	612,300		122,460	489,840	(1)
		11,447,102	**9,662,942**	**9,050,642**	**122,460**	**489,840**	**-**

Parent	Notes	Carrying amount	Total contractual cash flows	On demand	6 months - 1 year	1 - 5 years	More than 5 years
As at 30 June 2016							
Trade and other payables	9	4,551,896	4,551,896	4,551,896	-	-	-
Redeemable Preference Shares	18	2,384,148	612,300		122,460	489,840	(1)
		6,936,044	**5,164,196**	**4,551,896**	**122,460**	**489,840**	**-**
As at 30 June 2015							
Trade and other payables	9	4,250,740	4,250,740	4,250,740	-	-	-
Redeemable Preference Shares	18	2,396,460	612,300		122,460	489,840	(1)
		6,647,200	**4,863,040**	**4,250,740**	**122,460**	**489,840**	**-**

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

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

Notes to the Financial Statements

For the year ended 30 June 2016

23. FINANCIAL INSTRUMENTS (continued)

Fair values

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

Other risk

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

Capital risk management

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

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

Bank guarantee

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

Bank security agreement

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

Notes to the Financial Statements

For the year ended 30 June 2016

24. NET CASH FLOW FROM OPERATING ACTIVITIES

	Group		Parent	
	2016	2015	**2016**	2015
	$	$	**$**	$
Profit for the year	**275,029**	664,644	**1,077,785**	1,390,759
Non-cash items				
Depreciation	**472,108**	497,318	**472,108**	497,318
Amortisation of lease incentive	**53,716**	56,419	**53,716**	56,419
Loss/(Gain) on sale of property, plant and equipment	**8,459**	49	**8,459**	49
Bad and impairment allowance accounts	**948**	(2,634)	**-**	(1,820)
Deferred income tax	**22,482**	(44,043)	**(1,176)**	(32,059)
Movement in deferred interest income	**(140,446)**	34,811	**(140,447)**	34,811
Share of losses of equity accounted investees	**1,108,902**	683,263	**-**	-
	1,526,169	1,225,183	**392,660**	554,718
Movements in working capital				
(Increase)/decrease in prepayments	**21,554**	67,453	**35,267**	59,294
(Increase)/decrease in trade receivable	**(545,449)**	(793,182)	**(162,086)**	941,837
(Increase)/decrease in inter-company receivable	**242,772**	28,053	**547,071**	(106,269)
Increase/(decrease) in taxation payable	**273,656**	(143,369)	**244,662**	(222,872)
Increase/(decrease) in trade payable	**(1,292,864)**	3,180,111	**329,369**	102,731
Increase/(decrease) in deferred revenue	**(1,507,481)**	906,414	**(503,023)**	(1,476,116)
Increase/(decrease) in GST	**200,092**	(268,263)	**108,749**	(247,599)
	(2,607,720)	2,977,217	**600,009**	(948,994)
Net cash from operating activities	**(806,522)**	4,867,044	**2,070,454**	996,483

25. DIVIDENDS

On 6 October 2015, the Board resolved to pay fully imputed dividends of $50 per "A" and "B" share (2015: $300 per share)

26. SUBSEQUENT EVENTS

There were no events subsequent to reporting date that would affect the financial statements (2015: $nil).

Independent Auditor's Report

BDO AUCKLAND

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

Report on the Financial Statements
We have audited the financial statements of ProCare Health Limited ("the Company") and its subsidiaries (together referred to as "the Group") on pages 5 to 37, which comprise the statements of financial position as at 30 June 2016, the statements of changes in equity, statements of comprehensive income and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information for both the Company and Group.

Directors' Responsibility for the Financial Statements
The directors are responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting practice in New Zealand and New Zealand Equivalents to International Financial Reporting Standards and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that present fairly, in all material respects the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinion
In our opinion, the financial statements on pages 5 to 37 present fairly, in all material respects the financial position of ProCare Health Limited and the Group as at 30 June 2016, and their financial performance and cash flows for the year then ended in accordance with generally accepted accounting practice and New Zealand Equivalents to International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements
In accordance with the Financial Reporting Act 1993, we report that:

- We have obtained all information and explanations that we have required.
- In our opinion, proper accounting records have been kept by ProCare Health Limited as far as appears from our examination of those records.

BDO Auckland

BDO Auckland
2 November 2016
Auckland
New Zealand

Directors' Interests

As at 30 June 2016

The following are general disclosures of interest given by Directors of the Group pursuant to section 140(2) of the Companies Act 1993 as at 30 June 2016.

Dr H E Aish

ProCare Health Limited	*Director & Shareholder*
ProCare Network West Limited	*Director*
Otara Family & Christian Health Centre Limited	*Director*
Medical Assurance Society New Zealand Limited	*Director*

Dr J E M Fox

ProCare Health Limited	*Director & Shareholder*
Goodfellow Foundation	*Trustee*
Institute of Directors	*Member*
Meadowbank General Practice	*Partner*
Medical Council of NZ	*Member*
Renown Medical Services Limited	*Director & Shareholder*

T D Janes

ProCare Health Limited	*Director*
Abano Healthcare Group Limited	*Chair*
Accident Compensation Corporation	*Deputy Chair*
International Development Advisory and Selection Panel	*Member*
NZ Post	*Member, Postal Network Access Committee*
Certus Solutions Limited	*Director & Shareholder*
NZ Markets Disciplinary Tribunal	*Member*

Dr L E J King

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

J N McCabe

ProCare Health Limited	*Director*
ProCare Networks Limited	*Director*
ProCare Charitable Foundation	*Chair*
Avanti Finance Limited	*Director*
Galatos Finance Limited	*Director*
Sustainable Prosperity NZ Limited	*Director*
Northland District Health Board	*Director*
Maori Liaison Committee with The Law Commission	*Member*
Te Waka Pupuri Putea (a commercial subsidiary of Te Rarawa Runanga)	Director
Te Whainga Putea Limited	*Director*
Taitokerau Fibre Network Limited	*Executive Director*

J M Sclater

ProCare Health Limited	*Director*
ProCare Network West Limited	*Director*
Homecare Medical (General Partner) Limited	*Director*
Jamiga Investments Limited	*Director & Shareholder*
Hellynann Limited	*Director & Shareholder*
Callander Farms Limited	*Director*
Avoca Lime Co (2010) Limited	*Director*
Clark Products Limited	*Director*
Damar Industries Limited	*Director*
Gillespie Property Group Limited	*Director*
Reloaders Supplies Limited	*Director*
PQ Group Limited	*Director*
Hellaby Holdings Limited	*Director & Shareholder*
STM Group NZ Limited	*Director*
RD Group Holdings	*Director*

Dr N J H Hefford

ProCare Health Limited	*Director & Shareholder*
ProCare Networks Limited	*Director*
Clinical Assessments Limited	*Chair*
ProCare Clinical Governance Committee	*Chair*
Grey Lynn Family Medical Limited	*Director/GP*
Konnect Clinical Advisory Group	*Member*

Dr J F V White

ProCare Health Limited	*Director & Shareholder*
ProCare Pacific Advisory Committee (ProPa)	*Member*
Mt Eden Medical Centre	*Partner/GP*
Konnect Clinical Advisor Group	*Member*
NZMA General Practice Council	*Deputy Chair*
BPAC NZ Limited	*Director*

C L King

ProCare Health Limited	*Director & Shareholder*
Health New Lynn Limited	*Director & Chair*
Westcare Medical Limited	*Shareholder*

H Janes

ProCare Health Limited	*Director*
Selenium Corporation Limited	*Director & Shareholder*

T F Funaki

ProCare Networks Limited	*Chair*
ProCare Pacific Advisory Committee (ProPa)	*Member*
West Fono Health Trust	*Chief Executive*
St Mary's School, Avondale Board of Trustees	*Chair*
Waitakere Task Force on Family Violence	*Member*
Waitemata Police District Pacific Advisory Board	*Member*
MSD Community Response	*Member*
Pacific Peoples Advisory Panel – Auckland Council	*Member*
Oceania Career Academy	*Chair/Director*
Advisory Board Police Commissioner	*Member*

Dr R K Bannister

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

Dr S Fuimaono

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

R J E Newman

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

L A Going

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

Directors' Interests

As at 30 June 2016

J A Marsden	
ProCare Networks Limited	*Director*
Te Puna Hauora o te Raki Paewhenua	*General Manager*
TWONA – Te Puna Whanau Ora Network Alliance	*Director*
Hapai te Hauora o Tapui Trust	*Director*
Te Runanga o Ngati Whatua	*Trustee*
Equip Ltd (Mental Health Provider)	*Kaumatua (Maori elder)*
Connect Ltd (Mental Health Provider)	*Kaumatua (Maori elder)*
Raeburn House (Community Support Provider)	*Kaumatua (Maori elder)*
Northcote College	*Kaumatua (Maori elder)*
Nga Tikanga Pono Kohanga reo	*Kaumatua (Maori elder)*
Caughey Preston, Aged Persons Care	*Kaumatua (Maori elder)*
Waitemata Police	*Kaumatua (Maori elder)*
P O Te Ao	
ProCare Networks Limited	*Director*
ProCare Clinical Governance Committee	*Member*
ProMa Advisory Committee	*Member*
Watercare Limited, Monitoring Group	*Member*
Te Kauhanganui O Waikato	*Member*
Waikato Tainui Te Arataura	*Board Member*
Waikato Tainui Social Development	
Te ope Koi Ora	*Member*
S J Boomert	
ProCare Health Limited	*CEO*
ProCare Psychological Services Limited	*Chair*
ProCare Health (LP) Limited	*Director*
Homecare Medical (General Partner) Limited	*Director*
Primary Options Limited	*Director*
D E Baty	
ProCare Health Limited	*COO*
ProCare Psychological Services Limited	*Director*
ProCare Health (LP) Limited	*Director*
Siquol Limited	*Director & Shareholder*
Dr J H Betteridge	
Clinical Assessments Limited	*Director*
John Betteridge Medical Limited	*Director & Shareholder*
General Practice New Zealand	*Councillor*
East Health Trust PHO	*Trustee*
East Health Services Limited	*Director & Shareholder*
East Care Properties Limited	*Shareholder*
East Care Limited	*Shareholder*
East Health Management Limited	*Director & Shareholder*
P D Roseman	
ProCare Health Limited	*Employee*
Clinical Assessments Limited	*Director*
Roseman & Associates Limited	*Director & Shareholder*