

**Compass Health**

**Annual Report**

**For the Year Ended 30 June 2014**

**Compass Health  
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**Compass Health  
Directory  
For the Year Ended 30 June 2014**

Registration Number: AK 1205049

Settlor: Mark Blumsky

Date of commencement: Trust Deed Signed 8 May 1997  
Incorporated on 11 April 2002

Trustees: Dr Richard Tyler  
Dale Coles  
Dr Don Simmers  
Dr Larry Jordan  
Dr Lynn McBain  
Elaine Brazendale  
Gordon Strachan  
Mano'o Mulitalo  
Melissa Simpson  
Simon Watt  
Trevor Taylor

Principal place of business: 7th Floor  
201 Willis Street  
Wellington

Auditor: Deloitte  
PO Box 1990  
Wellington

Solicitor: Kensington Swan  
PO Box 10-246  
Wellington

**Compass Health**  
**Annual Report**  
**For the Year Ended 30 June 2014**

The Trustees are responsible for the preparation, in accordance with New Zealand law and Generally Accepted Accounting Practice, of financial statements which fairly reflect the financial position of Compass Health as at 30 June 2014 and the results of its operations and cash flows for the year ended on that date.

The Trustees consider that the financial statements of Compass Health have been prepared using accounting policies appropriate to Compass Health's circumstances, consistently applied and supported by reasonable and prudent judgments and estimates, and that these financial statements comply with New Zealand Generally Accepted Accounting Practice.

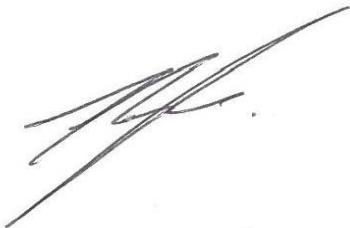
The Trustees are pleased to present the financial statements of Compass Health for the year ended 30 June 2014.

The financial statements were authorised for issue for and on behalf of the Trustees on 22 October 2014.



Trustee

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Trustee

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**Compass Health  
Statement of Comprehensive Income  
For the Year Ended 30 June 2014**

	Note	2014 \$	2013 \$
<b>Revenue</b>			
Revenue from services	2	63,824,501	49,150,406
Interest income		176,175	162,077
<b>Total Revenue</b>		<b>64,000,676</b>	<b>49,312,483</b>
<b>Expenses</b>			
Project direct expenses	3	57,592,873	44,691,396
Operating expenses	4	6,339,915	4,690,876
<b>Total Expenses</b>		<b>63,932,788</b>	<b>49,382,272</b>
<b>Operating Surplus/(Deficit)</b>		<b>67,888</b>	<b>(69,789)</b>
Net gain on amalgamation		-	1,046,954
Gain on sale of Compass Health Limited		362,615	-
<b>Net Surplus for the Year</b>		<b>430,503</b>	<b>977,165</b>
<b>Total Comprehensive Income for the year</b>		<b>430,503</b>	<b>977,165</b>

These financial statements should be read in conjunction with the notes to the financial statements on pages 8 to 19.

**Compass Health  
Statement of Movements in Equity  
For the Year Ended 30 June 2014**

	<b>Retained Earnings \$</b>	<b>Total \$</b>
	<u>          </u>	<u>          </u>
<b>Balance as at 1 July 2012</b>	<b>2,324,182</b>	<b>2,324,182</b>
Total comprehensive income	<u>977,165</u>	<u>977,165</u>
<b>Balance as at 30 June 2013</b>	<b>3,301,347</b>	<b>3,301,347</b>
Total comprehensive income	<u>430,503</u>	<u>430,503</u>
<b>Balance as at 30 June 2014</b>	<b><u>3,731,850</u></b>	<b><u>3,731,850</u></b>

These financial statements should be read in conjunction with the notes to the financial statements on pages 8 to 19.

**Compass Health  
Statement of Financial Position  
As at 30 June 2014**

	Note	2014 \$	2013 \$
<b>Equity</b>			
Retained Earnings		3,731,850	3,301,347
<b>Total Equity</b>		<u><u>3,731,850</u></u>	<u><u>3,301,347</u></u>
<i>Represented by:</i>			
<b>Current Assets</b>			
Cash and cash equivalents	5	7,933,472	8,245,112
Trade and other receivables	6	2,079,302	1,656,342
<b>Total Current Assets</b>		<u>10,012,774</u>	<u>9,901,454</u>
<b>Non-Current Assets</b>			
Property, plant and equipment	7	371,890	287,207
Intangibles	8	136,794	69,403
Investment in Compass Health Limited		-	61,732
Investment in Kelburn Medical Centre		243,870	-
Investment in Northland Village Surgery Limited		115,672	-
<b>Total Non-Current Assets</b>		<u>868,226</u>	<u>418,342</u>
<b>Total Assets</b>		<u><u>10,881,000</u></u>	<u><u>10,319,796</u></u>
<b>Current Liabilities</b>			
Trade and other payables	9	2,203,571	1,998,665
Receipts in advance	10	4,298,400	4,355,298
Employee entitlements	11	647,179	664,486
<b>Total Current Liabilities</b>		<u>7,149,150</u>	<u>7,018,449</u>
<b>Total Liabilities</b>		<u><u>7,149,150</u></u>	<u><u>7,018,449</u></u>
<b>Net Assets</b>		<u><u>3,731,850</u></u>	<u><u>3,301,347</u></u>

These financial statements should be read in conjunction with the notes to the financial statements on pages 8 to 19.

**Compass Health**  
**Statement of Cash Flows**  
**For the Year Ended 30 June 2014**

	Note	2014 \$	2013 \$
<b>Cash flows from operating activities</b>			
<i>Cash was received from:</i>			
Revenue from services		63,448,302	48,515,589
Interest income		176,175	162,077
GST received		110,160	-
		<u>63,734,637</u>	<u>48,677,666</u>
<i>Cash was applied to:</i>			
Payments to providers and employees		63,754,042	49,583,874
GST paid		-	28,367
		<u>63,754,042</u>	<u>49,612,241</u>
<b>Net cash (used in)/from operating activities</b>	<b>12</b>	<b><u>(19,405)</u></b>	<b><u>(934,575)</u></b>
<b>Cash flows from investing activities</b>			
<i>Cash was received from:</i>			
Net cash inflows from amalgamation		-	5,572,413
Proceeds re Sale Compass Health Limited		424,347	-
Proceeds from the disposal of property, plant and equipment		1,280	1,750
		<u>425,627</u>	<u>5,574,163</u>
<i>Cash was applied to:</i>			
Purchase of property, plant and equipment		250,851	102,414
Purchase of intangible assets		107,469	18,756
Purchase of Associates		359,542	-
		<u>717,862</u>	<u>121,170</u>
<b>Net cash from/(used in) investing activities</b>		<b><u>(292,235)</u></b>	<b><u>5,452,993</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>(311,640)</u></b>	<b><u>4,518,418</u></b>
Cash and cash equivalents at the beginning of the year		<u>8,245,112</u>	<u>3,726,694</u>
<b>Cash and cash equivalents at the end of the year</b>		<b><u>7,933,472</u></b>	<b><u>8,245,112</u></b>
<i>Comprising:</i>			
Cash on hand, current accounts and call accounts		<u>7,933,472</u>	<u>8,245,112</u>
<b>Total cash and cash equivalents</b>		<b><u>7,933,472</u></b>	<b><u>8,245,112</u></b>

These financial statements should be read in conjunction with the notes to the financial statements on pages 8 to 19.



**Compass Health  
Statement of Accounting Policies  
For the Year Ended 30 June 2014**

**1. Summary of Accounting Policies**

**Statement of Compliance**

Compass Health is a public benefit entity incorporated in New Zealand. Its principal service is to provide community based health services. Compass Health was incorporated as the Greater Wellington Health Trust under the Charitable Trusts Act 1957 on the 11 April 2002.

Compass Health was registered as a charitable entity under the Charities Act 2005 on 30 June 2008, registration number CC29691.

Compass Health's financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for Public Benefit Entities.

Compass Health's Financial Statements are for the year ended 30 June 2014 and the Trustee's have authorised them for issue on 22 October 2014.

**Basis of Preparation**

The financial statements have been prepared on a historical cost basis, except as noted below.

The accounting policies below have been applied consistently in both periods presented.

The financial statements are presented in NZ dollars and all values are rounded to the nearest dollar. Compass Health's functional currency is NZ dollars.

**Specific Accounting Policies**

The following specific accounting policies have been adopted in the preparation and presentation of the financial statements:

**a) Taxation**

Compass Health has been granted charitable status by the Inland Revenue Department and is therefore exempt from Income Tax under Income Tax Act 2007.

**b) Cash and Cash equivalents**

Cash and Cash equivalents comprise cash on hand and cash held in both current and on call accounts at the bank.

**c) Goods and Services Tax**

Revenues, expenses, assets and liabilities are recognised net of the amount of Goods and Services Tax (GST) except for receivables and payables which are recognised inclusive of GST.

**d) Revenue Recognition**

*Rendering of Services*

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract at balance date.

*Interest Income*

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

*Management Fees*

Management fees are recognised on an accrual basis when services are performed on behalf of the entities managed.

**Compass Health  
Statement of Accounting Policies  
For the Year Ended 30 June 2014**

**e) Plant and Equipment**

Plant and equipment are stated at historical cost less accumulated depreciation and any impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is provided on Plant and Equipment. Depreciation is calculated on either a diminishing value or a straight line basis. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period.

The following rates are used in the calculation of depreciation:

Motor Vehicles	25-31.2%	Diminishing Value
Computer Equipment	20-33%	Straight Line
Leasehold Improvements	16.7%	Straight Line
Office and Medical Equipment	30%	Diminishing Value

**f) Intangible Assets**

*Acquired Computer Software*

Acquired Computer Software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

*Internally Developed Software*

Internally Developed Software is capitalised based on hours spent on the project at an average hourly rate for the developers. The amount initially recognised for the internally generated intangible asset is the sum of the expenditure incurred when the intangible asset meets the recognition criteria listed below.

Where no internally generated intangible asset can be recognised, development expenditure is recognised in the statement of comprehensive income in the period in which it occurred.

Recognition Criteria

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefit; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Costs associated with maintaining software are recognised as an expense when incurred.

The following rates and methods are used in the calculation of amortisation:

Software	50%	Straight Line
Internally Developed Software	50%	Diminishing Value

**g) Impairment of Assets**

At Compass Health's balance date, the carrying amounts of its assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, Compass Health estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 which the estimates of future cash flows have not been adjusted.

**Compass Health  
Statement of Accounting Policies  
For the Year Ended 30 June 2014**

**h) Statement of Cash Flows**

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand and in bank current accounts and call accounts and investments in money market instruments, net of outstanding bank overdrafts. The following terms are used in the statement of cash flows;

*Operating activities* are the principal revenue producing activities of Compass Health and other activities that are not investing or financing activities;

*Investing activities* are the acquisition and disposal of long-term assets and other investments not included in cash equivalents; and

*Financing activities* are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.

**i) Fair Value Determination Method of Financial Assets and Liabilities**

***Financial Assets***

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Compass Health only holds financial assets classified as loans and receivables.

***Loans and receivables***

Loans and receivables include trade and other receivables and cash and cash equivalents which are initially recorded at fair value and subsequently recorded at amortised cost less impairment using the effective interest rate method.

***Financial Liabilities***

Financial liabilities are classified as either 'financial liabilities at FVTPL' or 'other financial liabilities'. Compass Health only holds 'other financial liabilities'.

***Other Financial Liabilities***

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

**j) Business Combinations**

Acquisitions or amalgamations of subsidiaries and businesses are accounted for using the acquisition method. The cost of the business acquisition or amalgamation is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree.

Acquisition/amalgamation related costs are generally recognised in profit or loss when incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under NZ IFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets that are classified as held for sale, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition and/or amalgamation is recognised as an asset and initially measured at cost, being the excess of cost of the business combination over Compass Health's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, Compass Health's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business acquisition, the excess is recognised immediately in profit and loss.

**Compass Health  
Statement of Accounting Policies  
For the Year Ended 30 June 2014**

**k) Employee Benefits**

A provision is recognised for benefits accruing to employees in respect of annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by Compass Health in respect of services provided by employees up to the reporting date.

**l) Critical Judgements and Key Sources of Estimation Uncertainty**

In the application of Compass Health's accounting policy the board is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**m) Comparative Amounts**

When presentation or classification of items in the financial statements is amended or accounting policies are changed voluntarily, comparative figures are restated to ensure consistency with the current year unless it is impracticable to do so. Where comparative information has been reclassified the change has been disclosed in the text below the relevant note.

**n) Changes in Accounting Policies**

There have been no changes in accounting policies during the period.

**Compass Health  
Notes to the Financial Statements  
For the Year Ended 30 June 2014**

**2. Revenue from Services**

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Pacific Reconfiguration, Advanced Care Planning, Rheumatic Fever Pacific Contract, Child Health, Health Promotion, Immunisation, MH Primary Solutions, MSD, Nursing Development, Primary Care Nursing, School Clinic, SIA, Clinical Leader, Kete Fund & Tihei Wairarapa Project	5,033,409	4,452,549
Capitation	45,374,020	32,730,619
Management and Provider Income	4,553,896	4,589,343
Community Radiology and Morphology	2,513,011	2,733,118
Sexual Health & SAATS	2,230,110	2,117,268
Social Sector Trial	247,014	-
Mental Health	342,546	344,305
Diabetes	263,286	263,286
Retinal Screening	597,994	595,396
Models of Care	161,805	151,805
Porirua School Clinics	282,874	280,544
Podiatry	259,144	173,135
Porirua Access	-	194,364
Maternity	40,473	59,728
Management Fees WRDCN	12,396	15,281
GP Locum Service	154,313	103,425
Other	1,549,765	181,791
Under 6 - Free After Hours	208,445	164,199
Bad Debts Recovered	-	250
	<b>63,824,501</b>	<b>49,150,406</b>

**3. Project Direct Expenditure**

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Pacific Reconfiguration, Advanced Care Planning, Rheumatic Fever Pacific Contract, Child Health, Health Promotion, Immunisation, MH Primary Solutions, MSD, Nursing Development, Primary Care Nursing, School Clinic, SIA, Clinical Leader, Kete Fund & Tihei Wairarapa Project	3,517,664	3,219,911
Provider Payments re specific contracts	2,194,213	1,597,615
Capitation Expenses	44,669,860	32,730,539
PHO Board & Committee Fees	-	43,583
Location Office Lease	-	143,700
Location Managers and Administration Salaries	172,368	293,641
Other Direct Expenses	527,512	167,172
Community Radiology & Morphology	2,472,119	2,681,133
Sexual Health and SAATS	2,106,184	1,999,585
Social Sector Trial	247,014	-
Mental Health	304,439	351,732
Diabetes	210,532	184,123
Retinal Screening	587,469	579,101
Models of Care	88,403	86,710
Porirua School Clinics	160,454	144,008
Under 6 - Free After Hours	208,445	164,199
Podiatry	126,197	130,420
Porirua Access	-	174,224
	<b>57,592,873</b>	<b>44,691,396</b>

**Compass Health  
Notes to the Financial Statements  
For the Year Ended 30 June 2014**

<b>4. Operating Expenses</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Audit Fees	33,010	14,375
Depreciation	164,888	153,164
Amortisation	40,078	58,924
Directors and Committee Fees	230,821	225,107
Interest and Bank Charges	4,893	5,784
Insurance	27,362	13,500
Legal Fees	6,204	8,633
Staff Costs	474,925	353,826
Property Costs	416,330	207,836
Salaries & Wages	3,236,923	2,395,228
Telecommunications	254,275	143,431
Other Expenses	1,211,925	920,165
Investment Proposal	238,281	190,903
	<b>6,339,915</b>	<b>4,690,876</b>

<b>5. Cash and Cash Equivalents</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Cash on hand, current accounts and call accounts	7,933,472	8,245,112
Total Cash and Cash Equivalents	<b>7,933,472</b>	<b>8,245,112</b>

<b>6. Trade and Other Receivables</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<u>Trade Receivables</u>		
Healthpac and DHBs	1,811,574	1,232,178
Compass Health Limited	-	17,102
Central PHO	4,737	68,816
Other Debtors	137,568	224,262
Primary Care Alliance Trust	412	48,170
<u>Other Receivables</u>		
Accrued Revenue	125,011	37,960
Mitikulena Health Centre Loan	-	3,854
Prepayments	-	23,033
Current Account - Central PHO	-	967
Total Trade and Other Receivables	<b>2,079,302</b>	<b>1,656,342</b>

**Compass Health**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2014**

**7. Plant and Equipment**

	<b>Computer, Office and Medical Equipment</b>	<b>Motor Vehicles</b>	<b>Leasehold Improvements</b>	<b>Total Property, Plant and Equipment</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Opening gross carrying amount as at 1 July 2012	1,202,145	209,717	224,847	1,636,709
Opening accumulated depreciation	965,892	193,359	156,122	1,315,373
Opening carrying amount as at 1 July 2012	236,253	16,358	68,725	321,336
Additions	100,902	-	-	100,902
Acquisitions through amalgamation	6,433	8,053	4,367	18,853
Disposals	-	14,689	-	14,689
Depreciation	123,076	7,410	22,678	153,164
Depreciation eliminated on disposal	-	13,969	-	13,969
<b>Closing carrying amount as at 30 June 2013</b>	<b>220,512</b>	<b>16,281</b>	<b>50,414</b>	<b>287,207</b>
Closing gross carrying amount as at 30 June 2013	1,309,480	203,081	229,214	1,741,775
Closing accumulated depreciation as at 30 June 2013	1,088,968	186,800	178,800	1,454,568
<b>Closing carrying amount as at 30 June 2013</b>	<b>220,512</b>	<b>16,281</b>	<b>50,414</b>	<b>287,207</b>
Opening gross carrying amount as at 1 July 2013	1,309,480	203,081	229,214	1,741,775
Opening accumulated depreciation	1,088,968	186,800	178,800	1,454,568
Opening carrying amount as at 1 July 2013	220,512	16,281	50,414	287,207
Additions	211,815	-	39,036	250,851
Disposals	-	45,599	-	45,599
Depreciation	140,854	5,757	18,277	164,888
Depreciation eliminated on disposal	-	44,319	-	44,319
<b>Closing carrying amount as at 30 June 2014</b>	<b>291,473</b>	<b>9,244</b>	<b>71,173</b>	<b>371,890</b>
Closing gross carrying amount as at 30 June 2014	1,521,295	157,482	268,250	1,947,027
Closing accumulated depreciation as at 30 June 2014	1,229,822	148,238	197,077	1,575,137
<b>Closing carrying amount as at 30 June 2014</b>	<b>291,473</b>	<b>9,244</b>	<b>71,173</b>	<b>371,890</b>

**8. Intangible assets**

	<b>Financial System</b>	<b>Computer Software</b>	<b>Internally Developed Software</b>	<b>Total Intangible Assets</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Opening gross carrying amount as at 1 July 2012	-	106,010	725,128	831,138
Opening accumulated amortisation	-	99,332	622,488	721,820
Opening carrying amount as at 1 July 2012	-	6,678	102,640	109,318
Additions	-	18,756	-	18,756
Acquisitions through amalgamation	-	253	-	253
Amortisation	-	7,604	51,320	58,924
<b>Closing carrying amount as at 30 June 2013</b>	<b>-</b>	<b>18,083</b>	<b>51,320</b>	<b>69,403</b>
Closing gross carrying amount as at 30 June 2013	-	125,019	725,128	850,147
Closing accumulated amortisation as at 30 June 2013	-	106,936	673,808	780,744
<b>Closing carrying amount as at 30 June 2013</b>	<b>-</b>	<b>18,083</b>	<b>51,320</b>	<b>69,403</b>
Opening gross carrying amount as at 1 July 2013	-	125,019	725,128	850,147
Opening accumulated amortisation	-	106,936	673,808	780,744
Opening carrying amount as at 1 July 2013	-	18,083	51,320	69,403
Additions	68,018	39,451	-	107,469
Amortisation	-	14,418	25,660	40,078
<b>Closing carrying amount as at 30 June 2014</b>	<b>68,018</b>	<b>43,116</b>	<b>25,660</b>	<b>136,794</b>
Closing gross carrying amount as at 30 June 2014	68,018	164,470	725,128	957,616
Closing accumulated amortisation as at 30 June 2014	-	121,354	699,468	820,822
<b>Closing carrying amount as at 30 June 2014</b>	<b>68,018</b>	<b>43,116</b>	<b>25,660</b>	<b>136,794</b>

**Compass Health**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2014**

Internally developed software is made up of software programs designed and written by Compass Health's in-house Information and Technology department. Assets include Compass Health's Provider Portal, its Catalyst System, its Palladium Task System and the MSO/PHO websites for Compass Health, Central PHO and Matpro.

As at 30 June 2014 the carrying value of the internally developed software is \$25,660 (2013: \$51,320).

There were no impairment losses recognised during the year (2013: nil).

<b>9. Trade and Other Payables</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<u>Trade Payables</u>		
Trade payables	1,132,868	1,097,056
Compass Health Limited	-	2,570
<u>Other Payables</u>		
Current account - Compass Health Limited	-	6,190
Current account - Primary Care Alliance Trust	1,601	3,841
Goods and Services Tax payable	322,463	212,303
Accrued expenses	746,639	676,705
Total Trade and Other Payables	<b>2,203,571</b>	<b>1,998,665</b>



**Compass Health**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2014**

**10. Receipts in advance**

Receipts in Advance relates to unspent funding committed to the following projects:

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Careplus	215,649	607,641
Cellulitis	-	6,622
Morphology	297,023	236,755
Mental Health Liaison	78,862	61,233
Pacific Youth Screening	43,359	43,359
Radiology	119,019	73,248
Sexual Health	391,336	267,106
Breast Referral	358	358
Cardiovascular Disease Risk Establishment	23,819	23,819
Performance Management	357,854	389,885
PRISMs	53,860	35,395
Child Health	14,918	15,334
Diabetes Services Rejuvenation	6,284	63,139
SAATS	57,283	62,561
ADD Resources	13,056	73,834
HV DHB Sexual Health	15,240	15,240
Porirua Imms Network	153,004	274,704
Services to Improve Access	456,496	366,456
Health Promotion	300,435	230,657
Flexible Funding - Wairarapa	88,976	147,351
Kapiti Discharge	75,014	111,006
Brought over from WCPHO and CPHCN	1,233,502	1,210,795
Retinal Screening	56,549	38,800
Social Sector Trials Lead	172,628	-
Matpro Equity - Maternity Service	73,876	-
	<b>4,298,400</b>	<b>4,355,298</b>

**11. Employee Entitlements**

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Accrued Salaries	433,633	452,867
Accrued Annual Leave	213,546	211,619
	<b>647,179</b>	<b>664,486</b>

**12. Reconciliation of Operating Surplus to Net Cash Flow from Operating Activities**

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Net Surplus for year	430,503	977,165
<b>Add/(Less) Non-Cash Items:</b>		
Depreciation and amortisation	204,966	212,088
Net gain on amalgamation	-	(1,046,954)
Gain on sale of Compass Health Limited	(362,615)	-
	<b>(157,649)</b>	<b>(834,866)</b>
<b>Less amounts included in investing</b>		
Gain on sale of property, plant and equipment	-	(1,030)
<b>Add/(Less) Movements in Working Capital Items</b>		
Movement in total receivables	(464,886)	345,693
Movement in total payables	172,627	(1,421,537)
	(292,259)	(1,075,844)
<b>Net cash (used in)/from operating activities</b>	<b>(19,405)</b>	<b>(934,575)</b>

**Compass Health**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2014**

**13. Financial Instruments**

Compass Health's financial instruments consist of cash and cash equivalents, trade and other receivables (designated as 'loans and receivables') and trade and other payables (designated as 'other financial liabilities at amortised cost').

Compass Health engages business in New Zealand and in the normal course of business is exposed to a variety of financial risks which include:

*Credit Risk*

Compass Health's credit risk arises from its financial assets, which include cash and cash equivalents, trade and other receivables. Exposure to credit risk arises from the potential default of the counterparty, with the maximum exposure equal to the carrying amount of the financial assets.

*Liquidity Risk*

Liquidity risk arises from the financial liabilities of Compass Health and the subsequent ability to meet its obligations to repay its financial liabilities as and when they fall due. Compass Health maintains sufficient cash to meet its obligations as they fall due as part of its management of liquidity risk.

*Fair Value*

The carrying value of cash and cash equivalents, trade and other receivables and trade and other payables is equivalent to the fair value of these assets and liabilities.

	<b>2014</b>	<b>2013</b>
	\$	\$
<b>Financial Assets</b>		
Trade and Other Receivables, due within 3 months	2,011,787	1,590,528
Cash and Cash Equivalents, on call	7,933,472	8,245,112

	<b>2014</b>	<b>2013</b>
	\$	\$
<b>Financial Liabilities</b>		
Trade and other payables, payable within 3 months	2,108,583	1,998,665
Employee Entitlements, payable within 1 year	647,179	664,486

Compass Health does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

*Interest rate risk*

Compass Health is exposed to interest rate risk on the cash and cash equivalents held with registered banks.

**14. Capital Management**

Compass Health's capital is its retained earnings from past financial years. Retained earnings are represented by net assets.

Compass Health's rules vest its affairs of the business, administration and management in the Trustees. The Trustees, in accordance with the rules, appoints Compass Health's Chief Executive who is directly responsible, to and under the control of the Trustees, for the general and financial administration of Compass Health.

Compass Health's capital is largely managed as a by-product of managing revenues, expenses, assets, liabilities and general financial dealings. The objective of managing Compass Health's capital is to ensure it achieves its objectives and remains a going concern.

**15. Capital Commitments**

There are no capital commitments as at 30 June 2014 (2013: nil).

**16. Contingent Liabilities**

There are no contingent liabilities as at 30 June 2014 (2013: nil).

**Compass Health**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2014**

**17. Related Party Disclosures**

Compass Health provides management and office services to Central Primary Health Organisation (CPHO) , Primary Care Alliance Trust (PCAT) and Wellington Regional Diabetes Clinical Network (WRDCN).

**Transactions with related parties**

During the year Compass Health provided management services to CPHO \$835,257 (2013: nil).

During the year Compass Health provided management services to WRDCN totalling \$12,396 (2013: \$15,281).

During the year Compass Health provided management services to PCAT totalling \$116,375 (2013: \$37,858).

Amounts receivable from and payable to related parties at balance date are disclosed in notes 8, 11 and 15 of these financial statements.

**Terms/price under which related party transactions were entered into**

Terms and conditions are agreed annually. Management service fees paid are equal to the Ministry of Health PHO contract fees and in accordance with the MSO Agreement (if relevant) or are negotiated and are in line with the Management Services Agreement.

<u>Key management personnel compensation</u>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Short term benefits	1,306,951	1,090,000

Key management personnel includes Compass Health's trustees, its chief executive and senior management team.

**18. Leases**

Operating leases relate to office sites with leases between 1 and 5 years. Lease information also relates to equipment and motor vehicle leases. The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Not later than one year	333,604	459,934
Later than one year and not later than two years	130,049	307,167
Later than two years and not later than five years	20,579	24,476
Later than five years	-	-
	<b>484,232</b>	<b>791,577</b>

**Compass Health**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2014**

**19. Adoption Status of Relevant Financial Standards**

The External Reporting Board (XRB) has introduced a revised Accounting Standards Framework. The revised framework has introduced Public Benefit Entity Accounting Standards (PAS) comprising International Public Sector Accounting Standards (IPSAS), modified as appropriate for New Zealand circumstances.

The Financial Reporting Act 2013 was enacted in December 2013 and will bring the revised framework into law. Under the revised Accounting Standards Framework Compass Health is expected to prepare annual financial statements in accordance in IPSAS based standards for the first-time for the year ended 30 June 2016.

The Governing Body is currently assessing the impact of IPSAS adoption on the annual financial statements of Compass Health. While changes in presentation and additional disclosures are expected, significant changes to the measurement of the financial performance and position are not, based on a preliminary assessment.

**20. Subsequent Events**

There were no material subsequent events after balance date up to the date the financial statements were signed.

**Compass Health**  
**Additional Information - Unaudited**  
**For the Year Ended 30 June 2014**

**1. Interests Register**

Compass Health maintains an interests register

There are no loans or share transactions with any Trustee

Trustee	Interest
Dale Coles	<ul style="list-style-type: none"> <li>• Tihei Alliance Leadership Team Wairarapa, Rangitāne Iwi Representative</li> <li>• Whaiora Trust Board, Deputy Chair</li> <li>• Whānau Ora Wairarapa Interim Governance, Whaiora Representative</li> <li>• Papawai Kaikōkiri Trust Board, Trustee</li> <li>• Chair of Compass Maori Health Committee</li> </ul>
Dr Don Simmers	<ul style="list-style-type: none"> <li>• Board Member NZMA Services Limited</li> <li>• Chair NZMA Health Equities Subcommittee</li> <li>• Partner Newtown Medical Centre</li> <li>• Shareholder Wellington After Hours Medical Services Ltd</li> <li>• Contracted provider to Compass Health</li> </ul>
Dr Larry Jordan	<ul style="list-style-type: none"> <li>• Partner GP Larry Jordan's Surgery</li> <li>• Shareholder of Porirua After Hours Medical Ltd</li> <li>• Contracted provider to Compass Health</li> </ul>
Dr Lynn McBain	<ul style="list-style-type: none"> <li>• Partner GP Brooklyn Medical Centre</li> <li>• Senior Lecturer in General Practice, University of Otago, Wellington</li> <li>• Chair of Wellington Regional Radiology Oversight Committee</li> <li>• Primary care representative on the SIDU 3DHB Radiology steering group</li> <li>• Chair of the Laboratory Oversight Advisory Group for CCDHB HVDHB</li> <li>• Primary care representative on the SIDU 3 DHB Laboratory Procurement Project steering group</li> <li>• Chair of Compass Health Clinical Quality Board</li> <li>• Shareholder Wellington After Hours Medical Services Ltd</li> <li>• Member of the 3DHB Radiology Steering Group</li> </ul>
Dr Richard Tyler	<ul style="list-style-type: none"> <li>• Partner GP at Johnsonville Medical Centre</li> <li>• Chairman, Medical Assurance Group of Companies</li> <li>• Executive Committee Member of GPNZ</li> <li>• Director of BPAC</li> <li>• Chairman and shareholder of WIPA Limited</li> <li>• Shareholder Wellington After Hours Medical Services Ltd</li> <li>• Contracted provider to Compass Health</li> </ul>
Elaine Brazendale	<ul style="list-style-type: none"> <li>• Chairperson – Carter Society</li> <li>• Councillor - Carterton District Council</li> <li>• NZ Red Cross - NZRC member of Carterton Group and Wairarapa Area Councillor</li> <li>• Lay minister Anglican Church</li> <li>• Chairperson Child and Young Persons Health Governance Group (Wairarapa)</li> <li>• Member of Carterton St John Area committee</li> </ul>
Gordon Strachan	<ul style="list-style-type: none"> <li>• Chair of Kapiti Safer Community Trust</li> <li>• Chair of Hora Te Pai Charitable Trust</li> </ul>

Mano'o Mulitalo	<ul style="list-style-type: none"> <li>• Chairperson, Pacific Health Committee of Compass Health</li> <li>• Chairperson, Institute of Samoan Studies Trust</li> <li>• Chairperson, M&amp;M Trust</li> <li>• Managing Director/shareholder in MR Consultants &amp; Ass. Ltd</li> <li>• International Business Consultant</li> <li>• Independent Trustee Pairoa Holding Trust</li> <li>• Facilitator – Lifestyle Medicine Institute (HIP) Loma Linda University, California, USA</li> </ul>
Melissa Simpson	<ul style="list-style-type: none"> <li>• Employee of Island Bay Medical Centre</li> <li>• Member of Compass Health Clinical Quality Board</li> <li>• Member of Compass Health Nurses Committee</li> <li>• Nursing Executive team which functions as an advisory group to the GPNZ Executive</li> <li>• Independent contractor to TAS</li> </ul>
Simon Watt	<ul style="list-style-type: none"> <li>• Partner, Bell Gully (Barristers &amp; Solicitors)</li> <li>• In the above capacity, advises PHARMAC and periodically advises DHB Shared Services, DHBs collectively, individual DHBs and Health Benefits Limited</li> <li>• Board member, Bell Gully</li> <li>• Trustee, Asia New Zealand Foundation</li> </ul>
Trevor Taylor	<ul style="list-style-type: none"> <li>• CEO, Outward Bound Trust of New Zealand</li> <li>• Board Member, Outward Bound International</li> <li>• Chair, Wellington Free Ambulance Trust</li> <li>• Trustee, Life Flight Trust</li> <li>• Board Member, Surf Life Saving New Zealand</li> <li>• Board Member, New Zealand Olympic Committee</li> </ul>

CEO	Interest
Martin Hefford	<ul style="list-style-type: none"> <li>• Member of CCDHB Executive Management Team</li> <li>• Director of Primary Technology</li> <li>• Trustee of Primary Care Alliance Trust Board</li> <li>• Director of Wellington General Practices Limited</li> <li>• Trustee of brother Neil's practice in Auckland (Grey Lynn Family Medical Centre)</li> </ul>

**Compass Health  
Additional Information - Unaudited  
For the Year Ended 30 June 2014**

<b>1. Trustees Fees</b>	<b>2014</b>
	<b>\$</b>
Dr Richard Tyler	24,410
Dale Coles	15,226
Dr Don Simmers	15,166
Dr Larry Jordan	12,996
Elaine Brazendale	14,366
Gordon Strachan	13,246
Dr Lynn McBain	17,446
Mano'o Mulitalo	15,281
Melissa Simpson	15,541
Simon Watt	15,280
Trevor Taylor	10,227
	<hr/>
	169,185

*Trustees Fees include fees paid to the Trustees for attendance at Board and Committee meetings.*

**2. Staff Remuneration**

One CH employee earned gross remuneration between \$270,000 - \$280,000

One CH employee earned gross remuneration between \$170,000 - \$180,000

One CH employee earned gross remuneration between \$150,000 - \$160,000

One CH employee earned gross remuneration between \$140,000 - \$150,000

Two CH employees earned gross remuneration between \$130,000 - \$140,000

Three CH employee earned gross remuneration between \$120,000 - \$130,000

Four CH employees earned gross remuneration between \$110,000 - \$120,000

Two CH employee earned gross remuneration between \$100,000 - \$110,000

## INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF COMPASS HEALTH

### Report on the Financial Statements

We have audited the financial statements of Compass Health on pages 4 to 19, which comprise the statement of financial position as at 30 June 2014, and the statement of comprehensive income, statement of movements in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Trustees, as a body, in accordance with Section 21 of the Trust Deed. Our audit has been undertaken so that we might state to the Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

### Trustees Responsibility for the Financial Statements

The Trustees are responsible for the preparation and fair presentation of financial statements, in accordance with generally accepted accounting practice in New Zealand, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibilities

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 and International Standards on Auditing (New Zealand). 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 and fair presentation of the financial statements 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 the accounting policies used and the reasonableness of accounting estimates, as well as 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.

Other than in our capacity as auditor, we have no relationship with or interests in Compass Health.

### Opinion

In our opinion, the financial statements on pages 4 to 19 present fairly, in all material respects, the financial position of Compass Health as at 30 June 2014, and its financial performance and cash flows for the year ended on that date in accordance with generally accepted accounting practice in New Zealand.



**Chartered Accountants**  
22 October 2014  
Wellington, New Zealand