

Compass Health

Annual Report

For the year ended

30 June 2016

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Executive Summary

For the year ended 30 June 2016 the Group achieved a Business as Usual Operating Surplus of \$5,431 (2015: (Deficit \$118,903)).

In addition to this Board approved Investments totalling \$570,892 (2015: \$415,906) were made to support a number of areas and covered by funds held in Reserves.

The position is summarised below.

	2016	2015
	\$	\$
Business as Usual Operating Revenue	69,024,322	68,456,336
Business as Usual Operating Expenditure	69,018,891	68,575,239
Operating Surplus/(Deficit)	5,431**	(118,903)
**Net of \$6,667 deficit attributed to the Primary Care Alliance Trust		
In addition to Business as Usual operating revenues and expenditure the following Investments were made from Reserves.		
Medication Management	84,260	120,000
Tihci Wairarapa	42,334	
Health Promotion	84,200	
Pregnancy and Maternity Service	7,104	9,826
Sexual Health Service	77,160	92,000
Health Care Home	75,000	
New Provider Portal Development	125,000	27,000
Integrated Care Projects	75,834	167,800
	570,892	415,906
Adjust for Wellington Diabetes Network incorporated		
Into Compass Health and classified as a Restricted Reserve	49,612	
Group Surplus/(Deficit) for the year	(515,849)	(534,809)

Compass Health holds a 45.8% ownership in Kelburn Medical Centre Partnership and a 50% ownership in Northland Village Surgery Partnership. For the year ended 31 March 2016 there was a taxable ROI for Kelburn of 15.7% and Northland of 10.7%. The Share of Surplus recorded in these statements is net of the ROI. During the year a new Doctor joined the Kelburn Medical partnership and to facilitate that Compass Health sold a 4.2% share of its ownership.

The above financial information has been extracted from the full financial statements for the year ending 30 June 2016 as approved and signed by the Board on 3 November 2016. As such this extraction cannot be expected to provide as complete an understanding of the financial position, performance and cash flows as detailed in the following pages.

Directory

Board of Trustees

Tofa Suafole Gush

Dr Nick Crozier

Kerry Prendergast

Dr Richard Medlicott

Trevor Taylor

Dale Coles

Dr Larry Jordan

Melissa Simpson

Dr Don Simmers

Dr Lynn McBain

Simon Watt

Registered office

Level 4
22-28 Willeston Street
Wellington 6011

Nature of business

Provision of healthcare services in the
Wellington and Wairarapa Region.

Charities Commission Registration number:

CC29691

Independent auditor

Grant Thornton New Zealand Audit
Partnership
L15 Grant Thornton House
215 Lambton Quay
PO Box 10712
Wellington 6143

Consolidated Statement of Comprehensive Revenue and Expenses

Compass Health

For the year ended 30 June 2016

	Notes	Group 2016 \$	Group 2015 (restated*) \$
Revenue from non-exchange transactions	7		
Revenue from healthcare contracts		66,029,769	62,626,106
		<u>66,029,769</u>	<u>62,626,106</u>
Revenue from exchange transactions			
Management services income		2,565,380	4,218,749
Other income		386,078	1,422,775
Interest revenue		90,249	172,576
		<u>3,041,707</u>	<u>5,814,100</u>
Total revenue		<u>69,071,476</u>	<u>68,440,206</u>
Expenses			
Project direct expenses	8	56,191,458	54,730,157
Operating expenses	9	13,398,325	14,260,689
Total expenses		<u>69,589,783</u>	<u>68,990,846</u>
Total deficit for the year		<u>(518,307)</u>	<u>(550,640)</u>
Share in net surplus of associates	10	2,458	16,131
Total comprehensive revenue and expenses		<u>(515,849)</u>	<u>(534,509)</u>

* Certain amounts shown here do not correspond to the 2015 consolidated financial statements and reflect adjustments made due to first time adoption of PBE standards. Refer to Note 3.

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

Consolidated Statement of Changes in Net Assets

Compass Health

For the year ended 30 June 2016

	Maternity restricted reserve	Tihei Wairarapa restricted reserve	Restricted Reserves				Health care home restricted reserves	Diabetes Network Restricted Reserve	Total Restricted reserves	Accumulated surplus and deficit	Total equity
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance 1 July 2015 (restated*)	84,286	814,118	155,253	51,078	288,107	125,000	-	1,517,842	5,534,413	7,052,255	
Deficit for the year	-	-	-	-	-	-	-	-	(515,849)	(515,849)	
Other comprehensive revenue	-	-	-	-	-	-	-	-	-	-	
Transfers	(7,104)	(42,334)	(86,890)	60,639	(75,833)	11,889	49,612	(90,021)	90,021	-	
Closing equity 30 June 2016	77,182	771,784	68,363	111,717	212,274	136,889	49,612	1,427,821	5,108,585	6,536,406	
Opening balance 1 July 2014 (restated*)	94,111	662,582	132,256	7,084	1,384,305	-	-	2,280,338	5,306,426	7,586,764	
Deficit for the year	-	-	-	-	-	-	-	-	(534,509)	(534,509)	
Other comprehensive revenue	-	-	-	-	-	-	-	-	-	-	
Transfers	(9,825)	151,536	22,997	43,994	(1,096,198)	125,000	-	(762,496)	762,496	-	
Closing equity 30 June 2015	84,286	814,118	155,253	51,078	288,107	125,000	-	1,517,842	5,534,413	7,052,255	

* Certain amounts shown here do not correspond to the 2015 consolidated financial statements and reflect adjustments made due to first time adoption of PBF standards. Refer to Note 3.

These consolidated financial statements should be read in conjunction with the notes to the financial statement



Consolidated Statement of Financial Position

Compass Health

As at 30 June 2016

	Notes	Group 2016	Group 2015 (restated*)
		\$	\$
Current assets			
Cash and cash equivalents		6,636,196	6,858,180
Receivables from exchange transactions	13	49	45
Receivables from non-exchange transactions	14	1,994,123	2,424,286
		<u>8,630,368</u>	<u>9,282,511</u>
Non-current assets			
Intangible assets	11	43,999	70,934
Investments in Associates	10	308,354	396,198
Property plant and equipment	12	617,294	396,249
		<u>969,647</u>	<u>863,381</u>
Total assets		<u>9,600,015</u>	<u>10,145,892</u>
Current liabilities			
Trade and other payables	15	1,748,981	1,796,800
Employee entitlements	16	560,276	462,992
Revenue in advance	17	754,352	833,845
		<u>3,063,609</u>	<u>3,093,637</u>
Total liabilities		<u>3,063,609</u>	<u>3,093,637</u>
Net assets		<u>6,536,406</u>	<u>7,052,255</u>
Equity			
Accumulated comprehensive revenue and expense		5,108,582	5,534,413
Restricted reserves		1,427,821	1,517,842
Total equity		<u>6,536,406</u>	<u>7,052,255</u>

* Certain amounts shown here do not correspond to the 2015 consolidated financial statements and reflect adjustments made due to first time adoption of PBI standards. Refer to Note 3.

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

Signed for and on behalf of the Board of Trustees who authorised these consolidated financial statements for issue on 3 November 2016.

Trustee

Trustee



Consolidated Cash Flow Statement
Compass Health
For the year ended 30 June 2016

	Notes	Group 2016 \$	Group 2015 (restated*) \$
Cash flows from operating activities			
<i>Receipts</i>			
Receipts from Government grants		69,557,057	68,178,543
Receipts from other grants		-	-
Receipts from other non-exchange transactions		-	-
Interest received		90,249	172,576
		<u>69,647,306</u>	<u>68,351,119</u>
<i>Payments</i>			
Payments to suppliers		60,520,185	60,537,127
Payment to employees		8,984,522	8,822,397
		<u>69,504,707</u>	<u>69,359,524</u>
Net cash flows from operating activities	20	142,599	(1,008,405)
 Cash flows from investing activities			
<i>Receipts</i>			
Sale of property plant and equipment		43,303	145,514
Sale of interests in associates		90,302	-
		<u>133,605</u>	<u>145,514</u>
<i>Payments</i>			
Purchase of property, plant and equipment		(488,812)	(357,651)
Purchase of intangible assets		(9,370)	-
Purchase of associates		-	(36,656)
		<u>(498,182)</u>	<u>(394,307)</u>
Net cash flows from investing activities		(364,583)	(232,662)
 Net decrease in cash and cash equivalents		(221,984)	(1,241,067)
Cash and cash equivalents at 1 July		6,858,180	8,099,247
Cash and cash equivalents at 30 June		6,636,196	6,858,180

* Certain amounts shown here do not correspond to the 2015 consolidated financial statements and reflect adjustments made due to first time adoption of PBE standards. Refer to Note 3.

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



Consolidated Notes to the financial statements

Compass Health

For the Year ended 30 June 2016

1 Reporting entity

The reporting entity is Compass Health ("the Trust"). The Trust is domiciled in New Zealand and is a charitable organisation registered under the Charities Act 2005. Compass Health was incorporated as the Greater Wellington Health Trust under the Charitable Trusts Act 1957 on 11 April 2002, and was registered as a charitable entity under the Charities Act 2005 on 30 June 2008.

The consolidated financial statements comprising of the Trust and its controlled entity, Primary Care Alliance Trust, together the "Group" are presented for the year ended 30 June 2016.

These consolidated financial statements and the accompanying notes summarise the financial results of activities carried out by the Group. The Group provides healthcare services to people living in the wider Wellington and Wairarapa regions. All entities within the Group are charitable organisations registered under the Charitable Trusts Act 1957 and the Charities Act 2005.

These consolidated financial statements have been approved and were authorised for issue by the Board of Trustees on 3 November 2016.

2 Statement of compliance

The consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with Public Benefit Entity International Public Sector Accounting Standards ("PBE IPSAS") and other applicable financial reporting standards as appropriate that have been authorised for use by the External Reporting Board for Not-For-Profit entities. For the purposes of complying with NZ GAAP, the Group is a public benefit not-for-profit entity and is applying Tier 1 Not-For-Profit PBE IPSAS as it has expenditure of more than \$30 million. The Board of Trustees has elected to report and is in compliance with Tier 1 Not-For-Profit PBE Accounting Standards.

3 Effect of first-time adoption of PBE standards on accounting policies and disclosures

This is the first set of consolidated financial statements of the Group that is presented in accordance with PBE standards. The Group have previously reported in accordance with NZ IFRS (PBE).

The accounting policies adopted in these consolidated financial statements are consistent with those of the previous financial year, except for instances when the accounting or reporting requirements of a PBE standard are different to requirements under NZ IFRS (PBE) as outlined below. The changes to accounting policies and disclosures caused by first time application of PBE accounting standards are as follows:

Consolidated Notes to the financial statements

Compass Health

For the Year ended 30 June 2016

PBE IPSAS 1 - Presentation of Financial Statements

There are minor differences between PBE IPSAS 1 and the equivalent NZ IFRS (PBE) standard. These differences have an effect on disclosure only. The main changes in disclosure resulting from the application of PBE IPSAS 1 are the following:

Receivables from exchange and non-exchange transactions:

In the consolidated financial statements of the previous financial year, receivables were presented as a single total in the statement of financial position. However, PBE IPSAS 1 requires receivables from non-exchange transactions and receivables from exchange transactions to be presented separately in the statement of financial position. This requirement affected the presentation of both current and comparative receivables figures.

PBE IPSAS 23 - Revenue from Non-Exchange Transactions

PBE IPSAS 23 prescribes the financial reporting requirements for revenue arising from non-exchange transactions. There is no equivalent financial reporting standard under NZ IFRS. The application of this standard affected the Group's accounting for funding and grants revenue.

In the previous financial year, grants received in relation to the provision of a service were recognised as revenue on a percentage of completion basis. However, PBE IPSAS 23 requires revenue from non-exchange transactions, such as grants, to be recognised as revenue as they are received, unless the grant meets the definition of and recognition criteria for a liability.

Non-exchange revenue from grants can only be deferred and recognised as a liability if there is a condition attached to the grant that require an entity to use the grant as specified or return of the grant if the entity does not perform as specified.

Reconciliation of Net Assets

		Group 30 June 2015 \$	Group 1 July 2014 \$
Balance under previous NZ IFRS		3,808,715	3,536,081
Recognition of Grants as revenue of non-exchange transactions	(a)	3,243,540	4,050,683
Net assets under PBE IPSAS		7,052,255	7,586,764

- (a) Previously, grants received in relation to the provision of a service were recognised as revenue over the period to which the grant related or when conditions associated with the grant were fulfilled. However, under PBE IPSAS 23 *Revenue from Non-Exchange Transactions*, grants are only deferred and recognised as revenue in advance where there are specific conditions attached to the grant that would require the grant to be repaid in the event it is not spent on its intended purpose.

The Group's transition date is 1 July 2014 and it has prepared its opening PBE IPSAS Group Statement of Financial Position as at that date.



Consolidated Notes to the financial statements

Compass Health

For the Year ended 30 June 2016

4 Summary of accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements as set out below have been applied consistently to both years presented in these consolidated financial statements.

4.1 *Basis of measurement*

These consolidated financial statements have been prepared on the basis of historical cost.

4.2 *Functional and presentational currency*

The consolidated financial statements are presented in New Zealand dollars (\$), which is the Group's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest dollar.

4.3 *Basis of consolidation*

Controlled entities are all those entities over which the controlling entity has the power to govern the financial and operating policies so as to benefit from its activities. The controlled entities are consolidated from the date on which control is transferred and are de-consolidated from the date that control ceases. In preparing the consolidated financial statements, all inter entity balances and transactions, and unrealised gains and losses arising within the consolidated entity are eliminated in full. The accounting policies of the controlled entity are consistent with the policies adopted by the Group and have a 30 June 2016 reporting date.

4.4 *Investments in associates*

Associates are entities over which the Group has significant influence and that are neither controlled entities nor joint ventures. 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. The Group generally deems it has significant influence if it has over 20% of the voting rights in the investee. The Group holds ownership interest in the form of shareholding or other formal equity structure in all of its associates.

The Group's investment in its associates is accounted for using the equity method of accounting in the consolidated financial statements.

Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost. The carrying amount of the investment is adjusted to recognise post-acquisition changes in the Group's share of net assets of the associates or joint ventures. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised.

The Group's share of an associate's surplus or deficit is recognised in the consolidated statement of comprehensive revenue and expenses. The Group's share of any movements in the associate's other comprehensive revenue and an expense is recognised in other comprehensive revenue and expenses. The cumulative movements are adjusted against the

Consolidated Notes to the financial statements

Compass Health

For the Year ended 30 June 2016

carrying amount of the investment. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

The share of surplus or deficit of associates is shown on the face of the consolidated statement of comprehensive revenue and expenses. This is the surplus attributable to equity holders of the associate and therefore is surplus after tax and minority interests in the controlled entities of the associates.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the "share of surplus of an associate" in the consolidated statement of comprehensive revenue and expenses. Goodwill included in the carrying amount of the investment in associate is not tested for impairment separately; rather the entire carrying amount of the investment is tested as a single asset.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

4.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Group and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The following specific recognition criteria must be met before revenue is recognised.

Revenue from non-exchange transactions

Grant Revenue

Grant revenue includes grants received from other charitable organisations and government organisations. Grant revenue is recognised when the conditions attached to the grant has been complied with. Where there are unfulfilled conditions attaching to the grant, the amount relating to the unfulfilled condition is recognised as a liability and released to revenue as the conditions are fulfilled.

Consolidated Notes to the financial statements

Compass Health

For the Year ended 30 June 2016

4.5 Revenue (continued)

Revenue from exchange transactions

Management fee revenue

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

Interest revenue

Interest revenue is recognised as it accrues, using the effective interest method.

Other revenue

Other revenue is recognised on an accruals basis.

4.6 Income tax

Due to its charitable status, the Group is exempt from income tax.

4.7 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

The Group derecognises a financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets when the rights to receive cash flows from the asset have expired or are waived, or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either:

- the Group has transferred substantially all the risks and rewards of the asset; or
- the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial Assets

Financial assets within the scope of NFP PBE IPSAS 29 Financial Instruments:

Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets. The classifications of the financial assets are determined at initial recognition.

The categorisation determines subsequent measurement and whether any resulting revenue and expense is recognised in surplus or deficit or in other comprehensive revenue and expenses. The Group's financial assets are classified as either financial assets at fair value through surplus or deficit, or loans and receivables. The Group's financial assets include: cash and cash equivalents, receivables from non-exchange transactions and receivables from exchange transactions.

All financial assets are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or

Consolidated Notes to the financial statements

Compass Health

For the Year ended 30 June 2016

group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less any allowance for impairment. The Group's cash and cash equivalents, receivables from non-exchange transactions and receivables from exchange transactions fall into this category of financial instruments.

Impairment of financial assets

The Group assesses at the end of reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortised cost, if there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the surplus or deficit for the reporting period.

In determining whether there is any objective evidence of impairment, the Group first assesses whether there is objective evidence of impairment of financial assets that are individually significant, and individually or collectively significant for financial assets that are not individually significant. If the Group determines that there is no objective evidence of impairment for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment for impairment.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. If the reversal results in the carrying amount exceeding its amortised cost, the amount of the reversal is recognised in surplus or deficit.

Consolidated Notes to the financial statements

Compass Health

For the Year ended 30 June 2016

Financial liabilities

The Group's financial liabilities include trade and other payables (excluding GST and PAYE), employee entitlements, and revenue in advance in respect to grants whose conditions are yet to be complied with).

All financial liabilities are initially recognised at fair value and are measured subsequently at amortised cost using the effective interest method except for financial liabilities at fair value through surplus or deficit.

4.8 Cash and cash equivalents

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

4.9 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. Where an asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Depreciation

Depreciation is charged on a straight line or diminishing value basis over the useful life of the asset. Depreciation is charged at rates calculated to allocate the cost or valuation of the asset less any estimated residual value over its remaining useful life:

- | | |
|--|--------------------------|
| • Leasehold improvements | 16.7% straight line |
| • Computer, office and medical equipment | 20 – 33.3% straight line |
| • Motor vehicles | 25-31.2% DV |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and are adjusted if there is a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset.

4.10 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Consolidated Notes to the financial statements

Compass Health

For the Year ended 30 June 2016

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits or service potential embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in surplus or deficit as the expense category that is consistent with the function of the intangible assets.

The Group does not hold any intangible assets that have an indefinite life.

The amortisation periods for the Groups intangible assets are as follows:

- Software 50% straight line
- Internally developed software 50% straight line

4.11 Leases

Payments on operating lease agreements, where the lessor retains substantially the risk and rewards of ownership of an asset, are recognised as an expense on a straight-line basis over the lease term.

4.12 Employee benefits

Wages, salaries, and annual leave

Liabilities for wages and salaries and annual leave are recognised in surplus or deficit during the period in which the employee provided the related services. Liabilities for the associated benefits are measured at the amounts expected to be paid when the liabilities are settled.

4.13 Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except for receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the Inland Revenue Department is classified as part of operating cash flows.

Consolidated Notes to the financial statements

Compass Health

For the Year ended 30 June 2016

4.14 Equity

Equity is the community's interest in the Group, measured as the difference between total assets and total liabilities. Equity is made up of the following components:

Accumulated comprehensive revenue and expense

Accumulated comprehensive revenue and expense is the Group's accumulated surplus or deficit since its formation, adjusted for transfers to/from specific reserves.

Restricted reserves

The Trust holds the following restricted reserves as at 2016 and 2015.

Reserve	Purpose
Maternity restricted reserve	Maternity and family related projects/contracts
Tihei Wairarapa restricted reserve	Wairarapa projects/contracts
Sexual health restricted reserve	Sexual health projects/contracts
VLCA restricted reserve	VLCA projects/contracts
Integrated Care restricted reserve	Integrated Care projects/contracts
Health Care Home restricted reserve	Health Care Home projects/contracts
Diabetes Network restricted reserve	Diabetes projects/contracts

5 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods

Judgements

In the process of applying the Group's accounting policies, management has not made any significant judgements in these consolidated financial statements.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Consolidated Notes to the financial statements

Compass Health

For the Year ended 30 June 2016

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to determine potential future use and value from disposal:

- The condition of the asset
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

The estimated useful lives of the asset classes held by the Group are listed in Note 4.9 and 4.10.

6 Group information Subsidiary

The consolidated financial statements of the Group include the following subsidiary:

Name of subsidiary	Principal activities	Country of incorporation	Percentage equity interest	
			2016	2015
Primary Care Alliance Trust	Provision of healthcare services	NZ	100%	100%

The reporting date of the Trust and all subsidiaries is 30 June.

There are no significant restrictions on the ability of the subsidiary to transfer funds to the Trust in the form of cash distributions or to repay loans or advances.

Consolidated Notes to the financial statements
Compass Health
For the Year ended 30 June 2016

7 Revenue from non-exchange transactions

Revenue from non-exchange transactions received during each reporting period are made up of the following:

	Group 2016 \$	Group 2015 (restated) \$
Capitation		
Health Promotion	892,700	665,958
Services to Improve Access	1,678,152	1,695,803
Care Plus	4,046,266	3,912,614
First Contact Care	39,471,933	38,807,873
Integrated Performance & Incentive Framework	1,259,989	1,282,890
VLCA	857,169	769,181
Zero Fees for Under Sixes	2,780,113	1,351,341
Total Capitation	50,986,322	48,485,660
DHB Income		
After Hours	811,119	521,471
Improving Access	282,822	346,196
Pharmacy	191,725	311,018
Immunisation	316,548	452,905
COPD	152,367	151,805
Diabetes	995,807	924,532
Population & Maori Health	84,199	110,000
Child Health & Maternity	806,017	782,922
Podiatry	290,386	311,665
Radiology	2,379,363	2,620,358
Retinal Screening	676,454	687,856
Mental Health	2,196,911	2,262,034
Sexual Health	1,879,662	2,273,744
Other DHB Income	3,980,067	2,383,940
Total DHB Income	15,043,447	14,140,446
Total Income	66,029,769	62,626,106

Consolidated Notes to the financial statements
Compass Health
For the Year ended 30 June 2016

8 Project Direct Expenses

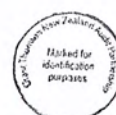
Project Direct Expenditure consists of the following specific expenses:

	Group 2016 \$	Group 2015 (restated) \$
Capitation	48,276,414	46,395,749
After Hours	767,014	511,934
Improving Access	281,951	346,196
Immunisation	1,186	15,000
COPD	34,266	42,462
Diabetes	560,620	554,052
Population & Maori Health	183,871	6,969
Child Health & Maternity	291,289	270,316
Podiatry	119,374	112,936
Radiology	2,069,438	2,328,353
Retinal Screening	575,740	621,014
Mental Health	868,485	1,144,095
Sexual Health	430,162	791,272
Pacific Health	541	(13,767)
Other	1,731,107	1,603,576
Total Project Direct Expenses	56,191,458	54,730,157

9 Operating expenses

	Group 2016 \$	Group 2015 \$
Fees paid to Grant Thornton*	37,051	26,775
Depreciation and amortisation	260,768	253,638
Directors and Committee Fees	292,436	237,934
Interest and Bank Charges	6,389	5,969
Insurance	15,278	32,196
Legal Fees	7,674	16,080
Staff Costs	425,999	353,275
Property Costs	537,758	471,838
Salaries & Wages	8,984,522	8,822,397
Telecommunications	249,063	258,881
Other Expenses	2,581,387	3,781,706
Total Operating Expenditure	13,398,325	14,260,689

*Fees paid to Grant Thornton include \$37,051 audit fees (2015:\$26,775) and \$8,480 in relation to other assurance services (2015:\$Nil) included in other expenses within total operating expenditure.



Consolidated Notes to the financial statements

Compass Health

For the Year ended 30 June 2016

10 Investment in Associates

The Group has a 45.8% interest in Kelburn Medical Centre and a 50% interest Northland Village Surgery Limited. These interests are accounted for using the equity method on the consolidated financial statements.

The above entities are not fully consolidated into the consolidated financial statements as Compass Health do not have control, these entities are controlled by a third party who acts as the General Partner under the Deed of limited Partnership of each entity.

Summarised financial information of the joint venture and a reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

Summarised statements of financial position

	Kelburn Medical Centre 2016 \$	Northland Village Surgery Limited 2016 \$	Kelburn Medical Centre 2015 \$	Northland Village Surgery Limited 2015 \$	Total 2016	Total 2015
Current assets	144,761	52,822	174,230	68,599	197,583	242,829
Non-current assets	480,005	182,220	540,474	209,016	662,225	749,490
Current liabilities	118,997	50,770	134,223	44,879	169,767	179,102
Equity	505,769	184,272	580,481	232,736	690,041	813,217
Proportion of the Group's ownership	45.8%	50%	50%	50%	45.8%	50%
Carrying amount of investment in Group's financial statements	186,218	122,136	274,186	122,012	308,354	396,198

Summarised statements of financial performance

	Kelburn Medical Centre 2016 \$	Northland Village Surgery Limited 2016 \$	Kelburn Medical Centre 2015 \$	Northland Village Surgery Limited 2015 \$	Total 2016	Total 2015
Revenue	1,656,139	567,481	1,537,772	573,989	2,223,620	2,111,761
Expenses	1,651,044	567,233	1,518,190	561,309	2,218,277	2,079,499
Surplus for the year	5,095	248	19,582	12,680	5,343	32,262
Proportion of the Group's ownership	45.8%	50%	50%	50%	45.8%	50%
Group's share of surplus	2,334	124	9,791	6,340	2,458	16,131

The associates had no contingent liabilities or capital commitments as at 30 June 2016 and 2015



Consolidated Notes to the financial statements
Compass Health
For the Year ended 30 June 2016

11 Intangible Assets

Group 2016	Internally Developed		Total
	Software	Software	
	\$	\$	\$
Cost/Valuation	68,018	861,560	929,578
Accumulated depreciation	(51,013)	(834,566)	(885,580)
Net book value	17,005	26,994	43,999

Group 2015	Internally Developed		Total
	Software	Software	
	\$	\$	\$
Cost	68,018	889,597	957,615
Accumulated depreciation	(34,009)	(852,671)	(886,680)
Net book value	34,009	36,926	70,935

Reconciliation of the carrying amount at the beginning and end of the period:

Group 2016	Internally Developed		Total
	Software	Software	
	\$	\$	\$
Opening balance	34,009	36,925	70,934
Additions	-	9,370	9,370
Disposals	-	-	-
Amortisation	(17,004)	(19,301)	(36,305)
Closing balance	17,005	26,994	43,999

Group 2015	Internally Developed		Total
	Software	Software	
	\$	\$	\$
Opening balance	68,018	68,776	136,794
Additions	-	-	-
Disposals	-	-	-
Amortisation	(34,009)	(31,851)	(65,860)
Closing balance	34,009	36,925	70,934

Consolidated Notes to the financial statements
Compass Health
For the Year ended 30 June 2016

12 Property plant and equipment

Group 2016	Computer, office and medical equipment	Motor vehicles	Leasehold improvements	Total
	\$	\$	\$	\$
Cost/Valuation	2,044,085	-	260,356	2,304,441
Accumulated depreciation	(1,516,274)	-	(170,873)	(1,687,147)
Net book value	527,811	-	89,483	617,294

Group 2015	Computer, office and medical equipment	Motor vehicles	Leasehold improvements	Total
	\$	\$	\$	\$
Cost/Valuation	1,729,291	11,969	275,797	2,017,057
Accumulated depreciation	(1,393,886)	(9,090)	(217,833)	(1,620,809)
Net book value	335,405	2,879	57,964	396,248

Group 2016	Computer, office and medical equipment	Motor vehicles	Leasehold improvements	Total
	\$	\$	\$	\$
Opening balance	335,406	2,879	57,963	396,248
Additions	408,491	-	80,321	488,812
Disposals	(17,726)	(110,074)	(95,763)	(223,563)
Depreciation	(213,464)	(658)	(10,341)	(224,463)
Depreciation eliminated on Disposal	15,105	107,854	57,302	180,260
	527,812	-	89,482	617,294

Group 2015	Computer, office and medical equipment	Motor vehicles	Leasehold improvements	Total
	\$	\$	\$	\$
Opening balance	291,473	9,244	71,173	371,890
Additions	208,738	141,365	7,547	357,650
Disposals	-	(145,514)	-	(145,514)
Depreciation	(164,805)	(2,216)	(20,757)	(187,778)
	335,406	2,879	57,963	396,248

Consolidated Notes to the financial statements
Compass Health
For the Year ended 30 June 2016

13 Receivables from exchange transactions

	Group 2016 \$	Group 2015 (restated) \$
Management services receivables	49	45
	<u>49</u>	<u>45</u>

Receivables from exchange transactions are non-interest bearing and are generally on terms of 30 to 90 days.

14 Receivables from non-exchange transactions

	Group 2016 \$	Group 2015 (restated) \$
Healthpac and DHB receivables	1,708,519	2,275,353
Accrued revenue	62,949	148,932
Prepayments	222,655	46
	<u>1,994,123</u>	<u>2,424,331</u>

Receivables from non-exchange transactions are non-interest bearing and are generally on terms of 30 to 90 days.

As at 30 June, the ageing analysis of receivables from non-exchange transactions is, as follows:

	Total	Neither past due nor impaired \$	< 30 days \$	31 - 60 days \$	61 - 90 days \$	> 90 days \$
2016	1,708,519	1,704,140	1,617,595	64,918	9,522	16,484
2015	2,275,354	2,270,975	2,113,172	132,063	4,499	25,619

15 Trade and other payables

	Group 2016 \$	Group 2015 \$
Trade payables	1,748,981	1,796,800
	<u>1,748,981</u>	<u>1,796,800</u>

Trade and other payables are non-interest bearing and are normally settled on 30-day terms.

Consolidated Notes to the financial statements

Compass Health

For the Year ended 30 June 2016

16 Employee entitlements

	Group 2016	Group 2015
	\$	\$
Accrued salaries	140,444	95,520
Accrued annual leave	419,832	367,472
	<u>560,276</u>	<u>462,992</u>

17 Revenue in advance from non-exchange transactions

Grant income is recognised as Revenue in Advance when the contract or agreement either includes restrictions on what the grant can be used for, and/or clawback conditions, and/or the reporting date falls before completion of the contract.

18 Related party transactions

Transactions with Associates

		2016 \$	2015 \$	2016 \$	2015 \$
Related Party	Description of the Transaction	Value of transactions	Value of transactions	Amount Outstanding	Amount Outstanding
Kelburn Medical	Management Fee income	28,000	28,000	-	-
	Capitation payments	818,168	753,688	-	-
Northland Village	Management Fee income	16,200	16,200	-	-
Surgery	Capitation payments	272,272	259,696	-	-

Key Management Personnel

The key management personnel, as defined by PBE IPSAS 20 Related Party Disclosures, are the members of the governing body which is comprised of the Board of Trustees, and the Executive Leadership Team, which constitutes the governing body of the Group. The aggregate remuneration of key management personnel and the number of individuals, determined on a full-time equivalent basis, receiving remuneration is as follows:

	Group 2016	Group 2015
Trustees		
Total fees	\$173,674	\$160,375
Number of persons	18	19
Executive Leadership Team		
Total remuneration	\$1,160,414	\$1,137,999
Number of persons	9	9

There we no amounts outstanding as at 30 June 2016 (2015: \$Nil).

Consolidated Notes to the financial statements

Compass Health

For the Year ended 30 June 2016

Remuneration and compensation provided to close family members of key management personnel

During the reporting period, total remuneration and compensation of \$Nil (2015: \$Nil) was provided by the Group to employees who are close family members of key management personnel.

19 Leases

The Group has entered into commercial leases on certain office sites, motor vehicles and equipment. These leases have an average life of between 3 and 6 years. There are no restrictions placed upon the Group by entering into these leases.

As at the reporting date, the Group has entered into the following non-cancellable operating leases:

	Group 2016	Group 2015
	\$	\$
Not later than one year	570,625	349,407
Later than one year and no later than five years	1,653,178	676,223
Later than five years	61,320	-
	<u>2,285,123</u>	<u>1,025,630</u>

20 Reconciliation of deficit with net cash flow from operating activities

	Group 2016	Group 2015
	\$	\$
Net Deficit for the reporting period	(515,849)	(534,509)
Non-cash items:		
Net surplus/(deficit) of Associates	(2,458)	(16,131)
Depreciation	260,768	253,638
	<u>257,539</u>	<u>237,507</u>
Add/deduct items classified as investing or financing activities:		
Unrealised gain	-	-
Gain on sale of investments	-	-
Gain on sale of subsidiary	-	-
	<u>-</u>	<u>-</u>
Movements in working capital:		
Decrease/(increase) in receivables from non- exchange transactions	430,163	(299,760)
Increase in receivables from exchange transactions	-	(46)
Decrease in accounts payable	(47,818)	(422,000)
Increase/(decrease) in employee entitlements	97,285	(184,187)

Consolidated Notes to the financial statements
Compass Health
For the Year ended 30 June 2016

(Decrease)/increase in revenue in advance	(79,492)	194,590
	400,138	(711,403)
Net cash flows from operating activities	142,599	(1,008,405)

21 Categories of financial assets and liabilities

The carrying amounts of financial instruments presented in the statement of financial position relate to the following categories of assets and liabilities:

	Group 2016	Group 2015
	\$	\$
Financial assets		
<i>Loans and receivables</i>		
Cash and cash equivalents	6,636,196	6,858,180
Receivables from exchange transactions	46	46
Receivables from non-exchange transactions	1,994,123	2,424,286
	8,630,365	9,282,512
Financial liabilities		
<i>At amortised cost</i>		
Trade and other creditors	1,748,980	1,796,800
Employee entitlements	560,276	462,992
Deferred Revenue (conditions attached)	754,353	4,077,381
	3,063,609	6,337,173

22 Financial Instrument risk

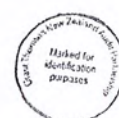
Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised in Note 21. The main types of risks are market risks, credit risk and liquidity risk.

The Group's risk management policy is to ensure that all entities that make up the Group can continue to adhere to their objectives in the long term in providing healthcare services to the Greater Wellington Region. .

The Group does not actively engage in trading of financial assets for speculative purposes.

There were no material changes in the Group's risk exposure and risk management objectives and policies during the reporting period.



Consolidated Notes to the financial statements
Compass Health
For the Year ended 30 June 2016

Market risk analysis

The Group is not exposed to significant market risk as it holds no financial instruments which are subject to any market movements. Interest rate risk is not considered to be material as the Group has no bonds or term deposits, and interest earned on bank accounts is not material.

Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example, by extending credit to debtors. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date as follows:

Classes of financial assets	Group 2016	Group 2015
<i>Carrying amounts</i>	\$	\$
Cash and cash equivalents	6,636,196	6,858,180
Receivables from exchange transactions	46	46
Receivables from non-exchange transactions	1,994,123	2,424,286
	<u>8,630,365</u>	<u>9,282,512</u>

No receivables from exchange or non-exchange transactions are considered to be past due or impaired. The Board of Trustees has assessed that all of the above financial assets are not impaired or past due for each of the reporting dates under review and are of good credit quality. The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. The carrying amounts disclosed above are the Group's maximum possible credit risk exposure in relation to these instruments.

The Group's policy is to deal only with creditworthy counterparties. No collateral is held by the Group in respect of its exposure to credit risk.

Liquidity risk analysis

Liquidity risk is the risk that the Group might not be able to meet its obligations. The Group manages its liquidity needs by monitoring forecast cash inflows and outflows due in day-to-day operations. The data used for analysing these cash flows is consistent with those used in the contractual maturity analysis below. Liquidity needs are monitored on a monthly basis projected for the next 3 years.

The Group's objective is to maintain sufficient cash and marketable securities to meet its liquidity requirements for two months at a minimum. This objective was met for the reporting period.

Consolidated Notes to the financial statements

Compass Health

For the Year ended 30 June 2016

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources. The Group's existing cash resources significantly exceeds the current cash flow requirements.

The Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

2016	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
Trade and other creditors	1,748,981	-	-	-
Employee entitlements	280,138	280,138	-	-
Total	2,029,118	280,138	-	-

2015	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
Trade and other creditors	1,796,800	-	-	-
Employee entitlements	231,496	231,496	-	-
Total	2,028,296	231,496	-	-

23 Capital management

In determining its capital management policy, the main objective of the Board is to ensure that the Group has sufficient funds to continue with its main purpose. This is largely achieved through managing revenues, expenses, assets, liabilities and general financial dealings. Capital for the Group consists of its accumulated comprehensive revenue and expenses, and restricted funds.

There are no externally imposed covenants on the Group (2015 \$Nil).

24 Capital commitments

There were no capital commitments at the reporting date. (2015: \$Nil).

25 Contingent assets and liabilities

There are no contingent assets for liabilities at the reporting date. (2015: \$Nil).

Consolidated Notes to the financial statements

Compass Health

For the Year ended 30 June 2016

26 Events after the reporting date

The Board of Trustees and management is not aware of any other matters or circumstances since the end of the reporting period, not otherwise dealt with in these consolidated financial statements that have significantly or may significantly affect the operations of the Group (2015: \$Nil).

Independent Auditor's Report

Audit**Grant Thornton New Zealand Audit Partnership**

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215 Lambton Quay
PO Box 10712
Wellington 6143

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To the Beneficiaries of Compass Health**Report on the financial statements**

We have audited the accompanying consolidated financial statements on pages 4 to 29 of Compass Health (the "Group") which comprise the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of comprehensive revenue and expenses, consolidated statement of changes in net assets and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. The Group comprises Compass Health and the entities it controlled at 30 June 2016, or from time to time during the reporting period.

The responsibility of Trustees for the financial statements

The Trustees are responsible for the preparation and fair presentation of these financial statements in accordance with Public Benefit Entity International Public Sector Accounting Standards (Not-For-Profit), 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 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). 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 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 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.

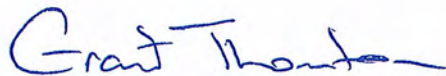
Our firm carries out other assignments for Compass Health in the area of other assurance services. The firm has no other interest in Compass Health.

Opinion

In our opinion, the financial statements on pages 4 to 29 present fairly, in all material respects, the financial position of Compass Health and the entities it controlled as at 30 June 2016, and its financial performance and cash flows, for the year then ended in accordance with Public Benefit Entity International Public Sector Accounting Standards (Not-For-Profit).

Restriction on use of our report

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



Grant Thornton New Zealand Audit Partnership
Wellington, New Zealand
3 November 2016