PEGASUS HEALTH (CHARITABLE) LTD

Financial Statements
for the Year Ended 30 June 2012

CONTENTS

COMPANY DIRECTORY

The Directors are pleased to present the financial statements of Pegasus Health (Charitable) Ltd for the year ended 30 June 2012.

REGISTERED OFFICE	Pegasus Health (Charitable) Ltd Unit 4, 567 Wairakei Road Christchurch
DIRECTORS	Dr M Bellamy Ms F E Blair-Heslop Dr H H Chima Dr J P Coughlan Dr A M Manning Dr M R Seers Prof L J Toop Mr P R Townsend
AUDITOR	BDO Christchurch
LEGAL ADVISORS	Lane Neave
SHAREHOLDERS	Dr M Bellamy Dr H H Chima Dr J P Coughlan Dr A M Manning Dr M R Seers Prof L J Toop

DIRECTORS' REPORT

for the year ended 30 June 2012

1. **Company Objects**

   The purpose for which the Company is established is to apply and utilise the assets and investments of the company in furtherance of the exclusively charitable objects of the Company (charity registration number CC29755) which include, without limitation, the following objects:

   a. The enhancement and facilitation of the provision of health care to the population of Canterbury who are patients of the members of Pegasus Health Membership Ltd;

   b. The improvement of the health status of the population of Canterbury who are patients of the members of Pegasus Health Membership Ltd;

   c. The education of the public and health care providers as to health related issues;

   d. The greater participation of the community in health related issues in keeping with the spirit of the Treaty of Waitangi;

   e. The improved availability of health related statistical information;

   f. The improvement of integration and liaison between health care providers in Canterbury; and

   g. The creation or development of, or the enhancement of cooperation with, other entities that have similar objects and which are recognised by the Commissioner of Inland Revenue as charitable organisations.

2. **Dividend**

   No dividend can be paid as a condition of the Company's charitable status.

3. As required by Section 211 of the Companies Act we disclose the following information:

   Directors' Interests

   The following entry was made in the Interest Register during the financial year:

   - Some Directors entered into an agreement to provide services to the Company as the Company may require from time to time. These amounts are distinct from directors' fees.
   - Professor Les Toop, as a trustee of Partnership Health Canterbury Te Kei o Te Waka, has an interest in the proposed amalgamation of the Company and that entity.

   Use of Company Information

   No notices were received during the year.

   Remuneration and Other Benefits

   <u>Directors' Fees</u>

   Directors' fees for their board activities totalled $343,616.

Directors' Board Meeting Attendances

From 1 July 2011 to 30 June 2012.

The Directors listed below held office during the year.

	Number of Attendances	Number of Apologies
Dr Mary-Anne Bellamy	11	1
Ms Fiona Blair-Heslop	10	2
Dr Harsed Chima	11	1
Dr John Coughlan	12	0
Dr Andrew Manning	12	0
Dr Martin Seers	11	1
Prof Les Toop	12	0
Mr Peter Townsend	11	1

Share Dealing

General practitioner directors hold shares in trust for the company's charitable beneficiaries. No share transactions occurred during the year.

Provision of Services

Associated doctors and nurses, including directors, have been remunerated on an hourly basis for assignments carried out at the request of the company.

Employees

The number of employees whose remuneration and benefits within specific bands is as follows:

100,000 – 110,000	2
110,001 – 120,000	3
120,001 – 130,000	3
130,001 – 140,000	1
150,001 – 160,000	3
180,001 – 190,000	1
190,001 – 200,000	3
200,001 – 210,000	2
210,001 – 220,000	1
240,001 – 250,000	1

FOR AND ON BEHALF OF THE BOARD

Dr Martin Seers
Chair
29 August 2012

Dr John Coughlan
Deputy Chair
29 August 2012

DIRECTORS' RESPONSIBILITY STATEMENT

The Financial Reporting Act 1993 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the financial position and financial performance of the company for that period. In preparing those financial statements on pages 7-25, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent; and
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1993. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

FOR AND ON BEHALF OF THE BOARD

Dr Martin Seers	**Dr John Coughlan**
Chair	Deputy Chair
29 August 2012	29 August 2012

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PEGASUS HEALTH (CHARITABLE) LIMITED

Report on the Financial Statements

We have audited the financial statements of Pegasus Health (Charitable) Limited on pages 7 to 26, which comprise the statement of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes 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 Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the Company's shareholders 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 Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances. 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. Other than in our capacity as auditor we have no relationship with, or interests in, Pegasus Health (Charitable) Limited.

Opinion

In our opinion, the financial statements on pages 7 to 26:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of Pegasus Health (Charitable) Limited as at 30 June 2012, and its financial performance and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations we have required.

In our opinion proper accounting records have been kept by Pegasus Health (Charitable) Limited as far as appears from our examination of those records.

BDO Christchurch

BDO Christchurch
29 August 2012

Christchurch

STATEMENT OF FINANCIAL POSITION

as at 30 June 2012

	Note	2012 $	2011 $
Assets			
Property, plant and equipment	4	4,335,125	4,152,448
Intangible assets	5	660,072	203,652
Investment in associate	17	1,369,254	1,225,628
Other investments	17	40,000	-
Total non-current assets		**6,404,451**	**5,581,728**
Inventories	6	9,670	11,835
Trade and other receivables	7	4,187,145	7,240,394
Cash, cash equivalents and fixed interest securities	8	13,715,236	12,726,436
Total current assets		**17,912,052**	**19,978,665**
Total assets		**24,316,502**	**25,560,393**
Equity			
Share capital	9	12,000	12,000
Revaluation reserve	9	494,066	323,003
Share of movement in associates reserves		263,111	119,485
Retained earnings		16,026,354	16,559,074
Total equity		**16,795,531**	**17,013,562**
Liabilities			
Provisions	13	160,000	160,000
Total non-current liabilities		160,000	**160,000**
Employee benefits payable	10	669,975	654,340
Trade and other payables	12	6,650,996	7,732,491
Related party loan	16	40,000	-
Total current liabilities		**7,360,971**	**8,386,831**
Total liabilities		**7,520,971**	**8,546,831**
Total equity and liabilities		**24,316,502**	**25,560,393**

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2012

	Note	2012	2011
		$	$
Revenue			
Delivery of health services		21,600,703	20,673,466
Other revenue		2,010,380	598,137
Total revenue		**23,611,083**	**21,271,603**
Other income – rental		254,980	248,845
Operating expenses	2	(25,115,817)	(22,143,608)
Operating profit/(loss) before interest income		**(1,249,754)**	**(623,160)**
Interest income		662,673	564,190
Unrealised gain on fixed interest securities		54,352	-
Profit/(loss) for the period		**(532,729)**	**(58,969)**
Revaluation of land and buildings		171,071	19,002
Share of other comprehensive income of associate		143,626	52,402
Total other comprehensive income for the period		**314,697**	**71,404**
Total comprehensive income/(expense) for the period		**(218,031)**	**12,435**

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2012

	Retained Earnings	Revaluation Reserve	Share of Movement in Associates Reserves	Share Capital	Total
	$	$	$	$	$
Opening balance 1 July 2010	**16,618,043**	**303,998**	**67,086**	**12,000**	**17,001,127**
Total comprehensive income for the period	(58,969)	19,002	52,402	-	12,435
Closing balance 30 June 2011	**16,559,074**	**323,000**	**119,488**	**12,000**	**17,013,562**
Total comprehensive income for the period	(532,729)	171,071	143,626	-	(218,031)
Closing balance 30 June 2012	**16,026,345**	**494,071**	**263,114**	**12,000**	**16,795,531**

STATEMENT OF CASH FLOWS

for the year ended 30 June 2012

	Note	2012	2011
		$	$
Cash flows from operating activities			
Cash receipts from customers		27,112,618	20,147,500
Cash paid to suppliers and employees		(25,418,110)	(20,978,356)
Net cash from operating activities	18	**1,694,508**	**(830,855)**
Cash flows from investing activities			
Fixed asset additions		(1,316,348)	(751,426)
Fixed Interest Investments		(1,569,420)	-
Advance repayment		-	20,000
Interest received		556,288	665,640
Net cash from investing activities		**(2,329,480)**	**(65,786)**
Net increase/(decrease) in cash and cash equivalents		**(634,972)**	**(896,641)**
Cash and cash equivalents at 1 July		**12,726,436**	**13,623,077**
Cash and cash equivalents at 30 June	8	**12,091,464**	**12,726,436**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Reporting Entity

Pegasus Health (Charitable) Ltd (the "Company") is a company domiciled and incorporated in New Zealand and registered under the Companies Act 1993. Its principal place of business is at 160 Bealey Avenue, Christchurch.

Pegasus Health (Charitable) Ltd is primarily involved in the delivery of health services.

The financial statements were approved by the Directors on 29 August 2012.

1.2 Basis of Preparation

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities (see further detail on page 16).

The Company is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act.

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

The financial statements are prepared on the historical cost basis except that land and buildings are stated at their fair value and fixed interest securities are stated at market value.

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

1.3 Associates (Equity Accounted Investees)

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method (equity accounted investees).

The financial statements include the Company's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases.

When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

1.4 Other Investments

Other investments are recorded at cost.

1.5 Property, Plant and Equipment

Owned Assets

All items of property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses except for land and buildings which are measured at fair value. Where an item of property, plant or equipment is disposed of, the gain or loss recognised in the income statement is calculated as the difference between the net sales price and the carrying amount of the asset.

Where material parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent Costs

Subsequent costs are added to the carrying amount of an item of property, plant and equipment when that cost is incurred and if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property or equipment. The estimated useful lives for the current and comparative periods give rise to depreciation rates as follows:

Buildings	3%
Plant and equipment	6% - 67%
Fixtures and fittings	6.5% - 20%

1.6 Intangible Assets

Trademarks

Trademarks have an indefinite life and are stated at cost.
Trademarks are tested annually for impairment.

Software

Software, including internally generated software which meets recognition criteria, has a finite life and is stated at cost, less accumulated amortisation and impairment losses.

Amortisation is charged to the income statement on a straight-line basis over 3-5 years. Amortisation rate and method are reviewed annually for appropriateness and software is tested annually for impairment.

1.7 Non-Derivative Financial Instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, fixed interest securities, trade and other payables, and borrowings.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire, or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged.

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Trade and Other Receivables

Due to the short term nature of trade and other receivables, these are measured at cost less impairment losses.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances, call deposits, and registered bank term deposits which are measured at cost subsequent to initial recognition.

Fixed Interest Securities

Fixed interest securities are measured at market value.

Trade and Other Payables

Trade and other payables are measured at cost.

Borrowings

Borrowings are measured at cost.

1.8 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

1.9 Impairments

The carrying amounts of assets other than inventories are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For trademarks, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of the asset and are recognised in the income statement.

Estimated recoverable amount of receivables carried at cost is calculated as the present value of estimated future cash flows. Receivables with a short duration are not discounted.

Estimated recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. Other impairment losses are reversed when there is a change in the estimates used to determine the recoverable amount. Impairment losses are reversed through the income statement.

1.10 Employee Benefits

Short-term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under outstanding annual leave balances if the Company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee, and the obligation can be estimated reliably.

Contributions to defined contribution pension schemes are charged to the Profit and Loss in the Statement of Comprehensive Income in the year in which they relate.

1.11 Agency Payments

The Company acts as agent for various funding parties and in that capacity pays a variety of claims to general practices and other parties, for which it is reimbursed. These receipts and payments do not flow through the Statement of Comprehensive Income and the net balance at year end is recognised as a current liability.

1.12 Provisions

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market rates and, where appropriate, the risks specific to the liability.

1.13 Revenue

Revenue from services rendered is recognised at the fair value of consideration received or receivable, including related profits or losses in proportion to the stage of completion of the transaction at the reporting date.

The Company operates within the health services sector. The stage of completion of different types of revenue is assessed as follows:

Significant Agreements

The company has significant agreements with Partnership Health Canterbury Te Kei o Te Waka (PHC) to provide services to general practices and their patients on behalf of PHC and to residents of Child Youth and Family Residences. Satisfactory on-going contractual arrangements have been agreed for the year ending 30 June 2013.

The Company's three year contract with Canterbury Community Care Trust to deliver certain Acute Demand Management Services, which expired on 30 June 2012, has been extended until 30 June 2013.

The Company also delivers services funded directly by the Canterbury District Health Board (CDHB). These include services focussed on integration of primary and secondary care, and programme office support to the Canterbury Clinical Network (CCN), a collaborative working group of the region's health professionals and others, which in conjunction with the CDHB is working towards a transformation of health care to significantly improve the delivery of patient care in the community. The CDHB also provides funding towards the development and delivery of a comprehensive clinical education programme to doctors, nurses and pharmacists working in primary care in Canterbury and a number of information systems initiatives. The majority of these services are funded on a three year basis with the current year ended 30 June 2012 being the end of year one, other elements are funded on an annual basis.

A number of contracts are on the basis that they can be terminated during the year by funders with three months notice. This is primarily to allow flexible introduction of transformational changes that are agreed within the CCN work programme. The Company contributes to the CCN work programme discussions and these termination provisions are not regarded as a threat to the future viability of the company.

Where the service involves an indeterminate number of acts over a specified period of time, revenue is recognised on a straight line basis over the specified period unless there is evidence that another method better represents the stage of completion. Where the contract delivery is subject to significant seasonality variations, the revenue is recognised on the basis of service delivery patterns. Revenue that compensates the Company for expenses incurred is recognised on a systematic basis matching the pattern of the related expenses.

Patient Fees and Related Funding

Patient fees are recognised as the service is provided. Related claims revenue is recognised when the associated claim has been approved. Funding to support the delivery of night shift services is recognised evenly over the period to which it relates.

1.14 Rental Income

Rental income from property which is sublet is recognised in profit or loss on a straight line basis over the term of the lease.

1.15 Expenses

Operating Lease Payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

1.16 Interest Income

Interest income is recognised in the Statement of Comprehensive Income as it accrues, using the effective interest method.

1.17 Deferred Tax

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the balance sheet liability method.

As the Company is a registered charity (charity registration number CC29755) it is not required to pay income tax. Any deferred tax is therefore calculated at a rate of zero percent.

The Company has an investment in After Hours Properties Ltd which is a tax paying entity. Deferred tax is therefore calculated as part of the value of the investment in this entity.

1.18 Goods and Services Tax

All amounts are shown exclusive of Goods and Services Tax (GST), except for receivables and payables that are stated inclusive of GST.

1.19 Use of Estimates and Judgements

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

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described as follows:

Judgements

In the process of applying the entity's accounting policies, the Directors have made the following judgements that have had the most significant effect on the amounts recognised in the financial statements:

- The Directors have judged that the Company is a public benefit entity. They believe that the charitable objects of the Company are consistent with the public benefit entity requirements. Any equity has been provided with a view to supporting these charitable objects rather than for a financial return to equity holders.
- The Directors have judged that where part of a property is used in the supply of services and part is rented out, a more than insignificant portion is held for use in the supply of services and therefore the property is classified as property, plant and equipment, rather than as investment property.
- The Directors have judged that in the case of certain entities set out in Note 17 that even though a 20% or more shareholding is held, the Directors do not have significant influence over those entities. These entities are therefore accounted for as investments rather than associates.

Estimates

The Directors have made estimates in the following areas which may have a significant impact on the financial statements; these have been described in more detail in the related note:

Valuation of land and buildings Note 4

The Company obtains valuations performed by external valuers in order to determine the fair value of its properties. These valuations are based upon assumptions including future rental income, anticipated maintenance costs, future development costs and the appropriate discount rate. The valuers also make reference to market evidence of transaction prices for similar properties. Further information in relation to the valuation of freehold land and buildings is in note 4.

Impairment of software Note 5

The Company is required to test, on an annual basis, whether internally generated intangible assets have indications of impairment. The value in use is based on the ability of those assets to be used, and evidence that assets developed are owned by the Company. Where the clarity of contracts regarding ownership of software being developed is not clear, management estimates the level of impairment relating to that software.

Provisions Note 13

The company has a constructive obligation to restore the rented premises to its existing condition at the end of the lease term. Management has made an estimate of the expected cost of this obligation.

1.20 Standards and Interpretations Not Yet Effective

The new standards, amendments to published standards and interpretations that are mandatory for the Company's financial periods beginning on or after 1 July 2012 or later periods, but which the Company has not early adopted, are as follows:

NZ IFRS 1 Amendments: Presentation of items of Other Comprehensive Income
NZ IFRS 7 Amendment: Offsetting Financial Assets & Financial Liabilities
NZ IAS 32 Amendment: Offsetting Financial Assets & Financial Liabilities
NZ IFRS 10 Consolidated Financial Statements
NZ IFRS 11 Joint Arrangements
NZ IFRS 12 Disclosure of Interests in Other Entities
NZ IFRS 13 Fair Value Measurement
NZ IAS 27 Separate Financial Statements
NZ IAS 28 Investments in Associates and Joint Ventures

1.21 New Standards, Interpretations and Amendments Effective from 1 July 2011

None of the new standards, interpretations or amendments, effective for the first time from 1 July 2011, have had a material effect on the financial statements.

2. OPERATING EXPENSES

The following items of expenditure are included in operating expenses:

	2012	2011
	$	$
Remuneration to BDO comprises:		
Audit fees	26,295	26,000
Total auditors remuneration	**26,296**	**26,000**
Directors fees	343,616	312,206
Operating lease costs	424,528	399,506

3. PERSONNEL EXPENSES

	2012	2011
	$	$
Wages and salaries	14,469,208	12,765,922

4. PROPERTY, PLANT AND EQUIPMENT

COMPANY	Leasehold Improvements	Land and Buildings Valuation	Plant and Equipment	Fixtures and Fittings	Motor Vehicles	Total
	$	$	$	$	$	$
Cost						
Balance at 1 July 2010	449,521	3,137,866	2,443,846	605,488	40,969	6,677,690
Additions	-	36,023	404,499	140,392	-	580,914
Disposals	-	-	-	-	-	-
Revaluation	-	(4,848)	-	-	-	(4,848)
Adjustment	25,154	(25,154)	-	-	-	-
Balance at 30 June 2011	**474,675**	**3,143,887**	**2,848,345**	**745,880**	**40,969**	**7,253,756**
Additions	15,003	38,911	382,998	36,450	-	473,362
Disposals	-	-	-	-	-	-
Revaluation	-	150,946	-	-	-	150,946
Balance at 30 June 2012	**489,678**	**3,333,744**	**3,231,343**	**782,330**	**40,969**	**7,878,064**
Depreciation and impairment losses						
Balance at 1 July 2010	210,491	78,327	2,139,629	324,656	15,822	2,768,925
Depreciation for the year	29,866	58,388	197,786	61,477	8,716	356,233
Disposals	-	-	-	-	-	-
Revaluation	-	(23,850)	-	-	-	(23,850)
Adjustment	607	(607)	-	-	-	-
Balance at 30 June 2011	**240,964**	**112,258**	**2,337,415**	**386,133**	**24,538**	**3,101,308**
Depreciation for the year	31,901	41,965	293,376	73,622	8,717	449,581
Disposal	-	-	-	-	-	-
Revaluation	-	(7,950)	-	-	-	(7,950)
Balance at 30 June 2012	**272,865**	**146,273**	**2,630,791**	**459,755**	**33,255**	**3,542,939**
Carrying amounts						
At 30 June 2011	**233,711**	**3,031,629**	**510,930**	**359,747**	**16,431**	**4,152,448**
At 30 June 2012	**216,813**	**3,187,471**	**600,552**	**322,575**	**7,714**	**4,335,125**

There are no restrictions on title on any property, plant and equipment and none are pledged as security for liabilities.

Land and buildings were revalued at 30 June 2012 based on an independent market valuation determined by GR Sellars FNZIV FPINZ, Colliers International, an independent registered valuer. At balance date the revaluation surplus arising has been transferred directly to the asset revaluation reserve.

The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after property marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion.

Investment properties sustained minor damage due to the earthquakes which hit Christchurch in the period September 2010 to June 2011. The properties are recognised in the financial statements at their 30 June 2012 valuations and accordingly no additional impairment of these properties is recognised. The company is in dialogue with its insurers and expects that the property damage will be fully covered by insurance.

5. INTANGIBLE ASSETS

COMPANY	Goodwill	Trademarks and Domain Names	Software	Total
	$	$	$	$
Cost				
Balance at 1 July 2010	-	4,448	915,973	920,421
Acquisitions	-	2,925	167,588	170,513
Write off / adjustment	-	-	-	-
Balance at 30 June 2011	-	**7,373**	**1,083,561**	**1,090,934**
Acquisitions	-	-	842,985	842,985
Disposals	-	-	-	-
Balance at 30 June 2012	-	**7,373**	**1,926,546**	**1,933,919**
Amortisation and impairment losses				
Balance at 1 July 2010	83,602	-	769,473	853,075
Amortisation for the year	-	-	117,808	117,808
Adjustment	(83,602)	-	-	(83,602)
Balance at 30 June 2011	-	-	**887,281**	**887,281**
Amortisation for the year	-	-	133,740	133,740
Impairment	-	-	252,826	252,826
Balance at 30 June 2012	-	-	**1,273,847**	**1,273,847**
Carrying amounts				
At 30 June 2011	-	**7,373**	**196,279**	**203,652**
At 30 June 2012	-	**7,373**	**652,699**	**660,072**

There are no restrictions on title on any intangible assets or any pledged as security for liabilities.

Trademarks are renewable indefinitely and are therefore considered to have an indefinite useful life.

The impairment cost for 2012 arises due to the need to substantiate certain asset ownership matters regarding software in conjunction with the CDHB.

6. INVENTORIES

	2012	2011
	$	$
Vaccines	9,670	11,835
	9,670	**11,835**

In 2012, the write-down of inventories to net realisable value amounted to $nil (2011: $nil).

7. TRADE AND OTHER RECEIVABLES

	2012	2011
	$	$
Trade receivables	3,885,987	7,001,636
Prepayments	199,006	128,447
Other receivables	102,151	110,311
Trade and other receivables	**4,187,145**	**7,240,394**

Company

Company receivables are shown net of provision for impairment losses amounting to $13,786 (2011: $37,314) and arising from amounts where management have judged that a loss has been incurred.

During the year ended 30 June 2012 impairment losses relating to trade receivables of $95,990 were recognised in operating expenses in the income statement (2011: $145,492).

8. CASH, CASH EQUIVALENTS AND FIXED INTEREST SECURITIES

	2012	2011
	$	$
Call and trading bank account balances	2,581,464	2,476,436
Term deposits	9,510,000	10,250,000
Cash and Cash Equivalents	12,091,464	12,726,436
Fixed Interest Securities	1,623,772	-
	13,715,236	**12,726,436**

9. CAPITAL

Share capital comprises of 12,000 ordinary shares (2011:12,000). All issued shares are fully paid and have no par value. All issued shares have equal voting rights.

9.1 Revaluation Reserves

The revaluation reserve relates to the revaluation of land and buildings.

9.2 Capital Management

Capital includes share capital and retained earnings.

The Company’s policy is to maintain a strong capital base to sustain future development of its charitable activities.

The Company’s objective is to provide returns for the furtherance of the exclusively charitable objects of the Company. The Company’s constitution precludes the distribution of its earnings to shareholders.

The Company's policies in respect of capital and treasury management are reviewed regularly by the Finance, Audit, Risk Committee of the Board of Directors.

The Company's treasury policy provides the framework for all treasury, investment, borrowing and related risk management activities.

The Company is not subject to externally imposed capital requirements.

10. EMPLOYEE BENEFITS PAYABLE

	2012	2011
Current	**$**	**$**
Liability for annual leave	669,975	654,340
Total employee benefits	**669,975**	**654,340**

11. FINANCIAL INSTRUMENTS

The company has non derivative financial instruments which include:

Assets: Trade and other receivables, cash and cash equivalents, and fixed interest securities
Liabilities: Trade and other payables, and borrowings

2012	**Loans and Receivables**	**At Fair value through Profit or Loss**	**Available For Sale**	**Liabilities at Amortised Cost**	**Total**
	2012	**2012**	**2012**	**2012**	**2012**
	$	**$**	**$**	**$**	**$**
Trade and other receivables	4,187,145	-	-	-	4,187,145
Cash and cash equivalents	12,091,464	-	-	-	12,091,464
	16,278,609	-	-	-	16,278,609

2011	**Loans and Receivables**	**At Fair value through Profit or Loss**	**Available For Sale**	**Liabilities at Amortised Cost**	**Total**
	2011	**2011**	**2011**	**2011**	**2011**
	$	**$**	**$**	**$**	**$**
Trade and other receivables	7,240,394	-	-	-	7,240,394
Cash and cash equivalents	12,726,436	-	-	-	12,726,436
	19,966,830	-	-	-	19,966,830

11.1 Risk Management

Liquidity Risk and Maturity Profile

Liquidity risk represents the Company's ability to meet its contractual obligations. The Company evaluates its liquidity requirements on an ongoing basis. In general, the Company generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities.

Trade and other payables are short term and are repayable in the normal operating cycles. No interest is incurred.

Interest Risk

The Company's interest exposure is to cash and cash equivalents and fixed interest securities. These are held on call, as fixed interest deposits and NZ Corporate bonds. There is no sensitivity to interest risk as all cash and cash equivalents are held at amortised cost or market value and are at fixed interest rates.

The Company has no exposure to foreign exchange rates.

Credit Risk

The Company's maximum exposure to credit risk is represented by the value of trade and other receivables, cash and cash equivalents and fixed interest securities at balance sheet date.

The majority of debtors relate to funding to be received from the Canterbury District Health Board and Partnership Health Canterbury PHO, and therefore are considered a low credit risk. Other exposures arise in relation to the delivery of patient services. There are no concentrations of credit risk beyond the above exposures.

The Company also has credit risk exposure to financial institutions through its banking arrangements and fixed interest securities. The Company's investments are only in liquid securities, are placed with counterparties that are registered banks with an AA or higher credit rating, and NZ Corporate Debt with an AA- or higher credit rating. To ensure appropriate diversification the total exposure limit for each counterparty is further capped. Investments are protected by the operation of the Company's Treasury Policy.

Fair Value

The Company's financial instruments, which are either short term or are investments in equity instruments which do not have a quoted market price in an active market, are measured at cost. Carrying value is a reasonable approximation of fair value for short term receivables and payables.

Fixed Interest Securities are recorded at market value on a monthly basis; unrealised gains and losses arising are reflected in the Statement of Comprehensive Income.

12. TRADE AND OTHER PAYABLES

	2012 $	2011 $
Trade payables	1,440,933	2,862,213
Non-trade payables and accrued expenses	5,210,063	4,870,278
Trade and other payables measured at amortised cost	**6,650,996**	**7,732,491**

13. PROVISIONS

	2012 $	2011 $
Non-current liabilities		
Provision for leased asset refurbishment costs	160,000	160,000
	160,000	**160,000**

Under the terms and conditions of the lease, an obligation exists to restore the rented building to its original condition (excluding normal wear and tear) at the end of the lease term. The next right of renewal on the lease is 17 March 2018.

14. LEASES

14.1 Operating Lease Payments to be made as Lessee

Non-cancellable operating lease rentals with external parties are payable as follows:

	2012	2011
	$	$
Less than one year	510,120	299,664
Between two and five years	2,040,480	-
	2,550,600	**299,664**

This note covers the lease for the Company's premises at 160 Bealey Avenue, Christchurch. The Company exercised its right of renewal for a further six years from 17 March 2012.

14.2 Operating Sub-Lease Payments to be received as Lessor

Non-cancellable operating lease rentals are receivable as follows:

	2012	2011
	$	$
Less than one year	123,423	129,173
Between two and five years	32,287	74,070
	155,710	**203,243**

The rights of renewal for the sub-leases fall due on 12 August 2012, 31 March 2013 and 14 February 2014.

15. CAPITAL COMMITMENTS

There is an estimated commitment of $103,691 (2011: $163,722) for the acquisition of property, plant and equipment contracted for but not in operation at balance date.

16. RELATED PARTIES

16.1 Transactions with Key Executive Personnel and Directors

Compensation

	2012	2011
	$	$
Short term benefits	1,397,613	1,166,726
	1,397,613	**1,166,726**

All transactions and outstanding balances with key personnel are conducted on a market based arms length basis and are to be settled in cash. None of the balances are secured.

No amounts receivable have been written off or forgiven during the year.

16.2 Transactions with Other Related Parties

The entities, the nature of the relationship and the types of transactions with which the Company entered into material related party transactions during the period are detailed below.

	Transaction Value		Balance Outstanding	
	2012	2011	2012	2011
	$	$	$	$
After Hours Properties: interest revenue	72,539	96,785	-	-
After Hours Properties: operating lease	167,592	154,082	-	-
After Hours Properties: management fee	42,084	-	-	-
Breastscreen South Ltd: contract revenue/pass through claims	227,947	228,125	26,596	49,774
BPAC NZ Ltd: loan (interest free, on demand)	40,000	-	40,000	-
	550,162	**478,992**	**66,596**	**49,774**

All transactions and outstanding balances with these related parties are conducted on an arm's length basis and are to be settled in cash. None of the balances are secured.

No related party debts have been written off or forgiven during the year.

17. ASSOCIATES AND INVESTMENTS

17.1 Associates

At 30 June 2012, associates comprised:

Name	Principal Activity	Percentage Shareholding 2012	Percentage Shareholding 2011	Balance Date
After Hours Properties Ltd	Property investment	50%	50%	31 March
Phoenix Health Ltd	Healthcare collaboration	25%	25%	30 June

Phoenix Health Ltd is an inactive company.

The aggregate amounts of each of the following relates to the Company's interest in After Hours Properties Ltd not adjusted for the percentage ownership held by the Company:

	2012	2011
	$	$
Current assets	70,283	71,306
Non-current assets	3,239,399	2,860,362
Current liabilities	70,781	73,050
Non-current liabilities	1,116,000	1,116,000
Income	551,543	151,824
Expenses	(267,143)	(244,354)

Movement in Carrying Value of After Hours Properties Ltd

	2012 $	2011 $
Balance at 1 July	1,225,628	1,193,226
Share of associate's reserves	143,626	(52,402)
Repayment of advance	-	(20,000)
Balance at 30 June	**1,369,254**	**1,225,628**

There is no goodwill within the carrying value of equity accounted investees. All associates operate within New Zealand.

The share of associate's reserves all relates to the revaluation of land and buildings in the associate. Taken up as part of the share of associate's reserves is a deferred tax liability of $71,747 (2011: $73,173).

There are no significant restrictions on the ability of the associate to transfer funds to the investor in the form of cash dividends of repayment or loans or advances. There are no contingent liabilities of the associate for which the Company is liable.

17.2 Investments

At 30 June 2012, investments comprised:

Name	Principal Activity	Percentage Shareholding 2012	Percentage Shareholding 2011	Balance Date
Breastscreen South Ltd	Breast screening services	50%	50%	30 June
Canterbury Community Care Trust Ltd	Trustee	33%	33%	30 June
BPAC NZ Ltd	Providing information to clinical providers of primary healthcare	20%	20%	30 June
Canterbury GP Group Capitated Funding Trust Ltd	Trustee	16.7%	16.7%	30 June
Early Start Project	Support for disadvantaged young parents	11%	11%	30 June
NZ Medicines Formulary Limited Partnership	The creation and maintenance of a medicines formulary	5%	-	30 June

Breastscreen South Ltd is an entity established in conjunction with Canterbury Breastcare Ltd. The entity has charitable purposes. The Company's shareholding does not give rise to any entitlement to distributions or benefits arising from the company. All benefits must be used for the charitable purposes for which the entity was established. The Company has therefore rebutted the presumption that the shareholding gives rise to significant influence.

The Canterbury Community Care Trust Ltd is the corporate trustee of a charitable trust whose activities are necessarily in accordance with the underlying trust deed.

BPAC NZ Ltd is a national demand management organisation, providing information to clinical providers of primary healthcare. The Company's shareholding does not give rise to any entitlement to distributions or benefits arising from the Company. All benefits must be used for the charitable purposes for which the entity was established. The Company has therefore rebutted the presumption that the shareholding gives rise to significant influence.

All six interests listed in the table above are therefore accounted for as investments. There are no active markets for these entities and the values of the shares are not reliably measurable, therefore these investments have been accounted for at cost.

Movement in Carrying Value of Investments

	2012	2011
	$	$
Balance at 1 July	-	-
Investment in NZ Medicines Formulary Limited Partnership	40,000	-
Balance at 30 June	**40,000**	**-**

18. RECONCILIATION OF PROFIT FOR THE PERIOD WITH NET CASH FROM OPERATING ACTIVITIES

	2012	2011
	$	$
Profit/(loss) for the period	**(532,729)**	**(58,969)**
Adjustments for		
Depreciation and amortisation	583,321	474,041
Bad debt write off	81,933	145,492
Impairment	252,826	-
Unrealised Gain on Investments	(54,352)	-
Interest received	(662,673)	(564,190)
Cash changes in working capital items		
Change in inventories	2,165	(236)
Change in trade and other receivables	3,175,996	(4,355,225)
Change in trade and other payables	(1,151,979)	3,529,428
Change in taxation provision	-	(1,196)
Net cash from operating activities	**1,694,508**	**(830,855)**

19. CONTINGENT ASSETS

Christchurch suffered a series of earthquakes between September 2010 and June 2011 which have resulted in a number of insurance claims. Discussions continue with loss adjustors and the insurance companies involved; the amounts in question are not significant. Interim progress payments have been received and a final wash up is due. A contingent asset exists for the value of work, some of which has commenced, in relation to investment properties. The quantum of this is undefined at the date of signing the financial statements as all assessments and quotations have not been received.

20. CONTINGENT LIABLITITY

At 30 June 2012 the Company has no contingent liabilities.

At 30 June 2011 the Company had agreed, at the directors' discretion, to provide financial support to those practices seriously affected by the 22 February 2011 earthquake so they could provide continuity of care to their patients. The support covered the month of March 2011, and to be eligible for assessment a practice must have suffered substantial interference to its normal operation during March leading to financial loss. Independent advice was taken to determine the level of support, and payments totalling $42,373 were made prior to balance date.

21. EVENTS SUBSEQUENT TO BALANCE DATE

The Board of Directors of the Company and the Trustees of Partnership Health Canterbury Te Kei O Te Waka propose to amalgamate their activities, functions, assets and liabilities, with the Company becoming the enduring amalgamated entity. This proposal was approved by the Canterbury District Health Board on 16 August 2012. The parties are developing the implementation deed and associated action plan to put this into effect.

Whilst the formal agreement has not yet been signed between the parties, the directors consider there is sufficient progress that it is virtually certain that the transaction will proceed.

The amalgamation date is not yet finalised. It is anticipated that the net assets acquired on amalgamation will be approximately $500,000.