
itsmyhealth™
Midlands Regional Community Trust
ANNUAL REPORT
2016

Contents

Introduction

New Zealand, along with the rest of the world, is facing changing demographics alongside increasing health demands and workforce issues. These factors all combine to challenge the sustainability of our current health system.

Midlands Regional Health Network Charitable Trust, Pinnacle Midlands Health Network and the Midland DHBs, via the Midlands Alliance, have been working collectively to address these challenges.

We are already leading the way with changes in establishing the Health Care Home, by enabling primary care to play a bigger role in the broader health sector and through embracing new technologies and methods of service delivery.

The Midlands Alliance is designed to support a different approach to healthcare. It's about moving away from silos of providers focused on their needs, to a patient centered approach. It's about looking at the whole-of-system and engaging with all the parties to agree and drive what's best for outcomes. It is based on the premise of:

"One Plan, one contract, enabling regional thinking supported by local implementation."

This approach was designed to improve on the already high standard of healthcare for the population of Midlands, with NO GAPS for high need, rural and Māori families.

Our Network Plan 2014-2017 described how the partners, working collectively as the Midlands Alliance, will improve the health of the Midlands population, taking into account its demographic health profile and the need to achieve equity of outcome for everyone.

It set out the strategic direction, health outcomes and the way the eco-system will be developed to support the strategic objectives during this time frame.

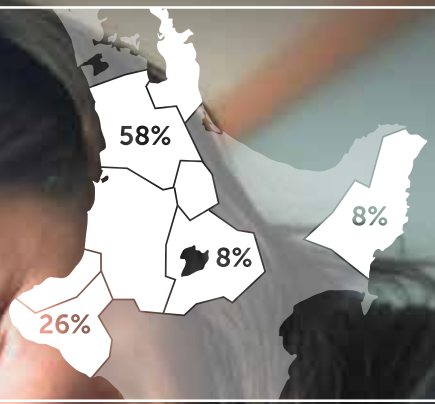
The overarching objective was to develop an effective Health Care Home to enable the maintenance and improvement of the health of the Network's population.

There are currently over

419,260

enrolled patients across the Network

with Taranaki practices accounting for **26%** (108,740) of these enrolled patients, Waikato practices **58%** (242,791), Lakes practices **8%** (35,201) and practices in Tairawhiti account for **8%** (32,528).



Over

9,621

patients were managed successfully in primary care through Primary Options.

38%

Of the 85 practices some 32 (38%) are categorised as rural practices.

Provided

16,107

flu vaccinations for our over 65 year olds

Provided over

12,600

immunisations for eight month and two year old children.

Increased primary care capacity in 15 Health Care Home sites and shifted

12%

of care online.

19.5%

of enrolled population is Maori

The average practice size is

4,932

enrolled patients, although practice sizes vary across the Network. The smallest with **316** and the biggest **18,229** enrolled patients.

Undertook

160,990

cardiovascular risk assessments (CVRA)

Provided over

46,000

pieces of brief advice to smokers

Patient Portal made available to over

347,528

patients

Midlands Alliance

Midlands Alliance

The Midlands Alliance is about supporting a different approach to healthcare, based on the premise of developing a new health eco-system for the region focused on supporting individuals, whanau and communities to manage and maintain their health and wellbeing.

"One plan, one contract, enabling regional thinking supported by local implementation"

If implemented effectively, it will guarantee that the population of Midlands will experience superior health status with NO GAPS for high need and Māori populations.

The Midlands Alliance brings together the government's District Health Boards and their hospital services, primary care and Non-Government Organisations in the community, and patients, to take a whole-of-system view on how the system should be operated and funded.

This plan aims to support changing the way the system works and to establish a greater balance of resource where the population needs it, closer to home and in the community.

Currently, less than 10% of the health budget is spent in the primary care setting, despite over 95% of the interactions occurring there. We need to move away from a healthcare system that is dominated by the hospital setting and, instead, move towards a person centred approach that coordinates the resources of the healthcare system around the needs of patients, seeking to maintain and improve their health rather than just treating illness. Focusing on the person results in better outcomes for both the person and the system.

Chairman's Report

Year ending 30 June 2016.

The Midlands Regional Health Network Charitable Trust (MRHNCT) was established to bring together a number of key health providers in the Midland Region. The region covers four Midlands District Health Boards (DHBs) – Tairawhiti (Gisborne), Lakes, Waikato and Taranaki and the geographic area has approximately 500,000 enrolled patients.

The key-founding partners were/are: Pinnacle Incorporated, Taranaki Primary Health Provider Incorporated, Tui Ora Limited and Te Hauora o Turanganui a Kiwa.

Our focus continues to be a regional approach to delivering outstanding primary health services and working closely with the four DHBs to develop a holistic system for better health outcomes (across primary, community and secondary). Where possible we deliver this through a single contract/plan.

Our key strategic initiatives continue to be:

- **Striving for superior health outcomes for our population in the Midland Region**
- **High performance from provider networks and individual providers**
- **Sustainability of services (for all)**
- **High quality services and actions**
- **Value for the public investment of funds**
- **Leverage the power of our regional collective (talent, knowledge, economies, capability, influence on the national system)**
- **Continued success of our individual organisations/ members**
- **Having a structure that is flexible and can make appropriate "quick shifts" before and or with the sector**
- **Supporting (and evidencing) the benefit of community based intervention**
- **Being innovative/"best in class"**

The Trusts key achievements for the past Financial Year have been:

- **Greater Primary Care integration into most of the DHB district annual plans**
- **The on-going development and roll-out of the Health Care Home**
- **Our Trust wide focus on Child Health initiatives**
- **Continued improvement in regional alliancing through the Alliance Leadership Team (ALT) for regional contract, management and clinical participation**
- **Greater coordination of activity across our Trust Founding Partner organisations**
- **Improved Regional Collective outcomes with the DHBs and the MoH**
- **7 Network members utilising the new contestable Facility Development Fund. The purpose of the fund is to provide support in the form of grants for practices that are investing in new buildings or upgrading their practice facilities.**

I would again personally like to thank our Trustees for their dedicated service, our founding partner organisations (and their teams for their commitment to this alliance), and lastly the MHN team for their ongoing sector leadership.

Craig McFarlane
Chairman

Strategic Programmes

Continuing on from The Network's Plan 2014-2017, the Network has consolidated its priority areas into 7 strategic programmes of work:

1. Child & Youth Health Coordination Services (CYHCS)

Summary and synopsis of programme

The CaY-C team provides services across the Waikato for children and youth, whilst also supporting the work of general practice.

A key focus this year has been integrating the work flow of the team to eliminate silos and give our families the best possible chance of receiving their health service requirements. The team continues to develop relationships with the providers working with the National Child Health Information Platform (NCHIP) and with our inter-sectoral partners of Ministry of Social development and Education.

Key 12 month objectives:

1. 95% of practices meet 95% imms target
2. 80% of Children achieve all General Practice milestones within NCHIP
3. 80% completion of Year 9 HEADDS assessments
4. Electronic enrolment trialled through NCHIP

2. Engaged Network

Summary/synopsis of programme:

Engaged network focuses on ensuring that practices are fully engaged with Pinnacle and satisfied with the services and support provided by MHN is critical to the realisation of the Network Plan. Network satisfaction is the responsibility of the entire organisation, not just the Practice Support team and other roles directly involved in general practice.

Key 12 month objectives:

1. Establishment of a survey tool to measure practice engagement
2. Establish a monitoring and review process for practice development plans and Innovation Fund
3. Support the implementation of Foundation Standard
4. Engage and support practices to achieve the quality plan

3. Health Care Home (HCH)

Summary/synopsis of programme:

HCH is a primary care development programme to ensure effective and sustainable care for future generations that meets the needs of a stratified population. It enables transformational change in General Practice to better manage unplanned demand, proactively care for complex health needs, support integrated care, & create a sustainable work environment.

Actioned over **3,000** **repeat prescriptions requests from patients directly to their GP via the online patient portal – over 25% of those are sent after 5pm, providing convenient access for patients**

It's a model that's been designed to support the everyday needs of general practice while keeping the focus on the patients. Patients can better access to clinical advice via alternatives to face to face such as email, have more choice on how they interact with health care providers and under the Healthcare Home model general practice can better focus on planning as much care as possible to ensure the patient receives the right care, at the right time, by the right person.

Key 12 month objectives:

Responded to over **3,000** patient emails for health queries

1. Integrating community services with general practice care using Indici as the technology enabler.
2. Expand growth through network adoption with specific focus on Taranaki
3. Developing the model to include health coaching and shared medical consults
4. Developing extending primary care roles such as community health workers
5. Supporting greater levels of self-management through app prescribing and patient health Plans.
6. Shifting more care online according to need

Arranged an appointment on a different day for 15% of patients asking for a same day appointment, where appropriate, resulting in more planned, efficient use of the patients' time

4. Long Term Conditions (LTC)

Summary/synopsis of programme:

The LTC programme is a clinical best practice programme supporting the Network Practices to deliver care for patients with a long term condition. Diabetes and those eligible for a cardiovascular risk assessment (CVRA) remain the key focus for the coming year. Work will continue defining the chronic obstructive pulmonary disease (COPD) programme for the Network and ensuring practices are engaged with the current LTC programme.

The aim for long-term condition management is to ensure that people are well as possible for as long as possible and primary care is vital to improving the management of care for these patients.

This is done by:

- **Early and accurate diagnosis**
- **Support and promotion of self-management**
- **Prevention of complications**
- **Symptom management**
- **Timely management of end of life care**

Key 12 month objectives:

1. The LTC programme is standardised across all DHBs
2. The LTC funding is maximised
3. Pinnacle practices are fully engaged in the LTC programme
4. LTC tools and enablers are fully utilised across the programme

We as a network focus on continuing to support and upskill the primary care workforce to provide comprehensive care to their patients with long-term conditions. We encourage targeted interventions to identified at risk populations.

Extending that education into the community healthcare environment ensures that care is truly provided in a wraparound fashion and as close as possible to the patient

Our use of technology has resulted not only in the continued development of decision support tools and robust data collection but also ground-breaking work on pre diabetes through innovative self-management tools.

Our focus on self-management continues with new models of service delivery such as our multidisciplinary teams and podiatry service ensuring that patients are not only central to healthcare delivery but are also part of the solution

As more care is transitioned from secondary care into primary care, we need to ensure that both the funding and the skill mix align with strategic directives.

Current achievements:

- **Establishment of Taranaki Multi-Disciplinary Team with referral and contact volumes far in excess of targets**
- **Collaboration with software developer to enable no cost access to an online self-management programme for patients with pre diabetes across Taranaki and Tairawhiti**
- **Practices across all 4 Pinnacle localities are now supported to provide insulin initiation in primary care. This has been provided for 403 patients since it became available in the Waikato July 2015 and was rolled out to other localities late 2016**
- **Practices are incentivised for performance against evidence based outcomes for cardiovascular risk assessments and diabetes management reviews**
- **All localities have exceeded the targets of 90% of enrolled eligible patients having had a CVRA in the past five years and 70% of patients with diabetes having an annual diabetes review**
- **Podiatrists in Waikato are contracted directly with Pinnacle to provide 4 free podiatry sessions to all patients with diabetes who have a high foot risk**

Pinnacle MHN have developed a Māori Health dashboard as a set of indicators for practices to understand health trends and progress for Māori health outcomes at a practice, locality and network level. The dashboard has the ability to be updated every quarter to ensure data is current and applicable. Practices are actively identifying long-term conditions patients for their enrolled Māori populations through systematic and opportunistic processes.

5. Primary Health Care Limited (PHCL)

Summary/synopsis of programme:

Primary Health Care Limited (PHCL) is a not-for-profit company set up to support and build a sustainable general practice network through owning and operating a number of practices.

It allows us to:

- **Sustain the Networks general practices that are at risk of collapse/closure by offering the GP owners a fair and cost effective succession pathway - ensuring communities are not left without sustainable primary care services**
- **Create sustainable business models through the implementation of the Health Care Home**
- **Supports key regional initiatives such as the Patient Access Centre**
- **Within DHB districts, it ensures that members of the Pinnacle Network are seen as the key primary care partners that can deliver primary care solutions to whole system challenges**
- **Within localities, to ensure implementation of Midlands Health Network Health Care Home, locality planning, and primary/specialist integration.**
- **Develop new remuneration models to engage the next generation of practitioners as a credible alternative to corporatisation and owner-operator**
- **Supporting rural communities and practitioners through integrated delivery systems**
- **Focus on a sustainable model of care, not profits**

Key 12 month objectives:

1. Consolidate of the Health Care Home within PHCL practices
2. All PHCL practices to be in the top 25% against the 16/17 Quality plan
3. Support the succession planning for 2 rural practices/ communities and to develop integrated approaches to health care

6. Mental Health

Summary/synopsis of programme:

The Primary Mental Health Service provides access to brief intervention therapy via either an MHN employed Brief intervention Clinician or a 3rd party counsellor/ psychologist for patients with mild to moderate mental health and addiction issues. The service also provides GP's with access to funded extended consults to better meet the acute mental health needs of their patients.

This service is available to all patients enrolled with Pinnacle practices and for any youth aged 12-19 irrespective of enrolment

Key 12 month objectives:

1. Single Point of Access for General Practice for mental health services
2. Implement a regionally consistent approach to service delivery
3. Establish Youth PMH service across network
4. Align contracted providers with service requirements

7. Smoking

Summary/synopsis of programme:

The strategic objective of this program is to meet the goal of 2025 Smokefree Aotearoa in our localities.

We will continue to lead the way in supporting Smoking Cessation.

We will create technology that empowers individuals to take control of their care.

Key 12 month objectives:

1. All Pinnacle practices will achieve the Smoking Brief Advice target across the network
2. The implementation of the new Stop Smoking service in Waikato and Tairawhiti will assist 5% of current smokers to stop smoking.

Financial Statements

For the year ended 30 June 2016

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MIDLANDS REGIONAL HEALTH NETWORK CHARITABLE TRUST FINANCIAL STATEMENTS

Directory

AS AT 30 JUNE 2016

REGISTERED OFFICE

Norris Ward McKinnon Centre
711 Victoria St
Hamilton

TRUSTEES

Craig McFarlane
Dr Stephen French
Dr Robert Murphy (retired 19 November 2015)
Dr Diane Jones (retired 10 June 2016)
Wayne Mulligan
Pehimana Brown
Lisa Hayes
Dianne Mulhern (appointed 23 May 2016)

AUDITORS

KPMG
P O Box 929
Hamilton

SOLICITORS

Tompkins Wake
Hamilton

BANKERS

ANZ
Hamilton

MIDLANDS REGIONAL HEALTH NETWORK CHARITABLE TRUST FINANCIAL STATEMENTS

Statement of Comprehensive Income and Expense

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 $	2015 $
Revenue	4	32,997,590	34,693,405
Interest Received		108,291	171,887
TOTAL REVENUE		33,105,881	34,865,292
Operating Expenses	5	33,793,245	34,924,536
Administration Expenses	5	195,523	207,637
TOTAL EXPENSES		33,988,768	35,132,173
NET SURPLUS		(882,887)	(266,881)
Other Comprehensive Income and Expense for the Period		-	-
TOTAL COMPREHENSIVE INCOME AND EXPENSE		(882,887)	(266,881)

MIDLANDS REGIONAL HEALTH NETWORK CHARITABLE TRUST FINANCIAL STATEMENTS

Statement of Financial Position

AS AT 30 JUNE 2016

	Note	2016 $	2015 $
CURRENT ASSETS			
Cash and Cash Equivalents	6	3,122,465	3,393,479
Accounts Receivable	7	3,142,558	3,850,373
TOTAL CURRENT ASSETS		6,265,023	7,243,852
TOTAL ASSETS		6,265,023	7,243,852
CURRENT LIABILITIES			
Accounts Payable	8	5,818,683	5,914,625
TOTAL CURRENT LIABILITIES		5,818,683	5,914,625
TOTAL LIABILITIES		5,818,683	5,914,625
NET ASSETS		446,340	1,329,227
TOTAL EQUITY		446,340	1,329,227

For, and on behalf of, the Trustees who authorised the issue of these statements on the date shown below.

18 November 2016

18 November 2016

MIDLANDS REGIONAL HEALTH NETWORK CHARITABLE TRUST FINANCIAL STATEMENTS

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2016

	Note	Retained Earnings $	Total Equity $
Balance at 30 June 2014	14	1,596,108	1,596,108
Total Comprehensive Income and Expense			
Surplus for the period		(266,881)	(266,881)
Total Comprehensive Income and Expense	11	(266,881)	(266,881)
Balance at 30 June 2015		1,329,227	1,329,227
Total Comprehensive Income and Expense			
Surplus for the period		(882,887)	(882,887)
Total Comprehensive Income and Expense		(882,887)	(882,887)
Balance at 30 June 2016		446,340	446,340

MIDLANDS REGIONAL HEALTH NETWORK CHARITABLE TRUST FINANCIAL STATEMENTS

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 $	2015 $
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers		31,866,322	35,159,257
Interest received		111,742	162,745
		31,978,064	35,322,002
Cash was applied to:			
Payment to suppliers		(32,249,078)	(36,559,539)
Net cash flow - operating activities	11	(271,014)	(1,237,537)
Net cash flow - investing activities		-	-
Net cash flow - financing activities		-	-
Net cash flow for the year from all activities		(271,014)	(1,237,537)
Cash at beginning of year		3,393,479	4,631,016
Cash at end of year		3,122,465	3,393,479
Represented by:			
Cash on hand and at bank	6	3,122,465	3,393,479

MIDLANDS REGIONAL HEALTH NETWORK CHARITABLE TRUST FINANCIAL STATEMENTS

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

1. REPORTING ENTITY

Midlands Regional Health Network Charitable Trust (the "Trust") is a trust incorporated under the Charities Act 2005.

The trust is considered a public benefit entity for the purposes of financial reporting in accordance with the Financial Reporting Act 2013.

The core activity of the Trust is to maintain and improve community health outcomes in the Midlands Regional Health Network.

2. BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis, and the accounting policies have been consistently applied throughout the period.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

(a) Statement of Compliance

The consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Principles ("NZ GAAP"). They comply with Public Benefit Entity International Public Sector Accounting Standards (''PBE IPSAS") and other applicable Financial Reporting Standards, as appropriate for Tier 1 not-for- profit public benefit entities.

These financial statements are the first financial statements presented in accordance with the new PBE accounting standards. There has been one reclassification, recognition and measurement adjustment affecting the financial statements in adopting the new PBE accounting standards. Refer to note 14.

These financial statements were authorised for issue by the Trustees on the 18th November 2016.

(b) Measurement Basis

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

(c) Functional Currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar ($0).

(d) Goods and Services Tax

All balances are presented net of goods and services tax (GST), except for receivables and payables which are presented inclusive of GST.

(e) Accounting policies

The accounting policies in the following notes have been consistently applied in preparing the financial statements for the year ended 30 June 2016 and the comparative information for the year ended 30 June 2015.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following are new, revised, or amended standards that are applicable to the Company which are on issue but are not yet required to be adopted for the year ended 30 June 2016:

2015 Omnibus Amendments to PBE Standards (effective for June 2017 financial statements)

- **This standard amends a number of individual PBE Standards to align the PBE Standards with NZ IFRS and IPSAS as a consequence of the IASB and IPSASB's annual improvement amendments.**
- **It is unlikely that there will be any material impact on the financial statements when this standard is adopted.**

4. REVENUE

	2016 $	2015 $
Provision of Healthcare services (exchange)	17,604,932	18,537,015
Provision of Healthcare services (non-exchange)	15,392,658	16,156,390
	32,997,590	34,693,405

Policies

Revenue from provision of healthcare services rendered is recognised in proportion to the stage of completion of the transaction at the reporting date and performance against other ongoing obligations under the contracts. The stage of completion is assessed by reference to work performed and milestones achieved in project and contract based funding.

5. OPERATING & ADMINISTRATION EXPENSES

	2016 $	2015 $
Audit Fees	10,350	9,333
Trustee Fees	52,500	54,200
Other Fees	33,925,918	35,068,640
	33,988,768	35,132,173

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

6. CASH AND CASH EQUIVALENTS

	2016 $	2015 $
Cash and Bank Balances	1,085,478	871,894
Term Deposits	2,036,987	2,521,585
	3,122,465	3,393,479

Policies

Cash and cash equivalents are cash balances that are short term in nature for the purposes of the Statement of Cashflows, and are classified as a Loans and Receivables financial asset.

7. ACCOUNTS RECEIVABLE

	Note	2016 $	2015 $
Accounts Receivable		1,427,253	2,260,827
Related Party Receivable	12	741,591	-
Income Accrued		759,768	763,399
Related Party Income Accrued	12	213,946	42,422
Prepayments		-	783,725
GST Receivable		-	-
		3,142,558	3,850,373

Accounts receivable are shown net of allowances for bad and doubtful debts of $nil (2015: $nil).

Policies

Accounts receivable are initially measured at fair value, then adjusted for any impairment. Accounts receivable are classified as a Loan and Receivables financial asset.

Accounts receivable are reduced through the use of an allowance account. When a receivable is uncollectable, it is written off against the allowance account. A receivable is deemed to be uncollectable upon reference to the current customer/patient/general practitioners circumstances and past default experience. Changes in the carrying amount of the allowance account are recognised in the Statement of Comprehensive Income and Expense.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

8. ACCOUNTS PAYABLE

	Note	2016 $	2015 $
Accounts Payable		332,291	369,632
Related Party Payables and Accruals	12	3,670,052	2,848,784
GST Payable		71,519	(10,331)
Income in Advance		1,436,525	2,488,432
Accrued Expenses		308,296	218,108
		5,818,683	5,914,625

Policy

Accounts payable are recognised at cost when the Trust becomes obliged to make future payments resulting from the purchases of goods and services. Accounts payable are classed as an 'other amortised cost financial liability'.

9. CONTINGENT LIABILITIES

There were no contingent liabilities as at 30 June 2016 (2015: nil).

10. SUBSEQUENT EVENTS

No material events occurred subsequent to the Statement of Financial Position date (2015: nil).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

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

	2016 $	2015 $
Profit/(Loss) for the year	(882,887)	(266,881)
	(882,887)	(266,881)
Movements in Working Capital:		
Accrued interest decrease/(increase)	3,451	(9,142)
Accounts receivable decrease/(increase)	(79,361)	1,264,530
Prepayments decrease/(increase)	783,725	(783,725)
Deferred Income (decrease)/increase	(1,051,906)	(798,678)
Accounts payable (decrease)/increase	955,964	(643,641)
	611,873	(970,656)
Net cash flows from/(applied to) Operating Activities	(271,014)	(1,237,537)

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

12. RELATED PARTY TRANSACTIONS

(i) Key Management Personnel Remuneration

The Group classifies its key management personnel into one class:
- Trustees of the Group

Trustees are paid an annual fee of $13,600 (Chairman), $6,800 or $750.

Trustees

	2016 $	2015 $
Remuneration	52,500	54,200
Number of Trustees	8	8
Total Key Management Personnel Remuneration	52,500	54,200

(ii) Transactions with other related parties

The Trust transacts with other related parties in the normal course of their business. Such entities include associates, other investees and those related by virtue of common or substantially common ownership and governance/ management.

During the year, the Trust made the following sales to related parties and at year end, the following balances remained due:

	Sales to 2016 $	Receivable 2016 $	Sales to 2015 $	Receivable 2015 $
Other Related Parties	35,000	86,264	-	42,422
Midlands Health Network Limited	978,906	869,273	142,384	-
Pinnacle Incorporated	1,013,906	955,537	142,384	42,422

There is a GST difference in Related Party transactions reported between the Pinnacle Group and Midlands Regional Health Network Charitable Trust (the Trust). The difference arises because Accounts Receivable are recorded GST inclusive while Accrued Income is recorded GST exclusive. The GST exclusive Related Party transaction amounts between the Pinnacle Group and the Trust are aligned.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

During the year, the Trust made the following purchases from related parties and at year end, the following balances remainedowing:

	Purchases 2016 $	Payable 2016 $	Purchases 2015 $	Payable 2015 $
Other Related Parties				
Midlands Health Network Limited	10,670,297	879,605	10,149,717	125,947
Pinnacle Incorporated	20,687,962	2,790,447	21,025,420	2,722,837
	31,358,259	3,670,052	31,175,137	2,848,784

There is a GST difference in Related Party transactions reported between the Pinnacle Group and Midlands Regional Health Network Charitable Trust (the Trust). The difference arises because Accounts Payable are recorded GST inclusive while Accrued Liabilities are recorded GST exclusive. The GST exclusive Related Party transaction amounts between the Pinnacle Group and the Trust are aligned.

13. CAPITAL AND FINANCIAL RISK MANAGEMENT

The Trust manages its capital to ensure that it will be able to continue as a going concern.

The capital structure of the Trust consists of cash and cash equivalents, and equity as disclosed in the Statement of Changes in Equity.

There are no externally imposed capital requirements on the Trust.

Exposure to credit, interest rate and liquidity risks arises in the normal course of the Trust's business.

(a) Credit Risk

The Trust's exposure to credit risk is mainly influenced by its customer base. As such it is concentrated to the default risk of its industry. In order to determine which customers are classified as having payment difficulties, the Trust bases the decision on the age of the outstanding balances. The Trust does not require collateral in respect of trade and other receivables.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

The status of trade receivables at the reporting date is as follows:

	Gross Receivable 2016 $	Impairment 2016 $	Gross Receivable 2015 $	Impairment 2015 $
Current	2,073,706	-	1,886,766	-
Past due 30 days	83,859	-	157,056	-
Past due 31-60 days	-	-	43,533	-
Past due 60+ days	11,279	-	173,472	-
	2,168,844	-	2,260,827	-

(b) Liquidity Risk

Liquidity risk represents the Trust's ability to meet its contractual obligations. The Trust evaluates its liquidity requirements on an ongoing basis. The following table sets out the contractual cash flows for all financial liabilities that are settled on a gross cash flow basis.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

	2016 Balance Sheet	Contractual Cash Flows	Less than 1 year	1-2 Years	3+ Years
Trade and Other Payables	5,818,683	5,818,683	5,818,683	-	-
Total Non-Derivative Liabilities	5,818,683	5,818,683	5,818,683	-	-

	2015 Balance Sheet	Contractual Cash Flows	Less than 1 year	1-2 Years	3+ Years
Trade and Other Payables	5,914,625	5,914,625	5,914,625	-	-
Total Non-Derivative Liabilities	5,914,625	5,914,625	5,914,625	-	-

(c) Interest Rate Risk

Interest rate risk is the risk that the value of the Trust's assets and liabilities will fluctuate due to changes in market interest rates. The Trust is exposed to interest rate risk primarily through its cash balances and loans.

Variable Rate instruments that are subject to interest rate risk.

	2016 $	2015 $
Cash and Cash Equivalents	2,036,987	2,521,585
Total	2,036,987	2,521,585

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

14. TRANSITION TO PBE STANDARDS

There is one impact on the Trust's financial statements from the adoption of the new PBE accounting standards.

Revenue Recognition

Under the previous special purpose accounting policies, all revenue received for the provision of healthcare services was recognised initially as income in advance and recognised in surplus or deficit as the related expenditure was incurred. On adoption of PBE standards, different revenue recognition criteria is required to be applied depending on whether the revenue received for the provision of healthcare services is considered exchange, or non-exchange revenue. Further details of the revenue recognition policies applied are detailed in note 4.

This has had the following effects on the financial statements previously reported by the Trust.

	1 Jul 2014		
	Previously reported $	Adjustment $	Revised Amount $
CURRENT ASSETS			
Cash and Cash Equivalents	4,631,016	-	4,631,016
Accounts Receivable	4,322,036	-	4,322,036
TOTAL CURRENT ASSETS	8,953,052	-	8,953,052
TOTAL ASSETS	8,953,052	-	8,953,052
CURRENT LIABILITIES			
Accounts Payable	8,910,797	(1,553,853)	7,356,944
TOTAL CURRENT LIABILITIES	8,910,797	(1,553,853)	7,356,944
TOTAL LIABILITIES	8,910,797	(1,553,853)	7,356,944
NET ASSETS	42,255	(1,553,853)	1,596,108
TOTAL EQUITY	42,255	1,553,853	1,596,108
Revenue	(34,693,405)	(161,577)	(34,854,982)
Operating Expenses	34,693,405	402,708	35,096,113

KPMG

Independent auditor's report

To the trustees of Midlands Regional Health Network Charitable Trust

We have audited the accompanying financial statements of Midlands Regional Health Network Charitable Trust (''the trust'') on pages 14 to 27. The financial statements comprise the statement of financial position as at 30 June 2016, the statements of comprehensive income and expense, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the trustees as a body. Our audit work has been undertaken so that we might state to the trust's trustees those matters we are required to state to them in the 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 trust's trustees as a body, for our audit work, this report or any of the opinions we have formed.

Trustees' responsibility for the financial statements

The trustees are responsible on behalf of the trust for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards for Public Benefit Entities) 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 trust's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the trust'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 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, the trust.

Opinion

In our opinion, the financial statements on pages 14 to 27 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of Midlands Regional Health Network Charitable Trust as at 30 June 2016 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards for Public Benefit Entities.

18 November 2016
Hamilton

THE NETWORK

86 Practices

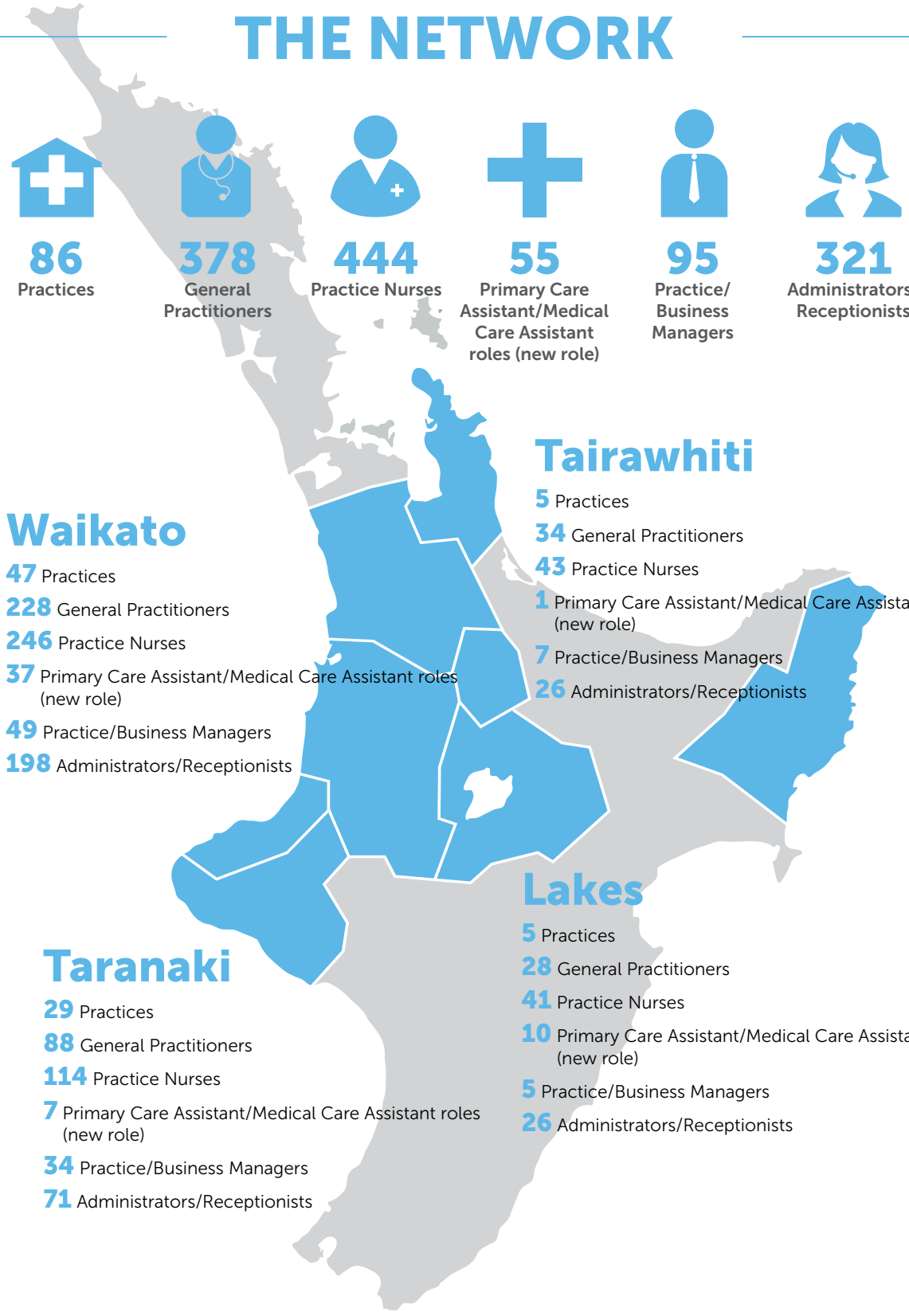
378 General Practitioners

444 Practice Nurses

55 Primary Care Assistant/Medical Care Assistant roles (new role)

95 Practice/ Business Managers

321 Administrators/ Receptionists



Waikato

47 Practices

228 General Practitioners

246 Practice Nurses

37 Primary Care Assistant/Medical Care Assistant roles (new role)

49 Practice/Business Managers

198 Administrators/Receptionists

Tairawhiti

5 Practices

34 General Practitioners

43 Practice Nurses

1 Primary Care Assistant/Medical Care Assistant roles (new role)

7 Practice/Business Managers

26 Administrators/Receptionists

Lakes

5 Practices

28 General Practitioners

41 Practice Nurses

10 Primary Care Assistant/Medical Care Assistant roles (new role)

5 Practice/Business Managers

26 Administrators/Receptionists

Taranaki

29 Practices

88 General Practitioners

114 Practice Nurses

7 Primary Care Assistant/Medical Care Assistant roles (new role)

34 Practice/Business Managers

71 Administrators/Receptionists

Midlands Regional Health Network Charitable Trust

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