PEGASUS HEALTH (CHARITABLE) LIMITED

NOT FOR-PROFIT ENTITY

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

TABLE OF CONTENTS

	Page
Company Directory	2
Directors' Report	3
Directors' Responsibility Statement	5
Independent Auditors' Report	6
Statement of Comprehensive Revenue and Expense	8
Statement of Changes In Net Asset/Equity	9
Statement of Financial Position	11
Statement of Cash Flows	12
Notes to and Forming Part of the Financial Statements	13

The Directors are pleased to present the financial statements of Pegasus Health (Charitable) Ltd for the year ended 30 June 2021.

REGISTERED OFFICE	Pegasus Health (Charitable) Ltd 401 Madras Street Christchurch
DIRECTORS	Dr S E Ashmore Dr C M Christie Dr B Hudson Ms J C Huria Mr B P Kepes (Appointed 25 November 2020) Dr G O'Duffy (Retired 23 September 2020) Dr R A Rawstron (Appointed 30 September 2020) Ms N M Scott Mr P R Townsend Dr V J Weenink Dr S M H Wynn Thomas
AUDITOR	BDO Christchurch
LEGAL ADVISORS	Lane Neave
SHARES	12,000 Ordinary Shares
SHAREHOLDERS	Dr S E Ashmore Dr C M Christie Dr B Hudson Dr R A Rawstron Ms N M Scott Dr V J Weenink Dr S M H Wynn Thomas

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) (as approved and recognised by the Commissioner of Inland Revenue) which include, without limitation, the following objects:

a. The enhancement of health and health care and facilitation of the provision of health care to individuals, their whanau/families and all the population of Canterbury;

b. The improvement of the health status of individuals, their whanau/families and all the population of Canterbury;

c. The reduction of disparities between the health of Māori and other identified groups within the population of Canterbury and the reduction of barriers to the timely access to appropriate health services;

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

e. The greater participation of the population of Canterbury in health related issues, through proactive consultation and communication with communities and in keeping with the spirit of the Treaty of Waitangi;

f. The improved availability of health related information;

g. The improvement of integration and liaison between health care providers and others in Canterbury to ensure that health care services are coordinated around the needs of the population of Canterbury; and

h. The creation or development of, or the enhancement of cooperation with, other entities that have similar objects.

2 Dividend

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

3 Audit Fees

Audit fees of $40,000 were paid to BDO Christchurch. There were no other fees paid to BDO Christchurch.

4 Directors' Interests

As required by Section 211 of the Companies Act we disclose the following information:
The following entries were 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.
The Directors and Board Adviser hold an interest in the Pegasus Health Directors and Officers insurance policy.

5 Use of Company Information

No notices were received during the year.

6 Remuneration and Other Benefits - Directors' Fees

Directors' fees for their board activities totalled $455,271. The shareholders unanimously agree in terms of s211(3) of the Companies Act 1993 not to report s211(f).

7 Directors' Board Meeting Attendances

	Number of attendances	Number of apologies
Dr S E Ashmore	11	1
Dr C M Christie	12	0
Dr B Hudson	11	1
Ms J C Huria	11	1
Mr B P Kepes (Appointed 25 November 2020)	8	0
Dr G O'Duffy (Retired 23 September 2020)	1	1
Ms N M Scott	12	0
Dr R A Rawstron (Appointed 30 September 2020)	9	1
Mr P R Townsend	12	0
Dr V J Weenink	12	0
Dr S M H Wynn Thomas	10	2

For the Year Ended 30 June 2021

8 Share Dealing

General Practitioner and nurse directors hold shares in trust for the company's charitable beneficiaries.
1,715 shares were transferred during the year from Dr G O'Duffy to Dr R A Rawstron.

9 Provision of Services

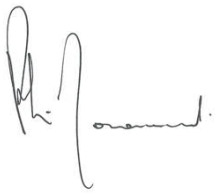
Associated doctors and nurses, including directors, have been remunerated on an hourly basis for assignments carried out at the request of the company.

10 Employees

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

Salary Bracket	No. of employees
100,000 -110,000	23
110,001 -120,000	16
120,001 -130,000	9
130,001 -140,000	6
140,001 -150,000	4
150,001 -160,000	5
160,001 -170,000	4
170,001 -180,000	4
180,001 -190,000	2
190,001 -200,000	2
200,001 -210,000	0
210,001 -220,000	0
220,001 -230,000	1
230,001 -240,000	1
240,001 -250,000	2
250,001 -260,000	1
260,001 -270,000	0
270,001 -280,000	0
280,001 -290,000	1
290,001 -300,000	0
300,001 -340,000	0
340,001 -350,000	1

FOR AND ON BEHALF OF THE BOARD, 1 September 2021



Mr P R Townsend
Chair

Dr S M H Wynn Thomas
Deputy Chair

DIRECTORS' RESPONSIBILITY STATEMENT

For the Year Ended 30 June 2021

The Financial Reporting Act 2013 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 8-37, 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 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 for taking reasonable steps for the prevention and detection of fraud and other irregularities.

FOR AND ON BEHALF OF THE BOARD, 1 September 2021

Mr P R Townsend
Chair

Dr S M H Wynn Thomas
Deputy Chair

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

Opinion

We have audited the consolidated financial statements of Pegasus Health (Charitable) Limited ("the Company") and its subsidiaries (together, "the Group"), which comprise the consolidated statement of financial position as at 30 June 2021, and the consolidated statement of comprehensive revenue and expense, consolidated statement of changes in net assets/equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Public Benefit Entity Standards ("PBE Standards") issued by the New Zealand Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Group or its subsidiaries.

Directors' Responsibilities for the Consolidated Financial Statements

The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with PBE Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at: https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-7/.

This description forms part of our auditor's report.

Who we Report to

This report is made solely to the Group's shareholders, as a body. Our audit work has been undertaken so that we might state 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 the Group and the Group's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

BDO Christchurch

BDO Christchurch
Christchurch
New Zealand
1 September 2021

PEGASUS HEALTH (CHARITABLE) LIMITED

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the Year Ended 30 June 2021

		Group		Company	
	Note	**2021**	**2020**	**2021**	**2020**
		$'000	**$'000**	**$'000**	**$'000**
Total revenue	8	54,823	52,699	54,823	52,699
Operating expenses	9	(55,245)	(52,751)	(55,245)	(52,751)
Net operating surplus/(deficit)		(422)	(52)	(422)	(52)
Loss on wind-up of After Hours Properties Ltd		-	(39)	-	(39)
Impairment of intangible asset	13	(62)	(16)	(62)	(16)
Gain on sale of assets		(37)		1,213	-
Dividend from subsidiary		-	-	1,910	454
Finance income (on loans and receivables)		4	14	4	14
Finance costs (on liabilities at amortised cost)		(504)	(514)	(504)	(514)
Net finance income/(costs)		(500)	(500)	(500)	(500)
Limited Partnerships profit/(loss) for the year	14 c)	3,243	2,279	-	-
Surplus/(deficit) for the year attributable to equity holders of the parent		2,222	1,672	2,139	(153)
Other comprehensive revenue and expense					
Gain on revaluation of land and buildings	12	-	1,029	-	1,029
Other comprehensive revenue and expense for the year		-	1,029	-	1,029
Total comprehensive revenue and expense for the year attributable to equity holders of the parent		2,222	2,701	2,139	876

These financial statements should be read in conjunction with the Independent Auditors' Report and accompanying Notes

BDO Christchurch

PEGASUS HEALTH (CHARITABLE) LIMITED

STATEMENT OF CHANGES IN NET ASSETS/EQUITY

For the Year Ended 30 June 2021

Group

	Note	Share capital	Revaluation reserve	Accumulated revenue and expense	Total
		$'000	$'000	$'000	$'000
Balance as at 1 July 2019		12	1,893	16,353	18,258
Surplus/(Deficit) for the year		-	-	1,672	1,672
Other comprehensive income for the year	12	-	1,029	-	1,029
Total comprehensive income for the year		-	1,029	1,672	2,701
Closing balance 30 June 2020		12	2,922	18,025	20,959
Surplus/(Deficit) for the year		-	-	2,222	2,222
Total comprehensive income for the year		-	-	2,222	2,222
Closing balance 30 June 2021		12	2,922	20,247	23,181

These financial statements should be read in conjunction with the Independent Auditors' Report and accompanying Notes

BDO Christchurch

PEGASUS HEALTH (CHARITABLE) LIMITED

STATEMENT OF CHANGES IN NET ASSETS/EQUITY

For the Year Ended 30 June 2021

Company

	Note	Share capital	Revaluation reserve	Accumulated revenue and expense	Total
		$'000	$'000	$'000	$'000
Balance as at 1 July 2019		12	1,893	15,929	17,834
Surplus/(Deficit) for the year		-	-	(153)	(153)
Other comprehensive income for the year	12	-	1,029	-	1,029
Total comprehensive income for the year		-	1,029	(153)	876
Closing balance 30 June 2020		12	2,922	15,776	18,710
Surplus/(Deficit) for the year		-	-	2,139	2,139
Total comprehensive income for the year		-	-	2,139	2,139
Closing balance 30 June 2021		12	2,922	17,915	20,849

These financial statements should be read in conjunction with the Independent Auditors' Report and accompanying Notes

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PEGASUS HEALTH (CHARITABLE) LIMITED

STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		Group		Company	
	Note	2021	2020	2021	2020
ASSETS		$'000	$'000	$'000	$'000
Current assets					
Cash and cash equivalents	10	4,703	5,500	4,702	5,498
Receivables	11	7,136	6,131	7,136	6,131
Loan receivable	14 e)	-	-	5	5
Inventories		23	19	23	19
Prepayments		518	500	518	500
		12,380	12,150	12,384	12,153
Non-current assets					
Property, plant and equipment	12	23,927	23,557	23,927	23,557
Intangibles	13	1,480	2,437	1,480	2,437
Investment in other entities	14	5,791	3,996	2,936	1,185
		31,198	29,990	28,343	27,179
Total assets		43,578	42,140	40,727	39,332
LIABILITIES					
Current liabilities					
Payables	15	7,575	8,717	6,433	7,535
Employee benefit liability		2,934	2,232	2,934	2,232
Wage Provision		23	141	23	141
Derivative financial liabilities	19 d)	86	180	86	180
Finance lease	20 c)	45	19	45	19
Advance from subsidiary	14 e)	-	-	623	623
Loans	16	5,040	40	5,040	40
Total Current Liabilities		15,703	11,329	15,184	10,770
Non-current liabilities					
Funds held in Trust		694	852	694	852
Loans	16	4,000	9,000	4,000	9,000
		4,694	9,852	4,694	9,852
Total liabilities		20,397	21,181	19,878	20,622
NET ASSETS / EQUITY					
Share capital	17	12	12	12	12
Revaluation reserve		2,922	2,922	2,922	2,922
Accumulated revenue and expense		20,247	18,025	17,915	15,776
Total net assets/equity		23,181	20,959	20,849	18,710
Total net assets/equity and liabilities		43,578	42,140	40,727	39,332

FOR AND ON BEHALF OF THE BOARD. 1 September 2021

Mr P R Townsend
Chair

Dr S M H Wynn Thomas
Deputy Chair

These financial statements should be read in conjunction with the Independent Auditors' Report and accompanying Notes

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PEGASUS HEALTH (CHARITABLE) LIMITED

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2021

	Note	Group 2021	Group 2020	Company 2021	Company 2020
		$'000	$'000	$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Proceeds from:					
Rental income		260	180	260	180
Royalties		178	214	178	214
Proceeds from cash receipts from customers		52,936	50,987	52,926	51,839
Payments to suppliers and employees		(53,773)	(50,464)	(53,724)	(51,304)
Dividends received		-	-	1,910	454
Interest received		4	14	4	14
Interest paid		(504)	(514)	(504)	(514)
Receipts from GST		(320)	124	(320)	119
Agency receipts		132,732	129,074	132,732	129,074
Agency payments		(132,442)	(128,632)	(132,442)	(128,632)
Net cash inflow/(outflow) from operating activities	10	(929)	983	1,020	1,444
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for purchase of property, plant and equipment		(889)	(779)	(889)	(779)
Proceeds from disposal of property, plant and equipment		46	17	46	17
Increase in intangible assets		(467)	(931)	(467)	(931)
Repayment of shareholder advance		-	2,030	-	1,000
Investment in subsidary		1,448	-	(500)	-
Net cash inflow/(outflow) from investing activities		138	337	(1,810)	(693)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of finance lease		(6)	(11)	(6)	(11)
Subsidiary advance		-	-	-	623
Net cash inflow/(outflow) from financing activities		(6)	(11)	(6)	612
Net increase/(decrease) in cash and cash equivalents		(797)	1,309	(796)	1,363
Cash and cash equivalents at beginning of year	10	5,500	4,191	5,498	4,135
Cash and cash equivalents at the end of year	10	4,703	5,500	4,702	5,498

These financial statements should be read in conjunction with the Independent Auditors' Report and accompanying Notes

BDO Christchurch

1 Reporting Entity

Pegasus Health (Charitable) Limited is a Tier 1 Public Benefit Entity (the 'controlling entity') and a charity registered under the Charities Act 2005. The entity is domiciled in New Zealand, and is a public benefit entity for the purposes of financial reporting in accordance with the Financial Reporting Act 2013. The controlling entity's registered office and principal place of business is 401 Madras Street, Christchurch. The controlling entity is a Tier 1 entity as it is publicly accountable for funds held in a fiduciary capacity as part of its primary business, and it is considered large as it has total expenses over $30 million.

These financial statements comprise of two sets of accounts for the year ended 30 June 2021. These include the controlling entity (referred to as the 'Company') and the consolidated financial statements (referred to as the 'Group') which include the Company and its controlled entities.

Pegasus Health (Charitable) Limited is principally involved in the delivery of health services as well as being a Primary Health Organisation (PHO) that delivers PHO services across Canterbury.
The Group financial statements incorporate the activities of the following associate and subsidiaries (hereafter referred to as "the Group"):

- Pegasus Health (LP) Limited – Subsidiary
- Pegasus Health (Health One) Limited - Subsidary
- Health One (General Partner) Limited - Subsidary until May 2021 then Associate.
- Canterbury Community Care Trust Limited – Associate
- Whakarongorau Aotearoa New Zealand Telehealth Services (GP) Limited, (previously Homecare Medical (General Partner) Limited) – Associate
- Screensouth Limited - Associate
- After Hours Properties Limited – Associate until December 2018 and then Subsidiary. Entity wound up during the prior year.

2 Basis of Preparation

(a) Statement of compliance
The consolidated and parent financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with Public Benefit Entity Accounting Standards ("PBE Standards"), as appropriate for Tier 1 not-for-profit public benefit entities.

These financial statements were authorised for issue by the Board of Directors on 1 September 2021.

(b) Measurement basis
The parent and consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position, which are measured at fair value:
- Land and Buildings under the revaluation model
- Derivative financial liabilities.

(c) Functional and presentation currency
The financial statements are presented in New Zealand dollars ($) which is the controlling entity's functional and Group's presentation currency, rounded to the nearest thousand. There has been no change in the functional currency of the Group during the year.

3 Use of Judgements and Estimates

The preparation of the financial statements requires management 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 those estimates.

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

BDO Christchurch

(a) 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 the Group is a going concern

● The Directors have judged that in the case of certain entities set out in Note 14 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 Other Investments in the Statement of Financial Position rather than as Investment in Associate. They do not have a quoted market price in an active market and are measured at cost (as allowed under PBE IPSAS 29).

(b) Assumptions and estimation uncertainties

Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 30 June 2021 include the following:

Area of estimate or judgement	Note
Valuation of land and buildings	Note 12
Impairment of software	Note 13
Investment	Notes 14 and 21
Derivative financial liabilities	Note 19d

Significant estimates are designated by an ⓔsymbol in the notes to the financial statements.

4 Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Group except where disclosed in Note 6.

Accounting policies are disclosed within each of the applicable notes to the financial statements and are designated by a 🕮symbol. Where a note is not required, the applicable accounting policy is disclosed in Note 5.

5 Other Accounting Policies

(a) Impairment of non-financial assets

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

Indefinite life intangible assets (e.g. trademarks) are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Impairment losses are recognised in the statement of comprehensive revenue and expense.

(b) 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.

(c) Income tax

As the Company and its subsidiaries are registered charities or non-trading (Pegasus Health (Charitable) Limited charity registration number CC29755; Pegasus Health (LP) Limited charity registration number CC50324 Pegasus Health (Health One) Limited charity registration number CC58898 and Canterbury Community Trust charity registration number CC22657), they are not required to pay income tax.

The Company has three associates: Canterbury Community Care Trust Ltd, Health One (General Partner) Limited and Whakarongorau Aotearoa New Zealand Telehealth Services (GP) Limited, and one subsidiary: After Hours Properties Limited (wound up during the prior year), which are tax paying entities. Deferred tax is calculated as part of the value of the investments.

BDO Christchurch

(d) Impairment of non-derivative financial assets

A financial asset not subsequently measured at fair value through surplus or deficit is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a counterparty, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a counterparty or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an equity security classified as an available-for-sale financial asset, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

(e) Financial assets classified loans and receivables

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level.

All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in statement of comprehensive revenue and expenses and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised.

When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through surplus or deficit.

(f) 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 profit or loss but are included in the operating cash flows.

(g) Funds held in trust

Funds are held in trust where they have been received by the Group for a specified purpose, or are being held on behalf of a third party and these transactions are not recorded in the statement of revenue and expense. The Group holds sufficient funds to enable the funds to be used for their intended purpose at any time.

(h) Employee benefits liability

i. Short-term employee benefits liability

Short-term employee benefits are recognised when the Group has a legal or constructive obligation to remunerate employees for services provided within 12 months of the reporting date and are measured on an undiscounted basis and are expensed as the related service is provided. Accrual is recognised for the amount expected to be paid under outstanding annual leave balances if the Group or 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.

ii. Defined contribution plans liability

Contributions to defined contribution pension schemes are charged to the statement of comprehensive revenue and expense in the year to which they relate.

iii. Long-term employee benefits

Long-term employee benefit obligations are recognised when the Group has a legal or constructive obligation to remunerate employees for services provided beyond 12 months of reporting date.

iv. Termination benefits

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer would be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

BDO Christchurch

6 Changes in Accounting Policy

During the year, the Company revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing SaaS arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements. It has been determined that the impact of this change on the comparatives is immaterial. This accounting policy has been applied in the current year. Refer to note 13 for the impact on the intangible asset balance. The new accounting policy is presented below.

Software-as-a-Service (SaaS) arrangements
SaaS arrangements are service contracts providing the Company with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.
Some of these costs incurred are for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful lives of these assets are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate.

There have been minor reclassifications from prior year financial statements to better reflect the nature of transactions and classifications. There has also been a presentational change within the statement of cashflows to include agency payments and receipts which has also been reflected in the prior year statement.

7 Accounting Standards Issued Not Yet Effective

At the date of authorisation of the financial statements of Pegasus Health (Charitable) Limited for the year ended 30 June 2021, the following PBE Standards have been assessed as relevant to the Group are in issue but not yet effective:

PBE IPSAS 40 – PBE Combinations Effective date: periods beginning after 1 January 2021
This standard will be adopted by Pegasus Health for the first time for its financial reporting period ended 30 June 2022. This standard will replace PBE IFRS 3 Business Combinations. The standard will not have an impact on the accounts unless a business combination occurs through acquisition or amalgamation.

PBE FRS 48 – Service Performance Reporting Effective date: periods beginning after 1 January 2021
This standard will be adopted by Pegasus Health for the first time for its financial reporting period ended 30 June 2022 and will require the group to select and present service performance information. There will be minimal financial impact on the accounts as it is purely an addition of non-financial information.

PBE IPSAS 41 – Financial Instruments Effective date: periods beginning after 1 January 2022
This standard will be adopted by Pegasus Health for the first time for its financial reporting period ended 30 June 2023. This standard will replace PBE IPSAS 29 Financial Instruments: Recognition and Measurement. The impact of those will be moving from a provision for doubtful debts to expected credit loss model. The financial impact of this has not been determined yet. In addition, financial assets which were recognised as loans and receivables, will now be recognised at amortised cost.

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8 Revenue

Revenue is recognised when the amount of revenue can be measure reliably and it is probable that economic benefits will flow to the Group, and measured at the fair value of consideration received or receivable.
The following specific recognition criteria in relation to the Group's revenue streams must also be met before revenue is recognised.

Revenue from exchange transactions

Delivery of Health Services

Revenue from health 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 services revenue includes the delivery and provision of health care, PHO related services, education, software, IT support services, and HR consulting services.
The Group and Company operate within the health services sector. The stage of completion of different types of revenue is assessed as follows:

● 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 for expenses incurred is recognised on a systematic basis matching the pattern of the related expenses.

Rental income

Rental income is recognised in surplus or deficit on a straight-line basis over the term of the lease.

Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates.
Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. For the sales of vaccines, transfer occurs when the product is dispatched from the Group entity's facility.

Revenue from non-exchange transactions

Non-exchange transactions are those where the Group receives an inflow of resources (i.e. cash and other tangible or intangible items) but provides no (or nominal) direct consideration in return. With the exception of services-in-kind, inflows of resources from non-exchange transactions are only recognised as assets where both:
• It is probable that the associated future economic benefit or service potential will flow to the entity, and
• Fair value is reliably measurable.

Inflows of resources from non-exchange transactions that are recognised as assets are recognised as non-exchange revenue, to the extent that a liability is not recognised in respect to the same inflow. Liabilities are recognised in relation to inflows of resources from non-exchange transactions when there is a resulting present obligation as a result of the non-exchange transactions, where both:
• It is probable that an outflow of resources embodying future economic benefit or service potential will be required to settle the obligation, and
• The amount of the obligation can be reliably estimated.

Delivery of Health Services, IT Services & Other Services

The recognition of non-exchange revenue from delivery of health services, IT services & other services depends on the nature of any stipulations attached to the inflow of resources received, and whether this creates a liability (i.e. present obligation) rather than the recognition of revenue.
Stipulations that are 'conditions' specifically require the Group to return the inflow of resources received if they are not utilised in the way stipulated, resulting in the recognition of a liability that is subsequently recognised as revenue as and when the 'conditions' are satisfied.
Stipulations that are 'restrictions' do not specifically require the Group to return the inflow of resources received if they are not utilised in the way stipulated, and therefore do not result in the recognition of a liability, which results in the immediate recognition of revenue.

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Revenue (continued)

	Note	Group 2021	Group 2020	Company 2021	Company 2020
		$'000	$'000	$'000	$'000
Revenue from exchange transactions:					
Delivery of health services		9,840	9,579	9,840	9,579
IT services		5,169	4,013	5,169	4,013
Sale of vaccines		112	409	112	409
Other services		1,268	1,292	1,268	1,292
Rental income		146	130	146	130
Rental income from sub-lease of operating leases	20 b)	115	51	115	51
Revenue from non-exchange transactions:					
Delivery of health services		37,739	34,842	37,739	34,842
IT services		-	1,523	-	1,523
Other services		434	861	434	861
Total revenue		54,823	52,699	54,823	52,699

The Company delivers a further range of services primarily funded by the CDHB. These include services focused on integration of primary and secondary care, support for the provision of 24 Hour Acute Care in the community, the provision of services to residents of Child Youth and Family Residences and programme office support to the Canterbury Clinical Network (CCN) – an alliance 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. In addition the CDHB also funds a programme which support general practices in developing their integrated family health services capacity and capability, and a number of sector wide information systems initiatives. The majority of these services are funded on a one to two year basis whilst some elements are funded on an annual basis. Satisfactory on-going contractual arrangements for the majority of these areas have been agreed or are in the process of being agreed with CDHB.

9 Expenses By Nature

	Note	Group 2021	Group 2020	Company 2021	Company 2020
		$'000	$'000	$'000	$'000
Employee benefits - short term employee benefits		36,624	34,754	36,624	34,754
Employee benefits - defined contribution plans		801	756	801	756
Depreciation	12	505	528	505	528
Amortisation	13	938	912	938	912
Non-cancellable operating lease payments	20	237	158	237	158
BDO audit of the financial statements		40	37	40	37
Director fees	21 b)	455	428	455	428
Software licences		2,267	1,358	2,267	1,358
Medical supplies / consumables & vaccines		1,083	1,590	1,083	1,590
Clinical advice		728	624	728	624
GP subsidised procedures		2,336	1,428	2,336	1,428
Member salaries		964	864	964	864
Cost recovery (capitalised time)		(453)	(660)	(453)	(660)
Other expenses		8,720	9,974	8,720	9,974
Total operating expenses		55,245	52,751	55,245	52,751

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10 Cash and Cash Equivalents

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Cash on hand	4,703	5,249	4,702	5,247
Call deposits	-	1	-	1
Term deposits with maturities less than 3 months	-	250	-	250
Cash and cash equivalents in the statement of cash flows	4,703	5,500	4,702	5,498

(a) Applicable Interest Rates

Per annum annual interest rate ranges applicable to components of cash and cash equivalent:

	Group		Company	
	2021	2020	2021	2020
Bank deposits	0.05%	0.05%	0.05%	0.05%
Call deposits	-	0.05%	-	0.05%
Term deposits with maturities less than 3 months	-	1.20-2.88%	-	1.20-2.88%
Bank overdrafts	5.60%	5.60%	5.60%	5.60%

A General Security Agreement is in place over all the assets of the company. This secures the borrowings from the Westpac Bank – Note 16.

(b) Reconciliation of operating cash flows to net surplus

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Net surplus / (deficit)	**2,222**	**1,672**	**2,139**	**(153)**
Adjustments for non-cash items:				
Depreciation	505	528	505	528
Amortisation	938	912	938	912
Impairment Loss on Intangibles	62	16	62	16
(Gain)/Loss on derivative	(94)	41	(94)	41
Write-off of intangibles	423		423	
Gain on sale of intangible asset	-	-	(1,250)	-
Limited Partnership share of profit	(3,243)	(2,279)	-	-
Disposal of After Hours Properties Limited	-	39	-	977
Adjustments for movements in:				
(Increase)/decrease in receivables	(1,004)	(1,482)	(1,004)	(1,411)
(Increase)/decrease in inventories	(4)	(19)	(4)	(19)
(Increase)/decrease in funds held in advance	(117)	606	(70)	450
Increase/(decrease) in payables	(617)	949	(625)	103
Net operating cash inflow / (outflow)	(929)	983	1,020	1,444

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11 Receivables

Trade and other receivables are recognised initially at fair value plus directly attributable transaction costs and subsequently at amortised cost, less impairment losses. Bad debts are written-off when they are considered to have become uncollectable.

		Group		Company	
	Note	2021	2020	2021	2020
		$'000	$'000	$'000	$'000
Net trade receivables from exchange transactions		708	696	708	696
Net trade receivables from non-exchange transactions		3,644	2,438	3,644	2,438
Sundry receivables		2,784	2,997	2,784	2,997
Total receivables		7,136	6,131	7,136	6,131

During the year ended 30 June 2021, there were was a write-off of trade receivables of $97k (2020: $19k).

(a) Maturities

The maturities of the net accounts receivable based on the remaining period are as follows:

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Total accounts receivable (net)	**4,352**	**3,134**	**4,352**	**3,134**
Analysed as due:				
Less than 30 days (current)	4,178	3,034	4,178	3,034
Between 31 and 60 days	111	25	111	25
Between 61 and 90 days	31	31	31	31
Greater than 91 days	31	44	31	44

(b) Credit term and interest

The average credit term on invoiced amounts is 20 days and is interest free (2020: 30 days and is interest free).

(c) Impairment allowance

As at 30 June 2021, the impairment allowance relates to overdue accounts receivable where there is uncertainty as to whether the amounts will be recovered and the Directors have considered that a collective impairment allowance is appropriate based on the Company's past experiences in the recovery of accounts receivable. The establishment and release of impaired receivables has been included in the operating costs in the statement of comprehensive revenue and expense. Movements in the impairment allowance are as follows:

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
As at 1 July	78	23	78	23
Allowance for receivables impairment	47	55	47	55
Receivables written off during the year as uncollectable	(97)	-	(97)	-
Balance of the allowance account as at 30 June	28	78	28	78

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12 Property, Plant and Equipment

i. Recognition and measurement

Items of property plant and equipment are initially measured at cost which includes expenditure directly attributable to the acquisition of the asset:

• Cost model: Cost less accumulated depreciation and impairment (all property, plant and equipment except land and buildings)

• Revaluation model: fair value, less accumulated depreciation and accumulated impairment losses recognised after the date of the most recent revaluation (land and buildings).

Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Gains and losses on revaluation are recognised in other comprehensive revenue and expense and presented in the revaluation surplus reserve within net assets/equity. Gains or losses relating to individual items are offset against those from other items in the same class of property, plant and equipment; however gains or losses between classes of property, plant and equipment are not offset.

Any revaluation losses in excess of credit balance of the revaluation surplus for that class of property, plant and equipment are recognised in surplus or loss as impairment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in statement of comprehensive revenue and expense.

Upon disposal of revalued items of property, plant and equipment, any associated gain or losses on revaluation to that item are transferred from the revaluation surplus to accumulated surplus.

ii. Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

iii. Depreciation

For plant and equipment, depreciation is based on the cost of an asset less its residual value, and for buildings is based on the revalued amount less its residual value. Significant components of individual assets that have a useful life that is different from the remainder of those assets, are depreciated separately.

Depreciation is recognised in the statement of comprehensive revenue and expenses on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Land and assets under construction are not depreciated.

The estimated straight line depreciation rates are:

	2021	2020
Buildings	2.00%	2.00%
Plant and machinery	6.67%-50.00%	6.67%-50.00%
Motor Vehicles	21.00%	21.00%
Fixtures and fittings	6.00% - 40.00%	6.00% - 50.00%
Leasehold improvements	7.00% - 20.00%	7.00% - 20.00%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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Group and Company

Cost or valuation	Land and building	Plant and equipment	Right of use asset	Motor vehicles	Fixtures and fittings	Leasehold improvem-ents	Work in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 2019	21,097	3,082	-	93	816	71	56	25,215
Additions (exchange)	10	-	30	11	5	-	723	779
Revaluation surplus	1,029	-	-	-	-	-	-	1,029
Reclassification	85	(14)	-	-	(14)	(57)	-	-
Transfers	6	269	-	46	27	155	(503)	-
Disposals	-	-	-	(12)	-	-	-	(12)
Balance as at 30 June 2020	22,227	3,337	30	138	834	169	276	27,011
Balance as at 1 July 2020	22,227	3,337	30	138	834	169	276	27,011
Additions (exchange)		-	32	-	-	-	857	889
Revaluation surplus	-	-	-	-	-	-	-	-
Reclassification	-	(107)	-	-	107	-	-	-
Transfers	264	591	-	-	70	22	(947)	-
Disposals	-	(727)	-	(18)	(545)	(18)	-	(1,308)
Balance as at 30 June 2021	22,491	3,094	62	120	466	173	186	26,592

Group and Company

Accumulated depreciation and impairment	Note	Land and building	Plant and equipment	Right of use asset	Motor vehicles	Fixtures and fittings	Leasehold improvem-ents	Work in progress	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 2019		-	2,227	-	91	601	32	-	2,951
Depreciation	9		455	19	3	45	6	-	528
Impairment		-	-	-	-	-	-	-	-
Reclassification		-	-	-	-	-	-	-	-
Transfers		-	-	-	-	-	-	-	-
Disposals			(2)	-	(11)	(1)	(11)	-	(25)
Balance as at 30 June 2020		-	2,680	19	83	645	27	-	3,454
Balance as at 1 July 2020		-	2,680	19	83	645	27	-	3,454
Depreciation	9		429	12	12	40	12	-	505
Impairment		-	-	-	-	-	-	-	-
Reclassification		-	(107)	-	-	107	-	-	-
Transfers		-	-	-	-	-	-	-	-
Disposals		-	(717)	-	(17)	(535)	(25)	-	(1,294)
Balance as at 30 June 2021		-	2,285	31	78	257	14	-	2,665
Net book value:									
As at 1 July 2019		21,097	855	-	2	215	39	56	22,264
As at 30 June 2020		22,227	657	11	55	189	142	276	23,557
As at 30 June 2021		22,491	809	31	42	209	159	186	23,927

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(a) Security held over items of property plant and equipment

At reporting date, all assets of the company are subject to a General Security Agreement and land and buildings to first mortgages to secure bank borrowings (see Note 16).

(b) Revalued land and buildings

All land and buildings were revalued as at 31 May 2020. An independent registered valuer, GR Sellars FNZIV FPINZ at Colliers International, was engaged. The revaluation surplus arising was transferred through other comprehensive revenue and expense into the revaluation reserve.

401 Madras Street

In estimating the fair value of land and buildings at 401 Madras Street, the comparable sales method was used, which incorporated the use of the following significant assumptions:

- Significant Assumption 1 – The valuer assessed the rental utilising the comparable rental approach and provided supporting market leasing evidence
- Significant Assumption 2 – The Colliers International database of comparable rental and sales evidence was utilised
- Significant Assumption 3 - Pegasus continues to occupy the property in the long term.

ⓔ The Group obtains valuations as 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. At valuation date, the valuer considered it appropriate to attach less weight to previous market evidence for comparison purposes. This was based on the fact that Covid-19 has altered the economic environment and therefore historical evidence is not as appropriate as other forms of measurement. The valuation is therefore reported on the basis of 'material valuation uncertainty'. This means that there is less certainty surrounding the valuation than would normally be the case given the unknown future impact that Covid-19 may have on the real estate market. The directors have assessed that the building has maintained this value at Balance date for the current year.

13 Intangibles

i. Recognition and measurement

Intangible assets are initially measured at cost.

All of the Group's intangible assets are subsequently measured in accordance with the cost model, being cost less accumulated amortisation and impairment, except for the following items which are not amortised and instead tested for impairment:

- Intangible assets not yet available for use
- Intangible assets with indefinite useful lives.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed intangible assets includes the following:

- The cost of materials and direct labour
- Costs directly attributable to bringing the assets to a working condition for their intended use.

ii. Research and development

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

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in statement of comprehensive revenue and expenses as incurred.

iii. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the statement of comprehensive revenue and expenses as incurred.

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iv. Amortisation

Amortisation is recognised in the statement of comprehensive revenue and expenses, on a straight-line basis over the estimated useful lives of each amortisable intangible asset.

The estimated straight-line amortisation rates are:

	2021	2020
Software	10.00% - 67.00%	6.00% - 48.00%

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(e) The Company is required to assess, on an annual basis, whether internally generated intangible assets with an indefinite useful life 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.

Group and Company

Cost or valuation	Note	Software	Trademark and domain names	Intangibles under construction	Total
		$'000	$'000	$'000	$'000
Balance as at 1 July 2019		5,440	48	543	6,031
Additions (acquired externally)		27	2	229	258
Additions (developed internally)		-	-	660	660
Impairment		-	(10)	-	(10)
Transfers		623	-	(623)	-
Disposals		-	-	-	-
Balance as at 30 June 2020		6,090	40	809	6,939
Balance as at 1 July 2020		6,090	40	809	6,939
Additions (acquired externally)		147	1	54	202
Additions (developed internally)		-		453	453
Impairment		(319)	-	-	(319)
Transfers		888	-	(888)	-
Disposals		(689)	(4)	-	(693)
Disposal due to change in accounting policy		(544)		(286)	(830)
Balance as at 30 June 2021		5,573	37	142	5,752

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Group and Company

Accumulated amortisation and impairment	Note	Software	Trademark and domain names	Intangibles under construction	Total
		$'000	$'000	$'000	$'000
Balance as at 1 July 2019		3,597	-	-	3,597
Amortisation		912	-	-	912
Impairment		(6)	-	-	(6)
Transfers		-	-	-	-
Disposals		(1)	-	-	(1)
Balance as at 30 June 2020		4,502	-	-	4,502
Balance as at 1 July 2020		4,502	-	-	4,502
Amortisation	9	938	-	-	938
Impairment		(257)	-	-	(257)
Transfers		-	-	-	-
Disposals		(691)	-	-	(691)
Disposal due to change in accounting policy	6	(220)			(220)
Balance as at 30 June 2021		4,272	-	-	4,272
Net book value:					
As at 1 July 2019		1,843	48	543	2,434
As at 30 June 2020		1,588	40	809	2,437
As at 30 June 2021		1,301	37	142	1,480

(a) Amortisation

Within software, there are assets with remaining amortisation periods of between 1 to 10 years.

(b) Security and restrictions

All intangible assets are subject to the Company's General Security Agreement.

(c) Intangible assets under construction

Intangible assets under construction are tested annually for impairment by comparing costs incurred to the respective stages of the software being developed. As a result of the testing performed, there were no indicators of impairment identified.

(d) Impairment on non-cash generating asset

In the prior year, there has been an assessment of impairment in which two assets were identified as impaired, totalling $16k. The first relates to a Sirius trademark with a cost of $10k and the second related to a claims module no longer used with a net book value of $6k. The impairment is recognised in the statement of comprehensive revenue and expense.

An assessment as been performed in the current year which has resulted in the impairment of claims modules that are no longer used. This asset had 5 capitalised components with a net book value of $72k.

e) Change of Accounting Policy

With reference to note 6, the Company revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing SaaS arrangements. The impact of this has been disclosed as a separate line item above.

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14 Investment in Other Entities

i. Subsidiaries

Subsidiaries are entities controlled by the Group, being where the Group is exposed, or has rights, to variable benefits from its involvement with the other entity and has the ability to affect the nature or amount of those benefits through its power over the entity. The financial statements of the Group's controlled entities are included in the consolidated financial statements from the date that control commences until the date that control ceases. When the Group loses control over a controlled entity, it derecognises the assets and liabilities of that entity and other components of equity. Any resulting gain or loss is recognised in surplus or deficit. Any interest retained in the former controlled entity is measured at fair value when control is lost. Subsequent changes in a controlled entity that do not result in a loss of control are accounted for as transactions with controllers of the controlling entity in their capacity as controllers, within net assets/equity.

ii. Associates and jointly controlled entities

The Group's interests in equity-accounted investees comprise interests in associates and jointly controlled entities. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A jointly controlled entity is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Significant influence is presumed to exist when the Group holds more than 20% of the voting power of another entity. Investments in associates and jointly controlled entities are accounted for using the equity method and are recognised initially at cost.

The consolidated financial statements include the Group's share of the surplus or deficit and other comprehensive revenue and expense of its equity accounted associates and jointly controlled entities, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in its equity accounted associates and jointly controlled entities, the carrying amount of the investment, including any long-term investments that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

iii. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted associates and jointly controlled entities are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(a) Subsidiaries

Name	Principal activity	% Shareholding 2021	% Shareholding 2020	Balance date
Pegasus Health (LP) Ltd (PHLP)	Investment	100%	100%	30-Jun
Pegasus Health (Health One) Limited	Investment	100%	Nil	30-Jun
After Hours Properties Limited	Investment	Nil	Wound up	30-Jun

Movement in carrying value of subsidiaries

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
As at 1 July	-	-	1,125	2,102
Investment in Pegasus Health (Health One) Limited	-	-	1,750	-
Wind up of subsidiary (After Hours Properties Limited)	-	-	-	(977)
Balance at 30 June	-	-	2,875	1,125

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The subsidiaries operate within New Zealand. There are no contingent liabilities of the subsidiaries for which the Company is liable.

Pegasus Health (HealthOne) Limited was incorporated during the year as a 50% limited partner in HealthOne (2021) Limited Partnership.

The Company has issued an enduring letter of comfort to its subsidiary, Pegasus Health (LP) Ltd, which undertake to provide the necessary financial support to ensure that the subsidiaries continue to be able to meet their obligations as they fall due.

On 1st May 2019 the Directors resolved to wind up After Hours Properties Limited. During the prior year, this wind-up was completed.

(b) Associates & jointly controlled entities

Name	Principal activity	% Shareholding 2021	% Shareholding 2020	Balance date
Whakarongorau Aotearoa New Zealand Telehealth Services LP	Telehealth services	50%	50%	30-Jun
HealthOne (2021) Limited Partnership	Shared electronic health record	50%	-	30-Jun
Whakarongorau Aotearoa New Zealand Telehealth Services (GP) Limited	Management	50%	50%	30-Jun
Health One (General Partner) Limited	Management	50%	100%	30-Jun
Screensouth Limited	Screening services	50%	50%	30-Jun
Canterbury Community Care Trust Limited	Corporate Trustee	33%	33%	30-Jun
New Zealand Medicines Formulary Limited Partnership	The creation and maintenance of a medicines formulary	10%	10%	30-Jun

Whakarongorau Aotearoa New Zealand Telehealth Services LP holds the National Telehealth Services contract with the Ministry of Health providing New Zealanders with 24 hour, 7 days a week, access to a number of health telephone advice services which offer free health, mental health and addictions support across digital channels. It also provides clinical support for general practices after hours. This partnership interest is accounted for at cost plus the value of the partnership current account.

HealthOne (2021) Limited Partner holds a contract with the CDHB to manage and develop an electronic health record system. This partnership interest is accounted for at cost plus the value of the partnership current account.

The company's interest in Whakarongorau Aotearoa New Zealand Telehealth Services LP is held by the subsidiary Pegasus Health (LP) Limited (PHLPL). Likewise, the company's interest in HealthOne (2021) Limited Parter is held by the subsidary Pegasus Health (HealthOne) Limted (PHH1L). PHLPL and PHH1L, being limited partners, do not exercise control over the activity of their respective limited partnerships as per their Limited Partnership Agreements. The Limited Partners have no right or authority to act for the Limited Partnership neither can they take part in or in any way interfere in the conduct or management of the Limited Partnership or vote on matters relating to that. However, PHLPL and PHH1L do have significant influence over the respective Limited Partnerships as they can aid in the strategic decision making process, and therefore they are required to be equity accounted each year.

Canterbury Community Care Trust Limited is a non-trading entity with no material transactions to account for. Similarly, Whakarongorau Aotearoa New Zealand Telehealth Services (GP) Limited, Health One (General Partner) Limited, Screensouth Limited and New Zealand Medicines Formulary Limited Partnership have no material transactions to account for.

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Group	2021	2020
	$'000	$'000
Current assets	38,235	35,698
Non-current assets	13,944	4,342
Current liabilities	30,326	31,734
Non-current liabilities	4,522	498
Net assets	17,331	7,808
Income	113,794	71,951
Expenses	(107,401)	(67,288)
Net Surplus (Deficit)	6,393	4,663

Movement in carrying value of other associates and joint ventures

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Balance at 1 July	3,996	2,742	60	60
Investment in HealthOne (2021) Limited Partnership	500	-	-	-
Distribution of funds	(1,910)	(1,077)	-	-
Share of profit/loss in Whakarongorau Aotearoa NZ before IFRS adoption adjustment	3,133	2,371	-	-
Share of impact of adopting NZ IFRS 15*	(105)	(52)	-	-
Share of impact of adopting NZ IFRS 16*	151	12	-	-
Share of profit/loss in HealthOne (2021) Ltd	25	-	-	-
NZ Medicines Formulary Limited Partnership income	1	-	1	-
Balance at 30 June	5,791	3,996	61	60

* Whakarongorau Aotearoa NZ Telehealth Services LP applies NZ IFRS 15 & 16 which are treated differently under Public Benefit Entity Accounting Standings. The core principle of NZ IFRS 15 is to recognise revenue as a transfer of promised goods and services to customers in an amount that reflects the consideration to which the organisation expects to be entitled in exchange for those goods and services. The core principle of NZ IFRS 16 is to recognise the majority of leases on the balance sheet as a lease liability and right-of-use-asset. Public Benefit Entity Accounting Standards have different revenue and leasing principles which will result in annual adjustments to the share of profit recognised. These have been disclosed above.

(c) Equity accounting treatment of HealthOne (2021) Limited Partnership

On formation of the HealthOne (2021) Limited Partnership, Pegasus Health (Charitable) Limited (PHCL) contributed capital in the form of $500,000 cash and non-monetary intangible assets valued at $2,500,000. Prior to the formation, the assets transferred had nil carrying values.

In applying PBE IPSAS 36 for the treatment of downstream sales of non-monetary assets, gains are recognised only to the extent of the other Limited Partner's interest. The share of the gain relating to PHCL's interest (50%) is therefore eliminated.

Due to this treatment, the investment in HealthOne (2021) LP shown in these financial statements will not align with PHCL's share of the Limited Partnership's net assets. A reconciliation of this difference is set out below:

Group	2021	2020
	$'000	$'000
HealthOne (2021) Limited Partnership Net Assets	6,051	-
50% share of Net Assets	3,026	-
Elimination of downstream gains on formation	(1,250)	-
Investment in HealthOne (2021) Limited Partnership	1,776	-

BDO Christchurch

(d) Investments

Name	Principal activity	% Shareholding 2021	% Shareholding 2020	Balance date
bpacnz Ltd	Deliver educational and continuing professional development programmes	16.67%	16.67%	30-Jun
Early Start Project Ltd	Family welfare service	11.11%	11.11%	30-Jun

Movement in carrying value of investments

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Balance at 1 July	-	-	-	-
Balance at 30 June	-	-	-	-

These investments are of nil value as no capital was provided upon purchase. Refer to accounting policies above for subsequent measurement.

(e) Loans with subsidiary

The Company has a $5k working capital float loan with PHLP. This is an unsecured loan which is interest free and repayable on demand.

The Company received an advance from its subsidiary during the prior year of $623k. This relates to a distribution received by PHLPL from Whakarongorau Aotearoa New Zealand Telehealth Services LP and the differences in recognition criteria between for-profit and not-for-profit framework. Subsequent distribution from PHLPL to the Company being a dividend up to the level of retained earnings held and the balance an advance. This loan is an unsecured loan, interest free and repayable on demand. During the reporting period, there were no defaults, breaches and no loans forgiven.

15 Payables - Exchange Transactions

Trade and other payables are recognised at face value as they are generally settled within 30 days, and are measured at amortised cost.

(a) Trade payables

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Trade payables from exchange transactions	1,582	1,017	1,582	1,017
Trade payables	1,582	1,017	1,582	1,017

(b) Maturities

The maturities of accounts payable based on the remaining period are as follows:

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Total trade payables	**1,582**	**1,017**	**1,582**	**1,017**
Analysed as due:				
Less than 30 days (current)	1,393	972	1,393	972
Between 31 and 90 days	189	41	189	41
Between 91 and 365 days	-	4	-	4

The average credit term on invoiced amounts is 30 days (2020: 30 days). Accounts payable, accruals and other liabilities are interest free (2020: interest free).

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(c) Other payables

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Non-trade payables and accrued expenses	711	2,139	711	2,147
Funding in advance	5,053	5,012	3,910	3,822
GST payable	229	549	229	549
Other payables	5,993	7,700	4,850	6,518

16 Loans

			2021			2020		
Group and Company	**Effective interest rate**	**Year of maturity**	**Interest rate**	**Current**	**Non-current**	**Interest rate**	**Current**	**Non-current**
			%	$'000	$'000	%	$'000	$'000
Westpac Loan	Floating	2022	2.80%	5,000	-	2.80%	-	5,000
Westpac Loan	Fixed	2023	5.60%	-	4,000	5.60%	-	4,000
bpacnz Ltd	Interest free	On demand	0.00%	40	-	0.00%	40	-
Total loans				5,040	4,000		40	9,000

(a) Security held

At reporting date, the Westpac Loan was secured by a General Security Agreement over all assets as well as first mortgages over all items of land and buildings (Note 12). The $40,000 loan ex bpacnz Ltd is secured over the company's partnership interest in NZ Medicines Formulary Limited Partnership.

(b) Defaults and breaches at reporting date and during the reporting period

During the reporting period, there were no defaults or breaches. During the reporting period the Group met the bank covenant in respect of the Westpac loan.

(c) Loan forgiveness

During the period, no loans were forgiven.

(d) Current classification of loan

As at 30 June 2021, a portion of the Westpac loan is set to mature within 12 months of reporting date. This portion has therefore been classified as current. It is intended that this facility will be renewed and therefore it is not expected to be payable within 12 months.

17 Capital and Reserves

Share capital
Ordinary shares are classified as net assets/equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from net assets/equity.

Group and Company	2021	2020
	No. Shares	No. Shares
Opening number of shares (1 July)	12,000	12,000
Closing number of shares (30 June)	12,000	12,000

All ordinary shares are issued and fully paid with no par value, with one vote per share and no rights to dividends and no other restrictions.

No ordinary shares are reserved for issue under options and other contracts.

BDO Christchurch

18 Financial Instruments

The Group initially recognises financial instruments when the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies financial assets into the following categories: loans and receivables.

Other investments are equity investments which do not have a quoted market price in an active market and are measured at cost (as allowed under PBE IPSAS 29).

The Group classifies financial liabilities into the following categories: fair value through surplus or deficit, and amortised cost.

Financial instruments are initially measured at fair value, plus directly attributable transaction costs.

Subsequent measurement is dependent on the classification of the financial instrument, and is specifically detailed in the accounting policies below.

i. **Loans and receivables**
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market.
Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses.
Loans and receivables comprise cash and cash equivalents and receivables.

Cash and cash equivalents represent highly liquid investments that are readily convertible into a known amount of cash with an insignificant risk of changes in value, with maturities of 3 months or less.

ii. Derivative financial instruments

Fair values are based on broker quotes as at reporting date, and are tested for reasonableness against the discounted cash flows of estimated future cash flows (based on the contract terms and maturity, and using a market interest rate for a similar instrument at measurement date). Where appropriate the credit risk of the Group (derivative liabilities) and counterparty (derivative assets) are included.

iii. Amortised cost financial liabilities

Financial liabilities classified as amortised cost are non-derivative financial liabilities that are not classified as fair value through surplus or deficit financial liabilities. Financial liabilities classified as amortised cost are subsequently measured at amortised cost using the effective interest method.

Financial liabilities classified as amortised cost comprise of payables and loans.

Classification and fair values of financial instruments

The tables below show the carrying amount and fair values (except those where carrying amount approximates fair value) of the Group's financial assets and financial liabilities.

Group 30-Jun-20	Note	Financial assets (Loans and receivables)	Financial liabilities (Amortised cost)	Fair value
		$'000	$'000	$'000
Subsequently not measured at fair value				
Cash and cash equivalent (assets)	10	5,500	-	-
Receivables	11	6,131	-	-
Payables	15	-	(3,156)	-
Loans	16	-	(9,040)	-
Subsequently measured at fair value				
Derivative financial liabilities	19	-	-	(180)
Total		11,631	(12,196)	(180)

BDO Christchurch

Group 30-Jun-21	Note	Financial assets (Loans and receivables)	Financial liabilities (Amortised cost)	Fair value
		$'000	$'000	$'000
Subsequently not measured at fair value				
Cash and cash equivalent (assets)	10	4,703	-	-
Receivables	11	7,136	-	-
Payables	15	-	(2,293)	-
Loans	16	-	(9,040)	-
Subsequently measured at fair value				
Derivative financial liabilities	19	-	-	(86)
Total		11,839	(11,333)	(86)

Company 30-Jun-20	Note	Financial assets (Loans and receivables)	Financial liabilities (Amortised cost)	Fair value
		$'000	$'000	$'000
Subsequently not measured at fair value				
Cash and cash equivalent (assets)	10	5,498	-	-
Receivables	11	6,131	-	-
Payables	15	-	(3,164)	-
Loans	16	-	(9,040)	-
Subsequently measured at fair value				
Derivative financial liabilities	19	-	-	-
Total		11,629	(12,204)	-

Company 30-Jun-21	Note	Financial assets (Loans and receivables)	Financial liabilities (Amortised cost)	Fair value
		$'000	$'000	$'000
Subsequently not measured at fair value				
Cash and cash equivalent (assets)	10	4,702	-	-
Receivables	11	7,136	-	-
Payables	15	-	(2,293)	-
Loans	16	-	(9,040)	-
Subsequently measured at fair value				
Derivative financial liabilities	19	-	-	-
Total		11,838	(11,333)	-

It is considered that none of the financial instruments, except for derivative financial liabilities, fall into the fair value hierarchy in 2021. Fair value approximates carrying amount in all instances.

BDO Christchurch

19 Financial Risk Management

(a) Overall risk management framework

The Company's financial risk management framework is set out in a comprehensive Treasury Policy which is reviewed regularly by the Board. Adherence to this policy is formally maintained by the Assurance and Risk Committee (ARC) of the Board, on a quarterly basis. In addition ARC considers the financial statements and risk assessments of all Group companies on an at least annual basis.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from its financial assets, represented by the value of trade and other receivables, cash and cash equivalents and fixed interest securities at reporting date.

There is also credit risk exposure to financial institutions through banking arrangements and fixed interest securities. Investments are only in liquid securities, are placed with counterparties that are registered banks with an AA- or higher credit rating, and New Zealand 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.

The carrying amount of the above financial assets represent the Group's maximum exposure to credit risk.

Cash and cash equivalents and derivative assets

The Group has a total of $4,701,575 (2020: $5,500,285) of cash and cash equivalents with financial institutions. The Company's Treasury policy dictates the levels of investment allowed for a range of credit limits and classes.

It is also the Company's policy to ensure that no more than $3,000,000 of registered bank term deposits are held with a single financial institution. Details of the spread of the Group's cash and cash equivalents between different financial institutions is detailed below:

	Credit rating		% of cash funds held	
Group and Company	**2021**	**2020**	**2021**	**2020**
Westpac	AA-	AA-	100	100

Receivables

The Group's exposure to credit risk is influenced by the specific individual characteristics of each counter party within the different sub-class of receivables presented in Note 11. The majority of accounts receivable relate to funding to be received from the Canterbury District Health Board which is 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.

In respect to trade receivables, terms of trade require payment 20th of the month following from the date of invoice.

At reporting date, the maximum exposure to credit risk for trade receivables is detailed in the table below:

Group and Company	**2021**	**2020**
	$'000	**$'000**
Patient debt	120	137
Other debt	588	559
Total	708	696

The aging of trade receivables, and credit quality of those balances that are neither past due nor impaired, as at reporting date, is presented in Note 11 (a).

The movement in the impairment allowance for trade receivables is shown in Note 11 (c).

In respect to all other Advances to related parties, under the Treasury Policy, the Board must approve all amounts advanced and drawn down to related parties. Refer to Note 21 for further details of terms and conditions.

The carrying amount of all other Advances to related parties represents the maximum exposure to credit risk. Also, there are no amounts overdue nor impaired as at year end.

BDO Christchurch

(c) Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group ensures that maturity profile of its short-term liquid financial assets (such as cash and cash equivalents, and trade receivables) is sufficient to meet the contractual cash flow obligations of its financial liabilities.

The Group also ensures that it has available lines of credit with sufficient amounts undrawn. The Group has a $2,000,000 secured overdraft facility, of which all is undrawn at balance date (2020: $2,000,000).

The table below details the undiscounted contractual cash flows (principal and interest) of the Group's financial liabilities:

	Contractual cash flows					
	0 – 1 Month $'000	1 – 3 Months $'000	3 – 12 Months $'000	12 + Months $'000	Total Amount $'000	Carrying Amount $'000
Group Jun-20						
Non-derivative financial liabilities:						
Payables	(8,672)	(41)	(4)	-	(8,717)	(8,717)
Loans:						
Westpac	(33)	(67)	(300)	(13,544)	(13,944)	(9,000)
bpac^{nz} Ltd	-	-	-	(40)	(40)	(40)
Total	(8,705)	(108)	(304)	(13,584)	(22,701)	(17,757)
Group Jun-21						
Non-derivative financial liabilities:						
Payables	(7,386)	(189)	-	-	(7,575)	(7,575)
Loans:						
Westpac	(30)	(61)	(273)	(12,454)	(12,818)	(9,000)
bpac^{nz} Ltd	-	-	-	(40)	(40)	(40)
Total	(7,416)	(250)	(273)	(12,494)	(20,433)	(16,615)

As detailed in Note 16, the Group is subject to externally imposed commitments on its loan balances, the breach of which may require the Group to repay some or all of the amounts earlier than their contractual payment dates presented above.

Interest rate risk

The Group is exposed to interest rate risk in respect of its floating rate financial liabilities. As at 30 June 2021, Group had $5M (2020: $5M) floating rate loan liabilities. In the event of a movement in the margin rate, the effect of a 1% increase rate up or down on the floating loans is demonstrated below.

Interest rate swaps are used to mitigate the interest rate risk of $3M floating rate loans. The effect of these Swaps is to mitigate the risk on the base rate charged rather than on the bank margin. The rest of the $2M (2020: $2M) are fully at risk of interest rate changes.

	Surplus or deficit		Net assets / equity	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Interest rate increase of 1% (2020: 1%)	(50)	(50)	(50)	(50)
Interest rate decrease of 1% (2020: 1%)	50	50	50	50

BDO Christchurch

(d) Derivative financial liabilities

The impact of changes in floating interest rates is recognised in the financial statements when the transactions occur. Interest rate derivatives were recognised within 'Derivative financial instruments' on the Statement of Financial Position as at reporting date and were designated as the hedging instrument in prior year. During the current year, the derivative no longer meet the effectiveness criteria and is no longer recognised as a hedging instrument.

Group and Company	2021	2020
	$'000	$'000
Statement of financial position		
Derivative financial liabilities	86	180

Total unrealised loss recognised is $93k (2020: $41k)

20 Leases

Classification and treatment
Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases.

i. Finance leases
A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred. At the commencement of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments. At the commencement of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments. The finance charge is charged to the statement of comprehensive revenue and expense over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.
The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the group will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

ii. Operating leases
Leases that are not finance leases are classified as operating leases.
Operating leases are not recognised in the statement of financial position. Payments made under operating leases are recognised in statement of comprehensive revenue and expense on a straight-line basis over the term of the lease.

(a) Leases as lessee

The future non-cancellable minimum lease payments of operating leases as lessee at reporting date are detailed in the table below:

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Less than one year	297	196	297	196
Between one and five years	783	783	783	783
Greater than five years	677	794	677	794
Total non-cancellable operating lease payments	1,757	1,773	1,757	1,773

The Group has the following operating leases: Premises at 395 Madras Street which will end in December 2029. This lease has one further right of renewal for five additional years after this date.

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(b) Leases as lessor

The future non-cancellable minimum lease payments of operating leases as lessor at reporting date are detailed in the table below:

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Less than one year	144	142	144	142
Between one and five years	577	567	577	567
Greater than five years	79	261	79	261
Total non-cancellable operating lease payments	800	970	800	970

This note covers leases at 401 Madras Street and sub-leases at 395 Madras Street. Whakarongorau Aotearoa New Zealand Telehealth Services LP, a related party, subleases part of 395 Madras Street on terms identical to the head lease. Christchurch Radiology Group Limited subleases part of 401 Madras Street and can exercise two rights of renewal of five years each.

(c) Finance lease

The Group has entered into finance leases for multiple photocopiers. The net carrying amount of the leased items is shown in Note 12. The present value of all minimum lease payments payable is less than one year. The photocopier lease ends in September 2024 with no rights to renewal under the contract. Finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in event of default of payment.

21 Related Party Transactions

(a) Transactions with other related parties

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

	Transaction value		Balance outstanding	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Screen South Ltd: directors fees	24	25	2	2
bpacnz Ltd: loan (interest free, on demand)	-	-	(40)	(40)
bpacnz Ltd: directors fees	28	3	3	3
Whakarongorau Aotearoa New Zealand Telehealth Services NZ: services	245	61	11	32
Whakarongorau Aotearoa New Zealand Telehealth Services NZ: virtual services	(52)	(26)	(3)	-
Whakarongorau Aotearoa New Zealand Telehealth Services NZ: directors fees	46	46	4	4
Canterbury Community Care Trust Ltd : directors fees	8	8	-	-
Pegasus Health (LP) Ltd: receivables	-	1,000	5	5
Pegasus Health (LP) Ltd: dividend	1,910	454	-	-
Pegasus Health (LP) Ltd: advances	-	623	(623)	(623)
Pegasus Health (HealthOne) Limited: share captial	500	-	-	-
HealthOne (2021) Limited: Sale of software	2,500	-	-	-
HealthOne (2021) Limited: Services	423	-	-	-

No related party debts have been written off or forgiven during the year. The nature and relationship of the related party transactions can be seen in Note 14.

BDO Christchurch

(b) Key management personnel remuneration

The Group classifies its key management personnel into one of two classes:
• Members of the governing body
• Strategic Leadership Team members, responsible for reporting to the governing body.

Strategic Leadership Team members are employed as employees of the Company, on normal employment terms.

The aggregate level of remuneration paid and number of persons (measured in 'people' for Members of the governing body, and 'full-time-equivalents' (FTE's) for Strategic Leadership Team members) in each class of key management personnel is presented below:

	2021		2020	
	Remuneration	Number of individuals	Remuneration	Number of individuals
	$'000		$'000	
Members of the governing body - including directors fee	658	10 People	747	9 People
Strategic Leadership Team	1,865	9 FTE's	1,569	7.21 FTE's
Total	2,523		2,316	

22 Commitments and Contingencies

(a) Commitments

The group has no commitments as at 30 June 2021.
As at 30 June 2020, the following capital commitments were entered into;
● Accounting software upgrade estimated to be $60k
● Legal compliance software estimated to be $16k
● Payroll software estimated to be $30k
● Nurse call system estimated to be $8k.

(b) Contingent liabilities

At 30 June 2021 the Group had no contingent liabilities (2020: nil).

(c) Contingent assets

As at 30 June 2021, there are no contingent assets.
As at 30 June 2020, the Company had a contingent asset for potential overpayment of FBT which totalled $196k. This was fully received during the current year.

23 Health and Disability Review

Prior to balance date, the Government announced its intention to implement significant Health and Disability sector reforms. Information to date has focussed on changes to central agencies and the implications for Pegasus Health (Charitable) Limited and the PHO Function are unclear.

24 Events After Reporting Date

On 17 August 2021, following the detection of COVID-19 in the community, the New Zealand Government ordered an economy-wide lockdown, during which all non-essential businesses and organisations were not permitted to operate. The lockdown, which commenced at 11:59pm on 17 August, is still in effect at the time of signing these financial statements however has since moved to COVID alert level 3. Under level 3, non-essential businesses can operate provided they adhere to additional health and safety measures.

The Company is an essential service and consequently continues to operate throughout the lockdown period.

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