PEGASUS HEALTH (CHARITABLE) LTD

Financial Statements
For the Year Ended 30 June 2014

CONTENTS

COMPANY DIRECTORY

The Directors are pleased to present the financial statements of Pegasus Health (Charitable) Ltd for the year ended 30 June 2014.

REGISTERED OFFICE	Pegasus Health (Charitable) Ltd Unit 4, 567 Wairakei Road Christchurch
DIRECTORS	Dr M Bellamy Dr H H Chima Dr J P Coughlan Dr A H B Gray (Appointed 30 October 2013) Prof A R Hornblow Ms J C Huria Dr A M Manning (Resigned 30 October 2013) Ms N M Scott Dr M R Seers (Chair) Prof L J Toop (Deputy Chair) Mr P R Townsend
AUDITOR	BDO Christchurch
LEGAL ADVISORS	Lane Neave
SHARES	12,000 Ordinary Shares
SHAREHOLDERS	Dr M Bellamy Dr H H Chima Dr J P Coughlan Dr A H B Gray Ms N M Scott Dr M R Seers Prof L J Toop

DIRECTORS’ REPORT

For the year ended 30 June 2014

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 co-ordinated 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. As required by Section 211 of the Companies Act we disclose the following information:

   Directors’ Interests

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

   - Some Directors entered into an agreement to provide services to the Company as the Company may require from time to time. These amounts are distinct from directors’ fees.

   Use of Company Information

   No notices were received during the year.

   Remuneration and Other Benefits

   <u>Directors’ Fees</u>

   Directors’ fees for their board activities totalled $424,800.

Directors' Board Meeting Attendances

From 1 July 2013 to 30 June 2014.

The Directors listed below held office during the year.

	Number of Attendances	Number of Apologies
Dr Mary-Anne Bellamy	10	1
Dr Harsed Chima	10	1
Dr John Coughlan	11	0
Dr Hillary Gray	6	1
Prof Andrew Hornblow	11	0
Ms Jane Huria	11	0
Dr Andrew Manning	4	0
Ms Nicola Scott	10	1
Dr Martin Seers	11	0
Prof Les Toop	10	1
Mr Peter Townsend	9	2

Share Dealing

General practitioner and nurse directors hold shares in trust for the company's charitable beneficiaries. 1714 shares were transferred during the year from Dr Andrew Manning to Dr Hillary Gray.

Provision of Services

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

Employees

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

100,000 – 110,000	6
110,001 – 120,000	4
120,001 – 130,000	4
130,001 – 140,000	7
150,001 – 160,000	1
160,001 – 170,000	1
170,001 – 180,000	2
190,001 – 200,000	1
200,001 – 210,000	1
210,001 – 220,000	2
220,001 – 230,000	1
230,001 – 240,000	1
290,001 – 300,000	1

FOR AND ON BEHALF OF THE BOARD

Dr Martin Seers
Chair
27 August 2014

Prof L J Toop
Deputy Chair
27 August 2014

DIRECTORS' RESPONSIBILITY STATEMENT

The Financial Reporting Act 1993 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the financial position and financial performance of the company for that period. In preparing those financial statements on pages 7-35, the Directors are required to:

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

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

FOR AND ON BEHALF OF THE BOARD

Dr Martin Seers	**Prof L J Toop**
Chair	Deputy Chair
27 August 2014	27 August 2014

BDO
Chartered Accountants
& Advisers

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

Report on the Financial Statements

We have audited the financial statements of Pegasus Health (Charitable) Limited on pages 7 to 35, which comprise the statement of financial position as at 30 June 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Other than in our capacity as auditor we have no relationship with, or interests in, Pegasus Health (Charitable) Limited.

Opinion

In our opinion, the financial statements on pages 7 to 35:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of Pegasus Health (Charitable) Limited as at 30 June 2014, and its financial performance and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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

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

BDO Christchurch

BDO Christchurch
27 August 2014
Christchurch

STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

		Group		Company	
		2014		**2014**	**2013**
		$		**$**	**$**
	Note				
Assets					
Property, plant and equipment	4	4,820,903		4,820,903	4,692,598
Intangible assets	5	1,318,870		1,318,870	1,060,099
Investment in subsidiaries	17.1	-		1,130,004	-
Investment in associates	17.2	1,480,954		1,480,954	1,453,354
Other investments	17.3	1,152,138		49,214	40,000
Fixed interest securities	8	509,702		509,702	-
Deferred asset	17.1	314,151		-	-
Total non-current assets		**9,596,718**		**9,309,647**	**7,246,051**
Inventories	6	11,828		11,828	10,672
Trade and other receivables	7	6,111,270		6,111,266	14,633,806
Cash, cash equivalents	8	4,914,795		4,910,664	2,637,694
Short term deposits	8	9,500,000		9,500,000	11,200,000
Total current assets		**20,537,893**		**20,533,758**	**28,482,172**
Total assets		**30,134,611**		**29,843,405**	**35,728,223**
Equity					
Share capital	9	12,000		12,000	12,000
Revaluation reserve	9.1	829,616		829,616	679,026
Share of movement in associates reserves		374,811		374,811	347,211
Retained earnings		15,998,951		16,021,785	16,319,345
Total equity		**17,215,378**		**17,238,212**	**17,357,582**
Liabilities					
Provisions	13	165,000		165,000	165,000
Deferred payment	17.1	314,151		-	-
Total non-current liabilities		**479,151**		**165,000**	**165,000**
Employee benefits payable	10	1,232,520		1,232,520	946,643
Trade and other payables	12	10,759,925		10,760,036	16,768,705
Related party loan	16.2	40,000		40,000	40,000
PHO project residual reserve	22	407,637		407,637	450,293
Total current liabilities		**12,440,082**		**12,440,193**	**18,205,641**
Total liabilities		**12,919,233**		**12,605,193**	**18,370,641**
Total equity and liabilities		**30,134,611**		**29,843,405**	**35,728,223**

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2014

		Group		Company	
		2014		2014	2013
		$		$	$
	Note				
Revenue					
Delivery of health services		31,575,113		31,575,113	26,615,282
Other revenue		3,202,595		3,224,671	3,201,207
Total revenue		**34,777,708**		**34,799,784**	**29,816,489**
Other income – rental		225,246		225,246	282,830
Operating expenses	2	(36,018,215)		(36,017,457)	(30,471,175)
Operating profit/(loss) before interest income		**(1,015,261)**		**(992,427)**	**(371,856)**
Interest income		701,499		701,499	616,114
Realised gain (loss) on fixed interest securities		(6,632)		(6,632)	48,906
Profit/(Loss) for the year		**(320,394)**		**(297,560)**	**293,164**
Revaluation of land and buildings		150,590		150,590	184,960
Share of other comprehensive income of associates	17.2	27,600		27,600	84,100
Total other comprehensive income for the year		**178,190**		**178,190**	**269,060**
Total comprehensive income/(expense) for the year		**(142,204)**		**(119,370)**	**562,224**

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

GROUP

Note	Retained Earnings	Revaluation Reserve	Share of Movement in Associates Reserves	Share Capital	Total
	$	$	$	$	$
Opening balance 1 July 2013	**16,319,345**	**679,026**	**347,211**	**12,000**	**17,357,582**
Profit (Loss) for the year	(320,394)	-	-	-	(320,394)
Other comprehensive income for the year	-	150,590	27,600	-	178,190
Total comprehensive income for the year	**(320,394)**	**150,590**	**27,600**	**-**	**(141,204)**
Closing balance 30 June 2014	**15,998,951**	**829,616**	**374,811**	**12,000**	**17,215,378**

COMPANY

Note	Retained Earnings	Revaluation Reserve	Share of Movement in Associates Reserves	Share Capital	Total
	$	$	$	$	$
Opening balance 1 July 2012	**16,026,346**	**494,071**	**263,114**	**12,000**	**16,795,531**
Profit (Loss) for the year	293,164	-	-	-	293,164
Other comprehensive income for the year	-	184,960	84,100	-	269,060
Total comprehensive income for the year	**293,164**	**184,960**	**84,100**	**-**	**562,224**
Closing balance 30 June 2013	**16,319,345**	**679,026**	**347,211**	**12,000**	**17,357,582**
Profit (Loss) for the year	(297,560)	-	-	-	(297,560)
Other comprehensive income for the year	-	150,590	27,600	-	178,190
Total comprehensive income for the year	**(297,560)**	**150,590**	**27,600**	**-**	**(119,370)**
Closing balance 30 June 2014	**16,021,785**	**829,616**	**374,811**	**12,000**	**17,238,212**

STATEMENT OF CASH FLOWS

For the year ended 30 June 2014

		Group		Company	
		2014		2014	2013
	Note	$		$	$
Cash flows from operating activities					
Cash receipts from customers		83,569,235		83,600,529	50,964,827
Cash paid to suppliers and employees		(80,882,733)		(80,913,158)	(50,414,355)
Net cash from operating activities		**2,686,502**		**2,687,371**	**550,472**
Cash flows from investing activities					
Fixed asset additions		(1,154,954)		(1,154,954)	(1,116,362)
Fixed Interest Investments (purchase)/disposal		(500,000)		(500,000)	1,672,678
Investment in subsidiaries		(1,125,000)		(1,125,000)	-
Interest received		670,553		670,553	639,443
Net cash from investing activities		**(2,109,401)**		**(2,109,401)**	**1,195,759**
Cash flows from financing activities					
Shareholder advance		-		(5,000)	-
Net cash from financing activities		**-**		**(5,000)**	**-**
Net increase/(decrease) in cash and cash equivalents		**577,101**		**572,970**	**1,746,231**
Cash and cash equivalents at 1 July		**13,837,694**		**13,837,694**	**12,091,464**
Cash and cash equivalents at 30 June	8	**14,414,795**		**14,410,664**	**13,837,694**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Reporting Entity

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

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

The financial statements are for Pegasus Health (Charitable) Limited and were approved by the Directors on 27 August 2014.

1.2 Basis of Preparation

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

Pegasus Health Group (the "Group") is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act.

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

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

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

1.3 Basis of Consolidation

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

All intra-group balances arising from the intra-group transactions are eliminated in preparing the consolidated financial statements. Amounts reported in the financial statements of the subsidiary have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of the subsidiary are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

1.4 Associates (Equity Accounted Investees)

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

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

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

1.5 Comparative Information

The comparative financial statements for the Company as at and for the year ended 30 June 2013 comprise the Company and its interest in associates. The subsidiary was acquired in the current financial year thus comparative consolidated financial statements are not included.

1.6 Other Investments

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 IAS 39).

1.7 Property, Plant and Equipment

Owned Assets

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

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

Subsequent Costs

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

Depreciation

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

Buildings	3.0%
Plant and equipment	6.0% - 67.0%
Fixtures and fittings	6.5% - 28.8%
Motor Vehicles	25.2%

Depreciation, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

1.8 Intangible Assets

Trademarks

Trademarks have an indefinite life and are stated at cost.
Trademarks are tested annually for impairment (see Note 1.11).

Software

Software, including internally generated software which meets recognition criteria, has a finite life and is stated at cost, less accumulated amortisation and impairment losses. These assets are recognised when significant milestones in their development process have been met.

Amortisation is charged to the income statement on a straight-line basis over 3-8 years. Amortisation rate and method are reviewed annually for appropriateness and software is tested annually for impairment.

1.9 Non-Derivative Financial Instruments

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

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

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

<u>Trade and Other Receivables</u>

Trade and other receivables are subsequently measured at amortised cost using the effective interest method, less impairment losses. Due to their short-term nature, receivables are not discounted.

<u>Cash and Cash Equivalents</u>

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

<u>Fixed Interest Securities</u>

The Company has one long term fixed rate note that matures in July 2018. This note is valued at market value and any movement in this value is recognised as an unrealised gain/(loss).

<u>Trade and Other Payables</u>

Trade and other payables are of a short term nature and are measured at cost.

<u>Borrowings</u>

Borrowings are repayable on demand and are measured at cost.

1.10 Inventories

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

1.11 Impairments

Financial assets

The Group and Company assess at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Individually significant financial assets are tested for impairment on an individual basis (see Note 1.8). The remaining financial assets are assessed collectively in groups that share similar characteristics.

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 original effective interest rate. Receivables with a short duration are not discounted. For trade receivables, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default in payments are considered indicators that the receivable is impaired.

When the receivable is uncollectible, it is written off against the allowance account for receivables.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available for sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available for sale financial assets that are equity securities, the reversal is recognised directly in other comprehensive income.

Non-financial assets

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

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

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

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

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

1.12 Employee Benefits

Short-term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under outstanding annual leave balances if the 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.

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

1.13 Agency Payments

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

1.14 Provisions

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

1.15 Revenue

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

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

Significant Agreements

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.

The Company's PHO Function has significant agreements with the Canterbury District Health Board (CDHB) to provide services to general practice and their patients. Satisfactory on-going contractual arrangements for these areas have been agreed with CDHB for the year ending 30 June 2015.

The Company's contract with Canterbury Community Care Trust to deliver certain Acute Demand Management Services is being renegotiated, and the Company is confident that satisfactory contractual arrangements will continue.

The Company delivers a further range of services funded by the CDHB. These include services focussed 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 and a number of information systems initiatives. The majority of these services are funded on a two to three 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 with CDHB, negotiations are progressing with respect to the remaining contract areas.

Patient Fees and Related Funding

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

1.16 Rental Income

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

1.17 Expenses

Operating Lease Payments

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

1.18 Interest Income

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

1.19 Deferred Tax

As the Company and its subsidiary are registered charities (Pegasus Health (Charitable) Limited charity registration number CC29755; Pegasus Health (LP) Limited charity registration number CC50324) they are not required to pay income tax. Any deferred tax is therefore calculated at a rate of zero percent.

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

1.20 Goods and Services Tax

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

1.21 Use of Estimates and Judgements

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

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

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

Judgements

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

- The Directors have judged that the Company is a public benefit entity. They believe that the charitable objects of the Company are consistent with the public benefit entity requirements. Any equity has been provided with a view to supporting these charitable objects rather than for a financial return to equity holders.
- The Directors have judged that where part of a property is used in the supply of services and part is rented out, a more than insignificant portion is held for use in the supply of services and therefore the property is classified as property, plant and equipment, rather than as investment property.
- The Directors have judged that in the case of certain entities set out in Note 17 that even though a 20% or more shareholding is held, the Directors do not have significant influence over those entities. These entities are therefore accounted for as 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 IAS 39).

Estimates

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

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

Impairment of software Note 5
The Company is required to test, on an annual basis, whether internally generated intangible assets have indications of impairment. The value in use is based on the ability of those assets to be used, and evidence that assets developed are owned by the Company. Where the clarity of contracts regarding ownership of software being developed is not clear, management estimates the level of impairment relating to that software.

Provisions Note 13
The company has a constructive obligation to restore the rented premises to its existing condition at the end of the lease term. Management has made an estimate of the expected cost of this obligation.

Provisions Note 11 and 17
The investment in Homecare Medical (Limited Partnership) Ltd involves both a Deferred Asset and Payment. The Directors have estimated the net present value of both the Asset and Payment.

1.22 New Accounting Standards and Interpretations

All mandatory Standards, Amendments and Interpretations have been adopted in the current year. None had a material impact on these financial statements.

New standards adopted for the year beginning 1 July 2012:
The NZ IFRS framework for Public Benefit Entities (PBEs) has been frozen effective as at 30 June 2012. There are no new amendments or new standards applicable to PBEs in the current financial year. The Company will adopt the Not for Profit PBE standards for the period beginning after 1 April 2015.

At the date of authorisation of the financial statements for the year ended 30 June 2014, the following Standards and Interpretations were in issue but not yet effective:

Standard/Interpretation		**Effective date**
Amendments to Accounting Standards	Amendments to Accounting Standards: Omnibus Amendments (Legislative Updates)	Annual periods commencing on or after : 1April 2014 (for-profit entities)* 1 July 2014 (PS entities)* 1 April 2015 (NFP entities)*
Annual Improvements	Annual Improvements to NZ IFRSs 2010-2012 Cycle	Annual periods commencing on or after 1 July 2014*
Annual Improvements	Annual Improvements to NZ IFRSs 2011-2013 Cycle	Annual periods commencing on or after 1 July 2014*
NZ IAS 32	Financial Instruments: Presentation amendment - Offsetting	Annual periods commencing on or after 1 January 2014*
NZ IAS 36	Recoverable Amount Disclosures for Non-Financial Assets	Annual periods commencing on or after 1 January 2014*
NZ IFRS 9	Financial Instruments	Annual periods commencing on or after 1 January 2017*
NZ IFRS 9	Financial Instruments	Annual periods commencing on or after 1 January 2017*
NZ IFRS 9	Financial Instruments	Annual periods commencing on or after 1 January 2017*
NZ IFRS 10	Consolidated Financial Statements	Annual periods commencing on or after 1 January 2014*
NZ IFRS 11	Joint Arrangements	Annual periods commencing on or after 1 January 2014*
NZ IFRS 12	Disclosure of Interest in Other Entities	Annual periods commencing on or after 1 January 2014*

Standard/Interpretation		Effective date
NZ IFRS 15	Revenue	Annual periods commencing on or after 1 January 2017*

* All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the entity).

The following Standards and Interpretations are not applicable to the business of the entity and will therefore have no impact on future financial statements:

Revised NZ IFRS (PBE) 1,

Amendments to NZ IFRS (PBE) 1, NZ IFRS (PBE) 2, NZ IFRS (PBE) 4, 5, 6, NZ IFRS (PBE) 7 Amendment to Appendix E, NZ IFRS (PBE) 11, 12,

NZ IAS (PBE) 10, 11, 12, 14, 20, 21, 23, 26, 29, 31, 33, 34, 41, 42 and

NZ IAS 27 (PBE) Investment Entities amendments,

FRS-42 (PBE),

NZ IFRIC (PBE) standards 2 through 19 and

NZSIC (PBE) 7, 10, 12, 13, 15, 25, 27, 29 and 31.

The directors are of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:

<u>NZ IAS 32</u>

The amended NZ IAS 32 will be adopted for the first time for its annual financial reporting period ended 30 June 2015. The amendment simply clarifies:

- The meaning of 'currently has a legally enforceable right of set-off'; and
- That some gross settlement systems may be considered equivalent to net settlement.

<u>NZ IAS 36</u>

The amendment to NZ IAS 36 requires the disclosure of the recoverable amount of an asset or Cash Generating Unit (CGU) only in periods in which impairment has been recorded or reversed in respect of that asset or CGU and requires expansion and clarification of the disclosure requirements when an assets CGUs recoverable amount has been determined on the basis of fair value less disposal. The amended NZ IAS 32 will be adopted for the first time for its annual financial reporting period ended 30 June 2015.

<u>NZ IAS 39</u>

The amendment to NZ IAS 39 introduces a narrow scope exception to the requirement for the discontinuation of hedge accounting in NZ IAS 39. This would have a significant effect on entities that have designated over-the-counter derivatives as hedging instruments where those derivatives are now required to be novated to a central clearing counterparty by law. The amended NZ IAS 39 will be adopted for the first time for its annual financial reporting period ended 30 June 2015.

<u>NZ IFRS 9</u>

NZ IFRS 9 will be adopted for the first time for its financial reporting period ended 30 June 2018. The adoption of NZ IFRS 9 will result in certain financial assets currently being accounted for at amortised cost to have to be reclassified as at fair value through profit or loss. All financial instruments currently classified as available-for-sale will potentially have to be reclassified at fair value through profit or loss except where Pegasus Health (Charitable) Limited is able to designate the financial assets as fair value through other comprehensive income.

The adoption of NZ IFRS 9 will not affect the current classification and measurement requirements of financial liabilities. NZ IFRS 9 retains the current eligibility conditions for irrevocably designating (at initial recognition) a financial liability as measured at fair value through profit or loss, with gains and losses included in profit or loss. However, there is an exception for financial liabilities other than loan commitments and financial guarantee contracts, where the changes in fair value attributable to changes in the credit risk of the liability must presented in other comprehensive income, with the remaining gain or loss then taken to profit or loss

The adoption of NZ IFRS 9 will also eliminate the exception from the fair value measurement requirement in relation to derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument that is not reliably measureable – previously an entity was able to simply account for these at cost.

NZ IFRS 15

NZ IFRS 15 will be adopted for the first time for its financial reporting period ended 30 June 2018. The adoption of NZ IFRS 15 will result in certain revenue streams being brought forward and others being delayed, depending on contractual terms and analysis of the 5 step approach to revenue recognition.

The Company expects to adopt these when they become mandatory. None are expected to result in a material impact on the company's financial statements.

2. OPERATING EXPENSES

The following items of expenditure are included in operating expenses:

		Group		Company	
	Note	**2014**		**2014**	**2013**
		$		**$**	**$**
Remuneration to BDO comprises:					
Audit fees		37,510		37,510	44,145
Total auditors remuneration		**37,510**		**37,510**	**44,145**
Directors fees	16.1	424,800		424,800	393,012
Operating lease costs		496,800		496,800	529,087

3. PERSONNEL EXPENSES

	Group		Company	
	2014		**2014**	**2013**
	$		**$**	**$**
Wages and salaries	21,373,657		21,373,657	17,499,064

4. PROPERTY, PLANT AND EQUIPMENT

COMPANY	Leasehold Improvements	Land and Buildings Valuation	Plant and Equipment	Fixtures and Fittings	Motor Vehicles	Total
	$	$	$	$	$	$
Cost						
Balance at 1 July 2012	489,678	3,333,744	3,231,343	782,330	40,969	7,878,064
Additions	18,338	50,183	450,156	144,755	20,235	683,667
Disposals	-	-	-	-	-	-
Revaluation	-	184,960	-	-	-	184,960
Balance at 30 June 2013	**508,016**	**3,568,887**	**3,681,499**	**927,085**	**61,204**	**8,746,691**
Additions	17,003	9,410	460,535	41,345	26,078	554,371
Disposals	-	-	(8,763)	-	-	(8,763)
Revaluation	-	150,590	-	-	-	150,590
Balance at 30 June 2014	**525,019**	**3,728,887**	**4,133,271**	**968,430**	**87,282**	**9,442,889**
Depreciation and impairment losses						
Balance at 1 July 2012	272,865	146,273	2,630,791	459,755	33,255	3,542,939
Depreciation for the year	32,638	34,015	349,632	85,033	9,838	511,154
Disposals	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Balance at 30 June 2013	**305,503**	**180,288**	**2,980,423**	**544,788**	**43,093**	**4,054,093**
Depreciation for the year	33,842	34,015	406,204	92,867	9,726	576,654
Disposal	-	-	(8,763)	-	-	(8,763)
Revaluation	-	-	-	-	-	-
Balance at 30 June 2014	**339,345**	**214,303**	**3,377,864**	**637,655**	**52,819**	**4,621,986**
Carrying amounts						
At 30 June 2013	**202,513**	**3,388,599**	**701,076**	**382,297**	**18,111**	**4,692,598**
At 30 June 2014	**185,674**	**3,514,584**	**755,407**	**330,775**	**34,463**	**4,820,903**

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

Land and buildings were revalued at 30 June 2014 based on an independent market valuation determined by GR Sellars FNZIV FPINZ, Colliers International, an independent registered valuer. At balance date the revaluation surplus arising has been transferred directly to the asset revaluation reserve.

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

Investment properties sustained some damage due to the earthquakes which hit Christchurch in the period September 2010 to June 2011. The properties are recognised in the financial statements at their 30 June 2014 valuations and accordingly no additional impairment of these properties is recognised. The company is in dialogue with its insurers and expects that the property damage will be fully covered by insurance.

5. INTANGIBLE ASSETS

COMPANY	Trademarks and Domain Names	Software	Total
	$	$	$
Cost			
Balance at 1 July 2012	7,373	1,926,546	1,933,919
Acquisitions	765	432,695	433,460
Disposals	-	-	-
Balance at 30 June 2013	**8,138**	**2,359,241**	**2,367,379**
Acquisitions		600,583	600,583
Disposals	-	-	-
Balance at 30 June 2014	**8,138**	**2,959,824**	**2,967,962**
Amortisation and impairment losses			
Balance at 1 July 2012	-	1,273,847	1,273,847
Amortisation for the year	-	286,259	286,259
Impairment	-	(252,826)	(252,826)
Balance at 30 June 2013	-	**1,307,280**	**1,307,280**
Amortisation for the year	-	341,812	341,812
Impairment	-	-	-
Balance at 30 June 2014	-	**1,649,092**	**1,649,092**
Carrying amounts			
At 30 June 2013	**8,138**	**1,051,961**	**1,060,099**
At 30 June 2014	**8,138**	**1,310,732**	**1,318,870**

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

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

An impairment cost for 2012 arose due to the need to substantiate certain asset ownership matters regarding software in conjunction with the CDHB. This impairment was reversed in 2013 as the ownership matters were clarified.

6. INVENTORIES

	Group		Company	
	2014		2014	2013
	$		$	$
Vaccines	11,828		11,828	10,672
	11,828		**11,828**	**10,672**

In 2014, the write-down of inventories to net realisable value amounted to $nil (2013: $nil).

7. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014		2014	2013
	$		$	$
Trade receivables	5,632,741		5,632,741	14,153,834
Impairment allowance	(909)		(909)	(4,000)
Prepayments	299,059		299,059	305,487
Other receivables	180,379		180,375	178,485
Trade and other receivables	**6,111,270**		**6,111,266**	**14,633,806**

Receivables are shown net of provision for impairment losses amounting to $909 (2013: $4,000) and arising from amounts where management have judged that a loss has been incurred.

During the year ended 30 June 2014 write offs relating to trade receivables of $58,692 were recognised in operating expenses in the income statement (2013: $80,680).

i. Maturities

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

	Group		Company	
	2014		2014	2013
	$		$	$
Total accounts receivable (net)	**5,632,741**		**5,632,741**	**14,149,834**
Analysed as due:				
Less than 30 days (current)	4,082,653		4,082,653	12,751,920
Between 31 and 60 days	649,068		649,068	320,093
Between 61 and 90 days	329,063		329,063	204,669
Greater than 91 days	571,957		571,957	873,152
Total accounts receivable (net)	**5,632,741**		**5,632,741**	**14,149,834**

The maturities of the Company's impaired accounts receivable based on the remaining period are as follows:

	Group		Company	
	2014		2014	2013
	$		$	$
Total impaired accounts receivable (net)	**909**		**909**	**4,000**
Analysed as due:				
Less than 30 days (current)	-		-	-
Between 31 and 60 days	-		-	-
Between 61 and 90 days	-		-	-
Greater than 91 days	909		909	4,000
Total impaired accounts receivable (net)	**909**		**909**	**4,000**

None of the receivables are past due but not impaired.

ii. Credit term and interest

The average credit term on invoiced amounts is 30 days and is interest free (2013: 30 days and is interest free).

iii. Impairment allowance

As at 30 June 2014, the impairment allowance relates to overdue accounts receivable where there is uncertainty as to whether the amounts will be recovered (2013: $4,000) 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 profit or loss. Movements in the impairment allowance are as follows:

	Group		Company	
	2014		2014	2013
	$		$	$
As at 1 July	4,000		4,000	13,786
Allowance for receivables impairment	71,579		71,579	77,337
Receivables written off during the year as uncollectable	(74,670)		(74,670)	(87,123)
Unused amounts reversed	-		-	-
As at 30 June	**909**		**909**	**4,000**

The directors have considered that no collective impairment allowance is appropriate based on the company's past experiences in the recovery of prepayments and other assets (2013: nil).

8. CASH, CASH EQUIVALENTS, SHORT TERM DEPOSITS AND FIXED INTEREST SECURITIES

	Group		Company	
	2014		2014	2013
	$		$	$
Call and trading bank account balances	4,914,795		4,910,664	2,637,694
Short term deposits	9,500,000		9,500,000	11,200,000
Cash and Cash Equivalents	**14,414,795**		**14,410,664**	**13,837,694**
Fixed Interest Security	509,702		509,702	-
	14,924,497		**14,920,366**	**13,837,694**

Call and trading bank account balances earn interest at 0.25% - 3.4% and are on call. Short term deposits earn interest at 4.20% - 4.57% with terms ranging between 180 days and 365 days. The Fixed interest security earns interest at 5.06% and matures on 18 August 2018.

9. CAPITAL

Share capital comprises of 12,000 ordinary shares (2013 $12,000). All issued shares are fully paid and have no par value. All issued shares have equal voting rights.

9.1 Revaluation Reserves

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

9.2 Capital Management

Capital includes share capital and retained earnings.

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

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

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

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

The Company is not subject to externally imposed capital requirements.

10. EMPLOYEE BENEFITS PAYABLE

	Group		Company	
	2014		2014	2013
Current	$		$	$
Liability for annual leave	1,232,520		1,232,520	946,643
Total employee benefits	**1,232,520**		**1,232,520**	**946,643**

11. FINANCIAL INSTRUMENTS

The Group and Company have non derivative financial instruments which include:

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

Group

2014	**Loans and Receivables**	**At Fair value through Profit or Loss**	**Available For Sale**	**Liabilities at Amortised Cost**	**Total**
	2014	**2014**	**2014**	**2014**	**2014**
Financial assets	**$**	**$**	**$**	**$**	**$**
Trade and other receivables	5,812,211	-	-	-	**5,812,211**
Cash and cash equivalents	14,924,497	-	-	-	**14,924,497**
Total as at 30 June	**20,736,708**	**-**	**-**	**-**	**20,736,708**
Financial Liabilities					
Trade and other payables	-	-	-	10,759,925	**10,759,925**
Total as at 30 June	**-**	**-**	**-**	**10,759,925**	**10,759,925**

Company

2014	**Loans and Receivables**	**At Fair value through Profit or Loss**	**Available For Sale**	**Liabilities at Amortised Cost**	**Total**
	2014	**2014**	**2014**	**2014**	**2014**
Financial assets	**$**	**$**	**$**	**$**	**$**
Trade and other receivables	5,812,211	-	-	-	**5,812,211**
Cash and cash equivalents	14,920,366	-	-	-	**14,920,366**
Total as at 30 June	**20,732,577**	**-**	**-**	**-**	**20,732,577**
Financial Liabilities					
Trade and other payables	-	-	-	10,760,036	**10,760,036**
Total as at 30 June	**-**	**-**	**-**	**10,760,036**	**10,760,036**

2013	**Loans and Receivables**	**At Fair value through Profit or Loss**	**Available For Sale**	**Liabilities at Amortised Cost**	**Total**
	2013	**2013**	**2013**	**2013**	**2013**
Financial assets	**$**	**$**	**$**	**$**	**$**
Trade and other receivables	14,328,319	-	-	-	14,328,319
Cash and cash equivalents	13,837,694	-	-	-	13,837,694
Total as at 30 June	**28,166,013**	**-**	**-**	**-**	**28,166,013**
Financial liabilities					
Trade and other payables	-	-	-	16,768,705	16,768,705
Total as at 30 June	**-**	**-**	**-**	**16,768,705**	**16,768,705**

Financial instruments – Items of income, expense, gains and losses

	Group		Company	
Interest received per category of financial instruments:	**2014**		**2014**	**2013**
	$		**$**	**$**
Cash and cash equivalents	701,499		701,499	616,114
Loans and receivables	-		-	-
Total interest income	701,499		701,499	616,114

	Group		Company	
Interest expense and bank fees:	**2014**		**2014**	**2013**
	$		**$**	**$**
Cash and cash equivalents	28,478		28,478	27,514
Fair value through profit or loss	-		-	-
Total interest expense and bank fees	**28,478**		**28,478**	**27,514**

11.1 Risk Management

Liquidity Risk and Maturity Profile

Liquidity risk represents the ability to meet contractual obligations. Liquidity requirements are evaluated on an ongoing basis. In general, sufficient cash flows are generated from operating activities to meet obligations arising from financial liabilities.

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

The table below analyses financial liabilities by the relevant contracted maturity groupings based on the remaining period as at 30 June 2014 and 30 June 2013.

GROUP	**Carrying Amount**	**Total contractual cashflows**	**0-1 year**	**1-2 years**	**2-5 years**	**> 5 years**
30 June 2014						
Financial Liabilities						
	$	**$**	**$**	**$**	**$**	**$**
Accounts payable, accruals and other liabilities	10,759,925	10,759,925	10,759,925	-	-	-
Borrowings	40,000	40,000	40,000	-	-	-
Total as at 30 June	**10,799,925**	**10,799,925**	**10,799,925**	**-**	**-**	**-**

COMPANY 30 June 2014 Financial Liabilities	Carrying Amount $	Total contractual cashflows $	0-1 year $	1-2 years $	2-5 years $	> 5 years $
Accounts payable, accruals and other liabilities	10,760,036	10,760,036	10,760,036	-	-	-
Borrowings	40,000	40,000	40,000	-	-	-
Total as at 30 June	**10,800,036**	**10,800,036**	**10,800,036**	**-**	**-**	**-**

30 June 2013 Financial Liabilities	Carrying Amount $	Total contractual cashflows $	0-1 year $	1-2 years $	2-5 years $	> 5 years $
Accounts payable, accruals and other liabilities	16,768,705	16,768,705	16,768,705	-	-	-
Borrowings	40,000	40,000	40,000	-	-	-
Total as at 30 June	**16,808,705**	**16,808,705**	**16,808,705**	**-**	**-**	**-**

All financial assets which include cash and cash equivalents and accounts receivable, are immediately due or due not later than one month.

Interest Risk

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

The Group and Company have no exposure to foreign exchange rates.

Credit Risk

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

The majority of debtors relate to funding to be received from the Canterbury District Health Board 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.

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 NZ Corporate Debt with an AA- or higher credit rating. To ensure appropriate diversification the total exposure limit for each counterparty is further capped. Investments are protected by the operation of the Company's Treasury Policy.

Further disclosures relating to credit risk can be seen in Note 7.

Fair Value

Financial instruments, which are either short term or are investments in equity instruments which do not have a quoted market price in an active market, are measured at cost (as allowed under IAS 39). Carrying value is a reasonable approximation of fair value for short term receivables and payables.

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

Fair Value Estimation

NZ IFRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);

Level 3: Inputs for the asset or liability that is not based on observable market data (that is unobservable input).

The Group and Company hold no financial instruments that fall within the fair value measurement hierarchy as at 30 June 2014 (2013: nil).

12. TRADE AND OTHER PAYABLES

	Group		**Company**	
	2014		**2014**	**2013**
	$		**$**	**$**
Trade payables	2,075,029		2,075,029	2,311,387
Non-trade payables and accrued expenses	7,644,252		7,644,363	13,311,194
Pass through and funding in advance	1,040,644		1,040,644	1,146,124
Trade and other payables measured at amortised cost	**10,759,925**		**10,760,036**	**16,768,705**

i) Maturities

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

	Group		**Company**	
	2014		**2014**	**2013**
	$		**$**	**$**
Total trade and other payables	**10,759,925**		**10,760,036**	**16,768,705**
Analysed as due:				
Less than 30 days (current)	10,753,347		10,753,458	16,763,626
Between 31 and 90 days	3,953		3,953	4,683
Between 91 and 1 year	2,625		2,625	396
Total trade and other payables	**10,759,925**		**10,760,036**	**16,768,705**

ii) Maturities

The average credit terms on invoiced amounts is 30 days (2013: 30 days). Accounts payable, accruals and other liabilities are interest free (2013: interest free).

13. PROVISIONS

	Group		Company	
	2014		2014	2013
	$		$	$
Non-current liabilities				
Provision for leased asset refurbishment costs	165,000		165,000	165,000
	165,000		**165,000**	**165,000**

Under the terms and conditions of the leases, obligations exist to restore the rented buildings to their original condition (excluding normal wear and tear) at the end of the lease term. The next right of renewal on the lease for 160 Bealey Avenue is 17 March 2018. There is no right of renewal on the lease for 56 Shirley Road.

14. LEASES

14.1 Operating Lease Payments to be made as Lessee

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

	Group		Company	
	2014		2014	2013
	$		$	$
Less than one year	638,070		638,070	531,559
Between two and five years	1,709,940		1,709,940	2,230,285
	2,348,010		**2,348,010**	**2,761,844**

This note covers the leases for premises at 160 Bealey Avenue and 56 Shirley Road, Christchurch. The lease at 160 Bealey Ave is due to expire 17 March 2018. The right of renewal on the lease at 56 Shirley Road was exercised for a further three years from 1 April 2013.

14.2 Operating Sub-Lease Payments to be received as Lessor

Non-cancellable operating lease rentals are receivable as follows:

	Group		Company	
	2014		2014	2013
	$		$	$
Less than one year	101,760		101,760	134,047
Between two and five years	395,040		395,040	395,040
	496,800		**496,800**	**529,087**

This note covers the sub-leases at 24 Hours Surgery and 56 Shirley Road. The rights of renewal for the sub-leases fall due in March 2019 and on a casual basis (1 month's notice).

15. CAPITAL COMMITMENTS

There is an estimated commitment of $5,714 (2013: $31,380) for the acquisition of property, plant and equipment contracted for but not in operation at balance date.

16. RELATED PARTIES.

16.1 Transactions with Key Executive Personnel and Directors

Compensation

		Group		Company	
	Note	2014		2014	2013
		$		$	$
Short term benefits	2	1,616,469		1,616,469	1,501,815
		1,616,469		**1,616,469**	**1,501,815**

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

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

16.2 Transactions with Other Related Parties

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

	Transaction Value		Balance Outstanding	
	2014	2013	2014	2013
	$	$	$	$
After Hours Properties: interest income	72,340	72,359	-	-
After Hours Properties: management fee income	46,574	46,233	-	-
After Hours Properties: operating lease expenses	169,952	167,592	-	-
Breastscreen South Ltd: contract revenue/pass through claims	232,091	261,582	29,026	30,382
BPAC NZ Ltd: loan (interest free, on demand)	-	-	40,000	40,000
Pegasus Health (LP) Limited: purchase of share capital	1,125,000	-	-	-
Pegasus Health (LP) Limited: shareholder's advance (interest free, repayable on demand)	5,000	-	5,000	-

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

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

17. SUBSIDIARIES, ASSOCIATES AND INVESTMENTS

17.1 Subsidiaries

At 30 June 2014, subsidiary companies comprised:

Name	Principal Activity	Percentage Shareholding 2014	Balance Date
Canterbury GP Group Capitated Funding Trust Ltd	Trustee	100%	30 June
Pegasus Health (LP) Ltd (PHLP)	Investment	100%	30 June

There were no subsidiary companies at 30 June 2013

Movement in Carrying Value of Subsidiaries

	Group		Company	
	2014 $		2014 $	2013 $
Balance at 1 July	-		-	-
Shares purchased	-		1,125,004	-
Shareholder advance (interest free, on demand)	-		5,000	-
Balance at 30 June	**-**		**1,130,004**	**-**

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

Deferred Payment and Deferred Asset

PHLP is a 50% limited partner in Homecare Medical (NZ) Limited Partnership (Homecare) which provides telephone nurse triage services. Under the terms of the sale and purchase agreement the purchase price for the partnership investment was split into two components.

One was settled in cash ($1.125M) on the date of acquisition, the other component is an earn-out that allows for the liability to be settled progressively throughout the earn-out period of four years from the establishment of Homecare. Maximum value of this component is $375,000 and the liability is contingent upon PHLP receiving commensurate partnership profit distributions which for the first four years are contractually liable to be utilised in settlement of the earn-out component.

This arrangement gives rise to a Deferred Payment provision and a corresponding Deferred Asset. The fair value of the Deferred Payment and the Deferred Asset are recognised at balance date at the net present value of expected cash flows over the four year period.

	Group		Company	
	2014 $		2014 $	2013 $
Maximum payment	375,000		-	-
Notional interest	(60,849)		-	-
Net present value of Deferred Payment and Deferred Asset.	**314,151**		**-**	**-**

17.2 Associates

At 30 June 2014, associates comprised:

Name	Principal Activity	Percentage Shareholding 2014	Percentage Shareholding 2013	Balance Date
After Hours Properties Ltd	Property investment	50%	50%	31 March
Phoenix Health Ltd	Healthcare collaboration	25%	25%	30 June

Phoenix Health Ltd is an inactive company with a nil investment.

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

	Group		Company	
	2014 $		2014 $	2013 $
Current assets	97,288		97,288	107,209
Non-current assets	3,457,072		3,457,072	3,368,027
Current liabilities	95,741		95,741	106,618
Non-current liabilities	1,116,000		1,116,000	1,116,000
Income	351,741		351,741	462,151
Expenses	(296,541)		(296,541)	(293,950)

Movement in Carrying Value of After Hours Properties Ltd

	Group		Company	
	2014 $		2014 $	2013 $
Balance at 1 July	1,453,354		1,453,354	1,369,254
Share of associate's reserves	27,600		27,600	84,100
Repayment of advance	-		-	-
Balance at 30 June	**1,480,954**		**1,480,954**	**1,453,354**

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

The share of associate's reserves all relates to the revaluation of land and buildings in the associate. Taken up as part of the share of associate's reserves is a deferred tax liability of $71,747 (2013: $71,747).

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

17.3 Investments

GROUP

At 30 June 2014, the Group's investments comprised the Company's investment listed below and in addition:

Name	Principal Activity	Percentage Shareholding 2014		Balance Date
Homecare Medical (NZ) Limited Partnership	Telephone nurse triage services	50%		30 June

Homecare Medical (NZ) Limited Partnership provides telephone nurse triage services which assist the patients of subscribing doctors, Primary Health Care Organisations (PHOs) and District Health Boards to access healthcare on a 24 hours basis. This partnership interest is treated as an investment in the consolidated financial statements and is accounted for at costs plus the value of the partnership current account.

COMPANY

At 30 June 2014, the Company's investments comprised:

Name	Principal Activity	Percentage Shareholding 2014	Percentage Shareholding 2013	Balance Date
Breastscreen South Ltd	Breast screening services	50%	50%	30 June
Canterbury Community Care Trust Ltd	Trustee	33%	33%	30 June
BPAC^{nz} Ltd	Providing information to clinical providers of primary healthcare	20%	20%	30 June
Canterbury GP Group Capitated Funding Trust Ltd	Trustee	-	16.7%	30 June
Early Start Project	Support for disadvantaged young parents	11%	11%	30 June
NZ Medicines Formulary Limited Partnership	The creation and maintenance of a medicines formulary	5%	5%	30 June

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

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

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

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

Movement in Carrying Value of Investments

	Group		Company	
	2014		**2014**	**2013**
	$		**$**	**$**
Balance at 1 July	40,000		40,000	40,000
Investment in:				
Homecare Medical (NZ) Limited Partnership	1,125,000		-	-
Partnership Current Accounts:				
NZ Medicines Formulary Limited Partnership	9,214		9,214	-
Homecare Medical (NZ) Limited Partnership	(22,076)		-	-
Balance at 30 June	**1,152,138**		**49,214**	**40,000**

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

	Group		Company	
	2014		**2014**	**2013**
	$		**$**	**$**
Profit/(loss) for the period	**(320,394)**		**(297,560)**	**293,164**
Adjustments for				
Depreciation and amortisation	918,468		918,468	796,650
Bad debt write off	58,692		58,692	79,505
Impairment	-		-	(252,826)
Unrealised gain on Investments	6,632		6,632	(48,906)
Interest received	(701,499)		(701,499)	(616,114)
Limited partnership distributions	12,858		(9,218)	-
Cash changes in working capital items				
Change in inventories	(1,156)		(1,156)	(1,002)
Change in trade and other receivables	2,022,707		2,022,707	(2,983,313)
Change in trade and other payables	690,194		690,305	3,283,314
Net cash from operating activities	**2,686,502**		**2,687,371**	**550,472**

19. CONTINGENT ASSETS

Christchurch suffered a series of earthquakes between September 2010 and June 2011 which have resulted in a number of insurance claims. Discussions continue with loss adjustors and the insurance companies involved. Interim progress payments have been received for some aspects. A contingent asset exists for the value of work outstanding in relation to investment properties. The quantum of this is estimated to be $775,526 at the date of signing the financial statements but discussions are still in progress with the loss adjuster.

20. CONTINGENT LIABILITIES

At 30 June 2014 and 30 June 2013 the Company has no contingent liabilities.

21. EVENTS SUBSEQUENT TO BALANCE DATE

The Company is considering options for the development of new premises but has not yet reached a decision or made any binding commitments. The Company is also considering its position on General Practice ownership but has yet to reach a decision on this.

22. PROJECT RESIDUAL RESERVE

The Directors of the Company and The Trustees of Partnership Health Canterbury PHO Te Kei o Te Waka (Partnership Health) agreed to the amalgamation of the two entities on 1 March 2013. This was enacted by way of the assets and liabilities of Partnership Health being transferred to the Company on that date. The value of the net assets transferred (**Project residual reserve**) was $450,293 of which $407,637 remains as at 30 June 2014.

The Directors represent that in accordance with the deed of implementation the accumulated funds of Partnership Health Canterbury are assigned to specific projects and are not to be used by Pegasus Health (Charitable) Limited within the ordinary course of its operations. It is therefore appropriate to recognise these funds as a liability within the financial statements.

	2014	2013
Balance at beginning of the period	450,293	450,293
Utilised in the year	(42,656)	-
Balance at end of the period	**407,637**	**450,293**