PEGASUS HEALTH (CHARITABLE) LIMITED

NOT FOR-PROFIT ENTITY

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

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COMPANY DIRECTORY

The Directors are pleased to present the financial statements of Pegasus Health (Charitable) Ltd for the year ended 30 June 2019.

REGISTERED OFFICE	Pegasus Health (Charitable) Ltd Level 4, 123 Victoria Street Christchurch
DIRECTORS	Dr S E Ashmore Dr C M Christie (Appointed Deputy Chair 8 October 2018) Dr J P Coughlan (Ceased as Deputy Chair 8 October 2018) Dr B Hudson (Appointed 3 October 2018) Ms J C Huria Dr G O'Duffy Ms N M Scott Prof L J Toop (Chair) (Retired 28 September 2018) Mr P R Townsend (Appointed Chair 28 September 2018) Dr S M H Wynn Thomas (Appointed Deputy Chair 8 October 2018)
AUDITOR	BDO Christchurch
LEGAL ADVISORS	Lane Neave
SHARES	12,000 Ordinary Shares
SHAREHOLDERS	Dr S E Ashmore Dr C M Christie Dr J P Coughlan Dr B Hudson Dr G O'Duffy Ms N M Scott Dr S M H Wynn Thomas

For the year Ended 30 June 2019

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 $32,851 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 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 - Directors' Fees

Directors' fees for their board activities totalled $410,514. The shareholders unanimously agree in terms of s211(3) of the Companies Act 1993 not to report s211(f).

Directors' Board Meeting Attendances

	Number of attendances	Number of apologies
Dr S E Ashmore	14	0
Dr C M Christie	14	0
Dr J P Coughlan	14	0
Dr B Hudson	8	1
Ms J C Huria	11	3
Dr G O'Duffy	12	2
Ms N M Scott	14	0
Prof L J Toop	4	0
Mr P R Townsend	14	0
Dr S M H Wynn Thomas	11	3

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 Prof LJ Toop to Dr Ben Hudson.

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 are within specific bands is as follows:

100,000 -110,000	19
110,001 -120,000	15
120,001 -130,000	5
130,001 -140,000	5
140,001 -150,000	3
150,001 -160,000	2
160,001 -170,000	5
170,001 -180,000	2
180,001 -190,000	1
190,001 -200,000	1
200,001 -210,000	0
210,001 -220,000	0
220,001 -230,000	2
230,001 -240,000	1
240,001 -250,000	3
250,001 -260,000	0
260,001 -270,000	0
270,001 -280,000	0
280,001 -290,000	0
290,001 -300,000	0
300,001 -340,000	0
340,001 -350,000	1

FOR AND ON BEHALF OF THE BOARD, 28 August 2019

Mr P R Townsend
Chair

Dr C M Christie
Deputy Chair

DIRECTORS' RESPONSIBILITY STATEMENT

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 8-39, 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, 28 August 2019

Mr P R Townsend	**Dr C M Christie**
Chair	Deputy Chair

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

Report on the Audit of the Consolidated Financial Statements

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 2019, 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 2019, 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 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.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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
28 August 2019

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the Year Ended 30 June 2019

		Group		Company	
	Note	**2019**	**2018**	**2019**	**2018**
		$'000	**$'000 *Restated**	**$'000**	**$'000 *Restated**
Total revenue *	8	45,946	43,949	45,946	43,949
Operating expenses	9	(47,297)	(42,991)	(47,297)	(42,992)
Surplus/(Deficit) before net financing costs		(1,351)	958	(1,351)	957
Finance income (on loans and receivables)		48	89	48	89
Dividend from subsidiary	25	-	-	1,545	-
Finance costs (on liabilities at amortised cost)		(615)	(594)	(615)	(594)
Net finance income/(costs)		(567)	(505)	978	(505)
Limited Partnership profit/(loss) for the year	16	1,317	544	-	-
Surplus/(deficit) for the year attributable to equity holders of the parent before other significant items		(602)	996	(373)	453
Impairment of Intangible asset	26	(2,251)	-	(2,251)	-
Gain/(loss) on sale of land & buildings	11	3,504	-	1,991	-
Surplus/(deficit) after other significant items		651	996	(633)	453
Other comprehensive revenue and expense					
Share of associate other comprehensive revenue and expense	16	(9)	(11)	(9)	(11)
Other comprehensive revenue and expense for the year		(9)	(11)	(9)	(11)
Total comprehensive revenue and expense for the year attributable to equity holders of the parent		642	985	(642)	442

* The comparative figures have been restated. Refer to Note 9 for details.

BDO Christchurch

PEGASUS HEALTH (CHARITABLE) LIMITED

STATEMENT OF CHANGES IN NET ASSETS/EQUITY

For the Year Ended 30 June 2019

Group

	Note	Share capital	Revaluation surplus	Accumulated revenue and expense	Share of movement in Associates Reserves	Total
		$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 2017		12	2,826	13,656	136	16,630
Surplus/(Deficit) for the year		-	-	996	-	996
Other comprehensive income for the year		-	-	-	(11)	(11)
Total comprehensive income for the year		-	-	996	(11)	985
Closing balance 30 June 2018		12	2,826	14,652	125	17,615
Surplus/(Deficit) for the year		-	-	651	-	651
Other comprehensive income for the year	11 & 16	-	-	-	(9)	(9)
Total comprehensive income for the year		-	-	651	(9)	642
Transfer of revaluation surplus on disposal of PPE		-	(933)	933	-	-
Transfer on cessation of Equity accounting of Associate		-	-	116	(116)	-
Closing balance 30 June 2019		12	1,893	16,352	-	18,258

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Company

	Note	Share capital	Revaluation surplus	Accumulated revenue and expense	Share of movement in Associates Reserves	Total
		$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 2017		12	2,826	15,061	136	18,034
Surplus/(Deficit) for the year		-	-	453	-	453
Other comprehensive income for the year		-	-	-	(11)	(11)
Total comprehensive income for the year		-	-	453	(11)	442
Closing balance 30 June 2018		12	2,826	15,514	125	18,476
Surplus/(Deficit) for the year		-	-	(633)	-	(633)
Other comprehensive income for the year	11 & 16	-	-	-	(9)	(9)
Total comprehensive income for the year		-	-	(633)	(9)	(642)
Asset Revaluation Reserve Movement		-	(933)	933	-	-
Transfer on cessation of Equity accounting of Associate		-	-	116	(116)	-
Closing balance 30 June 2019		12	1,893	15,929	-	17,834

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 2019

		Group		Company	
	Note	**2019**	**2018**	**2019**	**2018**
ASSETS		**$'000**	**$'000**	**$'000**	**$'000**
Current assets					
Cash and cash equivalents	12	4,191	1,889	4,135	1,887
Receivables (from exchange transactions)	13	4,688	4,891	4,719	4,890
Inventories		-	12	-	12
Prepayments		527	480	527	480
		9,406	7,272	9,382	7,269
Non-current assets					
Property, plant and equipment	14	22,264	25,705	22,264	25,705
Intangibles	15	2,434	4,167	2,434	4,167
Investment in other entities	16	3,882	3,678	3,167	4,543
		28,580	33,550	27,865	34,415
Total assets		37,986	40,822	37,247	41,684
LIABILITIES					
Current liabilities					
Payables (from exchange transactions)	17	8,185	7,887	7,865	7,887
GST payable		425	412	429	413
Employee benefit liability	18	1,925	1,730	1,925	1,730
Project residual fund	20	14	93	14	93
Derivative financial liabilities	23	139	45	139	45
Loans	19	40	4,040	40	4,040
		10,728	14,207	10,412	14,208
Non-current liabilities					
Loans	19	9,000	9,000	9,000	9,000
		9,000	9,000	9,000	9,000
Total liabilities		19,728	23,207	19,412	23,208
NET ASSETS / EQUITY					
Share capital	21	12	12	12	12
Revaluation surplus	21	1,893	2,826	1,893	2,826
Share of movement in associates reserves	16	-	125	-	125
Accumulated revenue and expense		16,352	14,652	15,929	15,513
Total net assets/equity		18,258	17,615	17,835	18,476
Total net assets/equity and liabilities		37,986	40,822	37,247	41,684

FOR AND ON BEHALF OF THE BOARD, 28 August 2019

Mr P R Townsend
Chair

Dr C M Christie
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 2019

		Group		Company	
	Note	2019	2018	2019	2018
		$'000	$'000	$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES	28				
Proceeds from:					
Rental income		267	459	243	459
Royalties		240	283	240	283
Proceeds from cash receipts from customers		45,407	42,263	45,205	42,263
Payments to suppliers and employees		(43,514)	(42,430)	(43,275)	(42,428)
Interest received		48	107	48	107
Interest paid		(615)	(594)	(615)	(594)
Agency payments		(1,489)	1,606	(1,489)	1,606
Net cash inflow/(outflow) from operating activities		344	1,694	357	1,696
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for purchase of property, plant and equipment		(648)	(611)	(648)	(611)
Proceeds from sale of land and buildings	14 (c)	8,000	-	8,000	-
Increase of intangible assets		(1,109)	(2,881)	(1,109)	(2,881)
Purchase of remaining shares in After Hours Properties (Associate)		(1,480)	-	(1,480)	-
Investments in partnership		67	-	-	-
Repayment of shareholder advance		1,128	875	1,128	875
Net cash inflow/(outflow) from investing activities		5,958	(2,617)	5,891	(2,617)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from draw down of loans		1,500	327	1,500	327
Repayment of debt		(5,500)	-	(5,500)	-
Net cash inflow/(outflow) from financing activities		(4,000)	327	(4,000)	327
Net increase/(decrease) in cash and cash equivalents		2,302	(596)	2,248	(594)
Cash and cash equivalents at beginning of year	12	1,889	2,485	1,887	2,481
Cash and cash equivalents at the end of year	12	4,191	1,889	4,135	1,887

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 is at Level 4, 123 Victoria Street, Christchurch 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 for the year ended 30 June 2019 comprise the controlling entity and its controlled entities (together referred to as the 'Group' and individually as 'Group 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) Ltd – Subsidiary
- After Hours Properties Ltd – Associate until December 2018 and then Subsidiary
- Health One (General Partner) Ltd - Subsidiary
- Canterbury Community Care Trust Ltd – Associate
- Homecare Medical (General Partner) Limited – Associate

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 28 August 2019.
(b) Measurement basis
The 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:

(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.

BDO Christchurch

● 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 16 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 2019 include the following:

Area of estimate or judgement	Note
Valuation of land and buildings	Note 14
Impairment of software	Note 15
Investment	Notes 16 and 23
Derivative financial liabilities	Note 23

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

4 Significant 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.
Accounting policies are disclosed within each of the applicable notes to the financial statements and are designated by a 🕮symbol.

5 Other Significant 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 surplus or deficit.

(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 and Canterbury Community Trust charity registration number CC22657, they are not required to pay income tax.
The Company has two associates: Canterbury Community Care Trust Ltd and Homecare Medical (General Partner) Limited, and one subsidiary: After Hours Properties Limited, which are tax paying entities. Deferred tax is calculated as part of the value of the investments.

(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 estimated 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 surplus or deficit 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.

6 Changes in Accounting Policy

Changes due to the initial application of a new, revised, and amended PBE Standards

There were no new standards, interpretations or amendments to standards that affected the 2019 accounts.

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 2019, the following PBE Standards have been assessed as relevant to the Group are in issue but not yet effective:

PBE IPSAS 35 – Consolidated Financial Statements Effective date: 1 January 2019

This standard will be adopted by Pegasus Health for the first time for its financial reporting period ended 30 June 2020. This standard will replace PBE IPSAS 6 Consolidated and Separate Financial Statements. The impact of this standard is yet to be determined.

PBE IPSAS 36 – Investments in Associated and Joint Ventures Effective date: 1 January 2019

This standard will be adopted by Pegasus Health for the first time for its financial reporting period ended 30 June 2020. This standard will replace PBE IPSAS 7 Investments in Associates and PBE IPSAS 8 Interests in Joint Ventures. The impact of this standard is yet to be determined.

PBE IPSAS 37 – Joint Arrangements Effective date: 1 January 2019

This standard will be adopted by Pegasus Health for the first time for its financial reporting period ended 30 June 2020. This standard will replace PBE IPSAS 8 Interests in Joint Ventures. The impact of this standard is yet to be determined.

PBE IPSAS 38 – Disclosure of Interests in Other Entities Effective date: 1 January 2019

This standard will be adopted by Pegasus Health for the first time for its financial reporting period ended 30 June 2020. This standard will replace PBE IPSAS 6 Consolidated and Separate Financial Statements, PBE IPSAS 7 Investments in Associates and PBE IPSAS 8 Interests in Joint Ventures. The impact of this standard is yet to be determined.

PBE IPSAS 39 – Employee Benefits Effective date: 1 January 2019

This standard will be adopted by Pegasus Health for the first time for its financial reporting period ended 30 June 2020. This standard will replace PBE IPSAS 25 Employee Benefits. The impact of this standard is yet to be determined.

PBE IPSAS 41 – Financial Instruments Effective date: 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 this standard is yet to be determined.

PBE FRS 48 – Service Performance Reporting Effective date: 1 January 2023

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. The impact of this standard is yet to be determined.

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.

		Group		Company	
	Note	**2019**	**2018**	**2019**	**2018**
		$'000	**$'000**	**$'000**	**$'000**
Revenue from:					
Delivery of Health Services		38,418	36,849	38,418	36,849
IT services		5,142	4,608	5,142	4,608
Sale of Vaccines		482	375	482	375
Other Services		1,660	1,658	1,660	1,658
Rental income		192	408	192	408
Rental income from sub-lease of operating leases	24	51	51	51	51
Total revenue		45,946	43,949	45,946	43,949

The Company's PHO Function has significant agreements with the Canterbury District Health Board (CDHB) to provide services to general practices and their patients. Satisfactory on-going contractual arrangements for these areas have been agreed with CDHB for the year ending 30 June 2019.

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 with CDHB. Negotiations are progressing with respect to the remaining contract areas.

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.

9 Expenses By Nature

		Group		Company	
	Note	2019	2018	2019	2018
		$'000	$'000	$'000	$'000
			*Restated		*Restated
Employee benefits	10	31,121	28,260	31,121	28,260
Depreciation	14	508	458	508	458
Amortisation	15	591	510	591	510
Non-cancellable operating lease payments	24	210	785	210	785
Professional fees					
- BDO Audit of the financial statements		33	46	33	46
Rent and outgoings		280	496	280	496
Director fees	26	411	392	411	392
Software licences		1,186	756	1,186	756
Medical supplies / consumables & vaccines		1,387	1,168	1,387	1,168
Clinical advice		616	604	616	604
GP Subsidised procedures		1,068	1,080	1,068	1,080
Member salaries		673	699	673	699
Cost Recovery (capitalised time) *		(946)	(2,300)	(946)	(2,300)
Impairment loss on investment	25	1,937	-	1,937	
Impairment reversal		(60)	-	(60)	-
Deemed disposal of After Hours Properties Limited Shares	25(b)	(285)	-	(285)	-
Other expenses		8,567	10,038	8,567	10,038
Total operating expenses		47,297	42,991	47,297	42,992

* Cost recovery encompasses operational costs in respect of internally generated assets that have been capitalised. In prior years, cost recovery had been included in revenue. The comparatives have been adjusted to now reflect this as cost recovery and not revenue. In 2018, $2.3m was reclassified from Revenue to expenses and in 2019 $946k was reclassified from revenue to expenses.

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10 Employee Benefit Expense

i. Short-term employee benefits

Short-term employee benefit liabilities are recognised when the Group has a legal or constructive obligation to remunerate employees for services provided within 12 months of reporting date, and is measured on an undiscounted basis and expensed in the period in which employment services are provided.

ii. 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.

iii. 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.

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Short-term employee benefits	30,416	27,645	30,416	27,645
Defined contribution plans	705	615	705	615
Total employee benefit expense	31,121	28,260	31,121	28,260

11 Gain/(Loss) on Sale of Land & Buildings

		Group		Company	
	Note	2019	2018	2019	2018
		$'000	$'000	$'000	$'000
Gain on sale of land & buildings	14(c)	3,504	-	1,991	-
Gain on sale of land & buildings		3,504	-	1,991	-

12 Cash and Cash Equivalents

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Current assets:				
Cash on hand	3,440	1,888	3,384	1,886
Call deposits	1	1	1	1
Term deposits with maturites less than 3 months	750	-	750	-
Cash and cash equivalents in the statement of cash flows	4,191	1,889	4,135	1,887

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

Bank deposits	0.05%	0.25%	0.05%	0.25%
Call deposits	0.10%	0.10%	0.10%	0.10%
Term deposits with maturities less than 3 months	2.88-3.04%	-	2.88-3.04%	-
Bank overdrafts	6.70%	6.70%	6.70%	6.70%

A General Security Agreement is in place over all the assets of the company. This secures the borrowings from the Westpac Bank – Note 19.

13 Receivables - Exchange Transactions

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	2019	2018	2019	2018
		$'000	$'000	$'000	$'000
Net trade receivables from exchange transactions	23	4,654	4,858	4,686	4,858
Sundry receivables		33	33	33	32
Total receivables		4,688	4,891	4,719	4,890

During the year ended 30 June 2019, write-offs relating to trade receivables of $22,238 (2018: $34,351) were recognised in operating expenses in the profit and loss.

(a) Maturities

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

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Total accounts receivable (net)	**4,654**	**4,858**	**4,686**	**4,858**
Analysed as due:				
Less than 30 days (current)	4,380	4,665	4,380	4,665
Between 31 and 60 days	50	95	50	95
Between 61 and 90 days	68	49	68	49
Greater than 91 days	157	49	157	49
Total accounts receivable (net)	4,654	4,858	4,654	4,858

None of the trade receivables past due are individually considered to be impaired.

(b) Credit term and interest

The average credit term on invoiced amounts is 30 days and is interest free (2018: 30 days and is interest free).

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(c) Impairment allowance

As at 30 June 2019, the impairment allowance relates to overdue accounts receivable where there is uncertainty as to whether the amounts will be recovered (2018: $39,000) 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	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
As at 1 July 2018				
Allowance for receivables impairment	42	39	42	39
Receivables written off during the year as uncollectable	(19)	(29)	(19)	(29)
Balance of the allowance account as at 30 June 2019	23	10	23	10

14 Property, Plant and Equipment

i. Recognition and measurement

Items of property plant and equipment are initially measured at cost.

Items of property, plant and equipment are subsequently measured either under the:

• Cost model: Cost less accumulated depreciation and impairment.

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

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.

All of the Group's items of property plant and equipment are subsequently measured in accordance with the cost model, except for land and buildings which are subsequently measured in accordance with the revaluation model.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

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 surplus or deficit.

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, those components are depreciated separately.

Depreciation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Land is not depreciated. Assets under construction are not subject to depreciation.

The estimated straight line depreciation rates are:

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	2019	2018
Buildings	2.00%	2.00%
Plant and machinery	6.67%-50.00%	6.67%-21.00%
Motor Vehicles	21.00%	21.00%
Fixtures and fittings	6.00% - 50.00%	6.00% - 50.00%
Leasehold improvements	7.00% - 20.00%	7.00% - 33.00%

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

The depreciation rates have changed from 2018 to reflect more accurately the useful life of the individual assets in 2019.

e The Company 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.

Group and Company

Cost or valuation	Land and building	Plant and machinery	Motor vehicles	Fixtures and fittings	Leasehold improvem-ents	Work in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 2017	21,504	2,192	93	758	146	3,317	28,010
Additions (exchange)	1	568	-	41	1	-	611
Revaluation (surplus / deficit)	-	-	-	-	-	-	-
Reclassification	3,277	-	-	-	-	(3,277)	-
Transfers and Disposals	-	-	-	-	-	-	-
Balance as at 30 June 2018	24,782	2,760	93	799	147	40	28,621
Balance as at 1 July 2018	24,782	2,760	93	799	147	40	28,621
Additions (exchange)	2,724	403	-	22	-	56	3,205
Revaluation (surplus / deficit)	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-
Transfers and Disposals	(6,409)	(81)	-	(5)	(76)	(40)	(6,611)
Balance as at 30 June 2019	21,097	3,082	93	816	71	56	25,215

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Group and Company

Accumulated depreciation and impairment	Note	Land and building	Plant and machinery	Motor vehicles	Fixtures and fittings	Leasehold improvem-ents	Work in progress	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 2017		300	1,434	80	527	118	-	2,459
Depreciation	9	-	387	8	46	16	-	457
Impairment	9	-	-	-	-	-	-	-
Reclassification		-	-	-	-	-	-	-
Transfers and Disposals		-	-	-	-	-	-	-
Balance as at 30 June 2018		300	1,821	88	573	134	-	2,916
Balance as at 1 July 2018		300	1,821	88	573	134	-	2,916
Depreciation	9	-	453	3	44	8	-	508
Impairment	9	-	-	-	-	-	-	-
Reclassification		-	-	-	-	-	-	-
Transfers and Disposals		(300)	(47)	-	(16)	(110)	-	(473)
Balance as at 30 June 2019		-	2,227	91	601	32	-	2,951
Net book value:								
As at 1 July 2017		21,204	758	13	231	28	3,317	25,551
As at 30 June 2018		24,482	939	5	226	13	40	25,705
As at 30 June 2019		21,097	855	2	215	39	56	22,264

(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 19).

(b) Revalued land and buildings

All land and buildings were revalued as at 30 June 2016, excepting the land and buildings at 401 Madras Street which were revalued at 28 November 2016. An independent registered valuer, GR Sellars FNZIV FPINZ, 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.

(c) Acquisitions and Disposals

The land and buildings at Unit 1, 931 Colombo Street were purchased from After Hours Properties Limited on 1st April 2019. The complex including 8 Caledonian Road, 16 Caledonian Road, 933, 937 & 941 Colombo Street were subsequently sold to Southern Cross Hospitals on 1st April 2019 for $8 million. Gain on sale recognised was $1.9 million and an asset revaluation reserve adjustment has been realised of $933k to the retained earnings account.

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15 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 surplus or deficit 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 surplus or deficit 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 surplus or deficit as incurred.

iv. Amortisation

Amortisation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of each amortisable intangible asset.

The estimated straight line amortisation rates are:

	2019	2018
Software	6.00% - 48.00%	10.00% - 48.00%

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

ⓔ

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.

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Group and Company

Cost or valuation	Note	Software	Trademark and domain names	Intangibles under constructi-on	Total
		$'000	$'000	$'000	$'000
Balance as at 1 July 2017		3,924	35	450	4,409
Additions (acquired externally)		36	-	-	36
Additions (developed internally)		-	8	2,837	2,845
Impairment	9	-	-	-	-
Transfers		409	-	(409)	-
Transfers and Disposals		-	-	-	-
Balance as at 30 June 2018		4,369	43	2,878	7,290
Balance as at 1 July 2018		4,369	43	2,878	7,290
Additions (acquired externally)		30	5	-	35
Additions (developed internally)		-	-	1,074	1,074
Impairment	26	(2,368)	-	-	(2,368)
Transfers		3,409	-	(3,409)	-
Transfers and Disposals		-	-	-	-
Balance as at 30 June 2019		5,440	48	543	6,031

Group and Company

Accumulated amortisation and impairment	Note	Software	Trademark and domain names	Intangibles under constructi-on	Total
		$'000	$'000	$'000	$'000
Balance as at 1 July 2017		2,613	-	-	2,613
Amortisation	9	510	-	-	510
Impairment	9	-	-	-	-
Adjustment		-	-	-	-
Transfers and Disposals		-	-	-	-
Balance as at 30 June 2018		3,123	-	-	3,123
Balance as at 1 July 2018		3,123	-	-	3,123
Amortisation	9	591	-	-	591
Impairment	26	(117)	-	-	(117)
Adjustment		-	-	-	-
Transfers and Disposals		-	-	-	-
Balance as at 30 June 2019		3,597	-	-	3,597

Net book value:						
As at 1 July 2017	-	-	1,311	35	450	1,796
As at 30 June 2018	-	-	1,246	43	2,878	4,167
As at 30 June 2019	-	-	1,843	48	543	2,434

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(a) Amortisation

Within software, there are assets with remaining amortisation periods of between 1 to 14 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.

16 Investment in Other Entities

i. Controlled entities

Controlled entities are entities controlled by the Group, being where the Group has power to govern the financial and operating policies of another entity so as to benefit from that entity's activities. 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. 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

Associates and jointly controlled entities are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% 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, including directly attributable transaction costs. Where, as a result of the structure of the Group's interest in Associates and Jointly Controlled Entities does not entitled the Group to a share of surplus or deficit of the associate or jointly controlled entity, the Groups interest in the Associate and jointly controlled entity is recorded 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 (equity accounted investees), 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 2019	% Shareholding 2018	Balance date
Pegasus Health (LP) Ltd (PHLP)	Investment	100%	100%	30-Jun
After Hours Properties Limited	Investment	100%	Associate until Dec 18	30-Jun
Health One (General Partner) Ltd	Investment	100%	0%	30-Jun

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Movement in carrying value of subsidiaries

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
As at 1 July	-	-	3,258	4,130
Capital Repayment	-	-	(1,128)	(873)
Transfer in of associate (After Hours Properties Limited)	-	-	977	-
Balance at 30 June	-	-	3,107	3,258

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

The Company has issued an enduring letter of comfort to its subsidiary, Pegasus Health (LP) Ltd, which undertakes to provide the necessary financial support to ensure that the subsidiary continues to be able to meet its obligations as they fall due.
On 30th November 2018, Health One (General Partner) Limited was setup. It has been inactive during the current financial year.
Prior to 18th December 2018, the Group accounted for the investment in After Hours Properties Limited as an Associate. On this date the Group acquired the remaining 50% interest for $1.5m , and accounted for the entity as a wholly owned subsidiary. The entity had a 31 March balance date which is the standard balance date for New Zealand companies. Following the purchase of the remaining shares in the entity, the Balance sheet date for the entity was changed to 30 June. On 1st May 2019 the Directors resolved to wind up the company.

Deferred payment and deferred asset

PHLP (a subsidiary of PHCL) 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 component was settled in cash ($1,125,000), the other component was an earn-out that allowed for the liability to be settled progressively throughout the earn-out period of four years from the establishment of Homecare. The maximum value of this component was $375,000 and the liability was 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 gave rise to a Deferred Payment provision and a corresponding Deferred Asset. The fair value of the Deferred Payment and the Deferred Asset were recognised at balance date at the net present value of expected cash flows over the four year period.

At 30 June 2017 the Limited Partners agreed the liability payable will be no greater than $188k. In September 2017 the Limited Partners agreed a final settlement of $128k. As a result of this agreement, the liability has been adjusted and settled in the prior period.

A review of on-going cashflow and funding needs determined that HomeCare Medical Limited Partnership had surplus funds that the General Partner proposed be returned to the Limited Partners by way of a Partnership Capital repayment. This was agreed and $1M was repaid to each Limited Partner in April 2018. A further Partnership capital repayment of $1m was repaid to each Limited Partner in January 2019.

The Company has received commensurate partial repayments of its advance to Pegasus Health (LP) Limited.

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Deferred settlement	-	188	-	-
Notional interest	-	-	-	-
Released notional interest	-	-	-	-
Settlement adjustment	-	(188)	-	-
Net present value of deferred payment and deferred asset	-	-	-	-

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(b) Associates

Name	Principal activity	% Shareholding 2019	% Shareholding 2018	Balance date
After Hour Properties Ltd	Property Investment	Subsidiary from Dec 18	50%	30-Jun
Canterbury Community Care Trust Ltd (CCCTL)	Corporate Trustee	33%	33%	30-Jun
Homecare Medical (General Partner) Ltd (HCMGP)	Management	50%	50%	30-Jun

After Hours Properties Ltd became a fully owned subsidary following the purchase of the outstanding shares (50%) on 18th December 2018.

The Group has significant influence over two entities. CCCTL is a non-trading entity with no material transactions to account for. Similarly, HCMGP has no material transactions to account for.

Group	2019	2018
	$'000	$'000
Current assets	127	39
Non-current assets	2,852	3,052
Current liabilities	65	35
Non-current liabilities	970	1,116
Net assets	1,944	1,940
Income	208	277
Expenses	(226)	(299)
Net Surplus (Deficit)	(19)	(22)

Movement in carrying value of After Hours Properties Ltd

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Balance at 1 July	1,230	1,241	1,230	1,241
Share of associate's reserves	(9)	(11)	(9)	(11)
Transfer on cessation of Associate	(1,221)	-	(1,221)	-
Balance at 30 June	-	1,230	-	1,230

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

(c) Investments

Name	Principal activity	% Shareholding 2019	% Shareholding 2018	Balance date
Homecare Medical (NZ) Limited Partnership	Telephone nurse triage services	50%	50%	30-Jun
bpacnz Ltd	Deliver educational and continuing professional development programmes	16.67%	16.67%	30-Jun
NZ Medicines Formulary	The creation and maintenance of a medicines formulary	10%	10%	30-Jun

Homecare Medical (NZ) Limited Partnership 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 offers 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.

The Homecare Medical (NZ) Limited Partnership investment is held by the subsidiary Pegasus Health (LP) Limited (PHLPL). PHLPL, being a limited partner, does not exercise control or significant influence over the activity of the limited partnership as per their Limited Partnership Agreement. The LPs 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 to vote on matters relating to that.

Movement in carrying value of investments

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Balance at 1 July	2,448	2,771	55	49
Share of impact of adopting NZ IFRS15*	1,240	-	-	-
NZ Medicines Formulary partnership income	5	6	5	6
Investment in Homecare Medical Ltd / (Capital Repayment)	(1,128)	(873)	-	-
Partnership current account in Homecare Medical Ltd	1,317	544	-	-
Balance at 30 June	3,882	2,448	60	55

* Homecare Medical (NZ) Limited Partnership (Homecare) has adopted IFRS15 in this year end financial statements. The core principle of IFRS15 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. However, PHLP is adopting Public Benefit Entity Accounting Standards which have different revenue recognition principles. This will result in annual adjustments in income and the difference will be recognised as Income in Advance.

17 Payables - Exchange Transactions

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. The net balance at year end is recognised as a current liability.

(a) Trade payables

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Trade payables from exchange transactions	913	1,435	913	1,435
Trade payables measured at amortised cost	913	1,435	913	1,435

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(b) Other payables

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Non-trade payables and accrued expenses	1,925	1,248	2,741	1,248
Pass through and funding in advance	5,347	5,204	4,210	5,204
Other payables measured at amortised cost	7,272	6,452	6,952	6,452

(c) Maturities

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

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Total trade payables	**913**	**1,435**	**913**	**1,435**
Analysed as due:				
Less than 30 days (current)	855	1,411	855	1,411
Between 31 and 90 days	57	22	57	22
Between 91 and 365 days	1	2	1	2
Total trade and other payables	913	1,435	913	1,435

The average credit term on invoiced amounts is 30 days (2018: 30 days). Accounts payable, accruals and other liabilities are interest free (2018: interest free).

18 Employee Benefit Liability

i. Short-term employee benefits

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

Contributions to defined contribution pension schemes are charged to the Revenue and Expense in the Statement of Comprehensive Revenue and Expense in the year to which they relate.

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Current:				
Employee benefits	1,925	1,730	1,925	1,730
Total employee benefit liability	1,925	1,730	1,925	1,730

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19 Loans

Group and Company	Effective interest rate	Year of maturity	2019 Interest Rate	2019 Current	2019 Non-current	2018 Interest Rate	2018 Current	2018 Non-current
			%	$'000	$'000	%	$'000	$'000
Westpac Loan	Floating	2022	4.10%	-	2,000	4.50%	4,000	2,000
Westpac Loan	Floating / SWAP	2021	4.10%	-	1,000	4.50%	-	1,000
Westpac Loan	Floating / SWAP	2022	4.10%	-	1,000	4.50%	-	1,000
Westpac Loan	Floating / SWAP	2023	4.10%	-	1,000	4.50%	-	1,000
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				40	9,000		4,040	9,000

All the currencies are New Zealand Dollars.

(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 14). 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.
At reporting date, nothing was in default or unresolved.
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.

20 Project Residual Fund

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 Fund) was $450,000 of which $13,749 remains as at 30 June 2019 (2018: $93,380).
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.

21 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.

	2019	2018
	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.

The revaluation reserve arises due to revaluations of land and buildings on a periodic basis. Further details are explained in the property, plant and equipment Note 14.

22 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.

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 (refer Note 5(d)).

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.

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.

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 cash and cash equivalents, receivables, payables, and loans.

Finance income and cost

Finance income comprises interest income on financial assets. Interest income is recognised as it accrues in surplus or deficit, using the effective interest method.
Finance costs comprise interest expense on financial liabilities, losses on disposal of available-for-sale financial assets, and impairment losses recognised on financial assets.

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-18	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)	12	1,889	-	-
Receivables	13	4,891	-	-
Payables	17	-	(8,299)	-
Loans	19	-	(13,040)	-
Subsequently measured at fair value				
Derivative financial liabilities	23	-	-	(45)
Total		6,780	(21,339)	(45)

Group - 30-Jun-19	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)	12	4,191	-	-
Receivables	13	4,688	-	-
Payables	17	-	(8,610)	-
Loans	19	-	(9,040)	-
Subsequently measured at fair value				
Derivative financial liabilities	23	-	-	(139)
Total		8,879	(17,650)	(139)

It is considered that none of the financial instruments, except for derivative financial liabilities, fall into the fair value hierarchy in 2019. Fair value approximates carrying amount in all instances.

23 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 Finance, Audit, Risk Committee (FARC) of the Board, on a quarterly basis. In addition FARC 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.

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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 $4,191,281 (2018: $1,889,192) 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	
	2019	2018	2019	2018
Westpac	AA-	AA-	100	99.9

Receivables (from exchange transactions)

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 13. 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 from exchange transactions, 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 from exchange transactions is detailed in the table below:

	2019	2018
	$'000	$'000
Patient debt	75	58
Other debt	4,579	4,475
Total	4,654	4,533

The aging of trade receivables from exchange transactions, and credit quality of those balances that are neither past due nor impaired, as at reporting date, is presented in Note 13 (a).

The movement in the impairment allowance for trade receivables from exchange transactions is shown in Note 13 (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 26 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.

(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 (2018: $2,000,000).

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

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	Contractual cash flows					
	0 – 1 Month $'000	1 – 3 Months $'000	3 – 12 Months $'000	12 – 60 Months $'000	Total Amount $'000	Carrying Amount $'000
Group Jun-18						
Non-derivative financial liabilities:						
Payables (from exchange transactions)	(8,033)	(22)	(2)	-	(8,057)	(8,057)
Loans:						
Westpac	(49)	(98)	(440)	(15,335)	(15,922)	(13,040)
bpac^{nz} Ltd	-	-	-	(40)	(40)	(40)
Derivative financial liabilities	-	-	-	-	(45)	(45)
Total	(8,082)	(120)	(442)	(15,375)	(24,064)	(21,182)
Group Jun-19						
Non-derivative financial liabilities:						
Payables (from exchange transactions)	(8,127)	(57)	(1)	-	(8,185)	(8,185)
Loans:						
Westpac	(34)	(68)	(305)	(10,631)	(11,038)	(9,040)
bpac^{nz} Ltd	-	-	-	(40)	(40)	(40)
Derivative financial liabilities	-	-	-	-	(139)	(139)
Total	(8,161)	(125)	(306)	(10,671)	(19,402)	(17,404)

As detailed in Note 19, 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 2019, Group had $5M (2018: $9M) 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 (2018: $6M) are fully at risk of interest rate changes.

	Surplus or deficit		Net Assets / equity	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Interest rate increase of 1% (2018: 1%)	(50)	(90)	(50)	(90)
Interest rate decrease of 1% (2018: 1%)	50	90	50	90

(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.

Group and Company	2019 $'000	2018 $'000
Statement of financial position		
Derivative financial liabilities	139	45

Total unrealised loss recognised as a result of ineffectiveness of interest rate hedge is $139k (2018: $45k).

24 Leases

i. Classification and treatment

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The Group holds no finance leases.

ii. Operating leases

Leases that are not finance leases are classified as operating leases.

Operating leases are not recognised in the Group's statement of financial position. Payments made under operating leases are recognised in surplus or deficit 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	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Less than one year	146	113	146	290
Between one and five years	-	28	-	161
Greater than five years	-	-	-	-
Total non-cancellable operating lease payments	146	141	146	451

The Group has the following operating leases: Premises at 222 Bealey Ave which will terminate on 30th September 2019, an operating lease with Ricoh for copier services which will terminate in June 2020 and an operating lease for 933 Colombo Street which has a final expiry date of 30th September 2019.

The operating lease with After Hours Properties Limited was cancelled on 18th December 2018 when After Hours Properties became a fully owned subsidiary.

(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	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Less than one year	70	176	70	176
Between one and five years	168	196	168	196
Greater than five years	115	157	115	157
Total non-cancellable operating lease payments	353	529	353	529

This note covers leases at 401 Madras Street and and sub-leases at 222 Bealey Avenue. 61.2% of 222 Bealey Avenue is subleased to a related party, Homecare Medical (NZ) Limited Partnership, and 38.8% of 222 Bealey Avenue is subleased to ELE Recruitment from April 2017 on terms identical to the head lease. Christchurch Radiology Group Limited can exercise two rights of renewal with two of five years each at 401 Madras Street.

The total future non-cancellable minimum sub-lease payments at reporting date are $ 353,386 (2018: $529,112).

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25 Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group controls an entity when it has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:

The aggregate of:

- The fair value of consideration transferred
- The recognised amount of any minority interests in the acquiree, and
- The fair value of any pre-existing equity interest in the acquiree.

Less:

- The fair value of the net identifiable assets acquired and liabilities assumed.

Any gain on bargain purchase gain is recognised immediately in surplus or deficit.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in surplus or deficit.

Transactions costs related to a business combination incurred by the Group, other than those associated with the issue of debt or equity securities, are expensed in surplus or deficit as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not subsequently remeasured and settlement is accounted for within net assets/equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in surplus or deficit.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in surplus or deficit. It is then considered in the determination of goodwill.

On 18 December 2018 the group acquired the remaining 50% of the shares and voting right in After Hours Properties Limited (AHPL) taking the total investment to 100% ownership. After Hours Properties Limited owned Unit 1, 931 Colombo Street and a controlling interest was therefore obtained by the Group in order to facilitate the transfer of Unit 1 to Pegasus Health (Charitable) Limited.

(a) Final equity accounting transaction

Before the 50% share acquisition in December 2018, final equity accounting transaction comprising 50% share of loss of After Hours Properties Limited was recognised by the Group as below:

	Note	Group	Company
		$'000	$'000
Opening balance: 50% shares in AHPL		1,157	1,157
50% share of AHPL Loss From 01 April 2018 to 18 December 2018	16(b)	(9)	(9)
50% share book value as at 18 December 2018		1,148	1,148

(b) Step acquisition

As this business combination was achieved in stages, the Group measured its previously held equity interest in the acquire at its acquisition-date fair value and recognised the resulting gain or loss as below:

	Note	Group	Company
		$'000	$'000
50% share book value as at 18 December 2018		1,148	1,148
Gain on deemed disposal of investment	9	285	285
50% share fair value as at 18 December 2018		1,433	1,433
50% share acquired on 18 December 2018 (including legal fee, due diligence and consultancy fees)*		1,481	1,481
100% share in AHPL		2,914	2,914

* Consideration transferred for this acquisition was all in cash and was settled in December 2018.

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(c) Dividend income

AHPL declared $1.54 million dividend to the Company as showing in Statement of Comprehensive Revenue and Expense. This amount has not been received at the reporting date.

(d) Impairment loss on investment

AHPL transferred the ownership of Unit 1, 931 Colombo Street to the Company with the market value of $2.557 million and no amounts were transferred from the Company to AHPL. This transaction will decrease the value of investment and impairment loss was recognised during the financial year:

	Note	Company
		$'000
Shares in AHPL		2,914
Impairment loss on investment	9	(1,937)
Investment - closing balance	-	977

(e) Net identifiable assets acquired

The Group acquired and assumed the following amounts of assets and liabilities as at acquisition and reporting date:

	Note	Acquisition date	Reporting date
		$'000	$'000
Cash and cash equivalents	12	121	54
Other receivables	13	6	1,013
Property, plant and equipment (Unit 1, 931 Colombo Street)	14	2,557	-
Other payables	17	(65)	(90)
Net identifiable assets acquired		2,619	977

(f) Impact of the acquisition to the result of the Group

The table below details the impact of the acquisition to the result of the Group in terms of the net surplus or deficit of the AHPL during the year.

• That is recognised in the statement of comprehensive revenue and expense since acquisition date, and

• That would have been recognised in the statement of comprehensive revenue and expense had AHPL been consolidated since the beginning of the reporting period.

	Recognised in statement of comprehensive revenue and expense	
	In the current period since acquisition date	Had the acquiree been consolidated since the beginning or the reporting period
	$'000	$'000
Surplus or deficit	-	(8)

26 Impairment On Cash-Generating Intangible Assets

In June 2019, due to the lower than expected economic performance of the asset, the group tested the Electronic Medical Record software value within intangible assets for impairment, and recognised an impairment loss of $2,251 thousand. The recoverable amount represents the fair value less cost to sell. Fair value was determined based on the estimated value of certain components to similar providers and the economic value in use of other components to the Group.

The impairment are recognised in the statement of comprehensive revenue and expense.

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27 Related Party Transactions

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

(a) 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	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
After Hours Properties Ltd: interest income	36	72	-	-
After Hours Properties Ltd: management fee income	42	25	-	-
After Hours Properties Ltd: operating lease expenses	(88)	(177)	-	-
Screen South Ltd: contract revenue/pass through claims	51	309	-	33
bpacnz Ltd: loan (interest free, on demand)	-	-	(40)	(40)
Homecare Medical (NZ) Ltd Partnership: services	75	78	8	25
Homecare Medical (NZ) Ltd Partnership: Virtual reception services	53	24	-	-
Canterbury Community Care Trust Ltd : directors fees	8	8	-	-
Pegasus Health (LP) Ltd: receivables	-	127	-	127
Pegasus Health (LP) Ltd: advances	(1,000)	(1,000)	1,005	2,005

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 16 (b).

The transactions with After Hours Properties Ltd were whilst it was an Associate. The 50% remaining shares in After Hours Properties were purchased based on an arm's length transaction following a commercial negotiation.

(b) Key management personnel remuneration

The Group classifies its key management personnel into one of two classes:

• Members of the governing body
• Senior executive officers, responsible for reporting to the governing body

Senior executive officers 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 Senior executive officers) in each class of key management personnel is presented below:

	2019		2018	
	Remuneration	Number of individuals	Remuneration	Number of individuals
	$'000		$'000	
Members of the governing body - including directors fee	677	9 People	596	10 People
Senior executive officers	1,498	7.25 FTE's	1,394	6.75 FTE's
Total	2,175		1,990	

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28 Reconciliation of Operating Cash Flows to Net Surplus

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Net surplus / (deficit)	**651**	**996**	**(633)**	**453**
Adjustments for non-cash items:				
Depreciation	508	457	508	457
Amortisation	591	510	591	510
Impairment losses on intangibles	2,251	-	2,251	-
Loss on disposal of fixed assets	134	-	134	-
Limited Partnership share of profit	(1,317)	(1,790)	-	-
Share of equity accounted associates & investees surplus/ (deficit)	9	(6)	9	(6)
Deemed disposal of equity accounted investee	(285)	-	(285)	-
Bad debt write off	19	29	19	29
Other non-cash items	94	69	94	63
Adjustments for movements in:				
(Increase)/decrease in receivables	137	(421)	104	(422)
(Increase)/decrease in inventories	12	(6)	12	(6)
(Increase)/decrease in advance	(79)	1,000	(79)	1,000
Increase/(decrease) in payables*	(2,382)	856	(2,368)	(382)
Net operating cash inflow / (outflow)	344	1,694	358	1,696

* The land and buildings at Unit 1, 931 Colombo Street were purchased from After Hours Properties Limited on 1st April 2019 at market rate of $2.557 thousand and is a non-cash transaction.

29 Commitments and Contingencies

(a) Commitments

There is an estimated commitment of $20,000 for external time by contractors to be spent during next financial year (2018: $517,000). There were no captial commitments in place at 30th June 2019.

(b) Contingent liabilities

At 30 June 2019 the Group had no contingent liabilities.

(c) Contingent assets

During the 2018 financial year it was identified that Fringe Benefit Tax (FBT) may have been calculated incorrectly. Company has contacted Inland Revenue in respect of potentially overpaid FBT at the end of June 2018 and is waiting for Inland Revenue's response. Up to $196K may be receivable if the Commissioner amends the FBT assessments for the quarters ended 30 June 2010 to 31 March 2018.

30 Events After Reporting Date

There are no events subsequent to balance date.

BDO Christchurch