PEGASUS HEALTH (CHARITABLE) LIMITED
NOT FOR-PROFIT ENTITY

Financial Statements
For the year ended 30 June 2016

PEGASUS HEALTH (CHARITABLE) LIMITED
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PEGASUS HEALTH (CHARITABLE) LIMITED
COMPANY DIRECTORY

The Directors are pleased to present the financial statements of Pegasus Health (Charitable) Ltd for the year ended 30 June 2016.

REGISTERED OFFICE	Pegasus Health (Charitable) Ltd Level 1, 567 Wairakei Road Christchurch
DIRECTORS	Dr S E Ashmore (Appointed 11 November 2015) Dr M Bellamy (Resigned 11 November 2015) Dr H H Chima Dr J P Coughlan Dr A H B Currie (Deputy Chair) Prof A R Hornblow Ms J C Huria Dr G O'Duffy Ms N M Scott Prof L J Toop (Chair) Mr P R Townsend
AUDITOR	BDO Christchurch
LEGAL ADVISORS	Lane Neave
SHARES	12,000 Ordinary Shares
SHAREHOLDERS	Dr S E Ashmore Dr H H Chima Dr J P Coughlan Dr A H B Currie Dr G O'Duffy Ms N M Scott Prof L J Toop

PEGASUS HEALTH (CHARITABLE) LIMITED
DIRECTORS' REPORT

For the year ended 30 June 2016

1. Company Objects

The purpose for which the Company is established is to apply and utilise the assets and investments of the company in furtherance of the exclusively charitable objects of the Company (Charity registration number CC29755) (as approved and recognised by the Commissioner of Inland Revenue) which include, without limitation, the following objects:

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

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

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

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

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

f. The improved availability of health related information;

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

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

2. Dividend

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

3. Audit Fees

Audit fees of $61,000 were paid to BDO Spicers. There were no other fees paid to BDO Spicers.

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

Directors' Interests

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

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

Use of Company Information

No notices were received during the year.

Remuneration and Other Benefits

Directors' Fees

Directors' fees for their board activities totalled $400,020. The shareholders unanimously agree in terms of s211(3) of the Companies Act 1993 not to report s211(f).

PEGASUS HEALTH (CHARITABLE) LIMITED
DIRECTORS' REPORT (continued)

Directors' Board Meeting Attendances

From 1 July 2015 to 30 June 2016.
The Directors listed below held office during the year.

	Number of Attendances	Number of Apologies
Dr Sharon Ashmore - Joined in November 2015	9	0
Dr Mary-Anne Bellamy - Left in November 2015	7	0
Dr Harsed Chima	13	3
Dr John Coughlan	14	2
Dr Hillary Currie	15	1
Prof Andrew Hornblow	15	1
Ms Jane Huria	11	5
Dr Gayle O'Duffy	16	0
Ms Nicola Scott	16	0
Prof Les Toop	13	3
Mr Peter Townsend	14	2

Share Dealing
General practitioner and nurse directors hold shares in trust for the company's charitable beneficiaries. 1,714 shares were transferred during the year from Mary-Anne Bellamy to Sharon Elizabeth Ashmore.

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.

The Company has Director's Indemnity Insurance in place.

Employees

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

100,000 - 110,000	10
110,001 - 120,000	13
120,001 - 130,000	3
130,001 - 140,000	4
140,001 - 150,000	5
150,001 - 160,000	2
160,001 - 170,000	2
170,001 - 180,000	2
180,001 - 190,000	0
190,001 - 200,000	0
200,001 - 210,000	0
210,001 - 220,000	0
220,001 - 230,000	2
230,001 - 240,000	2
240,001 - 250,000	1
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 - 310,000	0
310,001 - 320,000	1

FOR AND ON BEHALF OF THE BOARD

Prof L J Toop
Chair
31 August 2016

Dr A H B Currie
Deputy Chair
31 August 2016

PEGASUS HEALTH (CHARITABLE) LIMITED
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 8-49, 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

Prof L J Toop	**Dr A H B Currie**
Chair	Deputy Chair
31 August 2016	31 August 2016

BDO

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Pegasus Health (Charitable) Limited

Report on the Financial Statements

We have audited the financial statements of Pegasus Health (Charitable) Limited ("the Company") and its subsidiaries on pages 8 to 49.

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

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with Public Benefit Entity Standards in New Zealand, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, Pegasus Health (Charitable) Limited or any of its subsidiaries.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Pegasus Health (Charitable) Limited and its subsidiaries as at 30 June 2016, and their financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards In New Zealand.

BDO Christchurch

BDO Christchurch
31 August 2016
Christchurch
New Zealand

PEGASUS HEALTH (CHARITABLE) LIMITED
STATEMENT OF COMPREHENSIVE REVENUE & EXPENSE
AS AT 30 JUNE 2016

		Group		Company	
	Note	2016	2015	2016	2015
		$'000	$'000	$'000	$'000
Total revenue	7	39,321	37,252	39,321	37,252
Operating expenses	8	(40,183)	(38,437)	(40,183)	(38,437)
Surplus/(Deficit) before net financing costs		(862)	(1,185)	(862)	(1,185)
Net finance income/(costs)	9	314	545	314	545
Subsidiary's share of Limited Partnership loss for the year	16	(1,109)	(683)	-	-
Surplus/(deficit) for the year attributable to equity holders of the parent		**(1,657)**	**(1,323)**	**(548)**	**(640)**
Other comprehensive revenue and expense					
Share of equity accounted associates other comprehensive revenue and expense	16	(16)	(117)	(16)	(117)
Surplus/(Deficit) on revaluation of property, plant and equipment	14	65	38	65	38
Other comprehensive revenue and expense for the year		**49**	**(79)**	**49**	**(79)**
Total comprehensive revenue and expense for the year attributable to equity holders of the parent		**(1,608)**	**(1,402)**	**(499)**	**(719)**

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PEGASUS HEALTH (CHARITABLE) LIMITED
STATEMENT OF CHANGES IN NET ASSETS/EQUITY
AS AT 30 JUNE 2016

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 2014		12	829	15,998	374	17,215
Surplus/(Deficit) for the year		-	-	(1,323)	-	(1,323)
Other comprehensive income for the year		-	38	-	(117)	(79)
Total comprehensive income for the year	22	-	38	(1,323)	(117)	(1,402)
Closing balance 30 June 2015		12	868	14,675	258	15,813
Surplus/(Deficit) for the year		-	-	(1,657)	-	(1,657)
Other comprehensive income for the year		-	65	-	(16)	49
Total comprehensive income for the year	22	-	65	(1,657)	(16)	(1,608)
Closing balance 30 June 2016		12	933	13,018	242	14,205

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PEGASUS HEALTH (CHARITABLE) LIMITED
STATEMENT OF CHANGES IN NET ASSETS/EQUITY
AS AT 30 JUNE 2016

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 2014		**12**	**829**	**16,021**	**374**	**17,238**
Surplus/(Deficit) for the year		-	-	(640)	-	(640)
Other comprehensive income for the year		-	38	-	(117)	(79)
Total comprehensive income for the year	22	**-**	**38**	**(640)**	**(117)**	**(719)**
Closing balance 30 June 2015		**12**	**867**	**15,382**	**258**	**16,519**
Surplus/(Deficit) for the year		-	-	(548)	-	(548)
Other comprehensive income for the year		-	65	-	(16)	49
Total comprehensive income for the year	22	**-**	**65**	**(548)**	**(16)**	**(499)**
Closing balance 30 June 2016		**12**	**932**	**14,834**	**242**	**16,020**

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PEGASUS HEALTH (CHARITABLE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Current assets					
Cash and cash equivalents	11	3,806	8,575	3,802	8,571
Other investments - Short term deposits	11	500	3,500	500	3,500
Receivables (from exchange transactions)	12	4,545	5,360	4,545	5,360
Inventories	13	11	17	11	17
Prepayments		386	372	386	372
		9,248	**17,824**	**9,244**	**17,820**
Non-current assets					
Property, plant and equipment	14	18,790	4,646	18,790	4,646
Intangibles	15	1,738	1,422	1,738	1,422
Subsidiaries	16	-	-	4,130	1,130
Equity accounted investees	16	1,347	1,364	1,347	1,363
Other investments	16	2,360	468	49	49
Fixed interest securities (NZ corporate - private)	11	-	1,035	-	1,035
Deferred asset	16	346	330	-	-
		24,581	**9,265**	**26,054**	**9,645**
Total assets		**33,829**	**27,089**	**35,298**	**27,465**

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PEGASUS HEALTH (CHARITABLE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

		Group		Company	
	Note	2016	2015	2016	2015
LIABILITIES		**$'000**	**$'000**	**$'000**	**$'000**
Current liabilities					
Payables (from exchange transactions)	17	8,322	8,989	8,322	8,989
Employee benefit liability	18	1,496	1,426	1,496	1,426
Project Residual Fund	20	73	71	73	71
Provisions	21	165	165	165	165
		10,056	**10,651**	**10,056**	**10,651**
Non-current liabilities					
Loans	19	9,040	40	9,040	40
Project Residual Fund	20	182	255	182	255
Deferred payment	16	346	330	-	-
		9,568	**625**	**9,222**	**295**
Total liabilities		**19,624**	**11,276**	**19,278**	**10,946**
NET ASSETS / EQUITY					
Share capital	22	12	12	12	12
Revaluation surplus	22	933	868	932	867
Share of movement in associates reserves	16	242	258	242	258
Accumulated revenue and expense		13,018	14,675	14,834	15,382
Net assets / equity		**14,205**	**15,813**	**16,020**	**16,519**
Total net assets/equity		**14,205**	**15,813**	**16,020**	**16,519**
Total net assets/equity and liabilities		**33,829**	**27,089**	**35,298**	**27,465**

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PEGASUS HEALTH (CHARITABLE) LIMITED
STATEMENT OF CASH FLOWS
AS AT 30 JUNE 2016

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Proceeds from:					
Rental income		228	239	228	239
Proceeds from cash receipts from customers		39,764	37,333	39,764	37,333
Payments to suppliers and employees		(38,851)	(37,958)	(38,851)	(37,958)
Agency receipts		70,929	72,103	70,929	72,103
Agency payments		(71,684)	(73,184)	(71,684)	(73,184)
Net cash inflow/(outflow) from operating activities	27	**386**	**(1,467)**	**386**	**(1,467)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received		455	575	455	575
Investment in subsidiaries		(3,000)	0.2	(3,000)	0.1
Payments for purchase of property, plant and equipment		(15,589)	(963)	(15,589)	(963)
Sale/(Purchase) of fixed interest investments		1,035	(484)	1,035	(484)
Net cash inflow/(outflow) from investing activities		**(17,099)**	**(872)**	**(17,099)**	**(872)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from draw down of loans		9,000	-	9,000	-
Interest paid		(57)	-	(57)	-
Net cash inflow/(outflow) from financing activities		**8,943**	**-**	**8,943**	**-**
Net increase/(decrease) in cash and cash equivalents		**(7,770)**	**(2,339)**	**(7,770)**	**(2,339)**
Cash and cash equivalents at beginning of year		**12,076**	**14,414**	**12,071**	**14,411**
Cash and cash equivalents at the end of year	11	**4,306**	**12,075**	**4,302**	**12,071**

PEGASUS HEALTH (CHARITABLE) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Note 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 1, 567 Wairakei Road, Christchurch and principle place of business is 160 Bealey Avenue, 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 2016 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":

- Canterbury GP Group Capitated Funding Trust Ltd - Subsidiary
- Pegasus Health (Limited Partnership) Ltd - Subsidiary
- After Hours Properties Ltd - Associate
- Canterbury Community Care Trust Ltd - Associate

Note 2 - Basis of preparation

(a) Statement of compliance

The consolidated 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 31 August 2016.

(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
- Fixed interest securities at market value

(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.

BDO Christchurch

Note 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.
- 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 2016 include the following:

Valuation of land and buildings Note 14
The Company obtains valuations performed by external valuers in order to determine the fair value of its properties. These valuations are based upon assumptions including future rental income, anticipated maintenance costs, future development costs and the appropriate discount rate. The valuers also make reference to market evidence of transaction prices for similar properties. Further information in relation to the valuation of freehold land and buildings is in Note 4.

Impairment of software Note 15
The Company is required to test, on an annual basis, whether internally generated intangible assets have indications of impairment. The value in use is based on the ability of those assets to be used, and evidence that assets developed are owned by the Company. Where the clarity of contracts regarding ownership of software being developed is not clear, management estimates the level of impairment relating to that software.

Provisions Note 21
The company has a constructive obligation to restore the rented premises to its existing condition at the end of the lease term. Management has made an estimate of the expected cost of this obligation.

Investment Notes 16 and 23
The investment in Homecare Medical (Limited Partnership) Ltd involves both a Deferred Asset and Payment. The Directors have estimated the net present value of both the Asset and Payment.

BDO Christchurch

Note 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.

The significant accounting policies of the Group are detailed below:

(a) Basis of consolidation
(b) Revenue
(c) Employee benefits
(d) Finance income and finance costs
(e) Financial instruments
(f) Impairment of non-derivative financial assets
(g) Inventory
(h) Property, plant and equipment
(i) Intangible assets
(j) Impairment of non-financial assets
(k) Leases
(l) Provisions
(m) Share capital
(n) Agency payments
(o) Goods and services tax
(p) Deferred tax

(a) Basis of consolidation

i. Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

Loss of control of a subsidiary

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any minority interest, and the other components of net assets/equity related to the controlled entity. Any surplus or deficit arising on the loss of control is recognised in surplus or deficit.

If the Group retains any interest in the previously controlled entity, then such interest is measured at fair value at the date that control is lost. Subsequently, the retained interest is either accounted for as an equity-accounted associated or an available-for-sale financial asset depending on the level of influence retained.

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

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

BDO
Christchurch

ii. Associates

Associates are those entities in which the Company 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 are accounted for using the equity method (equity accounted investees) and are recognised initially at cost, including directly attributable transaction costs.

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

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

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.

iv. The parent company investments in controlled entities and associates are accounted for using the same accounting policies as stated above.

(b) 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 is received for 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.

BDO
Christchurch

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.

(c) Employee Benefits

Short-term employee benefits

i. 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. A provision is recognised for the amount expected to be paid under outstanding annual leave balances if the Group or Company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee, and the obligation can be estimated reliably.

ii. Defined contribution plans

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

(d) Finance income and finance costs

Finance income comprises interest income on financial assets and gains on the disposal of available-for-sale 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.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in surplus or deficit using the effective interest method, otherwise borrowing costs are capitalised as part of a qualifying asset's initial cost.

(e) 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.

The Group also derecognises financial assets and financial liabilities when there have been significant changes to the terms and/or the amount of contractual payments to be received/paid.

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*, and *available-for-sale.*

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 for those financial instruments not subsequently measured at fair value through surplus or deficit, directly attributable transaction costs.

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

i. Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses (refer *Note 4(f)*).

Loans and receivables comprise cash and cash equivalents and receivables.

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

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets.

Available-for-sale financial assets are subsequently measured at fair value with gains or losses (other than foreign exchange gains or losses) recognised in other comprehensive revenue and expense and presented in the *AFS fair value reserve* within net assets/equity, less impairment (refer *Note 4(h)*).

Upon de-recognition, the accumulated gain or loss within net assets/equity is reclassified to surplus or deficit.

Available-for-sale financial assets comprise debt securities.

(f) 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.

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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.

i. 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.

ii. Financial assets classified as available-for-sale

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in net assets/equity to surplus or deficit.

The cumulative loss that is reclassified from net assets/equity to surplus or deficit is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in surplus or deficit.

Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired *available-for-sale* debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in surplus or deficit. However, any subsequent recovery in the fair value of an impaired *available-for-sale* equity security is recognised in other comprehensive revenue and expense.

(g) Inventory

Inventory is initially measured at cost.

Inventories are subsequently measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

(h) 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 (or fair value for items acquired through non-exchange transactions) 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. The cost of self-constructed 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
- When the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located, and
- Capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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.

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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 :

	2016	2015
Buildings	2.0%	2.0%
Plant and machinery	6.0 - 67.0%	6.0 - 67.0%
Motor vehicles	20.0 - 25.2%	20.0 - 25.2%
Fixtures and fittings	6.0 - 30%	6.0 - 30%
Leasehold improvements	7.1 - 33.3%	7.1 - 33.3%

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

(i) Intangible assets

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, or not yet available for use.

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, and
- Capitalised borrowing costs.

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:

	2016	2015
Software	6.0 - 67.0%	6.0 - 67.0%

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

(j) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than 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.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

Impairment losses are recognised in surplus or deficit.

(k) 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.

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.

ii. Determining whether an arrangement contains a lease

At the inception of an arrangement the Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- The fulfilment of the arrangement is dependent on the use of a specific assets or assets, and
- The arrangement contains a right to use the asset(s).

At inception or on reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost within surplus or deficit.

(m) Share capital

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

(n) 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.

(o) 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.

(p) Deferred 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), they are not required to pay income tax. Any deferred tax is therefore calculated at a rate of zero percent.

The Company has two associates, After Hours Properties Ltd and Canterbury Community Trust Ltd, which are tax paying entities. Deferred tax is calculated as part of the value of the investments.

Note 5 - Changes in accounting policy

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

- This is the first set of financial statements presented in accordance with the new PBE IPSAS 46 First time adoption of PBE standards where the entity previously applied NZ IFRS. This did not result in any restatement of any figures previously reported.
- Revenue from non-exchange transactions. The company receives access to data in exchange for the payment of data support payments to or on behalf of general practices. It is impractical to determine the value of the data as revenue.

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Note 6 - Accounting standards issued not yet effective

There are no accounting standards issued that are not yet effective.

Note 7 - Revenue

	Note	Group		Company	
		2016	**2015**	**2016**	**2015**
		$'000	**$'000**	**$'000**	**$'000**
Revenue from:					
Delivery of Health Services		32,873	30,275	32,873	30,275
IT services		4,312	4,209	4,312	4,209
Sale of Vaccines		506	459	506	459
Other Income		1,402	2,071	1,402	2,071
Rental income		129	139	129	139
Rental income from sub-lease of operating leases	25	99	99	99	99
Total revenue		**39,321**	**37,252**	**39,321**	**37,252**

Delivery of health services

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 2017.

The Company delivers a further range of services funded by the CDHB. These include services focussed on integration of primary and secondary care, support for the provision of 24 Hour Acute Care in the community, the provision of services to residents of Child Youth and Family Residences and programme office support to the Canterbury Clinical Network (CCN) - an alliance of the region's health professionals and others, which in conjunction with the CDHB is working towards a transformation of health care to significantly improve the delivery of patient care in the community. The CDHB also provides funding towards the development and delivery of a comprehensive clinical education programme to doctors, nurses and pharmacists working in primary care in Canterbury and a number of information systems initiatives. The majority of these services are funded on a two to three year basis whilst some elements are funded on an annual basis. Satisfactory on-going contractual arrangements for the majority of these areas have been agreed with CDHB. Negotiations are progressing with respect to the remaining contract areas.

Patient fees 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.

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Note 8 - Expenses by nature

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Employee benefits	10	24,747	23,560	24,747	23,560
Depreciation	14	327	441	327	441
Amortisation	15	609	489	609	489
Impairment expense/(reversal) of property, plant & equipment	14	135	-	135	
Impairment expense/(reversal) of intangibles	15	33	29	33	29
Non-cancellable operating lease payments	25	1,035	938	1,035	938
Professional fees					
- BDO Audit of the financial statements		61	42	61	42
Rent and outgoings		1,022	927	1,022	927
Director fees		400	378	400	378
Software licences		483	478	483	478
Medical supplies & vaccines		612	623	612	623
Other		10,719	10,532	10,719	10,532
Total operating expenses		**40,183**	**38,437**	**40,183**	**38,437**

Note 9 - Net finance income/(costs)

	Group 2016 Actual $'000	Group 2015 Actual $'000	Company 2016 Actual $'000	Company 2015 Actual $'000
FINANCE INCOME				
Interest income:				
Finance income (on cash and cash equivalents)	364	515	364	515
Total finance income	**364**	**515**	**364**	**515**
FINANCE COSTS				
Interest expense:				
Finance costs (on loans)	(57)	-	(57)	-
Total finance costs	(57)	-	(57)	-
Realised gain/(loss) on fixed interest securities	7	30	7	30
Net finance income/(costs)	314	545	314	545

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Note 10 – Employee benefit expense

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Short-term employee benefits	24,241	23,075	24,241	23,075
Defined contribution plans	506	485	506	485
Total employee benefit expense	**24,747**	**23,560**	**24,747**	**23,560**

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Note 11 - Cash and cash equivalents

(a) Cash and cash equivalents

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Current assets:				
Cash on hand	97	74	93	70
Call deposits	2,709	5,001	2,709	5,001
Bank deposits (less than 90 days)	1,000	3,500	1,000	3,500
Cash and cash equivalents in the statement of cash flows	**3,806**	**8,575**	**3,802**	**8,571**

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Non-Current assets:				
Fixed interest securities (New Zealand corporate - private)	-	1,035	-	1,035
Cash and cash equivalents in the statement of cash flows	**-**	**1,035**	**-**	**1,035**

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

Bank deposits	3.15%-3.5%	4.2%-4.55%	3.15%-3.5%	4.2%-4.55%
Call deposits	0.55%-3.45%	2.5%-3.45%	0.55%-3.45%	2.5%-3.45%
Bank overdrafts	6.30%	Nil	6.30%	Nil

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

(b) Other investments - Short-term deposits

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Bank deposits (between 90 and 365 days)	500	3,500	500	3,500
	500	**3,500**	**500**	**3,500**

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

Bank deposits	3.2%	3.9%-4.95%	3.2%	3.9%-4.95%

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

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Note 12 - Receivables - exchange transactions

		Group		Company	
	Note	2016	2015	2016	2015
		$'000	$'000	$'000	$'000
Trade receivables from exchange transactions	22	4,520	5,236	4,520	5,236
Allowance for impairment	22	-	(1)	-	(1)
Net trade receivables from exchange transactions	*22*	**4,520**	**5,235**	**4,520**	**5,235**
Sundry receivables		25	125	25	125
		4,545	**5,360**	**4,545**	**5,360**

During the year ended 30 June 2016 write-offs relating to trade receivables of $60,000 were recognised in operating expenses in the profit or loss (2015: $60,000).

i. Maturities

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

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Total accounts receivable (net)	**4,520**	**5,236**	**4,520**	**5,236**
Analysed as due:				
Less than 30 days (current)	4,436	5,051	4,436	5,051
Between 31 and 60 days	48	132	48	132
Between 61 and 90 days	40	54	40	54
Greater than 91 days	(4)	(1)	(4)	(1)
Total accounts receivable (net)	**4,520**	**5,236**	**4,520**	**5,236**

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

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Total impaired accounts receivable (net)	-	**1**	-	**1**
Analysed as due:				
Less than 30 days (current)	-	-	-	-
Between 31 and 60 days	-	-	-	-
Between 61 and 90 days	-	-	-	-
Greater than 91 days	-	1	-	1
Total impaired accounts receivable (net)	-	**1**	-	**1**

None of the receivables are past due but not impaired.

ii. Credit term and interest

The average credit term on invoiced amounts is 30 days and is interest free (2015: 30 days and is interest free).

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Note 12 - Receivables - exchange transactions (continued)

iii. Impairment allowance

As at 30 June 2016, the impairment allowance relates to overdue accounts receivable where there is uncertainty as to whether the amounts will be recovered (2015: $1,000) 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	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
As at 1 July 2015	1	1	1	1
Allowance for receivables impairment	59	62	59	62
Receivables written off during the year as uncollectable	(60)	(62)	(60)	(62)
Unused amounts reversed	-	-	-	-
Surplus/(Deficit) as at 30 June 2016	-	1	-	1

Note 13 - Inventories

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Vaccines	11	17	11	17
	11	**17**	**11**	**17**

In 2016, the write-down of inventories to net realisable value amounted to $Nil (2015: $Nil).

There were no reversals of previously written down inventory items (2015: $Nil).

All items of inventory are pledged as security against the Group's liabilities (2015: $Nil).

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Note 14 - Property, plant and equipment

Group and Company	Land and buildings	Plant and machinery	Motor vehicles	Fixtures and fittings	Leasehold Improvements	Work in Progress on Pegasus House	Total
Cost or valuation	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 2014	**3,729**	**4,133**	**87**	**969**	**525**	-	**9,443**
Additions (exchange)	2	277	-	50	14	-	**343**
Revaluation (surplus / deficit)	38	-	-	-	-	-	**38**
Disposals	-	-	-	-	-	-	-
Balance as at 30 June 2015	**3,769**	**4,410**	**87**	**1,019**	**539**	-	**9,824**
Balance as at 1 July 2015	**3,769**	**4,410**	**87**	**1,018**	**538**	-	**9,823**
Additions (exchange)	14,126	403	11	6	49	132	**14,727**
Revaluation (surplus / deficit)	65	-	-	-	-	-	**65**
Reclassification	4	110	-	(118)	-	-	**(4)**
Disposals	-	(1,696)	(5)	(109)	(79)	-	**(1,888)**
Balance as at 30 June 2016	**17,964**	**3,227**	**93**	**798**	**509**	**132**	**22,724**

Reclassification of property, plant and equipment

The reclassification of land and buildings, plant and machinery and fixtures and fittings occurred following a review of the fixed asset register upon moving the register onto new software.

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Note 14 - Property, plant and equipment (continued)

Group and Company	Note	Land and buildings	Plant and machinery	Motor vehicles	Fixtures and fittings	Leasehold Improvements	Work in Progress on Pegasus House	Total
Accumulated depreciation and impairment	Note	$'000	$'000	$'000	$'000	$'000		$'000
Balance as at 1 July 2014		214	3,378	53	637	339	-	4,622
Depreciation	8	34	382	9	91	39	-	555
Balance as at 30 June 2015		**249**	**3,760**	**62**	**728**	**378**	-	**5,177**
Balance as at 1 July 2015		249	3,760	62	728	378	-	5,177
Depreciation	8	44	352	6	53	47	-	501
Impairment	8	3	-	-	36	96	-	135
Reclassification		4	109	-	(114)	4	-	3
Disposals		-	(1,695)	-	(109)	(79)	-	(1,883)
Balance as at 30 June 2016		**300**	**2,526**	**68**	**594**	**446**	-	**3,934**
Net book value								
As at 1 July 2014		3,515	755	34	331	186	-	4,821
As at 30 June 2015		3,520	651	24	290	161	-	4,646
As at 30 June 2016		17,664	702	25	204	63	132	18,790

(i) ***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*).

(ii) **Assets under construction - Pegasus House**
The Group is involved in the process of refitting a building, the planning for which had commenced prior to year end. The value of the refit budget is $4,800,000.

(iii) ***Revalued land and buildings***
Land and buildings were revalued as at 30 June 2016 using an independent valuer, GR Sellars FNZIV FPINZ, Colliers International, an independent registered valuer. At balance date the revaluation surplus arising has been transferred through other comprehensive revenue and expense into the revaluation reserve.

a. **8 Caledonian Road**

In estimating the fair value of land and buildings relating to 8 Caledonian Road, the investment valuation method was used, which incorporated the use of the following significant assumptions:

- Significant Assumption 1 - The valuer provided the rental and leasing information
- 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 short to medium term.

b. **16 Caledonian Road, 933, 937 & 941 Colombo Street**

In estimating the fair value of land and buildings relating to 16 Caledonian Road, 933, 937 and 941 Colombo Street, the comparable sales method was used, which incorporated the use of the following significant assumptions:

- Significant Assumption 1 - Comparable sales of land
- Significant Assumption 2 - Comparable sales of improved residential properties

Note 15 - Intangibles

Group and Company		Software	Trademarks and domain names	Intangibles under construction WIP Internal projects	Total
Cost or valuation	Note	$'000	$'000	$'000	$'000
Balance as at 1 July 2014		**2,817**	**8**	**142**	**2,967**
Additions (acquired externally)		125	10	-	**135**
Additions (developed internally)		517	-	(32)	**485**
Disposals		(5)	-	-	**(5)**
Balance as at 30 June 2015		**3,454**	**18**	**110**	**3,582**
Balance as at 1 July 2015		**3,454**	**18**	**110**	**3,582**
Additions (acquired externally)		145	6	-	**151**
Additions (developed internally)		535	-	176	**711**
Impairment	8	(13)	-	-	**(13)**
Disposals		(687)	-	-	**(687)**
Balance as at 30 June 2016		**3,434**	**24**	**286**	**3,744**

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Note 15 - Intangibles (continued)

Group and Company Accumulated amortisation and impairment	Note	Software $'000	Trademarks and domain names $'000	Intangibles under construction WIP Internal projects $'000	Total $'000
Balance as at 1 July 2014		1,649	-	-	1,649
Amortisation	8	488	-	-	488
Impairment	8	23	-	-	23
Disposals		-	-	-	-
Balance as at 30 June 2015		2,161	-	-	2,161
Balance as at 1 July 2015		2,161	-	-	2,161
Amortisation	8	536	-	-	536
Impairment	8	(4)	-	-	(4)
Disposals		(687)	-	-	(687)
Balance as at 30 June 2016		2,006	-	-	2,006
Net book value					
As at 1 July 2014		1,168	8	142	1,318
As at 30 June 2015		1,294	18	110	1,422
As at 30 June 2016		1,428	24	286	1,738

(i) Amortisation

The amortisation rates and method are noted in Note 4(i).

Within software, there are assets with remaining amortisation periods of between 1 to 7 years.

(ii) Security and restrictions

All intangible assets are subject to the Company's General Security Agreement (2015: $Nil).

The impairment expense (reversals) is recognised Operating Expenses in the statement of comprehensive revenue and expense.

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

The impairment for software in 2016 relates to modules of software that are obsolete.

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Note 16 - Subsidiaries, Associates & Investments

16.1 Subsidiaries

At 30 June 2016, subsidiary companies comprised:

Name	Principal Activity	Percentage Shareholding 2016	Percentage Shareholding 2015	Balance Date
Canterbury GP Group Capitated Funding Trust Ltd	Trustee	100%	100%	30 June
Pegasus Health (LP) Ltd (PHLP)	Investment	100%	100%	30 June

Movement in Carrying Value of Subsidiaries

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Balance at 1 July	-	-	1,130	1,130
Shareholder advance (interest free)	-	-	3,000	-
Balance at 30 June	-	-	**4,130**	**1,130**

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

Deferred Payment and Deferred Asset
PHLP (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 was settled in cash ($1,125,000), the other component is an earn-out that allows for the liability to be settled progressively throughout the earn-out period of four years from the establishment of Homecare. The maximum value of this component is $375,000 and the liability is contingent upon PHLP receiving commensurate partnership profit distributions which for the first four years are contractually liable to be utilised in settlement of the earn-out component.

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

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Maximum payment	375	375	-	-
Deferred Settlement - Notional interest	(45)	(61)	-	-
Released notional interest	16	16		
Net present value of Deferred Payment and Deferred Asset.	346	330	-	-

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16.2 Associates

At 30 June 2016, associates comprised:

Name	Principal Activity	Percentage Shareholding 2016	Percentage Shareholding 2015	Balance Date
After Hours Properties Ltd	Property investment	50%	50%	31 March
Canterbury Community Care Trust Ltd (CCCTL)	Corporate Trustee	33%	33%	30 June

After Hours Properties Ltd has a 31 March balance date which is the standard balance date for New Zealand companies. The movement between 31 March and 30 June is not accounted for as it is impracticable to do so.

The Group has significant influence over the two entities. After Hours Properties is equity accounted. CCCTL is a non-trading entity with no transactions to account for.

The aggregate amounts of each of the following relates to the Group and Company's interest in After Hours Properties Ltd. These figures are as at 31 March 2016, not adjusted for the percentage ownership held by the Company:

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Current assets	82	91	82	91
Non-current assets	3,255	3,256	3,255	3,256
Current liabilities	79	89	79	89
Non-current liabilities	1,116	1,116	1,116	1,116
Income	277	77	277	77
Expenses	(310)	(311)	(310)	(311)
Net Surplus (Deficit)	**(33)**	**(234)**	**(33)**	**(234)**

Movement in Carrying Value of After Hours Properties Ltd

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Balance at 1 July	1,363	1,480	1,363	1,480
Share of associate's reserves	(16)	(117)	(16)	(117)
Balance at 30 June	**1,347**	**1,363**	**1,347**	**1,363**

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

The share of associates' reserves all relates to the revaluation of land and buildings in the associate. Taken up as part of the share of associates' reserves is a deferred tax liability of $72,000 (2015: $72,000).

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

16.3 Investments

GROUP

At 30 June 2016, the Group's investments comprised the Company's investment listed below and in addition:

Name	Principal Activity	Partnership Interest 2016	Partnership Interest 2015	Balance Date
Homecare Medical (NZ) Limited Partnership	Telephone nurse triage services	50%	50%	30 June

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

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.

COMPANY

At 30 June 2016, the Company's investments comprised:

Name	Principal Activity	Percentage Shareholding 2016	Percentage Shareholding 2015	Balance Date	Investment
Screen South Ltd	Screening services	50%	50%	30 June	5 shares / uncalled $2 each
bpac^{nz} Ltd	Providing information to clinical providers of primary healthcare	20%	20%	30 June	50 shares / uncalled $6 each
Early Start Project Ltd	Support for disadvantaged young parents	11%	11%	30 June	1 share / uncalled $1 each
NZ Medicines Formulary Limited Partnership	The creation and maintenance of a medicines formulary	5%	5%	30 June	40,000 partner units $1 each

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

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

Early Start Project Ltd is a company incorporated in early 1996 which provides a home visiting service for families with children under 5 years of age. The company is a registered charitable company of which Pegasus is one of the seven equal shareholders.

NZ Medicines Formulary Limited Partnership is the Company's partnership interest which gives rise to an entitlement to distributions arising from the limited partnership. However the Company's interest is that of a minority and it does not constitute significant influence.

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

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Movement in Carrying Value of Investments

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Balance at 1 July	468	26	49	49
Investment in: Homecare Medical (NZ) Limited Partnership	3,000	1,125	-	-
Partnership Current Accounts:				
Homecare Medical (NZ) Limited Partnership	(1,108)	(683)	-	-
Balance at 30 June	**2,360**	**468**	**49**	**49**

Note 17 - Payables - exchange transactions

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Trade payables from exchange transactions	1,890	1,601	1,890	1,601
Non-trade payables and accrued expenses	1,630	2,611	1,630	2,611
Pass through and funding in advance	4,802	4,777	4,802	4,777
Trade and other payables measured at amortised cost	**8,322**	**8,989**	**8,322**	**8,989**

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

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Total trade and other payables	**8,322**	**8,989**	**8,322**	**8,989**
Analysed as due:				
Less than 30 days (current)	6,316	8,989	6,316	8,989
Between 31 and 90 days	151	-	151	-
Between 91 and 365 days	1,855	-	1,855	-
Total trade and other payables	**8,322**	**8,989**	**8,322**	**8,989**

The average credit term on invoiced amounts is 30 days (2015: 30 days). Accounts payable, accruals and other liabilities are interest free (2015: interest free).

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Note 18 - Employee benefit liability

	Group		Company	
	2016	2015	2016	2015
Current	$'000	$'000	$'000	$'000
Employee benefits	1,496	1,426	1,496	1,426
Defined contribution plans	34	36	34	36
Liability for wage accruals	87	43	87	43
Total employee benefit liability	**1,617**	**1,505**	**1,617**	**1,505**

Note 19 - Loans

				Group and Company			
				2016		2015	
	Currency	Effective Interest Rate	Year of Maturity	Current $'000	Non-current $'000	Current $'000	Non-current $'000
Westpac Loan	NZ$	Floating	2018	-	9,000	-	-
bpac[nz] Ltd	NZ$	Interest free	On demand	40	-	40	-
				40	**9,000**	**40**	**-**

(i) ***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 bpac[nz] Ltd is secured over the company's partnership interest in NZ Medicines Formulary Limited Partnership.

(ii) ***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.

(iii) ***Loan forgiveness***
During the period, no loans were forgiven.

Note 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 $255,000 remains as at 30 June 2016.

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.

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Note 21 - Provisions

	Group and Company 2016 Make Good	Total
	$'000	$'000
Opening balance (1 July)	165	165
Additional provisions made	-	-
Closing balance (30 June)	165	165
Current	165	165
Non-current	-	-
	165	165

Make Good Provision (2016 $165,000 : 2015 $165,000)

- Under the terms and conditions of a lease, obligations exist to restore a rented building to its original condition (excluding normal wear and tear) at the end of the lease term.
- Expected timing of the outflow is the end of 2016.
- It is uncertain if this amount will need to be expended.
- There is no expected reimbursement.
- There is no asset recognised in respect of any expected reimbursement.

Note 22 - Capital and reserves

Share capital

	Ordinary shares 2016	2015
	No. shares	No. shares
Opening number of shares (1 Jul)	12,000	12,000
Closing number of shares (30 Jun)	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 an annual basis. See Note 4(h) for further details and the property, plant and equipment Note 14.

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Note 23 - Financial instruments

(i) 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 June 2015		Carrying amount ($'000)				Fair value ($'000)			
		Financial assets		Financial liabilities		Hierarchy			
	Note	Loans and receivables	Available for sale	Amortised cost	Total	Level 1	Level 2	Level 3	Total
Subsequently measured at fair value:									
Securities:									
Fixed interest securities *(NZ corporate - private)*	11	-	1,035	-	1,035	-	1,035	-	1,035
Subsequently not measured at fair value									
Cash and cash equivalent (assets)	11	8,575	-	-	8,575				
Other investments - short term deposits	11	3,500	-	-	3,500				
Receivables	12	5,360	-	-	5,360				
Payables	17	-	-	(8,989)	(8,989)				
Loans	19	-	-	(40)	(40)				
		17,435	1,035	(9,029)	9,441	-	1,035	-	1,035

The company analysis is not shown as it is not materially different from the Group analysis. The only difference between the Group and Company is Loans and receivables of $5,000.

Derivative financial instruments

Securities - Fixed interest securities. 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. Fair value approximates carrying value. Accordingly there is no significant difference between fair value and carrying value. The Group and Company held fixed interest securities that fell within level 2 of the fair value hierarchy as at 30 June 2016 $Nil (2015: $1,032,000). The fair value is the market value provided by JB Were.

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Note 23 - Financial instruments (continued)

Group - 30 June 2016

		Carrying amount ($'000)			
		Financial assets		Financial liabilities	
	Note	Loans and receivables	Available for sale	Amortised cost	Total
Subsequently not measured at fair value					
Cash and cash equivalent (assets)	11	3,806	-	-	3,806
Receivables	12	4,545	-	-	4,545
Cash and cash equivalent (liabilities)	11	-	-	-	-
Other investments - short term deposits	11	500	-	-	500
Payables	18	-	-	(8,322)	(8,322)
Loans	20	-	-	(9,040)	(9,040)
		8,851	**-**	**(17,362)**	**(8,511)**

It is considered that none of the financial instruments fall into the fair value hierarchy in 2016.

Fair value approximates carrying amount in all instances.

(ii) Fair values

The fair value hierarchy (presented in the tables above) disaggregates fair value into the following three levels:

- Level 1: Quoted unadjusted prices in active markets for identical instruments
- Level 2: Inputs that are not level 1 that are observable either directly or indirectly
- Level 3: Inputs that are not observable.

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Note 24 - Financial risk management

(i) 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.

(ii) 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 balance sheet date.

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

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

Cash and cash equivalents and derivative assets

The Group has a total of $4,300,000 (2015: $6,100,000) 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 'cash funds' (defined as, cash and cash equivalents less cash physically held) 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	
	2016	**2015**	**2016**	**2015**
Westpac	AA-	AA-	8.4	39.8
BNZ	AA-	AA-	52.4	13.5
Rabobank	A	A	4.3	12.1
ANZ/UDC	AA-	AA-	34.9	30.5
ASB	AA-	AA-	-	4.1

Debt instruments

The Group has a total of $Nil (2015: $1,000,000) invested in debt securities. It is the Company's policy to ensure that debt securities are invested in New Zealand private debt securities, and of those that are invested publically that these are only in debt securities that have a A- credit rating or better, with no more than $500,000 invested in a single investment. At reporting date, $Nil (2015: $1,000,000) of the Group's debt securities were in private debt securities.

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 12. 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 30 days 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:

	2016	**2015**
	($'000)	**($'000)**
Patient debt	42	53
Other debt	4,479	5,182
	4,521	**5,235**

Note 24 - Financial risk management (continued)

(ii) Credit risk (continued)

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 12.

The movement in the impairment allowance for *trade receivables from exchange transactions* is shown in Note 12.

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.

(iii) 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 unsecured overdraft facility, of which $2,000,000 remains undrawn (2015: $Nil).

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

	Contractual cash flows					
	0 - 1 Months	**1 - 3 Months**	**3 - 12 Months**	**12 - 60 Months**	**Total amount**	**Carrying amount**
<u>Group 2016</u>	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivative financial liabilities:						
Cash and cash equivalents (bank overdrafts)	2,806	1,000	500	-	**4,306**	**4,306**
Receivables	4,461	88	(4)		**4,545**	**4,545**
Payables (from exchange transactions)	(6,316)	(151)	(1,855)	-	**(8,322)**	**(8,322)**
Loans:						
Westpac	-	-	-	(9,000)	(9,000)	(9,000)
bpac^{nz} Ltd	-	-	-	(40)	(40)	(40)
	951	**937**	**(1,359)**	**(9,040)**	**(8,511)**	**(8,511)**
<u>Group 2015</u>						
Non-derivative financial liabilities:						
Cash and cash equivalents (bank overdrafts)	5,075	3,500	3,500	-	**12,075**	**12,075**
Fixed interest security	1,035	-	-	-	**1,035**	**1,035**
Receivables	5,175	186	(1)	-	**5,360**	**5,360**
Payables (from exchange transactions)	(8,989)	-	-	-	**(8,989)**	**(8,989)**
Loans:						
bpac^{nz} Ltd	-	-	-	(40)	(40)	(40)
	2,296	**3,686**	**3,499**	**(40)**	**9,441**	**9,441**

As detailed in *Note 19* and *Note 24*, 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.

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Note 24 - Financial risk management (continued)

(iii) Liquidity risk (continued)

Interest rate risk

The Group is exposed to interest rate risk in respect of its fixed interest rate financial assets and financial liabilities, and its floating rate financial liabilities. Interest risk exposure is to cash and cash equivalents, short term deposits, other investments and fixed interest securities. These are held on call, as fixed interest deposits and in 2015, in NZ Corporate bonds. There is no sensitivity to interest risk for all cash and cash equivalents as they are held at amortised cost or market value and are at fixed interest rates.

There is sensitivity however on the $8,989,000 loan from Westpac which is on a floating basis. The effect of a 1% increase in interest rate up or down is demonstrated below.

A reasonably possible increase of 1% (2015: Nil%) and decrease of 1% (2015: Nil%) in interest rates would have the following impact on surplus or deficit and net assets/equity:

	Surplus or deficit		Net assets/equity	
	2016 ($'000)	2015 ($'000)	2016 ($'000)	2015 ($'000)
Interest rate increase of 1% (2015: Nil)	(90)	-	(90)	-
Interest rate decrease of 1% (2015: Nil)	90	-	90	-

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Note 25 - Operating leases

(i) 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	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Less than one year	774	644	774	644
Between one and five years	1,437	1,114	1,437	1,114
Greater than 5 years	-	-	-	-
Total non-cancellable operating lease payments	**2,212**	**1,758**	**2,212**	**1,758**

The Group has entered into a number of material operating leases for premises at 160 Bealey Avenue, 56 Shirley Road, 24 Hour Surgery, and 222 Bealey Ave, all in Christchurch. The lease at 160 Bealey Ave is due to expire 17 March 2018. The lease at 56 Shirley Road expired 31 July 2016. The lease for 24 Hour Surgery is due to expire March 2019. The lease at 222 Bealey Ave has a final expiry date of 20 September 2027 if rights of renewal are exercised by the Company. The Ricoh photocopier lease is due to expire April 2018, charges are based on usage.

Sub-leases

(ii) 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	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Less than one year	184	115	184	115
Between one and five years	601	447	601	447
Greater than 5 years	-	-	-	-
Total non-cancellable operating lease payments	**785**	**562**	**785**	**562**

This note covers the sub-leases at 24 Hours Surgery, 56 Shirley Road, 937 Colombo Street and 222 Bealey Avenue.

The rights of renewal for the sub-leases at 24 Hour Surgery fall due in March 2019. The leases at 56 Shirley Road expired end of July 2016. The flat at 937 Colombo Street is leased out on a periodic residential tenancy agreement. 70% of 222 Bealey Avenue is subleased to a related party, Homecare Medical (NZ) Limited Partnership, on terms identical to the head lease.

The total future non-cancellable minimum sub-lease payments at reporting date are $785,000 (2015: $562,000).

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Note 26 - Related party transactions

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

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

(i) **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	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
After Hours Properties: interest income	72	72	72	-
After Hours Properties: management fee income	55	63	55	-
After Hours Properties: operating lease expenses	177	177	-	-
Screen South Ltd: contract revenue/pass through claims	298	303	31	32
bpac^{nz} Ltd: loan (interest free, on demand)	-	-	-	40
Homecare Medical (NZ) Limited Partnership (services)	349	11	95	10
CCCTL (directors fees)	8	8	-	8
Pegasus Health (LP) Ltd (advances)	3,000	5	3,005	5

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

No related party debts have been written off or forgiven during the year. The nature and relationship of the related party transactions can be seen in Note 16.2.

(ii) **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

Members of the governing body are paid an annual fee of $400,020 as well as $139,578 for other services performed for the Company.

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:

	2016		2015	
	Remuneration $'000	Number of individuals	Remuneration $'000	Number of individuals
Members of the governing body	539	11 people	561	11 people
Senior executive officers	1,304	6.75 FTE's	991	5.2 FTE's
	1,843		**1,552**	

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Note 27 - Reconciliation of operating cash flows to net surplus

		Group		Company	
	Note	2016	2015	2016	2015
		$'000	$'000	$'000	$'000
Net surplus / (deficit)		(1,657)	(1,324)	(548)	(640)
Adjustments for non-cash items:					
Depreciation	14	508	556	508	556
Amortisation	15	537	488	537	488
Impairment losses (reversals) on intangibles	14	144	24	144	24
Net finance costs	9	57	-	57	-
Share of equity accounted associates surplus/ (deficit)	16	1,109	683	-	-
Loss/ (gain) on disposal of property, plant and equipment	14	5	6	5	6
Bad debt write off		60	61	60	61
Unrealised gain on investments		-	(29)	-	(29)
Interest received		(371)	(515)	(371)	(515)
Adjustments for movements in:					
(Increase)/decrease in receivables		(99)	(834)	(99)	(834)
(Increase)/decrease in inventories		6	(5)	6	(5)
Increase/(decrease) in payables		87	(578)	87	(578)
Net operating cash inflow / (outflow)		386	(1,467)	386	(1,467)

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Note 28 - Commitments and contingencies

i. ***Commitments***

There is an estimated commitment of $4,743,000 (2015: $20,000) for

- The acquisition of property, plant and equipment contracted for but not in operation at balance date $75,000 (2015: $20,000).

- The refit of the building at 401 Madras Street, with a budget of $4,800,000 (2015: $Nil), of which $132,000 has been expended as at 30 June 16. This leaves a commitment of $4,668,000 (2015: $Nil) as at balance date. This work is due for completion in April 2017.

ii. ***Contingent Liabilities***

At 30 June 2016 and 30 June 2015 the Group has contingent liabilities in respect of repairs to earthquake damage which will not exceed the value of the related contingent assets.

iii. ***Contingent assets***

Christchurch suffered a series of earthquakes between September 2010 and June 2011 which have resulted in a number of insurance claims. Discussions continue with loss adjustors and the insurance companies involved to finalise those claims which are still outstanding. Interim progress payments and insurer undertaken repairs have been received for some aspects. A contingent asset exists for the value of work outstanding in relation to properties held within an Associated Company. The quantum of this is estimated to be $615,000 (2015: $575,000) at the date of signing the financial statements; discussions are still in progress with the loss adjustor and the insurers.

Note 29 - Events after reporting date

There are no events subsequent to balance date.