PEGASUS HEALTH (CHARITABLE) LIMITED

NOT FOR-PROFIT ENTITY

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 30 June 2018

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COMPANY DIRECTORY

The Directors are pleased to present the financial statements of Pegasus Health (Charitable) Ltd for the year ended 30 June 2018.

REGISTERED OFFICE	Pegasus Health (Charitable) Ltd Level 4, 123 Victoria Street Christchurch
DIRECTORS	Dr S E Ashmore Dr H H Chima (Resigned 18 October 2017) Dr C M Christie (Appointed 29 November 2017) Dr J P Coughlan (Deputy Chair) Ms J C Huria A R Hornblow (Resigned 13 December 2017) Dr G O'Duffy (Resigned 18 October 2017, reappointment 29 November 2017) Ms N M Scott Prof L J Toop (Chair) Mr P R Townsend Dr S M H Wynn Thomas
AUDITOR	BDO Christchurch
LEGAL ADVISORS	Lane Neave
SHARES	12,000 Ordinary Shares
SHAREHOLDERS	Dr J P Coughlan Prof L J Toop Dr S E Ashmore Dr S M H Wynn Thomas Dr C M Christie Ms N M Scott Dr G O'Duffy

For the year Ended 30 June 2018

1 Company Objects

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

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

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

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

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

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

f. The improved availability of health related information;

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

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

2 Dividend

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

3 Audit Fees

Audit fees of $45,567 were paid to BDO Christchurch. There were no other fees paid to BDO Christchurch.

4 Directors' Interests

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

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

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

Use of Company Information

No notices were received during the year.

Remuneration and Other Benefits - Directors' Fees

Directors' fees for their board activities totaled $392,134. The shareholders unanimously agree in terms of s211(3) of the Companies Act 1993 not to report s211(f).

Directors' Board Meeting Attendances

	Number of attendances	Number of apologies
Dr S E Ashmore	11	1
Dr C M Christie	9	0
Dr J P Coughlan (Deputy Chair)	10	2
Dr H H Chima	2	0
A R Hornblow	5	0
Ms J C Huria	12	0
Dr G O'Duffy	9	2
Ms N M Scott	11	1
Prof L J Toop (Chair)	12	0
Mr P R Townsend	12	0
Dr S M H Wynn Thomas	12	0

Share Dealing

General practitioner and nurse directors hold shares in trust for the company's charitable beneficiaries. Due to constitution changes approved at the 2017 AGM, 2 parcel of shares were relinquished from 1) Harsed Chima (1,714) and 2)Gayle O'Duffy (1,715) and transferred to Prof LJ Toop as Chair. On reappointment, 1,715 shares were transferred from Prof LJ Toop to Gayle O'Duffy. On appointment, 1,714 shares were transferred during the year from Prof L J Toop to Caroline M Christie.

Provision of Services

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

Employees

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

100,000 -110,000	15
110,001 -120,000	9
120,001 -130,000	5
130,001 -140,000	6
140,001 -150,000	3
150,001 -160,000	4
160,001 -170,000	4
170,001 -180,000	4
180,001 -190,000	0
190,001 -200,000	2
200,001 -210,000	0
210,001 -220,000	0
220,001 -230,000	2
230,001 -240,000	2
240,001 -250,000	0
250,001 -260,000	1
260,001 -270,000	0
270,001 -280,000	0
280,001 -290,000	0
290,001 -300,000	0
300,001 -340,000	0
340,001 -350,000	1

FOR AND ON BEHALF OF THE BOARD

Prof L J Toop
Chair
29-Aug-18

Dr J Coughlan
Deputy Chair
29-Aug-18

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 8-35, the Directors are required to:

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

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

FOR AND ON BEHALF OF THE BOARD

Prof L J Toop	**Dr J Coughlan**
Chair	Deputy Chair
29-Aug-18	29-Aug-18

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Pegasus Health (Charitable) Limited ("the Group") and its subsidiaries (together, "the Group"), which comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of comprehensive revenue and expense, consolidated statement of changes in net assets/equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Public Benefit Entity Standards ("PBE Standards") issued by the New Zealand Accounting Standards Board.

Basis for Opinion

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

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

Directors' Responsibilities for the Consolidated Financial Statements

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

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

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

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

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

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

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

Who we Report to

This report is made solely to the Group's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

BDO Christchurch

BDO Christchurch
Christchurch
New Zealand
29 August 2018

PEGASUS HEALTH (CHARITABLE) LIMITED
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE
For the Year Ended 30 June 2018

		Group		Company	
	Note	**2018**	**2017**	**2018**	**2017**
		$'000	**$'000**	**$'000**	**$'000**
Total revenue	8	46,249	42,096	46,249	42,096
Operating expenses	9	(45,291)	(41,524)	(45,291)	(41,497)
Surplus/(Deficit) before net financing costs		958	572	958	599
Finance income (on loans and receivables)		89	114	89	114
Finance costs (on liabilities at amortised cost)		(594)	(486)	(594)	(486)
Net finance income/(costs)		(505)	(345)	(505)	(372)
Limited Partnership profit/(loss) for the year	15	544	411	-	-
Surplus/(deficit) for the year attributable to equity holders of the parent		996	638	453	227
Other comprehensive revenue and expense					
Share of associate other comprehensive revenue and expense	15	(11)	(106)	(11)	(106)
Surplus/(Deficit) on revaluation of property, plant and equipment		-	1,893	-	1,893
Other comprehensive revenue and expense for the year		(11)	1,787	(11)	1,787
Total comprehensive revenue and expense for the year attributable to equity holders of the parent		985	2,425	442	2,014

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

BDO Christchurch

STATEMENT OF CHANGES IN NET ASSETS/EQUITY

For the Year Ended 30 June 2018

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 2016		12	933	13,018	242	14,205
Surplus/(Deficit) for the year		-	-	638	-	638
Other comprehensive income for the year		-	1,893	-	(106)	1,787
Total comprehensive income for the year	20	-	1,893	638	(106)	2,425
Closing balance 30 June 2017		12	2,826	13,656	136	16,630
Surplus/(Deficit) for the year		-	-	996	-	996
Other comprehensive income for the year		-	-	-	(11)	(11)
Total comprehensive income for the year	20	-	-	996	(11)	985
Closing balance 30 June 2018		12	2,826	14,652	125	17,615

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

BDO Christchurch

PEGASUS HEALTH (CHARITABLE) LIMITED
STATEMENT OF CHANGES IN NET ASSETS/EQUITY
For the Year Ended 30 June 2018

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 2016		12	933	14,834	242	16,020
Surplus/(Deficit) for the year		-	-	227	-	227
Other comprehensive income for the year		-	1,893	-	(106)	1,787
Total comprehensive income for the year	20	-	1,893	227	(106)	2,014
Closing balance 30 June 2017		12	2,826	15,061	136	18,034
Surplus/(Deficit) for the year		-	-	453	-	453
Other comprehensive income for the year		-	-	-	(11)	(11)
Total comprehensive income for the year	20	-	-	453	(11)	442
Closing balance 30 June 2018		12	2,826	15,514	125	18,476

BDO Christchurch

PEGASUS HEALTH (CHARITABLE) LIMITED
STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

	Note	Group 2018	Group 2017	Company 2018	Company 2017
ASSETS		$'000	$'000	$'000	$'000
Current assets					
Cash and cash equivalents	11	1,889	2,485	1,887	2,481
Receivables (from exchange transactions)	12	4,891	3,891	4,890	3,891
Inventories		12	6	12	6
Prepayments		480	397	480	397
		7,272	6,779	7,269	6,775
Non-current assets					
Property, plant and equipment	13	25,705	25,552	25,705	25,552
Intangibles	14	4,167	1,796	4,167	1,796
Investment in other entities	15	3,678	4,012	4,543	5,421
Deferred asset	15	-	188	-	-
		33,550	31,548	34,415	32,769
Total assets		40,822	38,327	41,684	39,544
LIABILITIES					
Current liabilities					
Payables (from exchange transactions)	16	7,887	6,451	7,887	6,451
GST payable	-	412	524	413	525
Employee benefit liability	17	1,730	1,639	1,730	1,639
Project residual fund	19	93	73	93	73
Derivative financial liabilities	22	45	-	45	-
Loans	18	4,040	40	4,040	40
		14,207	8,727	14,208	8,728
Non-current liabilities					
Loans	18	9,000	12,673	9,000	12,673
Project residual fund	19	-	109	-	109
Deferred payment	15	-	188	-	-
		9,000	12,970	9,000	12,782
Total liabilities		23,207	21,697	23,208	21,510
NET ASSETS / EQUITY					
Share capital	20	12	12	12	12
Revaluation surplus	20	2,826	2,826	2,826	2,826
Share of movement in associates reserves	15	125	136	125	136
Accumulated revenue and expense		14,652	13,656	15,513	15,060
Total net assets/equity		17,615	16,630	18,476	18,034
Total net assets/equity and liabilities		40,822	38,327	41,684	39,544

FOR AND ON BEHALF OF THE BOARD, 29 August 2018

Prof L J Toop
Chair

Dr J Coughlan
Deputy Chair

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

BDO Christchurch

Statement of Cash Flows

For the Year Ended 30 June 2018

	Note	Group 2018	Group 2017	Company 2018	Company 2017
		$'000	$'000	$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES	25				
Proceeds from:					
Rental income		459	342	459	342
Royalties		283	48	283	48
Proceeds from cash receipts from customers		44,392	42,173	44,392	42,173
Payments to suppliers and employees		(44,559)	(40,984)	(44,557)	(40,957)
Interest received		107	132	107	132
Interest paid		(594)	(486)	(594)	(486)
Agency payments		1,606	(780)	1,606	(807)
Net cash inflow/(outflow) from operating activities		1,694	445	1,696	445
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for purchase of property, plant and equipment		(3,492)	(5,939)	(3,492)	(5,939)
Investments in partnerships (Group) subsidiary (Company)		875	-	875	-
Net cash inflow/(outflow) from investing activities		(2,617)	(5,939)	(2,617)	(5,939)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from draw down of loans		327	3,673	327	3,673
Net cash inflow/(outflow) from financing activities		327	3,673	327	3,673
Net increase/(decrease) in cash and cash equivalents		(596)	(1,821)	(594)	(1,821)
Cash and cash equivalents at beginning of year	11	2,485	4,306	2,481	4,302
Cash and cash equivalents at the end of year	11	1,889	2,485	1,887	2,481

1 Reporting Entity

Pegasus Health (Charitable) Limited is a Tier 1 Public Benefit Entity (the 'controlling entity') and a charity registered under the Charities Act 2005. The entity is domiciled in New Zealand, and is a public benefit entity for the purposes of financial reporting in accordance with the Financial Reporting Act (2013). The controlling entity's registered office is at Level 4, 123 Victoria Street, Christchurch and principal place of business is 401 Madras Street, Christchurch. The controlling entity is a Tier 1 entity as it is publicly accountable for funds held in a fiduciary capacity as part of its primary business, and it is considered large as it has total expenses over $30 million.

These financial statements for the year ended 30 June 2018 comprise the controlling entity and its controlled entities (together referred to as the 'Group' and individually as 'Group entities').

Pegasus Health (Charitable) Limited is principally involved in the delivery of health services as well as being a Primary Health Organisation (PHO) that delivers PHO services across Canterbury.

The Group financial statements incorporate the activities of the following associate and subsidiaries (hereafter referred to as "the Group"):

- Pegasus Health (LP) Ltd – Subsidiary
- Canterbury GP Group Capitated Funding Trust Limited - Subsidiary
- After Hours Properties Ltd – Associate
- Canterbury Community Care Trust Ltd – Associate
- Homecare Medical (General Partner) Limited – Associate

2 Basis of Preparation

(a) Statement of compliance

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

These financial statements were authorised for issue by the Board of Directors on 29 August 2018.

(b) Measurement basis

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position, which are measured at fair value:

- Land and Buildings under the revaluation model
- Derivative financial liabilities

(c) Functional and presentation currency

The financial statements are presented in New Zealand dollars ($) which is the controlling entity's functional and Group's presentation currency, rounded to the nearest thousand.

There has been no change in the functional currency of the Group during the year.

3 Use of Judgements and Estimates

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

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

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

(a) Judgements

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

- The Directors have judged that the Company is a public benefit entity. They believe that the charitable objects of the Company are consistent with the public benefit entity requirements. Any equity has been provided with a view to supporting these charitable objects rather than for a financial return to equity holders.
- 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 15 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).

BDO Christchurch

(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 2018 include the following:

Area of estimate or judgement	Note
Valuation of land and buildings	Note 13
Impairment of software	Note 14
Investment	Notes 15 and 22
Derivative financial liabilities	Note 22

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

4 Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Group.
Accounting policies are disclosed within each of the applicable notes to the financial statements and are designated by a 🕮symbol.

5 Other Significant Accounting Policies

(a) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets and inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.
Indefinite life intangible assets (e.g. trademarks) are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.
The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell.
Impairment losses are recognised in surplus or deficit.

(b) Goods and services tax

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

(c) Income tax

As the Company and its subsidiaries are registered charities or non-trading Pegasus Health (Charitable) Limited charity registration number CC29755; Pegasus Health (LP) Limited charity registration number CC50324 and Canterbury Community Trust charity registration number CC22657, they are not required to pay income tax.
The Company has three associates, After Hours Properties Ltd, Canterbury Community Care Trust Ltd and Homecare Medical (General Partner) Limited, which are tax paying entities. Deferred tax is calculated as part of the value of the investments.

(d) Impairment of non-derivative financial assets

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

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

(e) Financial assets classified loans and receivables

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level.
All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.
Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.
In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

BDO Christchurch

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

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

6 Changes in Accounting Policy

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

A number of new standards, interpretations and amendments effective for the first time for periods beginning on or after 1 July 2018 have been adopted in these financial statements. The nature and effect of each new standard, interpretation and amendments adopted by the Group has been considered by the Directors.

The adoption of standards, interpretations and amendments that have become effective in the current period have not had any significant impact to the Group's accounting policies with respect to measurement or recognition.

The amendments to PBE IPSAS 1 Presentation of Financial Statements in relation to the disclosure initiative have not had an impact on the accounting policies of the Group. Disclosures have been amended where considered appropriate.

7 Accounting Standards Issued Not Yet Effective

At the date of authorisation of the financial statements of Pegasus Health (Charitable) Limited for the year ended 30 June 2018, the following PBE Standards have been assessed as relevant to the Group are in issue but not yet effective:

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

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

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

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

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

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

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

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

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

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

PBE IFRS 9 – Financial Instruments Effective date: 1 January 2021

This standard will be adopted by Pegasus Health for the first time for its financial reporting period ended 30 June 2022. This standard will replace PBE IFRS 29 Financial Instruments: Recognition and Measurement. The impact of this standard is yet to be determined.

PBE FRS 48 – Service Performance Reporting Effective date: 1 January 2021

This standard will be adopted by Pegasus Health for the first time for its financial reporting period ended 30 June 2022 and will require the group to select and present service performance information. The impact of this standard is yet to be determined.

8 Revenue

Revenue is recognised when the amount of revenue can be measure reliably and it is probable that economic benefits will flow to the Group, and measured at the fair value of consideration received or receivable.

The following specific recognition criteria in relation to the Group's revenue streams must also be met before revenue is recognised.

Revenue from exchange transactions

Delivery of Health Services

Revenue from health services rendered is recognised at the fair value of consideration received or receivable, including related profits or losses in proportion to the stage of completion of the transaction at the reporting date. The services revenue includes the delivery and provision of health care, PHO related services, education, software, IT support services, and HR consulting services.

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

Where the service involves an indeterminate number of acts over a specified period of time, revenue is recognised on a straight line basis over the specified period unless there is evidence that another method better represents the stage of completion. Where the contract delivery is subject to significant seasonality variations, the revenue is recognised on the basis of service delivery patterns.

Revenue that compensates for expenses incurred is recognised on a systematic basis matching the pattern of the related expenses.

Rental income

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

Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates.

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement.

For the sales of vaccines, transfer occurs when the product is dispatched from the Group entity's facility.

		Group		Company	
	Note	2018	2017	2018	2017
		$'000	$'000	$'000	$'000
Revenue from:					
Delivery of Health Services (a)		39,149	34,276	39,149	34,276
IT services		4,608	4,584	4,608	4,584
Sale of Vaccines		375	471	375	471
Other Services		1,658	2,423	1,658	2,423
Rental income		408	250	408	250
Rental income from sub-lease of operating leases	23	51	92	51	92
Total revenue		46,249	42,096	46,249	42,096

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

The Company delivers a further range of services funded by the CDHB. These include services focused on integration of primary and secondary care, support for the provision of 24 Hour Acute Care in the community, the provision of services to residents of Child Youth and Family Residences and programme office support to the Canterbury Clinical Network (CCN) – an alliance of the region's health professionals and others, which in conjunction with the CDHB is working towards a transformation of health care to significantly improve the delivery of patient care in the community. The CDHB also provides funding towards the development and delivery of a comprehensive clinical education programme to doctors, nurses and pharmacists working in primary care in Canterbury. In addition the CDHB also funds a programme which support general practices in developing their integrated family health services capacity and capability, and a number of sector wide information systems initiatives. The majority of these services are funded on a 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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9 Expenses By Nature

		Group		Company	
	Note	2018	2017	2018	2017
		$'000	$'000	$'000	$'000
Employee benefits	10	28,260	26,198	28,260	26,198
Depreciation	13	458	432	458	432
Amortisation	14	510	533	510	533
Impairment expense/(reversal) of property, plant & equipment	13	-	(75)	-	(75)
Impairment expense/(reversal) of intangibles	14	-	26	-	26
Non-cancellable operating lease payments	23	785	1,092	785	1,092
Professional fees					
- BDO Audit of the financial statements		46	33	46	33
Rent and outgoings		496	1,081	496	1,081
Director fees	24	392	422	392	422
Software licences		756	506	756	506
Medical supplies / consumables & vaccines		1,168	2,284	1,168	2,284
Clinical advice		604	497	604	497
GP Subsidised procedures		1,080	917	1,080	917
Member salaries		699	698	699	698
Other expenses		10,038	6,880	10,038	6,853
Total operating expenses		45,291	41,524	45,291	41,497

10 Employee Benefit Expense

i. Short-term employee benefits

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

ii. Long-term employee benefits

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

iii. Termination benefits

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

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Short-term employee benefits	27,645	25,650	27,645	25,650
Defined contribution plans	615	548	615	548
Total employee benefit expense	28,260	26,198	28,260	26,198

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11 Cash and Cash Equivalents

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Current assets:				
Cash on hand	1,888	2,482	1,886	2,478
Call deposits	1	3	1	3
Cash and cash equivalents in the statement of cash flows	1,889	2,485	1,887	2,481

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

Bank deposits	0.25%	0.00%	0.25%	0.00%
Call deposits	0.10%	0.1-1.00%	0.10%	0.1-1.00%
Bank overdrafts	6.70%	6.45%	6.70%	6.45%

A General Security Agreement is in place over all the assets of the company. This secures the borrowings from the Westpac Bank – Note 18.

12 Receivables - Exchange Transactions

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

		Group		Company	
	Note	**2018**	**2017**	**2018**	**2017**
		$'000	**$'000**	**$'000**	**$'000**
Net trade receivables from exchange transactions	21	4,858	3,852	4,858	3,852
Sundry receivables		32	38	32	38
Total receivables		4,890	3,890	4,890	3,890

During the year ended 30 June 2018, write-offs relating to trade receivables of $34,351 (2017: $78,133).were recognised in operating expenses in the profit and loss.

(a) Maturities

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Total accounts receivable (net)	**4,858**	**3,852**	**4,858**	**3,852**
Analysed as due:				
Less than 30 days (current)	4,665	3,281	4,665	3,281
Between 31 and 60 days	95	507	95	507
Between 61 and 90 days	49	43	49	43
Greater than 91 days	49	21	49	21
Total accounts receivable (net)	4,858	3,852	4,858	3,852

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

(b) Credit term and interest

The average credit term on invoiced amounts is 30 days and is interest free (2017: 30 days and is interest free).

(c) Impairment allowance

As at 30 June 2018, the impairment allowance relates to overdue accounts receivable where there is uncertainty as to whether the amounts will be recovered (2017: $64,000) 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	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
As at 1 July 2017				
Allowance for receivables impairment	39	64	39	64
Receivables written off during the year as uncollectable	(29)	(68)	(29)	(68)
Balance of the allowance account as at 30 June	10	(4)	10	(4)

13 Property, Plant and Equipment

i. Recognition and measurement

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

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

• Cost model: Cost less accumulated depreciation and impairment.

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

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

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

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

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

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

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

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

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

ii. Subsequent expenditure

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

iii. Depreciation

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

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

The estimated straight line depreciation rates are:

	2018	2017
Buildings	2.00%	2.00%
Plant and machinery	6.67%-21.00%	6.67%-40.00%
Motor Vehicles	21.00%	21.00%
Fixtures and fittings	6.00% - 50.00%	6.00%-30.00%
Leasehold improvements	7.00% - 33.00%	7.00%-33.00%

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

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ⓔ The Company obtains valuations as performed by external valuers in order to determine the fair value of its properties. These valuations are based upon assumptions including future rental income, anticipated maintenance costs, future development costs and the appropriate discount rate. The valuers also make reference to market evidence of transaction prices for similar properties. The latest revaluation was conducted for the financial year ending June 2017.

Group and Company

Cost or valuation	Land and building	Plant and machinery	Motor vehicles	Fixtures and fittings	Leasehold improvem-ents	Work in progress on Pegasus House	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 2016	17,964	3,227	93	798	509	132	22,723
Additions (exchange)	1,647	418	-	50	45	4,933	7,093
Revaluation (surplus / deficit)	1,893	-	-	-	-	-	1,893
Reclassification	-	-	-	-	-	(1,748)	(1,748)
Disposals	-	(1,453)	-	(90)	(408)	-	(1,951)
Balance as at 30 June 2017	21,504	2,192	93	758	146	3,317	28,010
Balance as at 1 July 2017	21,504	2,192	93	758	146	3,317	28,010
Additions (exchange)	1	568	-	41	1	-	611
Revaluation (surplus / deficit)	-	-	-	-	-	-	-
Reclassification	3,277	-	-	-	-	(3,277)	-
Disposals	-	-	-	-	-	-	-
Balance as at 30 June 2018	24,782	2,760	93	799	147	40	28,621

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.

Group and Company

Accumulated depreciation and impairment	Note	Land and building	Plant and machinery	Motor vehicles	Fixtures and fittings	Leasehold improvem-ents	Work in progress on Pegasus House	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 2016		300	2,526	68	594	446	-	3,934
Depreciation	9	-	339	12	43	36	-	430
Impairment	9	-	-	-	(24)	(51)	-	(75)
Reclassification		-	-	-	-	-	-	-
Disposals		-	(1,431)	-	(86)	(313)	-	(1,830)
Balance as at 30 June 2017		300	1,434	80	527	118	-	2,459
Balance as at 1 July 2017		300	1,434	80	527	118	-	2,459
Depreciation	9	-	387	8	46	16	-	457
Impairment	9	-	-	-	-	-	-	-
Reclassification		-	-	-	-	-	-	-
Disposals		-	-	-	-	-	-	-
Balance as at 30 June 2018		300	1,821	88	573	134	-	2,916
Net book value:								
As at 1 July 2016		17,664	702	25	204	63	132	18,789
As at 30 June 2017		21,204	759	13	231	28	3,317	25,552
As at 30 June 2018		24,482	939	5	226	13	40	25,705

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

At reporting date, all assets of the company are subject to a General Security Agreement and land and buildings to first mortgages to secure bank borrowings (see Note 18).

(b) Revalued land and buildings

All land and buildings were revalued as at 30 June 2016, excepting land and buildings at 401 Madras Street which were revalued at 28 November 2016. An independent registered valuer, GR Sellars FNZIV FPINZ, Colliers International, was engaged. The revaluation surplus arising was transferred through other comprehensive revenue and expense into the revaluation reserve.

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

b.2 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 – The Colliers International database of comparable sales of land was utilised
• Significant Assumption 2 - The Colliers International database of comparable sales of improved residential properties was utilised

b.3 401 Madras Street

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

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

14 Intangibles

i. Recognition and measurement

Intangible assets are initially measured at cost.

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

• Intangible assets not yet available for use
• Intangible assets with indefinite useful lives

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

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

ii. Research and development

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

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

iii. Subsequent expenditure

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

iv. Amortisation

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

The estimated straight line amortisation rates are:

	2018	2017
Software	10.00% - 48.00%	10.00% -48.00%

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

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

Group and Company

Cost or valuation	Note	Software	Trademark and domain names	Intangibles under constructi-on	Total
		$'000	$'000	$'000	$'000
Balance as at 1 July 2016		3,434	24	286	3,744
Additions (acquired externally)		62	11	-	73
Additions (developed internally)		430	-	594	1,024
Impairment	9	-	-	-	-
Transfers		-	-	(430)	(430)
Disposals		(2)	-	-	(2)
Balance as at 30 June 2017		3,924	35	450	4,409
Balance as at 1 July 2017		3,924	35	450	4,409
Additions (acquired externally)		36	-	-	36
Additions (developed internally)		-	8	2,837	2,845
Impairment	9	-	-	-	-
Transfers		409	-	(409)	-
Disposals		-	-	-	-
Balance as at 30 June 2018		4,369	43	2,878	7,290

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Group and Company

Accumulated amortisation and impairment			Note	Software	Trademark and domain names	Intangibles under constructi-on	Total
				$'000	$'000	$'000	$'000
Balance as at 1 July 2016				2,006	-	-	2,006
Amortisation			9	533	-	-	533
Impairment			9	-	-	-	-
Adjustment				74	-	-	74
Disposals				-	-	-	-
Balance as at 30 June 2017				2,613	-	-	2,613
Balance as at 1 July 2017				2,613	-	-	2,613
Amortisation			9	510	-	-	510
Impairment			9	-	-	-	-
Adjustment				-	-	-	-
Disposals				-	-	-	-
Balance as at 30 June 2018				3,123	-	-	3,123
Net book value:							
As at 1 July 2016	-	-		1,428	24	286	1,738
As at 30 June 2017	-	-		1,311	35	450	1,796
As at 30 June 2018	-	-		1,246	43	2,878	4,167

(a) Amortisation

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

(b) Security and restrictions

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

The impairment expense (reversals) is recognised in Operating Expenses in the statement of comprehensive revenue and expense (2018: $Nil ; 2017: $Nil).

(c) Intangible assets under construction

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

15 Investment in Other Entities

i. Controlled entities

Controlled entities are entities controlled by the Group, being where the Group has power to govern the financial and operating policies of another entity so as to benefit from that entity's activities. The financial statements of the Group's controlled entities are included in the consolidated financial statements from the date that control commences until the date that control ceases. Subsequent changes in a controlled entity that do not result in a loss of control are accounted for as transactions with controllers of the controlling entity in their capacity as controllers, within net assets/equity.

ii. Associates and jointly controlled entities

Associates and jointly controlled entities are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Investments in associates and jointly controlled entities are accounted for using the equity method and are recognised initially at cost, including directly attributable transaction costs. Where, as a result of the structure of the Group's interest in Associates and Jointly Controlled Entities does not entitled the Group to a share of surplus or deficit of the associate or jointly controlled entity, the Groups interest in the Associate and jointly controlled entity is recorded at cost.

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

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

iii. Transactions eliminated on consolidation

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

(a) Subsidiaries

Name	Principal activity	% Shareholding 2018	% Shareholding 2017	Balance date
Pegasus Health (LP) Ltd (PHLP)	Investment	100%	100%	30-Jun
Canterbury GP Group Capitated Funding Trust Ltd	Trustee	100%	100%	30-Jun

Movement in carrying value of subsidiaries

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
As at 1 July	-	-	4,130	4,130
Shareholder advance (interest free)	-	-	(873)	-
Balance at 30 June 2018	-	-	3,258	4,130

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

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

Deferred payment and deferred asset

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

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

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

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

A review of on-going cashflow and funding needs determined that HomeCare Medical Limited Partnership had surplus funds that the General Partner proposed be returned to the Limited Partners by way of a Partnership Capital repayment. This was agreed and $1M was repaid to each Limited Partner in April 2018. $127,500 of this was repaid but it has since been clarified that this was not due and it is recognised as a receivable at the balance date.

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

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Deferred settlement	188	375	-	-
Notional interest	-	(28)	-	-
Released notional interest	-	16	-	-
Settlement adjustment	(188)	(175)	-	-
Net present value of Deferred Payment and Deferred Asset	-	188	-	-

(b) Associates

Name	Principal activity	% Shareholding 2018	% Shareholding 2017	Balance date
After Hour Properties Ltd	Property Investment	50%	50%	31-Mar
Canterbury Community Care Trust Ltd (CCCTL)	Corporate Trustee	33%	33%	30-Jun
Homecare Medical (General Partner) Ltd (HCMGP)	Management	50%	50%	30-Jun

After Hours Properties Ltd 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 three entities. After Hours Properties is equity accounted. CCCTL is a non-trading entity with no material transactions to account for. Similarly, HCMGP has no material 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 2018, not adjusted for the percentage ownership held by the Company:

Group	2018	2017
	$'000	$'000
Current assets	39	65
Non-current assets	3,052	3,075
Current liabilities	35	61
Non-current liabilities	1,116	1,116
Net assets	1,940	1,963
Income	277	97
Expenses	(299)	(308)
Net Surplus (Deficit)	(22)	(211)

Movement in carrying value of After Hours Properties Ltd

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Balance at 1 July	1,241	1,347	1,241	1,347
Share of associate's reserves	(11)	(106)	(11)	(106)
Balance at 30 June	1,230	1,241	1,230	1,241

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 $71,747 (2017: $71,747).

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

(c) Investments

Name	Principal activity	% Shareholding 2018	% Shareholding 2017	Balance date
Homecare Medical (NZ) Limited Partnership	Telephone nurse triage services	50%	50%	30-Jun
NZ Medicines Formulary	The creation and maintenance of a medicines formulary	5%	5%	30-Jun

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

The Homecare Medical (NZ) Limited Partnership investment is held by the subsidiary Pegasus Health (LP) Limited (PHLPL). PHLPL, being a limited partner (LP), does not exercise control or significant influence over the activity of the limited partnership as per their Limited Partnership Agreement. The LPs have no right or authority to act for the Limited Partnership neither can they take part in or in any way interfere in the conduct or management of the Limited Partnership or to vote on matters relating to it.

Movement in carrying value of investments

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Balance at 1 July	2,771	2,360	49	49
NZ Medicines Formulary divident income	6	-	6	-
Investment in Homecare Medical Ltd/ (Capital Repayment)	(873)	-	-	-
Partnership current account in Homecare Medical Ltd	544	411	-	-
Balance at 30 June	2,448	2,771	55	49

* An error was identified in Homecare Medical (NZ) Limited Partnership accounts in the previous financial year. It was related to the allocation of National Telehealth Services receipts. The Group's comparatives have been restated consistent with Homecare Medical (NZ) Limited Partnership's correction of this error. The adjustment decreases last year's partnership current account by $91K and increases current year's balance by the same amount.

16 Payables - Exchange Transactions

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

(a) Trade payables

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Trade payables from exchange transactions	1,435	1,464	1,435	1,464
Trade payables measured at amortised cost	1,435	1,464	1,435	1,464

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(b) Other payables

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Non-trade payables and accrued expenses	1,248	1,124	1,248	1,124
Pass through and funding in advance	5,204	3,863	5,204	3,863
Other payables measured at amortised cost	6,452	4,987	6,452	4,987

(c) Maturities

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

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Total trade payables	**1,435**	**1,565**	**1,435**	**1,565**
Analysed as due:				
Less than 30 days (current)	1,411	1,361	1,411	1,361
Between 31 and 90 days	22	102	22	102
Between 91 and 365 days	2	1	2	1
Total trade and other payables	1,435	1,464	1,435	1,464

The average credit term on invoiced amounts is 30 days (2017: 30 days). Accounts payable, accruals and other liabilities are interest free (2017: interest free).

17 Employee Benefit Liability

i. Short-term employee benefits

Short-term employee benefits are recognised when the Group has a legal or constructive obligation to remunerate employees for services provided within 12 months of the reporting date and are measured on an undiscounted basis and are expensed as the related service is provided. A accrual is recognised for the amount expected to be paid under outstanding annual leave balances if the Group or Company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee, and the obligation can be estimated reliably.

ii. Defined contribution plans

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

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Current:				
Employee benefits	1,730	1,639	1,730	1,639
Total employee benefit liability	1,730	1,639	1,730	1,639

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18 Loans

Group and Company	Effective interest rate	Year of maturity	2018 Interest Rate	2018 Current	2018 Non-current	2017 Interest Rate	2017 Current	2017 Non-current
			%	$'000	$'000	%	$'000	$'000
Westpac Loan	Floating	2018	4.50%	4,000	5,000	4.40%	-	12,673
Westpac Loan	Fixed	2023	5.60%	-	4,000	0.00%	-	-
bpacnz Ltd	Interest free	On demand	0.00%	40	-	0.00%	40	-
Total loans				4,040	9,000		40	12,673

All the currencies are New Zealand Dollar.

(a) Security held

At reporting date, the Westpac Loan was secured by a General Security Agreement over all assets as well as first mortgages over all items of land and buildings (Note 13). The $40,000 loan ex bpacnz Ltd is secured over the company's partnership interest in NZ Medicines Formulary Limited Partnership.

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

During the reporting period, there were no defaults or breaches.
At reporting date, nothing was in default or unresolved.
During the reporting period the Group met the bank covenant in respect of the Westpac loan.

(c) Loan forgiveness

During the period, no loans were forgiven.

19 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 $93,380 remains as at 30 June 2018 (2017: $182,343).
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.

20 Capital and Reserves

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

	2018	2017
	No. Shares	No. Shares
Opening number of shares (1 July)	12,000	12,000
Closing number of shares (30 June)	12,000	12,000

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

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

The revaluation reserve arises due to revaluations of land and buildings on an annual basis. For further details and the property, plant and equipment Note 13.

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21 Financial Instruments

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

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

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

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

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

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

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

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

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

Loans and receivables

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

Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses (refer Note 5(d)).

Loans and receivables comprise cash and cash equivalents and receivables.

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

Derivative financial instruments

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

Amortised cost financial liabilities

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

Financial liabilities classified as amortised cost comprise cash and cash equivalents, receivables, payables, and loans.

Finance income and cost

Finance income comprises interest income on financial assets. Interest income is recognised as it accrues in surplus or deficit, using the effective interest method.

Finance costs comprise interest expense on financial liabilities, losses on disposal of available-for-sale financial assets, and impairment losses recognised on financial assets.

Classification and fair values of financial instruments

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

Group - 30-Jun-17	Note	Financial assets (Loans and receivables)	Financial liabilities (Amortised cost)	Fair Value
		$'000	$'000	$'000
Subsequently not measured at fair value				
Cash and cash equivalent (assets)	11	2,485		-
Receivables	12	3,992		-
Payables	16		(7,077)	-
Loans	18		(12,713)	-
Total		6,477	(19,790)	-

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Group - 30-Jun-18	Note	Financial assets (Loans and receivables)	Financial liabilities (Amortised cost)	Fair Value
		$'000	$'000	$'000
Subsequently not measured at fair value				
Cash and cash equivalent (assets)	11	1,889		-
Receivables	12	4,890		-
Payables	16		(8,300)	-
Loans	18		(13,040)	-
Subsequently measured at fair value				-
Derivative financial liabilities	22			(45)
Total		6,779	(21,340)	(45)

It is considered that none of the financial instruments, except for derivative financial liabilities, fall into the fair value hierarchy in 2018. Fair value approximates carrying amount in all instances.

22 Financial Risk Management

(a) Overall risk management framework

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

(b) Credit risk

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

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 $1,885,407 (2017: $2,479,894) 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	
	2018	2017	2018	2017
Westpac	AA-	AA-	100	99.9

Receivables (from exchange transactions)

The Group's exposure to credit risk is influenced by the specific individual characteristics of each counter party within the different sub-class of receivables presented in Note 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 20th of the month following from the date of invoice.

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

	2018	2017
	$'000	$'000
Patient debt	58	22
Other debt	4,475	3,931
Total	4,533	3,953

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 (a).
The movement in the impairment allowance for trade receivables from exchange transactions is shown in Note 12 (c).

In respect to all other Advances to related parties, under the Treasury Policy, the Board must approve all amounts advanced and drawn down to related parties. Refer to Note 24 for further details of terms and conditions.

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

(c) Liquidity risk

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

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

The group also ensures that it has available lines of credit with sufficient amounts undrawn:
- The Group has a $2,000,000 secured overdraft facility, of which all is undrawn at balance date (2017: $2,000,000).

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

	Contractual cash flows					
	0 – 1 Month $'000	1 – 3 Months $'000	3 – 12 Months $'000	12 – 60 Months $'000	Total Amount $'000	Carrying Amount $'000
Group Jun-17						
Non-derivative financial liabilities:						
Cash and cash equivalents (bank overdrafts)	2,485	-	-	-	2,485	2,485
Receivables	3,421	550	21	-	3,992	3,992
Payables (from exchange transactions)	5,147	823	1,107	-	7,077	7,077
Loans:						
Westpac	(46)	(93)	(418)	(14,903)	(15,460)	(12,673)
bpac^{nz} Ltd	-	-	-	(40)	(40)	(40)
Total	11,007	1,280	710	(14,943)	(1,946)	841
Group Jun-18						
Non-derivative financial liabilities:						
Cash and cash equivalents (bank overdrafts)	1,889	-	-	-	1,889	1,889
Receivables	4,867	95	49	49	5,060	5,060
Payables (from exchange transactions)	(8,033)	(22)	(2)	-	(8,057)	(8,057)
Loans:						
Westpac	(49)	(98)	(440)	(15,335)	(15,922)	(13,040)
bpac^{nz} Ltd	-	-	-	(40)	(40)	(40)
Derivative financial liabilities	-	-	-	-	(45)	(45)
Total	(1,326)	(25)	(393)	(15,326)	(17,115)	(14,233)

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As detailed in Note 18, the Group is subject to externally imposed commitments on its loan balances, the breach of which may require the Group to repay some or all of the amounts earlier than their contractual payment dates presented above.

Interest rate risk

The Group is exposed to interest rate risk in respect of its floating rate financial liabilities. As at 30 June 2018, Group had $9M floating rate loan liabilities. In the event of a movement in the margin rate, the effect of a 1% increase rate up or down on the floating loans is demonstrated below.

Interest rate swaps are used to mitigate the interest rate risk of $3M floating rate loans. The effect of these Swaps is to mitigate the risk on the base rate charged rather than on the bank margin. The rest of the $6M are fully at risk of interest rate changes.

	Surplus or deficit		Net Assets / equity	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Interest rate increase of 1% (2017: 1%)	(90)	(127)	(90)	(127)
Interest rate decrease of 1% (2017: 1%)	90	127	90	127

(d) Derivative financial liabilities

The impact of changes in floating interest rates is recognised in the financial statements when the transactions occur. Interest rate derivatives were recognised within 'Derivative financial instruments' on the Statement of Financial Position as at reporting date and were designated as the hedging instrument.

Group and Company	2018	2017
	$'000	$'000
Statement of financial position		
Derivative financial liabilities	45	-

Total unrealised loss recognised as a result of ineffectiveness of interest rate hedge is $45k (2017: $Nil).

23 Leases

i. Classification and treatment

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

ii. Operating leases

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

Operating leases are not recognised in the Group's statement of financial position. Payments made under operating leases are recognised in surplus or deficit on a straight-line basis over the term of the lease.

(a) Leases as lessee

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

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Less than one year	113	590	290	767
Between one and five years	28	180	161	490
Greater than five years	-	-	-	-
Total non-cancellable operating lease payments	141	770	451	1,257

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The Group has a number of material operating leases for premises at 222 Bealey Ave and with After Hours Properties Limited, all in Christchurch. The lease at 160 Bealey Ave expired 17 March 2018. 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 lease with After Hours Properties Limited is due to expire March 2020. The Ricoh photocopier lease expired on 24th April 2018 and is operating on a month to month basis, charges are based on usage.

(b) Leases as lessor

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

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Less than one year	176	189	176	189
Between one and five years	196	365	196	365
Greater than five years	157	199	157	199
Total non-cancellable operating lease payments	529	753	529	753

This note covers leases at 401 Madras Street and 937 Colombo Street, and sub-leases at 222 Bealey Avenue and with After Hours Properties Limited.

The rights of renewal for the sub-leases with After Hours Properties Limited fall due in March 2020. The flat at 937 Colombo Street is leased out on a periodic residential tenancy agreement. 61.2% of 222 Bealey Avenue is subleased to a related party, Homecare Medical (NZ) Limited Partnership, and 38.8% of 222 Bealey Avenue is subleased to ELE Recruitment from April 2017 on terms identical to the head lease. Christchurch Radiology Group Limited can exercise two rights of renewal with two of five years each at 401 Madras Street.

The total future non-cancellable minimum sub-lease payments at reporting date are $ 529,112 (2017: $753,139).

24 Related Party Transactions

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

(a) Transactions with other related parties

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

	Transaction value		Balance outstanding	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
After Hours Properties: interest income	72	72	-	-
After Hours Properties: management fee income	25	64	-	-
After Hours Properties: operating lease expenses	(177)	(177)	-	-
Screen South Ltd: contract revenue/pass through claims	309	301	33	43
bpacnz Ltd: loan (interest free, on demand)	-	-	(40)	(40)
Homecare Medical (NZ) Limited Partnership (services)	78	115	25	7
CCCTL (directors fees)	8	8	-	-
Pegasus Health (LP) Ltd (receivables)	127	-	127	-
Pegasus Health (LP) Ltd (advances)	(1,000)	-	2,005	3,005

No related party debts have been written off or forgiven during the year. The nature and relationship of the related party transactions can be seen in Note 15 (b).

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(b) Key management personnel remuneration

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

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

Members of the governing body are paid an annual fee of $392,134 as well as $205,526 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:

	2018		2017	
	Remuneration	Number of individuals	Remuneration	Number of individuals
	$'000		$'000	
Members of the governing body - including directors fee	598	10 People	596	10 People
Senior executive officers	1,394	6.75 FTE's	1,321	6.75 FTE's
Total	1,992		1,917	

25 Reconciliation of Operating Cash Flows to Net Surplus

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Net surplus / (deficit)	**906**	**729**	**453**	**227**
Adjustments for non-cash items:				
Depreciation	457	430	457	430
Amortisation	510	533	510	533
Impairment losses (reversals) on intangibles	-	(75)	-	(75)
Share of equity accounted associates & investees surplus/ (deficit)	(462)	(529)	(6)	-
Loss/ (gain) on disposal of property, plant and equipment	-	123	-	123
Bad debt write off	29	68	29	68
Other non-cash items	45	(165)	45	(165)
Adjustments for movements in:				
(Increase)/decrease in receivables	(574)	(333)	(574)	(333)
(Increase)/decrease in inventories	(6)	5	(6)	5
(Increase)/decrease in advance	1,000	-	1,000	-
Increase/(decrease) in payables	(211)	(341)	(212)	(368)
Net operating cash inflow / (outflow)	1,694	445	1,696	445

26 Commitments and Contingencies

(a) Commitments

There is an estimated commitment of $517,000 for internal and external time by contractors to be spent on Sirius Software during next financial year (2017: $3,554,000).

(b) Contingent liabilities

• At 30 June 2018 and 30 June 2017 the Group has contingent liabilities in respect of repairs to earthquake damage which will not exceed the value of the related contingent asset.

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• The Company has been correctly deducting withholding tax for payments of directors’ fees. However, during a routine update of policies, a risk was identified that some other types of meeting payments for groups set up to provide clinical, population health and patient centered advice to Pegasus and the health system may incorrectly not have had withholding deducted. Company has notified Inland Revenue by making a voluntary disclosure and the company's own investigation has concluded that no assessment (taxation) is necessary and is waiting for Inland Revenue's response.

• The Company has responded to an enquiry from Commerce Commission. At the date of signing financial statements the company is awaiting a response.

(c) Contingent assets

• Christchurch suffered a series of earthquakes between September 2010 and June 2011 which resulted in insurance claims. The Company owns a unit in a unit titled property. The related Body Corporate has settled the remaining aspects of its insurance claim for $326,000, has determined the apportionment of the settlement between unit proprietors, and has resolved to return funds to the unit proprietors. The Body Corporate has given the notice of designated resolution to interested parties who have a 28 day period to advise of any objection. A contingent asset of $116,000 exists for the Company’s share of this settlement.

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

27 Events After Reporting Date

The Company has agreed to purchase a small area of land to allow for Dollans Lane to become a two-way thoroughfare. At the time of signing the financial statements totals costs, for land purchase, associated professional and regulatory fees and civil works, is estimated to be $120,000 (excluding GST).

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