PEGASUS HEALTH (CHARITABLE) LIMITED

NOT FOR-PROFIT ENTITY

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

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COMPANY DIRECTORY

For the Year Ended 30 June 2020

The Directors are pleased to present the financial statements of Pegasus Health (Charitable) Ltd for the year ended 30 June 2020.

REGISTERED OFFICE	Pegasus Health (Charitable) Ltd 401 Madras Street Christchurch
DIRECTORS	Dr S E Ashmore Dr C M Christie Dr J P Coughlan (Retired 24 October 2019) Dr B Hudson Ms JC Huria Dr G O'Duffy Ms NM Scott Mr P R Townsend Dr VJ Weenink (Appointed 24 October 2019) Dr S M H Wynn Thomas
AUDITOR	BDO Christchurch
LEGAL ADVISORS	Lane Neave
SHARES	12,000 Ordinary Shares
SHAREHOLDERS	Dr S E Ashmore Dr C M Christie Dr B Hudson Dr G O'Duffy Ms NM Scott Dr VJ Weenink Dr S M H Wynn Thomas

For the Year Ended 30 June 2020

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 Maori 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 $36,500 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.

5 Use of Company Information

No notices were received during the year.

6 Remuneration and Other Benefits - Directors' Fees

Directors' fees for their board activities totalled $427,872. The shareholders unanimously agree in terms of s211(3) of the Companies Act 1993 not to report s211(f).

7 Directors' Board Meeting Attendances

	Number of attendances	Number of apologies
Dr S E Ashmore	12	1
Dr C M Christie	13	0
Dr J P Coughlan	4	0
Dr B Hudson	12	1
Ms JC Huria	12	1
Dr G O'Duffy	13	0
Ms NM Scott	12	1
Mr PR Townsend	13	0
Dr VJ Weenink	8	1
Dr SM H Wynn Thomas	10	3

For the Year Ended 30 June 2020

8 Share Dealing

General Practitioner and nurse directors hold shares in trust for the company's charitable beneficiaries.
1,715 shares were transferred during the year from Dr J P Coughlan to Dr VJ Weenink.

9 Provision of Services

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

10 Employees

The number of employees whose remuneration and benefits are within specific bands is as fo ll ows:

Salary Bracket	No. of employees
100,000 -110,000	18
110,001 -120,000	12
120,001 -130,000	17
130,001 -140,000	5
140,001 -150,000	4
150,001 -160,000	2
160,001 -170,000	2
170,001 -180,000	5
180,001 -190,000	2
190,001 -200,000	1
200,001 -210,000	0
210,001 -220,000	2
220,001 -230,000	0
230,001 -240,000	1
240,001 -250,000	2
250,001 -260,000	1
260,001 -270,000	0
270,001 -280,000	0
280,001 -290,000	0
290,001 -300,000	0
300,001 -340,000	0
340,001 -350,000	0
350,001 -360,000	0
360,001 -370,000	1

FOR AND ON BEHALF OF THE BOARD, 26 August 2020

Mr PR Townsend
Chair

Dr C M Christie
Deputy Chair

DIRECTORS' RESPONSIBILITY STATEMENT

For the Year Ended 30 June 2020

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 8-40, 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 statement s.

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 for taking reasonable steps for the prevention and detection of fraud and other irregularities .

FOR AND ON BEHALF OF THE BOARD, 26 August 2020

Mr PR Townsend
Chair

Dr C M Christie
Deputy Chair

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

Opinion

We have audited the consolidated financial statements of Pegasus Health (Charitable) Limited ("the Company") and its subsidiaries (together, "the Group"), which comprise the consolidated statement of financial position as at 30 June 2020, 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 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Public Benefit Entity Standards ("PBE Standards") issued by the New Zealand Accounting Standards Board.

Basis for Opinion

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

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

Emphasis of Matter- Material Valuation Uncertainty for Property, Plant and Equipment and Investment Property

We draw attention to Note 12 to the financial statements, which describes the effects of the Coronavirus (COVID-19) global pandemic on the valuation basis for Property, Plant and Equipment and Investment Property. Our opinion is not modified in respect of this matter.

Directors' Responsibilities for the Consolidated Financial Statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these consolidated financial stat ements.

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, misrepresent ations, 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 inte rnal 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 act ivities within the Group to express an opinion on the consolidated financial stat ements. 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 full est 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

BOO Christchurch
Christchurch
New Zealand
26 August 2020

PEGASUS HEALTH (CHARITABLE) LIMITED
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the Year Ended 30 June 2020

	Note	Group 2020	Group 2019	Company 2020	Company 2019
		$'000	$'000	$'000	$'000
Total revenue	8	52,699	45,946	52,699	45,946
Operating expenses	9	(52,751)	(47,297)	(52,751)	(47,297)
Net operating surplus/(deficit)		(52)	(1,351)	(52)	(1,351)
Loss on wind-up of After Hours Properties Ltd		(39)		(39)	
Impairment of intangible asset	13 & 22	(16)	(2,251)	(16)	(2,251)
Gain on sale of land & buildings	12		3,504		1,991
Dividend from subsidiary				454	1,545
Finance income (on loans and receivables)		14	48	14	48
Finance costs (on liabilities at amortised cost)		(514)	(616)	(514)	(615)
Net finance income/(costs)		(500)	(568)	(500)	(567)
Limited Partnership profit/(loss) for the year	14 c)	2,279	1,317		
Surplus/(deficit) for the year attributable to equity holders of the parent		1,672	651	(153)	(633)
Other comprehensive revenue and expense					
Share of associate other comprehensive revenue and expense	14		(9)		(9)
Gain on revaluation of land and buildings	12	1,029		1,029	
Other comprehensive revenue and expense for the year		1,029	(9)	1,029	(9)
Total comprehensive revenue and expense for the year attributable to equity holders of the parent		2,701	642	876	(642)

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 2020

Group

	Note	Share capital	Revaluation reserve	Accumulated revenue and expense	Share of movement in Associates Reserves	Total
		$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 2018		12	2,826	14,653	125	17,616
Surplus/(Deficit) for the year				651		651
Other comprehensive income for the year	14				(9)	(9)
Total comprehensive income for the year				651	(9)	642
Transfer of revaluation surplus on disposal of PPE			(933)	933		
Transfer on cessation of Equity accounting of Associate				116	(116)	
Closing balance 30 June 2019		12	1,893	16,353		18,258
Surplus/(Deficit) for the year				1,672		1,672
Other comprehensive income for the year	12		1,029			1,029
Total comprehensive income for the year			1,029	1,672		2,701
Closing balance 30 June 2020		12	2,922	18,025		20,959

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

Company

	Note	Share capital	Revaluation reserve	Accumulated revenue and expense	Share of movement in Associates Reserves	Total
		$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 2018		12	2,826	15,513	125	18,476
Surplus/(Deficit) for the year				(633)		(633)
Other comprehensive income for the year	14				(9)	(9)
Total comprehensive income for the year				(633)	(9)	(642)
Transfer of revaluation surplus on disposal of PPE			(933)	933		
Transfer on cessation of Equity accounting of Associate				116	(116)	
Closing balance 30 June 2019		12	1,893	15,929		17,834
Surplus/(Deficit) for the year				(153)		(153)
Other comprehensive income for the year	12		1,029			1,029
Total comprehensive income for the year			1,029	(153)		876
Closing balance 30 June 2020		12	2,922	15,776		18,710

BDO Christchurch

PEGASUS HEALTH (CHARITABLE) LIMITED

STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	Group 2020	Group 2019	Company 2020	Company 2019
ASSETS		**$'000**	**$'000**	**$'000**	**$'000**
Current assets					
Cash and cash equivalents	10	5,500	4,191	5,498	4,135
Receivables	11	6,131	4,688	6,131	4,719
Loan receivable	14 d)		1,005	5	1,005
Inventories		19		19	
Prepayments		500	527	500	527
		12,150	10,411	12,153	10,386
Non-current assets					
Property, plant and equipment	12	23,557	22,264	23,557	22,264
Intangibles	13	2,437	2,434	2,437	2,434
Investment in other entities	14	3,996	2,742	1,185	2,162
		29,990	27,440	27,179	26,860
Total assets		42,140	37,851	39,332	37,246
LIABILITIES					
Current liabilities					
Payables	15	8,717	7,789	7,535	7,608
Employee benefit liability		2,232	1,925	2,232	1,925
Funds held in Trust		852	700	852	700
Provision	16	141		141	
Derivative financial liabilities	20 d)	180	139	180	139
Finance lease	21 c)	19		19	
Advance from subsidiary	14 d)			623	
Loans	17	40	40	40	40
		12,181	10,593	11,622	10,412
Non-current liabilities					
Loans	17	9,000	9,000	9,000	9,000
		9,000	9,000	9,000	9,000
Total liabilities		21,181	19,593	20,622	19,412
NET ASSETS/ EQUITY					
Share capital	18	12	12	12	12
Revaluation reserve		2,922	1,893	2,922	1,893
Share of movement in associates reserves	14				
Accumulated revenue and expense		18,025	16,353	15,776	15,929
Total net assets/equity		20,959	18,258	18,710	17,834
Total net assets/equity and liabilities		42,140	37,851	39,332	37,246

FOR AND ON BEHALF OF THE BOARD, 26 August 2020

Mr P R Townsend
Chair

Dr C M Christie
Deputy Chair

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

BDO Christchurch

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2020

	Note	Group 2020	Group 2019	Company 2020	Company 2019
		$'000	$'000	$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Proceeds fr om:					
Rental income		180	267	180	243
Royalties		214	240	214	240
Proceeds from cash receipts from customers		50,987	45,407	51,839	45,205
Payments to suppliers and employees		(50,464)	(43,514)	(51,304)	(43,275)
Dividends received				454	
Interest received		14	48	14	48
Interest paid		(514)	(615)	(514)	(615)
Receipts from GST		124		119	
Net agency receipts/(payments)		442	(1,489)	442	(1,489)
Net cash inflow/(outflow) from operating activities	10	983	344	1,444	357
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for purchase of property, plant and equipment		(779)	(648)	(779)	(648)
Proceeds from disposal of property, plant and equipment		17	8,000	17	8,000
Increase of intangible assets		(931)	(1,109)	(931)	(1,109)
Purchase of remaining shares in After Hours Properties (Associate)			(1,480)		(1,480)
Repayment of shareholder advance		2,030	1,195	1,000	1,128
Net cash inflow/(outflow) from investing activities		337	5,958	(693)	5,891
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from draw down of loans			1,500		1,500
Repayment of finance lease		(11)		(11)	
Subsidiary advance				623	
Repayment of debt			(5,500)		(5,500)
Net cash inflow/(outflow) from financing activities		(11)	(4,000)	612	(4,000)
Net increase/(decrease) in cash and cash equivalents		1,309	2,302	1,363	2,248
Cash and cash equivalents at beginning of year	10	4,191	1,889	4,135	1,887
Cash and cash equivalents at the end of year	10	5,500	4,191	5,498	4,135

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

1 Reporting Entity

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

These financial statements comprise of two separate set of accounts for the year ended 30 June 2020 which comprise both those of the controlling entity and the consolidated financial statements including the controlling entity and its controlled entities (together referred to as the 'Group' and individually as 'Group entities').

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

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

- Pegasus Health (LP) Ltd - Subsidiary
- After Hours Properties Ltd -Associate until December 2018 and then Subsidiary. Entity wound up during the current year.
- Health One (General Partner) Ltd - Subsidiary
- Canterbury Community Care Trust Ltd -Associate
- Homecare Medical (General Partner) Limited -Associate

2 Basis of Preparation

(a) Statement of compliance

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

These financial statements were authorised for issue by the Board of Directors on 26 August 2020.

(b) Measurement basis

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

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

(c) Functional and presentation currency

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

(d) Going concern

The Coronavirus (Covid-19) pandemic has lead the users of financial statements to have a strong focus on an entity's going concern position .

As at every balance sheet date, management assess the ability for the Group to operate into the foreseeable future . Management ' s assessment was based on various items including cash flow forecasts for the next 12 months from signing date, debt covenant s, contract renewals and other qualitative and quantitative factors.

One of the key factors in the assessment is that the Group has significant agreements with the Canterbury District Health Board (CDHB) to provide services to general practices and their patient s. Satisfactory on-going contractual arrangements for these areas are being agreed with CDHB for the year ending 30 June 2021.

From this assessment, management were comfortable that there is no significant uncertainty in regards to the going concern assumption .

BDO Christchurch

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 aff ected .

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 fo llows :

(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 consisten1 with the public benefit entity requirements. Any equity has been provided with a view to supporting these charitable objects rather than for a financial return to equity holders.
- The Directors have judged that where part of a property is used in the supply of services and part is rented out, a more than insignificant portion is held for use in the supply of services and therefore the property is classified as property, plant and equipment, rather than as investment property.
- The Directors have judged that the Group is going concern - refer to note 2 for more information .
- The Directors have judged that in the case of certain entities set out in Note 14 that even though a 20% or more shareholding is held , the Directors do not have significant influence over those entities. These entities are therefore accounted for as Other Investments in the Statement of Financial Position rather than as Investment in Associate. They do not have a quoted market price in an active market and are measured at cost (as allowed under PBE IPSAS 29).

(b) Assumptions and estimation uncertainties

Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 30 June 2020 include the following:

Area of estimate or judgement	Note
Valuation of land and buildings	Note 12
Impairment of software	Note 13
Investment	Notes 14 and 22
Derivative financial liabilities	Note 20

Significant estimates are designated by an @ symbol in the notes to the financial statement s.

4 Accounting Policies

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

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

5 Other Accounting Policies

(a) Impairment of non-financial assets

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

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

BDO Christchurch

(b) Goods and services tax

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

(c) Income tax

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

The Company has two associates: Canterbury Community Care Trust Ltd and Homecare Medical (General Partner) Limited, and one subsidiary : After Hours Properties Limited (wound up during the current year), which are tax paying entities. Deferred tax is calculated as part of the value of the invest ment s.

(d) Impairment of non-derivative financial assets

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

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

(e) Financial assets classified loans and receivables

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

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

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

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

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

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

(f) Agency payments

The Company acts as agent for various funding parties and in that capacity pays a variety of claims to general practices and other parties, for which it is reimbursed. These receipts and payments do not flow through the profit or loss but are included in the operating cashflows.

(g) Funds held in trust

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

(h) Employee benefits liability

i. Short-term employee benefits liability

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

BDO Christchurch

ii. Defined contribution plans liability

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

iii. Long-term employee benefits

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

iv. Termination benefits

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

6 Changes in Accounting Policy

There have been minor reclassifications from prior year financial statements to better reflect the nature of transactions and classifications. A number of new st andards , interpretations and amendments effective for the first time for periods beginning on or after 1 July 2019 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 st andards , interpretations and amendments that have become effective in the current period have not had any significant or material impact to the Gro up ' s accounting policies with respect to measurement or recognition. The amendments to PBE IPSAS 38 Disclosure of Interests in Other Entities have resulted in amended disclosures where appropriate. The effective standards are as follows;

- PBE IPSAS 34 Separate Financial Statements
- PBE IPSAS 35 Consolidated Financial Statements
- PBE IPSAS 36 Investment in Associates and Joint Ventures
- PBE IPSAS 37 Joint Arrangements
- PBE IPSAS 38 Disclosure of Interests in Other Entities
- PBE IPSAS 39 Employee Benefits

During the current year, items have been reclassified in the balance sheet on a more accurate basis and to align with current year classifications. These amounts relate to funds held in trust and subsidiary loan receivable.

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 2020, the following PBE Standards have been assessed as relevant to the Group are in issue but not yet effective:

PBE IPSAS 40 - PBE Combinations Effective dat e: 1 January 2021

This standard will be adopted by Pegasus Health for the first time for its financial reporting period ended 30 June 2022. This standard will replace PBE IFRS 3 Business Combin ati ons. The will not have an impact on the accounts unless a business combination occurs through acquisition or amalgamat ion .

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. There will be minimal financial impact on the accounts as it is purely an addition of non-financial information.

PBE IPSAS 41- Financial Instruments Effective dat e: 1 January 2022

This standard will be adopted by Pegasus Health for the first time for its financial reporting period ended 30 June 2023. This standard will replace PBE IPSAS 29 Financial Inst ruments : Recognition and M easur ement . The impact of those will be moving from a provision for doubtful debts to expected credit loss model. The financial impact of this has not been determined yet. In addit ion , financial assets which were recognised as loans and receivables, will now be recognised at amortised cost .

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8 Revenue

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

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

Revenue from exchange transactions

Delivery of Health Services

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

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

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

Rental income

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

Sale of goods

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

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably , there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. For the sales of vaccines, transfer occurs when the product is dispatched from the Group entity's facility.

Revenue from non-exchange transactions

Non-exchange transactions are those where the Group receives an inflow of resources ((i.e. cash and other tangible or intangible items) but provides no (or nominal) direct consideration in return. With the exception of services-in-kind , inflows of resources from non-exchange transactions are only recognised as assets where both:

- It is probable that the associated future economic benefit or service potential will flow to the entity, and
- Fair value is reliably measurable.

Inflows of resources from non-exchange transactions that are recognised as assets are recognised as non-exchange revenue, to the extent that a liability is not recognised in respect to the same inflow. Liabilities are recognised in relation to inflows of resources from non-exchange transactions when there is a resulting present obligation as a result of the non-exchange transactions, where both:

- It is probable that an outflow of resources embodying future economic benefit or service potential will be required to settle the obligation, and
- The amount of the obligation can be reliably estimated.

Delivery of Health Services, IT Services & Other Services

The recognition of non-exchange revenue from delivery of health services, IT services & other services depends on the nature of any stipulations attached to the inflow of resources received, and whether this creates a liability (i.e. present obligation) rather than the recognition of revenue.

Stipulations that are 'conditions' specifically require the Group to return the inflow of resources received if they are not utilised in the way stipulated, resulting in the recognition of a liability that is subsequently recognised as revenue as and when the 'conditions' are satisfied.

Stipulations that are 'restrictions' do not specifically require the Group to return the inflow of resources received if they are not utilised in the way stipulated, and therefore do not result in the recognition of a liability, which results in the immediate recognition of revenue.

	Note	Group 2020	Group 2019	Company 2020	Company 2019
		$'000	$'000	$'000	$'000
Revenue from exchange transactions :					
Delivery of health services		9,579	8,018	9,579	8,018
IT services		4,013	4,110	4,013	4,110
Sale of vaccines		409	482	409	482
Other services		1,292	791	1,292	791
Rental income		130	192	130	192
Rental income from sub-lease of operating leases	21 b)	51	51	51	51
Revenue from non-exchange transactions:					
Delivery of health services		34,842	30,401	34,842	30,401
IT services		1,523	1,032	1,523	1,032
Other services		861	869	861	869
Total revenue		52,699	45,946	52,699	45,946

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

9 Expenses By Nature

	Note	Group 2020	Group 2019	Company 2020	Company 2019
		$'000	$'000	$'000	$'000
Employee benefits - short term employee benefits		34,754	30,416	34,754	30,416
Employee benefits - defined contribution plans		756	705	756	705
Depreciation	12	528	508	528	508
Amortisation	13	912	591	912	591
Non-cancellable operating lease payments	21	158	210	158	210
BOO audit of the financial statements		37	33	37	33
Director fees	23	428	411	428	411
Software licences		1,358	1,186	1,358	1,186
Medical supplies/ consumables & vaccines		1,590	1,387	1,590	1,387
Clinical advice		624	616	624	616
GP subsidised procedures		1,428	1,068	1,428	1,068
Member salaries		864	673	864	673
Cost recovery (capitalised time)		(660)	(946)	(660)	(946)
Impairment loss on investment	22		1,937		1,937
Impairment reversal			(60)		(60)
Deemed disposal of After Hours Properties Limited shares	22 b)		(285)		(285)
Other expenses		9,974	8,847	9,974	8,847
Total operating expenses		52,751	47,297	52,751	47,297

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10 Cash and Cash Equivalents

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Cash on hand	5,249	3,440	5,247	3,384
Call deposits	1	1	1	1
Term deposits with maturities less than 3 months	250	750	250	750
Cash and cash equivalents in the statement of cash flows	5,500	4,191	5,498	4,135

(a) Applicable Interest Rates

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

	Group		Company	
	2020	2019	2020	2019
Bank deposits	0.05%	0.05%	0.05%	0.05%
Call deposits	0.05%	0.10%	0.05%	0.10%
Term deposits with maturities less than 3 months	1. 20-2 .88%	2.88-3.04%	1.20-2.88%	2.88-3.04%
Bank overdrafts	5.60%	6.70%	5.60%	6.70%

A General Security Agreement is in place over all the assets of the company. This secures the borrowings from the Westpac Bank- Note 17.

(b) Reconciliation of operating cash flows to net surplus

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Net surplus/ (deficit)	**1,672**	**651**	**(153)**	**(633)**
Adjustments for non-cash items:				
Depreciation	528	508	528	508
Amortisation	912	591	912	591
Impairment losses on intangibles	16	2,251	16	2,251
Loss on derivative	41	94	41	94
Loss on disposal of fixed assets		134		134
Share of equity accounted associates & investees surplus		9		9
Limited Partnership share of profit	(2,279)	(1,317)		
Disposal of After Hours Properties Limited	39	(285)	977	(285)
Bad debt write off		19		19
Other non cash items		94		94
Adjustments for movements in:				
(Increase)/decrease in receivables	(1,482)	44	(1,411)	10
(Increase)/decrease in inventories	(19)	12	(19)	12
(Increase)/decrease in advance	606	(79)	450	(79)
Increase/(decrease) in payables*	949	(2,382)	103	(2,368)
Net operating cash inflow/ (outflow)	983	344	1,444	357

* The land and buildings at Unit 1, 931 Colombo Street were purchased from After Hours Properties Limited on 1st April 2019 at market rate of $2,557k and is a non-cash transaction in prior year .

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11 Receivables

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

	Note	Group 2020	Group 2019	Company 2020	Company 2019
		$'000	$'000	$'000	$'000
Net trade receivables from exchange transactions		696	615	696	646
Net trade receivables from non-exchange transactions		2,438	1,815	2,438	1,815
Sundry receivables		2,997	2,258	2,997	2,258
Total receivables		6,131	4,688	6,131	4,719

During the year ended 30 June 2020, there were no write-offs relating to trade receivables (2019: $19k).

(a) Maturities

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

	Group 2020	Group 2019	Company 2020	Company 2019
	$'000	$'000	$'000	$'000
Total accounts receivable (net)	**3,134**	**2,430**	**3,134**	**2,461**
Analysed as due:				
Less than 30 days (current)	3,034	2,155	3,034	2,186
Between 31 and 60 days	25	50	25	50
Between 61 and 90 days	31	68	31	68
Greater than 91 days	44	157	44	157
Total accounts receivable (net)	3,134	2,430	3,134	2,461

(b) Credit term and interest

The average credit term on invoiced amounts is 30 days and is interest free (2019: 30 days and is interest free).

(c) Impairment allowance

As at 30 June 2020, the impairment allowance relates to overdue accounts receivable where there is uncertainty as to whether the amounts will be recovered and the Directors have considered that a collective impairment allowance is appropriate based on the Company' s past experiences in the recovery of accounts receivable. The establishment and release of impaired receivables has been included in the operating costs in the statement of comprehensive revenue and expense. Movements in the impairment allowance are as follows:

	Group 2020	Group 2019	Company 2020	Company 2019
	$'000	$'000	$'000	$'000
As at 1 July	23		23	
Allowance for receivables impairment	55	42	55	42
Receivables written off during the year as uncollectable		(19)		(19)
Balance of the allowance account as at 30 June	78	23	78	23

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12 Property, Plant and Equipment

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i. Recognition and measurement

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

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

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

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

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

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

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

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

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

ii. Subsequent expenditure

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

iii. Depreciation

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

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

The estimated straight line depreciation rates are :

	2020	2019
Buildings	2.00%	2.00%
Plant and machinery	6.67%-50.00%	6.67%-50.00%
Motor Vehicles	21.00%	21.00%
Fixtures and fittings	6.00% - 50.00%	6.00% - 50.00%
Leasehold improvements	7.00% - 20.00%	7.00% - 20.00%

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

Group and Company

Cost or valuation	Land and building	Plant and machinery	Right of use asset	Motor vehicles	Fixtures and fittings	Leasehold improvements	Work in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 2018	24,782	2,760		93	799	147	40	28,621
Additions (exchange)	2,724	403			22		56	3,205
Revaluation surplus								
Reclassification								
Transfers and disposals	(6,409)	(81)			(5)	(76)	(40)	(6,611)
Balance as at 30 June 2019	21,097	3,082		93	816	71	56	25,215
Balance as at 1 July 2019	21,097	3,082		93	816	71	56	25,215
Additions (exchange)	10		30	11	5		723	779
Revaluation surplus	1,029							1,029
Reclassification	85	(14)			(14)	(57)		
Transfers	6	269		46	27	155	(503)	
Disposals				(12)				(12)
Balance as at 30 June 2020	22,227	3,337	30	138	834	169	276	27,011

Group and Company

Accumulated depreciation and impairment	Note	Land and building	Plant and machinery	Right of use asset	Motor vehicles	Fixtures and fittings	Leasehold improvements	Work in progress	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 2018		300	1,821		88	573	134		2,916
Depreciation	9		453		3	44	8		508
Impairment									
Reclassification									
Transfers									
Disposals		(300)	(47)			(16)	(110)		(473)
Balance as at 30 June 2019			2,227		91	601	32		2,951
Balance as at 1 July 2019			2,227		91	601	32		2,951
Depreciation	9		455	19	3	45	6		528
Impairment									
Reclassification									
Transfers									
Disposals			(2)		(11)	(1)	(11)		(25)
Balance as at 30 June 2020			2,680	19	83	645	27		3,454

Net book value:

	Land and building	Plant and machinery	Right of use asset	Motor vehicles	Fixtures and fittings	Leasehold improvements	Work in progress	Total
As at 1 July 2018	24,482	939		5	226	13	40	25,705
As at 30 June 2019	21,097	855		2	215	39	56	22,264
As at 30 June 2020	22,227	657	11	55	189	142	276	23,557

(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 17).

(b) Revalued land and buildings

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

401 Madras Street

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

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

Ⓡ The Group obtains valuations as performed by external valuers in order to determine the fair value of its properties. These valuations are based upon assumptions including future rental income, anticipated maintenance cost s, future development costs and the appropriate discount rate. The valuers also make reference to market evidence of transaction prices for similar properties. At valuation date, the valuer considered it appropriate to attach less weight to previous market evidence for comparison purpose s. This was based on the fact that Covid-19 has altered the economic environment and therefore historical evidence is not as appropriate as other forms of measurement. The valuation is therefore reported on the basis of 'material valuation uncertainty ' . This means that there is less certainty surrounding the valuation than would normally be the case given the unknown future impact that Covid-19 may have on the real estate market.

(c) Significant acquisitions and disposals

The land and buildings at Unit 1, 931 Colombo Street were purchased from After Hours Properties Limited on 1st April 2019. The complex including 8 Caledonian Road, 16 Caledonian Road, 933, 937 & 941 Colombo Street was subsequently sold to Southern Cross Hospitals on 1st April 2019 for $8,000k. Gain on sale recognised was $1,900k and an asset revaluation reserve adjustment has been realised of $933k to the retained earnings account in the prior year.

No significant acauisitions and disposals occurred in the current vear.

13 Intangibles

i. Recognition and measurement

Intangible assets are initially measured at cost.

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

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

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

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

ii. Research and development

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

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

iii. Subsequent expenditure

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

iv. Amortisation

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

The estimated straight line amortisation rates are :

	2020	2019
Software	6.00% - 48.00%	6.00% - 48.00%

Amortisation met hods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. During the year, there has been a change in accounting estimate in regards to two assets' useful life;

• Electronic Medical Records asset - This is due to a change in the expected consumption of future economic benefits embodied in the asset . This asset has now been split into three new assets. The previous useful life was 15 years and the new useful life has changed to two and five years starting 1 July 2019 . This has resulted in additional $278k of amortisation in the current year.

• Eportal (claims software) - This is due to a change in the expected consumption of future economic benefits embodied in the asset. This asset has now been split into two new assets . The previous useful life was eight years and the new useful life has changed to one and a half years starting 1 January 2020 . This has resulted in additional $29k of amortisation in the current year.

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

Group and Company

Cost or valuation	Note	Software	Trademark and domain names	Intangibles under construction	Total
		$'000	$'000	$'000	$'000
Balance as at 1 July 2018		4,369	43	2,878	7,290
Additions (acquired externally)		30	5		35
Additions (developed internally)				1,074	1,074
Impairment	9	(2,368)			(2,368)
Transfers		3,409		(3,409)	
Disposals					
Balance as at 30 June 2019		5,440	48	543	6,031
Balance as at 1 July 2019		5,440	48	543	6,031
Additions (acquired externally)		27	2	229	258
Additions (developed internally)				660	660
Impairment			(10)		(10)
Transfers		623		(623)	
Disposals					
Balance as at 30 June 2020		6,090	40	809	6,939

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Group and Company

Accumulated amortisation and impairment	Note	Software	Trademark and domain names	Intangibles under construction	Total
		$'000	$'000	$'000	$'000
Balance as at 1 July 2018		3,123			3,123
Amortisation	9	591			591
Impairment	22	(117)			(117)
Transfers					
Disposals					
Balance as at 30 June 2019		3,597			3,597
Balance as at 1 July 2019		3,597			3,597
Amortisation	9	912			912
Impairment		(6)			(6)
Transfers					
Disposals		(1)			(1)
Balance as at 30 June 2020		4,502			4,502
Net book value:					
As at 1 July 2018		1,246	43	2,878	4,167
As at 30 June 2019		1,843	48	543	2,434
As at 30 June 2020		1,588	40	809	2,437

(a) Amortisation

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

(b) Security and restrictions

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

(c) Intangible assets under construction

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

(d) Impairment on non-cash generating asset

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

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

14 Investment in Other Entities

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i. Subsidiaries

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

ii. Associates and jointly controlled entities

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

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

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

iii. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial st at ements . 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 2020	% Shareholding 2019	Balance date
Pegasus Health (LP) Ltd (PHLP)	Investment	100%	100%	30-Jun
After Hours Properties Limited	Investment	Wound up	100%	30-Jun
Health One (General Partner) Ltd	Managemen1	100%	100%	30-Jun

HealthOne (General Partner) Ltd is an inactive entit y.

Movement in carrying value of subsidiaries

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
As at 1 July			2,102	1,125
Transfer in of associate (After Hours Properties Limited)				977
Wind up of subsidiary (After Hours Properties Limited)			(977)	
Balance at 30 June			1,125	2,102

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

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

On 30th November 2018, Health One (General Partner) Limited was setup . It has been inactive during the current financial year.

Prior to 18th December 2018, the Group accounted for the investment in After Hours Properties Limited as an Associate. On this date the Group acquired the remaining 50% interest for $1,S00k , and accounted for the entity as a wholly owned subsidiary. The entity had a 31 March balance date which is the standard balance date for New Zealand companies . Following the purchase of the remaining shares in the entity , the Balance sheet date for the entity was changed to 30 June. On 1st May 2019 the Directors resolved to wind up the company. During the current year, this wind-up was completed.

(b) Associates & jointly controlled entities

Name	Principal activity	% Shareholding 2020	% Shareholding 2019	Balance date
Canterbury Community Care Trust Ltd (CCCTL)	Corporate Trustee	33%	33%	30-Jun
Homecare Medical (General Partner) Ltd (HCMGP)	Management	50%	50%	30-Jun
Screensouth **Ltd**	Screening services	50%	50%	30-Jun
Homecare Medical (NZ) Limited Partnership	Telehealth services	50%	50%	30-Jun
NZ Medicines Formulary LP	The creation and maintenance of a medicines formulary	**10%**	10%	30-Jun

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

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

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 is held by the subsidiary Pegasus Health (LP) Limited (PHLPL). PHLPL, being a limited partner, does not exercise control over the activity of the limited partnership as per their Limited Partnership Agreement. The Limited Partners have no right or authority to act for the Limited Partnership neither can they take part in or in any way interfere in the conduct or management of the Limited Partnership or vote on matters relating to that. However, PHLPL does have significant influence over Homecare Medical (NZ) Limited Partnership as they can aid in strategic decision making process, which means it is required to be equity accounted each year.

Group	2020	2019
	$'000	**$'000**
Current assets	35,698	22,967
Non-current assets	4,342	5,625
Current liabilities	31,734	18,353
Non-current liabilities	498	970
Net assets	7,808	9,269
Income	71,951	44,306
Expenses	(67,288)	(41,965)
Net Surplus (Deficit)	4,663	2,341

Movement in carrying value of other associates and joint ventures

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Balance at 1 July	2,742	1,545	60	1,285
Share of associate's reserves		(9)		(9)
Transfer on cessation of Associate		(1, 221)		(1, 221)
Distribution of funds	(1,077)	(32)		
Share of profit/loss in Homecare Medical Ltd before IFRS adjustments	2,319	1,317		
Share of impact of adopting NZ IFRSIS*		1,137		
Share of impact of adopting NZ IFRS16**	12			
NZ Medicines Formulary partnership income		5		5
Balance at 30 June	3,996	2,742	60	60

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

* Homecare Medical (NZ) Limited Partnership (Homecare) adopted NZIFRS 15 in its prior year financial state ments. The core principle of NZIFRS 15 is to recognise revenue as a transfer of promised goods and services to customers in an amount that reflects the consideration to which the organisation expects to be entitled in exchange for those goods and services . However, the Company is adopting Public Benefit Entity Accounting Standards which have different revenue recognition principles. This will result in annual adjustments in income and the difference will be recognised as Income in Advance for the NZIFRS 15 adj ust ment. In the current year, this has resulted in an additional $52k to funding in advance.

** Homecare Medical (NZ) Limited Partnership (Homecare) adopted NZIFRS 16 in the current year. The core principle of NZIFRS 16 is to recognise the majority of leases on the balance sheet as a lease liability and right-of-use-asset . However , the Company is adopting Public Benefit Entity Accounting Standards which have different leasing principles. This will result in annual adjustments in operating expense and removing the finance cost, lease liability and right-of-use asset for the NZIFRS 16 adjustment .

(c) Investments

Name	Principal activity	% Shareholding 2020	% Shareholding 2019	Balance date
bpacnz Ltd	Deliver educational and continuing professional development programmes	16.67%	16.67%	30-Jun
Early Start Project Ltd	Family welfare service	11.11%	11.11%	30-Jun

Movement in carrying value of investments

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Balance at 1 July				
Balance at 30 June				

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

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(d) Loans with subsidiary

The Company has a subsidiary loan receivable of $1,00Sk as at 30 June 2019. During the year, PHLPL repaid $1,000k of this loan which results in the remaining $Sk working capital float loan. This is an unsecured loan which is interest free and repayable on deman d. This was included within the investments balance last year but has now been reclassified to a more accurate classification as loan receiva ble.

The Company received an advance from its subsidiary during the current year of $623k. This relates to a distribution received by PHLPL from Homecare Medical (NZ) Limited Partnership and the differences in recognition criteria between for-profit and not-for-profit framework. Subsequent distribution from PHLPL to the Company being a dividend up to the level of retained earnings held and the balance an advance. This loan is an unsecured loan, interest free and repayable on demand. During the reporting period, there were no defaults, breaches and no loans forgiven.

15 Payables - Exchange Transactions

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

(a) Trade payables

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Trade payables from exchange transactions	1,017	913	1,017	913
Trade payables	1,017	913	1,017	913

(b) Maturities

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

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Total trade payables	**1,017**	**913**	**1,017**	**913**
Analysed as due:				
Less than 30 days (current)	972	855	972	855
Between 31 and 90 days	41	57	41	57
Between 91 and 365 days	4	1	4	1
Total trade payables	1,017	913	1,017	913

The average credit term on invoiced amounts is 30 days (2019: 30 days). Accounts payable, accruals and other liabilities are interest free (2019: interest free).

(c) Other payables

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Non-trade payables and accrued expenses	2,139	1,893	2,147	2,741
Funding in advance	5,012	4,558	3,822	3,524
GST payable	549	425	549	430
Other payables	7,700	6,876	6,518	6,695

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16 Provisions

W Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation . The expense relating to any provision is presented in the statement of comprehensive revenue and expenses.

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Opening Balance				
Additional provisions made	141		141	
Closing balance	141		141	

17 Loans

Group and Company	Effective interest rate	Year of maturity	2020 Interest rate	2020 Current	2020 Non-current	2019 Interest rate	2019 Current	2019 Non-current
			%	$'000	$'000	%	$'000	$'000
Westpac Loan	Floating	2022	2.80%		2,000	4.10%		2,000
Westpac Loan	Floating/ SWAP	2021	2.80%		1,000	4.10%		1,000
Westpac Loan	Floating/ SWAP	2022	2.80%		1,000	4.10%		1,000
Westpac Loan	Floating/ SWAP	2023	2.80%		1,000	4.10%		1,000
Westpac Loan	Fixed	2023	5.60%		4,000	5.60%		4,000
bpacnz Ltd	Interest free	On demand	0.00%	40		0.00%	40	
Total loans				40	9,000		40	9,000

(a) Security held

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

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

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

(c) Loan forgiveness

During the period, no loans were forgiven.

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18 Capital and Reserves

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Share capital

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

Group and Company	2020	2019
	No. Shares	No. Shares
Opening number of shares (1 July)	1 2,000	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.

19 Financial Instruments

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

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 discharg ed, 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 simult aneously .

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

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

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

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

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

i. Loans and receivables

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

Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and receivables.

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

ii. Derivative financial instruments

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

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iii. **Amortised cost financial liabilities**

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

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

Classification and fair values of financial instruments

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

Group 30-Jun-19	Note	Financial assets (Loans and receivables)	Financial liabilities (Amortised cost)	Fair value
		$'000	$'000	$'000
Subsequently not measured at fair value				
Cash and cash equivalent (assets)	10	4,191		
Receivables	11	4,688		
Payables	15		(2,806)	
Loans	17		(9,040)	
Subsequently measured at fair value				
Derivative financial liabilities	20			(139)
Total		8,879	(11,846)	(139)

Group 30-Jun-20	Note	Financial assets (Loans and receivables)	Financial liabilities (Amorti sed cost)	Fair value
		$'000	$'000	$'000
Subsequently not measured at fair value				
Cash and cash equivalent (assets)	10	5,500		
Receivables	11	6,131		
Payables	15		(3,156)	
Loans	17		(9,040)	
Subsequently measured at fair value				
Derivative financial liabilities	20			(180)
Total		11,631	(12,196)	(180)

Company 30-Jun-19	Note	Financial assets (Loans and receivables)	Financial liabilities (Amortised cost)	Fair value
		$'000	$'000	$'000
Subsequently not measured at fair value				
Cash and cash equivalent (assets)	10	4,135		
Receivables	11	4,719		
Payables	15		(3,654)	
Loans	17		(9,040)	
Subsequently measured at fair value				
Derivative financial liabilities	20			
Total		8,854	(12,694)	

Company 30-Jun-20	Note	Financial assets (Loans and receivables)	Financial liabilities (Amortised cost)	Fair value
		$'000	$'000	$'000
Subsequently not measured at fair value				
Cash and cash equivalent (assets)	10	5,498		
Receivables	11	6,131		
Payables	15		(3,164)	
Loans	17		(9,040)	
Subsequently measured at fair value				
Derivative financial liabilities	20			
Total		11,629	(12,204)	

It is considered that none of the financial instruments, except for derivative financial liabilities, fall into the fair value hierarchy in 2020. Fair value approximates carrying amount in all instances.

20 Financial Risk Management

(a) Overall risk management framework

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

(b) Credit risk

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

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

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

Cash and cash equivalents and derivative assets

The Group has a total of $5,500,285 (2019: $4,191,281) of cash and cash equivalents with financial institution s. The Company's Treasury policy dictates the levels of investment allowed for a range of credit limits and classes .
It is also the Company's policy to ensure that no more than $3,000,000 of registered bank term deposits are held with a single financial institution. Details of the spread of the Group's cash and cash equivalents between different financial institutions is detailed below:

	Credit rating		% of cash funds held	
Group and Company	**2020**	**2019**	**2020**	**2019**
Westpac	AA-	AA-	100	99.9

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Receivables

The Group's exposure to credit risk is influenced by the specific individual characteristics of each counter party within the different sub-class of receivables presented in Note **11.** The majority of accounts receivable relate to funding to be received from the Canterbury District Health Board which is considered a low credit risk. Other exposures arise in relation to the delivery of patient service s. There are no concentrations of credit risk beyond the above exposures.

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

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

Group and Company	**2020**	**2019**
	$'000	**$'000**
Patient debt	137	75
Other debt	559	571
Total	696	646

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

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

In respect to all other Advances to related parties, under the Treasury Policy, the Board must approve all amounts advanced and drawn down to related parties. Refer to Note 23 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 instrument s. 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 equivalent s, 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 undr awn. The Group has a $2,000,000 secured overdraft facility , of which all is undrawn at balance date (2019: $2,000,000) .

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

	Contractual cash flows					
	0-1 Month $'000	**1-3 Months $'000**	**3-12 Months $'000**	**12 + Months $'000**	**Total Amount $'000**	**Carrying Amount $'000**
Group Jun-19						
Non-derivative financial liabilities:						
Payables	(8,360)	(57)	(1)		(8,418)	(8,418)
Loans:						
Westpac	(34)	(68)	(305)	(10,631)	(11,038)	(9,000)
bpac Ltd				(40)	(40)	(40)
Total	(8,394)	(125)	(306)	(10 , 671)	(19,496)	(17,458)

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Group **Jun-20**						
Non-derivative financial liabilities:						
Payables	(8,672)	(41)	(4)		(8,717)	(8,717)
Loans:						
Westpac	(33)	(67)	(300)	(13,S44)	(13,944)	(9,000)
bpacnz Ltd				(40)	(40)	(40)
Total	(8,70S)	(108)	(304)	(13,S84)	(22,701)	(17,7S7)

As detailed in Note 17, 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 2020, Group had $SM (2019: $SM) floating rate loan liabilities. In the event of a movement in the margin rate, the effect of a 1% increase rate up or down on the floating loans is demonstrated below.

Interest rate swaps are used to mitigate the interest rate risk of $3M floating rate loans. The effect of these Swaps is to mitigate the risk on the base rate charged rather than on the bank margin. The rest of the $2M (2019: $2M) are fully at risk of interest rate changes .

	Surplus or deficit		**Net assets/ equity**	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Interest rate increase of 1% (2019: 1%)	(SO)	(SO)	(SO)	(SO)
Interest rate decrease of 1% (2019: 1%)	S0	S0	S0	S0

(d) Derivative financial liabilities

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

Group and Company	**2020**	**2019**
	$'000	**$'000**
Statement of financial position		
Derivative financial liabilities	180	139

Total unrealised loss recognised is $41k (2019: $94k)

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21 Leases

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Classification and treatment

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

i. Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually t ransferred . At the commencement of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payment s. At the commencement of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payment s. The finance charge is charged to the statement of comprehensive revenue and expense over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liabi lity .

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the group will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

ii. Operating leases

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

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

(a) Leases as lessee

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

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Less than one year	196	146	196	146
Between one and five years	783		783	
Greater than five years	677		677	
Total non-cancellable operating lease payments	1,656	146	1,656	146

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

(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	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Less than one year	142	70	142	70
Between one and five years	567	168	567	168
Greater than five years	261	115	261	115
Total non-cancellable operating lease payments	970	353	970	353

This note covers leases at 401 Madras Street and sub-leases at 395 Madras Str eet . Homecare Medical **(NZ)** Limited Partnership, a related party, subleases part of 395 Madras Street on terms identical to the head lease. Christchurch Radiology Group Limited subleases part of 401 Madras Street and can exercise two rights of renewal of five years each.

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(c) Finance lease

Finance lease liabilities are payable as follows;

	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Less than one year	30		30	
Between one and five years				
Greater than five years				
Total minimum lease payments	30		30	
Future finance charges	(11)		(11)	
Present value of minimum lease payments	19		19	

The Group has entered into finance leases for multiple photocopier s. The net carrying amount of the leased items is shown in Note 12. The present value of all minimum lease payments payable is less than one year. The photocopier lease ends in January 2021 with no rights to renewal under the contract. Finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in event of default of payment.

22 Business Combinations

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

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

The Group measures goodwill at the acquisition date as:

The aggregate of:

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

Less:

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

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

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

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

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

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

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

(a) Final equity accounting transaction

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

	Note	Group	Company
		$'000	$'000
Opening balance: 50% shares in AHPL		1,157	1,157
50% share of AHPL Loss From 01 April 2018 to 18 December 2018	15 b)	(9)	(9)
50% share book value as at 18 December 2018		1,148	1,148

(b) Step acquisition

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

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

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

(c) Dividend income

During the prior year, AHPL declared $1.54 million dividend to the Company as showing in Statement of Comprehensive Revenue and Expense. This amount had not been received as at 30 June 2019 but was settled in the year ending 30 June 2020.

(d) Impairment loss on investment

During prior year, AHPL transferred the ownership of Unit 1, 931 Colombo Street to the Company with the market value of $2,557k and no amounts were transferred from the Company to AHPL. This transaction will decrease the value of investment, and an impairment loss would be recognised in the prior financial year:

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

(e) Net identifiable assets acquired

During the prior year, the Group acquired and assumed the following amounts of assets and liabilities as at acquisition and reporting date for 30 June 2019:

	Note	Cost at acquisition date	30 Jun 2019
		$'000	$'000
Cash and cash equivalents	10	121	54
Other receivables	11	6	1,013
Property, plant and equipment (Unit 1, 931 Colombo Street)	12	2,557	
Other payables	15	(65)	(90)
Net identifiable assets acquired		2,619	977

BDO Christchurch

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

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

- That is recognised in the statement of comprehensive revenue and expense since acquisition date , and
- That would have been recognised in the statement of comprehensive revenue and expense had AHPL been consolidated since the beginning of the prior reporting period.

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

23 Related Party Transactions

(a) Transactions with other related parties

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

	Transaction value		Balance outstanding	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
After Hours Properties Ltd: interest income		36		
After Hours Properties Ltd: management fee income		42		
After Hours Properties Ltd: operating lease expenses		(88)		
Screen South Ltd: contract revenue/pass through claims	25	51		
Screen South Ltd: directors fees			2	
bpacnz Ltd: loan (interest free, on demand)			(40)	(40)
bpacnz Ltd: directors fees	3		3	
Homecare Medical (NZ) Ltd Partnership: services	107	75	36	8
Homecare Medical (NZ) Ltd Partnership: virtual services	(26)	(53)		
Canterbury Community Care Trust Ltd : directors fees	8	8		
Pegasus Health (LP) Ltd: receivables	1,000	1,000	5	1,005
Pegasus Health (LP) Ltd: dividend	454			
Pegasus Health (LP) Ltd: advances	623		(623)	

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

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

(b) Key management personnel remuneration

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

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

Senior executive officers are employed as employees of the Company, on normal employment term s.

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 :

	2020		2019	
	Remuneration	Number of individuals	Remuneration	Number of individuals
	$'000		$'000	
Members of the governing body - including directors fee	747	9 People	677	9 People
Senior executive officers	1,569	7.21 FTE's	1,498	7.25 FTE's
Total	2,316		2,175	

24 Commitments and Contingencies

(a) Commitments

The following capital commitments have been entered into;

- Accounting software upgrade estimated to be $60k
- Legal compliance software estimated to be $16k
- Payroll software estimated to be $30k
- Nurse call system estimated to be $8k

(2019: $nil).

(b) Contingent liabilities

At 30 June 2020 the Group had no contingent liabilities (2019: nil)

(c) Contingent assets

As at 30 June 2019, the Company had a contingent asset for potential overpayment of FBT which totalled $196k. This was fully received during the current year. As at 30 June 2020, there are no contingent assets.

25 Events After Reporting Date

There are no events subsequent to balance date.