



PEGASUS HEALTH (CHARITABLE) LIMITEDTM
PRIMARY HEALTH ORGANISATION FUNCTION
NOT FOR-PROFIT ENTITY

SPECIAL PURPOSE FINANCIAL STATEMENTS
For the Year Ended 30 June 2021



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The Directors are pleased to present the special purpose financial statements of Pegasus Health (Charitable) Limited's Primary Health Organisation Function for the year ended 30 June 2021.

REGISTERED OFFICE

Pegasus Health (Charitable) Ltd
401 Madras Street
Christchurch

DIRECTORS

Dr S E Ashmore
Dr C M Christie (Deputy Chair)
Dr B Hudson
Ms J C Huria
B P Kepes (appointed 25 November 2020)
Dr G P O'Duffy (resigned 23 September 2020)
Dr R A Rawstron (appointed 30 September 2020)
Ms N M Scott
Mr P R Townsend (Chair)
Dr V J Weenink
Dr S M H Wynn Thomas (Deputy Chair)

AUDITOR

BDO Christchurch

LEGAL ADVISORS

Lane Neave



For the year Ended 30 June 2021

A Directors' report is not included in these special purpose financial statements. The Directors' Report for Pegasus Health (Charitable) Limited is included in the Company's financial statements, a copy of which will be provided upon request.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF PEGASUS HEALTH (CHARITABLE) LIMITED
PRIMARY HEALTH ORGANISATION FUNCTION**

Opinion

We have audited the special purpose financial statements of Pegasus Health (Charitable) Limited (“the Company”) which comprise the Primary Health Organisation Function special purpose statement of financial position as at 30 June 2021, and the special purpose statement of comprehensive revenue and expense, special purpose statement of changes in net assets/equity and cash flow statement for the year then ended, and notes to the special purpose financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying special purpose financial statements present fairly, in all material respects, the special purpose financial position of the Company as at 30 June 2021, and its financial performance and its cash flows for the year then ended in accordance with the financial reporting obligations under the PHO Services Agreement and the requirements of the Ministry of Health and Canterbury District Health Board as set out in the Operating Policy Framework Guidance on the Management and Use of PHO Cash Balances.

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 Pegasus Health (Charitable) Limited.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion we draw attention to note 1 in the special purpose financial statements, which describe the basis of accounting. The special purpose financial statements are prepared based on the financial reporting obligations under the PHO Services Agreement and to satisfy the requirements of the Ministry of Health and Canterbury District Health Board as set out in the Operating Policy Framework Guidance on the Management and Use of PHO Cash Balances. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Shareholders, as a body, and should not be distributed to or used by parties other than the Shareholders’. Our opinion is not modified in respect of this matter.

Directors’ Responsibilities for the Financial Statements

The directors are responsible for the preparation and fair presentation of the special purpose financial statements in accordance with the financial reporting obligations under the PHO Services Agreement and the requirements of the Ministry of Health and Canterbury District Health Board as set out in the Operating Policy Framework Guidance on the Management and Use of PHO Cash Balances., and for such internal control as the directors determine is necessary to enable the preparation of special purpose financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose financial statements, the directors are responsible for assessing the 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 Function or to cease operations, or have no realistic alternative but to do so.

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

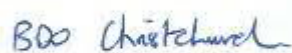
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not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

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at: <https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-7/>.

This description forms part of our auditor's report.

Who we Report to

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



BDO Christchurch
Christchurch
New Zealand
1 September 2021

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



For the Year Ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Revenue			
Delivery of health services	7	3,161	3,012
Total revenue		3,161	3,012
Expenses			
General operating expenses	8	(28)	(26)
Governance expenses		(91)	(91)
Programme contracts, financial management and community engagement		(1,510)	(1,317)
Programme service funding		(2,439)	(2,308)
Surplus/(deficit) before net financing costs		(907)	(730)
Finance income (Expense)		4	13
Finance income transferred from programmes		706	701
Surplus/(deficit) for the period		(197)	(16)
Other comprehensive revenue and expense for the year		-	-
Total comprehensive revenue and expense for the year		(197)	(16)

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

PEGASUS HEALTH (CHARITABLE) LIMITED - PRIMARY HEALTH ORGANISATION
STATEMENT OF CHANGES IN NET ASSETS/EQUITY



For the Year Ended 30 June 2021

	Accumulated revenue and expense	Total
	\$'000	\$'000
Balance as at 1 July 2019	1,237	1,237
Surplus/(deficit) for the year	(16)	(16)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	(16)	(16)
Closing balance 30 June 2020	1,221	1,221
Surplus/(deficit) for the year	(197)	(197)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	(197)	(197)
Closing balance 30 June 2021	1,024	1,024

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

PEGASUS HEALTH (CHARITABLE) LIMITED - PRIMARY HEALTH ORGANISATION
STATEMENT OF FINANCIAL POSITION



As at 30 June 2021

	Note	2021 \$'000	2020 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	9	2,650	2,587
Receivables (from exchange transactions)	10	1,083	1,118
Loan receivable	11	500	500
		4,233	4,205
Non-current assets			
		-	-
Total assets		4,233	4,205
LIABILITIES			
Current liabilities			
Payables (from exchange transactions)	12	330	316
GST payable		152	231
Contract funding received in advance	14	2,713	2,423
Project residual fund	13	14	14
		3,209	2,984
Non-current liabilities			
		-	-
Total liabilities		3,209	2,984
NET ASSETS / EQUITY			
Accumulated revenue and expense		1,024	1,221
Total net assets/equity		1,024	1,221
Total net assets/equity and liabilities		4,233	4,205

FOR AND ON BEHALF OF THE BOARD, 1 September 2021

Mr P R Townsend
Chair

Dr S M H Wynn Thomas
Deputy Chair

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

PEGASUS HEALTH (CHARITABLE) LIMITED - PRIMARY HEALTH ORGANISATION
STATEMENT OF CASH FLOWS



For the Year Ended 30 June 2021

	Note	2021	2020
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from cash receipts from customers		123,269	119,862
Payments to suppliers and employees		(123,838)	(120,358)
GST received		(79)	90
Interest received		710	714
Net cash inflow/(outflow) from operating activities	9	63	308
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash inflow/(outflow) from investing activities		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash inflow/(outflow) from financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		63	308
Cash and cash equivalents at beginning of year	9	2,587	2,279
Cash and cash equivalents at the end of year	9	2,650	2,587

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



For the Year Ended 30 June 2021

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 and principal place of business is at 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.

Pegasus Health (Charitable) Ltd is principally involved in the delivery of health services. On 1 March 2013 the Company took on the function of a Primary Health Organisation (PHO).

This function is separately reported upon in these special purpose financial statements, which are an extract from the full financial statements of the Company, and cover the year ended 30 June 2021.

The special purpose of these financial statements is to fulfil the Company's reporting obligations under the PHO Services Agreement and to satisfy the requirements of the Ministry of Health and Canterbury District Health Board as set out in the Operating Policy Framework Guidance on the Management and Use of PHO Cash Balances.

These financial statements are for the year ended 30 June 2021 and were approved by the Directors on 1 September 2021.

2 Basis of Preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with Public Benefit Entity Accounting Standards ("PBE Standards"), as appropriate for Tier 1 not-for-profit public benefit entities. These financial statements were authorised for issue by the Board of Directors on 1 September 2021.

(b) Measurement basis

The consolidated financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

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

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

3 Use of Judgements and Estimates

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

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

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

(a) Judgements

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

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

(b) Assumptions and estimation uncertainties

Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment.



For the Year Ended 30 June 2021

4 Significant Accounting Policies

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

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

5 Other Significant Accounting Policies

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.

6 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 2021, 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 date: 1 January 2021

This standard will be adopted by PHO for the first time for its financial reporting period ended 30 June 2022. This standard will replace PBE IFRS 3 Business Combinations. This will not have an impact on the accounts unless a business combination occurs through acquisition or amalgamation.

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

This standard will be adopted by PHO 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 date: 1 January 2022

This standard will be adopted by PHO for the first time for its financial reporting period ended 30 June 2023. This standard will replace PBE IPSAS 29 Financial Instruments: Recognition and Measurement. The impact of 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 addition, financial assets which were recognised as loans and receivables, will now be recognised at amortised cost.



For the Year Ended 30 June 2021

7 Revenue



Revenue is recognised when the amount of revenue can be measured 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

Management fee for 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 received includes the delivery and provision of health care and PHO related services.

The PHO operates 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.

	2021	2020
	\$'000	\$'000
Management fee for delivery of health services	3,161	3,012
Total revenue	3,161	3,012

The PHO Function has significant agreements with the Canterbury District Health Board (CDHB) to provide services to general practices and their patients. Satisfactory on-going contractual arrangements for these areas have been agreed or are in the process of being agreed with CDHB for the year ending 30 June 2022.

8 Expenses By Nature

	2021	2020
	\$'000	\$'000
Audit fees	12	16
Director fees	10	10
Other	6	-
Total general operating expenses	28	26



For the Year Ended 30 June 2021

9 Cash and Cash Equivalents

(a) Cash and cash equivalents

	2021	2020
	\$'000	\$'000
Cash on hand	2,650	2,337
Bank deposits (less than 30 days)	-	250
Cash and cash equivalents in the statement of cash flows	2,650	2,587

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

	2021	2020
Bank deposits	0.05%	0.05%
Term deposits	-	1.20-2.88%

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

(b) Reconciliation of operating cash flows to net surplus

	2021	2020
	\$'000	\$'000
Net surplus / (deficit)	(197)	(16)
Adjustments for movements in:		
(Increase)/decrease in receivables	35	(59)
Increase/(decrease) in payables	225	383
Net operating cash inflow / (outflow)	63	308

10 Receivables - Exchange Transactions

(a) Receivables

	2021	2020
	\$'000	\$'000
Net trade receivables from exchange transactions	1,011	1,116
Sundry receivables	72	2
Total receivables	1,083	1,118



For the Year Ended 30 June 2021

(b) Maturities

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

	2021	2020
	\$'000	\$'000
Net trade receivables from exchange transactions	1,011	1,116
Analysed as due:		
Less than 30 days (current)	1,011	1,105
Between 31 and 60 days	-	11
Between 61 and 90 days	-	-
Greater than 91 days	-	-
Net trade receivables from exchange transactions	1,011	1,116

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

(c) Credit term and interest

The average credit term on invoiced amounts is 30 days and is interest free (2020: 30 days and is interest free).

11 Loan Receivable

During September 2016, the PHO invested \$500,000 into the Pegasus House fit out at 401 Madras Street, Christchurch as this is the main location for the PHO operations. The investment is consistent with the Ministry of Health's requirements, as set out in the Operating Policy Framework Guidance on the Management and Use of PHO Cash balances. This is an interest free, on-demand, unsecured loan for the contribution to Pegasus House.

12 Payables - Exchange Transactions



Agency payments

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

(a) Trade payables

	2021	2020
	\$'000	\$'000
Trade payables from exchange transactions	160	81
Non-trade payables and accrued expenses	170	236
Trade and other payables measured at amortised cost	330	316



For the Year Ended 30 June 2021

(b) Maturities

The maturities of trade payables based on the remaining period are as follows:

	2021	2020
	\$'000	\$'000
Total trade payables	160	81
Analysed as due:		
Less than 30 days (current)	147	78
Between 31 and 90 days	12	2
Between 91 and 365 days	1	1
Total trade payables	160	81

The average credit term on invoiced amounts is 30 days (2020: 30 days). Accounts payable, accruals and other liabilities are interest free (2020: interest free).

13 Project Residual Fund

The Directors of the Company and The Trustees of Partnership Health Canterbury PHO Te Kei o Te Waka (Partnership Health) agreed to the amalgamation of the two entities on 1 March 2013. This was enacted by way of the assets and liabilities of Partnership Health being transferred to the Company on that date. The value of the net assets transferred (Project Residual Fund) was \$450,000 of which \$13,749 remains as at 30 June 2020 and as at 30 June 2021.

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

14 Contract Funding in Advance

	2021	2020
	\$'000	\$'000
Enhanced capitation (Care Plus)	6	5
Health promotion	(53)	(42)
Services to improve access	(99)	(37)
System level measures framework	231	577
Rural retention / Rural roster	61	7
CDHB additional services	179	78
CDHB other services	2,104	1,677
Healthy eating, healthy activity	192	71
Project management for CDHB	74	15
Non-CDHB contracts	18	72
Total contract funding received in advance	2,713	2,423

The contract funds received in advance represent income received for funding contracts that have yet to be completely spent. As there is a contractual obligation to spend the contract funds on the designated funding stream, the contract funds unspent have been recognised as a liability as at 30 June 2021.



For the Year Ended 30 June 2021

15 Financial Instruments



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

The PHO 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 PHO is recognised as a separate asset or liability.

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

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

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

The PHO classifies financial assets into the following categories: loans and receivables, and available-for-sale.

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

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

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

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

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

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

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.

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 financial assets and financial liabilities.

30-Jun-20	Note	Financial assets (Loans and receivables)	Financial liabilities (Amortised cost)	Total
		\$'000	\$'000	\$'000
Subsequently not measured at fair value				
Cash and cash equivalent (assets)	9	2,587	-	2,587
Receivables	10	1,118	-	1,118
Payables	12	-	(316)	(316)
Loans		-	-	-
Total		3,705	(316)	3,389

PEGASUS HEALTH (CHARITABLE) LIMITED - PRIMARY HEALTH ORGANISATION
NOTES TO THE FINANCIAL STATEMENTS



For the Year Ended 30 June 2021

30-Jun-21	Note	Financial assets (Loans and receivables)	Financial liabilities (Amortised cost)	Total
		\$'000	\$'000	\$'000
Subsequently not measured at fair value				
Cash and cash equivalent (assets)	9	2,650	-	2,650
Receivables	10	1,083	-	1,083
Payables	12	-	(330)	(330)
Loans		-	-	-
Total		3,733	(330)	3,403

It is considered that none of the financial instruments fall into the fair value hierarchy in 2021. Fair value approximates carrying amount in all instances.

	2021	2020
	\$'000	\$'000
Interest received per category of financial instruments:		
Cash and cash equivalents	4	13
Total interest received per category of financial instruments	4	13

16 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 at least on an annual basis.

The PHO Function's cash balances are held in separate accounts to those relating to the other activities of the Company.

(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 PHO has a total of \$2,649,713 (2020: \$2,336,948) of cash and cash equivalents with financial institutions. The Company's Treasury policy dictates the levels of investment allowed for a range of credit limits and classes.

It is also the Company's policy to ensure that no more than \$3,000,000 of registered bank term deposits are held with a single financial institution. Details of the spread of the Group's cash and cash equivalents between different financial institutions is detailed below:

	Credit rating		% of cash funds held	
	2021	2020	2021	2020
Westpac	AA-	AA-	100	100



For the Year Ended 30 June 2021

Receivables (from exchange transactions)

The PHO'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 10. The majority of accounts receivable relate to funding to be received from the Canterbury District Health Board which is considered a low credit risk. Other exposures arise in relation to the delivery of patient services. There are no concentrations of credit risk beyond the above exposures.

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

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

	2021	2020
	\$'000	\$'000
Other debt	1,083	1,118
Total	1,083	1,118

The ageing of trade receivables from exchange transactions, and credit quality of those balances that are neither past due nor impaired, as at reporting date, is presented in Note 10 (b).

There is no impairment allowance for trade receivables (2020: \$nil).

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 18 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 represents the Company's ability to meet its PHO Function contractual obligations. The Company evaluates these liquidity requirements on an ongoing basis. The Company generates sufficient cash flows from its PHO Function activities to meet its obligations arising from its PHO Function financial liabilities.

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

The table below details the undiscounted contractual cash flows (principal and interest) of the PHO Function financial liabilities:

	Contractual cash flows				Total	Carrying
	0 – 1	1 – 3	3 – 12	12 – 60		
	Month	Months	Months	Months	Amount	Amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Jun-20						
<i>Non-derivative financial liabilities:</i>						
Payables (from exchange transactions)	(316)	-	-	-	(316)	(316)
Total	(316)	-	-	-	(316)	(316)
Jun-21						
<i>Non-derivative financial liabilities:</i>						
Payables (from exchange transactions)	(330)	-	-	-	(330)	(330)
Total	(330)	-	-	-	(330)	(330)

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



For the Year Ended 30 June 2021

Interest rate risk

The PHO function is exposed to interest risk on cash, cash equivalents and short term deposits. These are held on call or as fixed interest deposits. There is no sensitivity to interest risk for all cash and cash equivalents as they are held at amortised cost or market value and are at fixed interest rates.

A reasonably possible increase of 1% (2020: 1%) and decrease of 1% (2020: 1%) in interest rates would have the following impact on surplus or deficit and net assets/equity:

	Surplus or deficit		Net assets/equity	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Interest rate increase of 1%	(26)	(26)	(26)	(26)
Interest rate decrease of 1%	26	26	26	26

17 Capital Management

Capital comprises retained earnings. The Company's PHO Function capital policy is to maintain sufficient capital base to sustain future development and delivery of its PHO Function. The Company's constitution precludes the distribution of its earnings to shareholders. The Company's policies in respect of capital and treasury management are reviewed regularly by the Assurance and Risk Committee of the Board of Directors. The Company's Treasury policy provides the framework for all treasury, investment, borrowing and related risk management activities. The Company is not subject to externally imposed capital requirements.

18 Intercompany and Related Party Transactions

Transaction between the PHO Function and the operating divisions of the Company are governed by the Company's Services Contracting Policy. The value of funding from the PHO Function to the Company's operating divisions was \$13,474,720 (2020: \$12,094,257) for the year, and balance outstanding at 30 June 2021 totalled \$42,145 (2020: \$48,818).

The PHO Function has loaned funds, short term, on demand, at arm's length rates of interest, to the operational bank accounts of the Company to cover short term operational financing needs. Such loans are governed by the Company's Treasury and Investment Policy and must not impinge on the PHO Function solvency. The maximum amount loaned during the year was \$nil (2020: \$1.57M). The amount outstanding at balance date was nil (2020: \$nil).

A number of directors hold PHO Agreements for the provision of first level services; these are on standard terms and conditions.

The PHO Function has no other related party transactions.

19 Commitments and Contingencies

At 30 June 2021, the PHO Function has no capital commitments, no contingent assets or liabilities (2020: \$nil).

20 Health and Disability Review

Prior to balance date, the Government announced its intention to implement significant Health and Disability sector reforms. Information to date has focussed on changes to central agencies and the implications for the PHO Function are unclear.

21 Events After Reporting Date

On 17 August 2021, following the detection of COVID-19 in the community, the New Zealand Government ordered an economy-wide lockdown, during which all non-essential businesses and organisations were not permitted to operate. The lockdown, which commenced at 11:59pm on 17 August, is still in effect at the time of signing these financial statements however has since moved to COVID alert level 3. Under level 3, non-essential businesses can operate provided they adhere to additional health and safety measures.

The Company is an essential service and consequently continues to operate throughout the lockdown period.