GREEN CROSS HEALTH

Annual Report 2018

Consolidated Financial Statements for the year ended 31 March 2018

Green Cross Health's legacy is in its name and its symbol, the green cross, which has been a marker of health care for more than 900 years and this continues today. While the history of our cross goes back centuries, we've been New Zealand owned and operated since 1981, initially as a pharmacy buying group, and have since set our course as a provider of primary health care services.

Contents

Our purpose

Green Cross Health's promise is to provide the best health support, care and advice to New Zealand communities.

We believe everyone in New Zealand has a right to quality health care and we work together every day to support healthier communities. Convenient access to professional health care benefits everyone and we are passionate about empowering people in our communities to live well, stay well and feel good.

To achieve health and wellbeing requires a health care system and professionals that know and connect with people throughout life, not just when they are sick. Our multi-disciplinary primary health care team connects with thousands of people every day, in almost every New Zealand community.

Who we are

Unichem

Life Pharmacy

357 pharmacies

Life Pharmacy 64

Unichem 293

90 Green Cross Health **equity pharmacies**

prescription items dispensed annually

31.7 MILLION

the doctors

340 nurses

300 doctors

38 medical centres

237,000 patients

GREEN CROSS HEALTH

WORKPLACE

occupational **health services**

As at May 2018.

Access community health

Total Care health services

3.8 **million** home visits each year

21,400 clients

clinical staff including qualified nurses, occupational therapists & physiotherapists

3,500 **support workers**

166 **community nurses**

Creating easy access to good healthcare, when, how and where it is needed

with services such as prescription reminders and remote health coaching

We are passionate about

Career development and collegiality

Today, Green Cross Health has an 8,000-strong team including doctors, nurses, pharmacists, community and support staff, who care for our communities and look after each other. We are also a network of franchisees and business owners for whom we foster collegial support and collaboration.

Good health care and advice is delivered by great people and we invest in resources for our teams to easily access ongoing learning and development opportunities through the Green Cross Health Academy.

TeachMe is our award winning online learning platform with 6,800 team members enrolled and 180 courses available, including some leading to NZQA qualifications. We have developed a leadership programme which supports our managers to develop their own high performing teams.

Offering a helping hand

We value our partnerships with the School of Pharmacy at both the University of Auckland and the University of Otago. We provide support with business education sessions, awards for achievement and the graduation ceremonies for New Zealand's future pharmacists.

Access Community Health and Rural Women New Zealand offer an annual scholarship to provide funds for continuing education or career development. This year's recipient was Roberta Kaio, a Primary Mental Health Coordinator in the Far North. Roberta planned to use the funds towards her Masters of Nursing with the University of Auckland.

This coming year, Green Cross Health will introduce a similar scholarship to benefit a member of our medical team who is looking to develop their career.

Partnerships for the health of our communities

Look Good Feel Better continues to be our primary community support partner. Their purpose is to provide free Feel Better classes for any person undergoing treatment for cancer.

In turn, our purpose is to spread the word about Feel Better classes and to pass on information to people who may benefit from connecting with Look Good Feel Better.

This year, Look Good Feel Better has extended their reach to help more people in New Zealand by establishing Men's Workshops.

For more information visit www.lgfb.co.nz

The Heart Foundation is one of many health organisations that Green Cross Health has a long-standing relationship with. Through our network we support The Heart Foundation on their mission to stop New Zealanders dying prematurely from heart disease and help people with heart disease to live full and productive lives.

Our Unichem and Life pharmacies raise funds during Big Heart Appeal, and we also encourage people to understand and manage their own health with free blood pressure and heart health checks.

Financial summary

So let's start with the plain English version of our accounts. If you are interested, more details can be found in the financial statements and notes further on in this report.

	2018 $'000	2017 $'000
We generate revenue from four sources:		
Pharmacy retail and dispensary sales	309,300	292,998
Community Health fees	128,885	115,705
Medical fees	52,721	49,336
Other pharmacy and group provided services	32,003	29,606

Our costs to operate are primarily:		
Wages and salaries	222,165	201,883
Costs of products sold	198,791	186,664
Other costs (marketing, governance, communications etc)	43,610	38,415
Lease expense	20,604	19,665
Depreciation and amortisation	7,165	6,808

You can see how growth in pharmacy store sales, plus organic growth and acquisitions in medical centres, and contract wins in community health have increased total sales. This continued sales growth is reflected in ongoing additional costs, especially wages and salaries and cost of products purchased. The increase in depreciation and amortisation reflects the ongoing investment in pharmacies, medical centres and IT infrastructure.

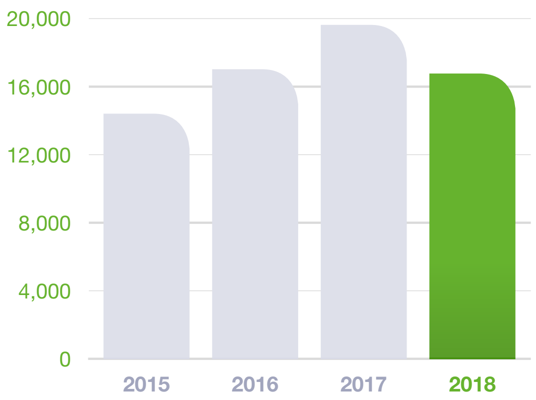
After all income and expenses we earned:		
Profit before tax	29,559	32,984
Tax expense	(8,258)	(8,631)
Profit after tax	21,301	24,353
Non-controlling interest	(4,517)	(4,711)
Profit after tax attributable to the Parent shareholders	**16,784**	**19,642**

Our underlying profit (excluding significant one-off items) was:		
Profit after tax attributable to the parent shareholders	16,784	19,642
Less gain on settlement of option to buy medical centres	-	(2,764)
Add one off increase in leave liability from pay equity legislation	1,940	-
Underlying profit attributable to the Parent shareholders	**18,724**	**16,878**

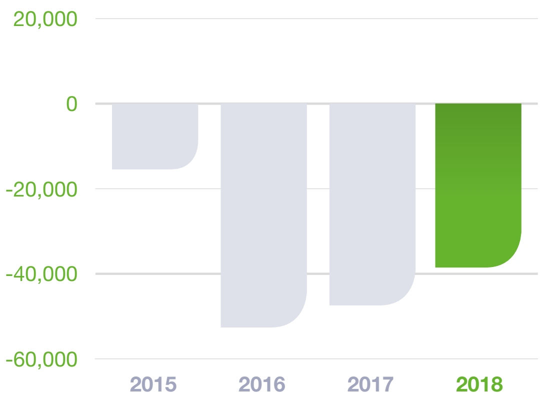
This is a non-GAAP (Generally Accepted Accounting Practice) measure of financial performance that we consider provides a better indication of the underlying financial performance of the group for the year, by taking out material one-off items that won't reoccur. Please refer to note 7.3 for further explanation.

	2018 $'000	2017 $'000
So what happened to the profit and where did the cash go?		
We started the year with a bank balance of	18,195	19,918
Our profit after tax (and after adjusting for non-cash items) was	26,252	26,843
We bought various businesses	(7,149)	(13,373)
We bought fixed assets	(11,784)	(10,350)
We repaid bank borrowings	(16,314)	(1,649)
We raised additional equity	-	187
We paid dividends to our shareholders	(3,111)	(2,959)
We paid dividends to our minority partners	(2,264)	(3,497)
Our working capital increased by	6,929	3,075
We ended the year with a bank balance of	**10,754**	**18,195**

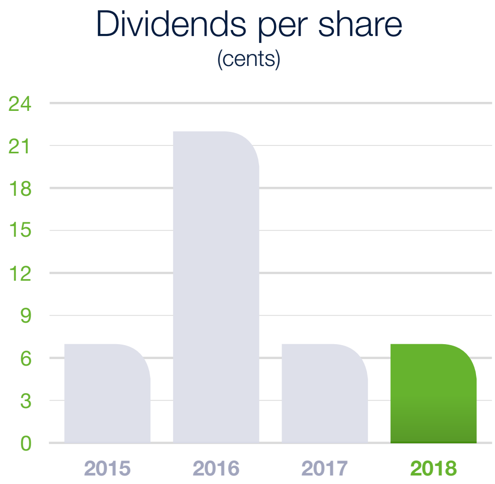
Profit after tax
($000's)



Net debt represents borrowings less bank balances
($000's)



	As at March 2018 $'000	As at March 2017 $'000
So what is the Company worth?		
We have total assets of	255,084	245,211
We have total liabilities of	(127,021)	(132,981)
So our equity is	128,063	112,230
Which represents a net asset value for each share of (cents)	**89.5**	**80.5**



Chair's report

During the last year we have made good progress with our strategy to expand our reach as a provider of primary health care services to more people in New Zealand.

7.2%

revenue increase to $523 million

Our growth strategy, via acquisition and improved operational performance, has remained on track, with Group revenue growing by 7.2% to $523 million.

Net Profit after Tax attributable to shareholders was $16.8m, compared with $19.6m in the prior year. This includes a one-off increase in unfunded Leave Liability in 2018 of $1.9m (due to the implementation of pay equity legislation) and a one-off Fair Value Gain in 2017 of $2.8m.

The Group's Underlying Net Profit after Tax attributable to shareholders, which removes one-off items, improved 10.9% to $18.7 million.

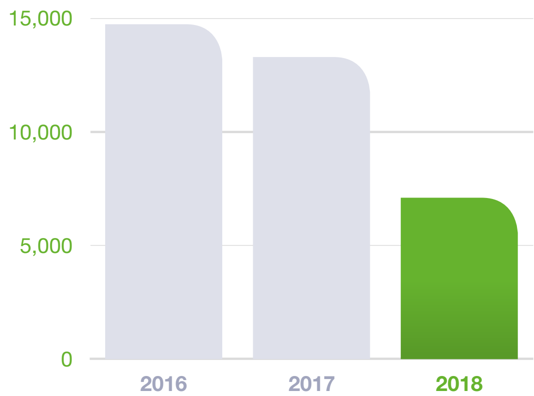
Net Cash Flows from Operating Activities of $33.2 million were up $3.3 million on last year and have been applied to new acquisitions, capital investment, dividends and debt reduction. Net borrowings reduced from $47.3m to $38.5m at balance date.

In a challenging health care funding and retail environment we continue to deliver earnings growth and have increased the financial capacity to continue acquisitions in the primary health care sector.

We are confident that we are on track with our growth strategy to provide accessible, quality primary health care to New Zealand communities.

Investment in acquisitions

($000's)



Highlights:

- Revenue of $523m (up 7.2%)
- Reported Net Profit after Tax attributable to shareholders of $16.8m (down 14.6%)
- Underlying Net Profit after Tax attributable to shareholders of $18.7m (up 10.9%)
- Medical Division performed strongly with revenue up 6.9%, Operating Earnings up 26.1%, driven by improved operational efficiency and successful acquisitions
- Pharmacy Division Operating Profit grew 3.5% on revenue growth of 5.8%
- Revenue growth in the Community Health Division continued, up 11.4%, a result of growth in nursing, ACC and DHB portfolios
- Net Cash from Operating Activities of $33.2m (up 10.9%)

Future focus:

We have a clear strategy across the Green Cross Health group to deliver profitable growth, both organically and through acquisitions. We will continue to develop primary care delivery models and retail health and beauty solutions using physical and digital channels, to meet the growing demands for health care and changing customer expectations.

We do not underestimate the challenges presented by funding and workforce pressures across all areas of primary health care, and the threat these factors pose to easy and equitable access to care. We therefore welcome the recently announced government review of the health and disability sector, and the opportunity it presents to improve the structure, performance and, critically, the sustainability of health care provision.

In summary, we will continue to drive positive results from progressing operational efficiency programmes and innovation throughout the Group. Green Cross Health is committed to providing all New Zealanders with products and services to live, look and feel their best.

Changes to the Board

In June 2017, after eight years on the Green Cross Health Board, Mr Keith Rushbrook stepped down as an Independent Director and Ms Carolyn Steele was appointed as an Independent Director. Carolyn is a Director of Metlifecare Limited, a number of other Boards and previous Director of Datacom Group Limited. Until 2016, Carolyn was a Portfolio Manager at Guardians of New Zealand Superannuation, the Crown entity which manages the New Zealand Superannuation Fund.

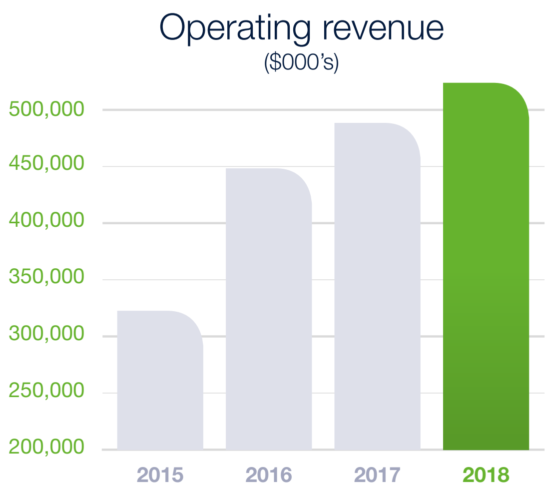
Dividend

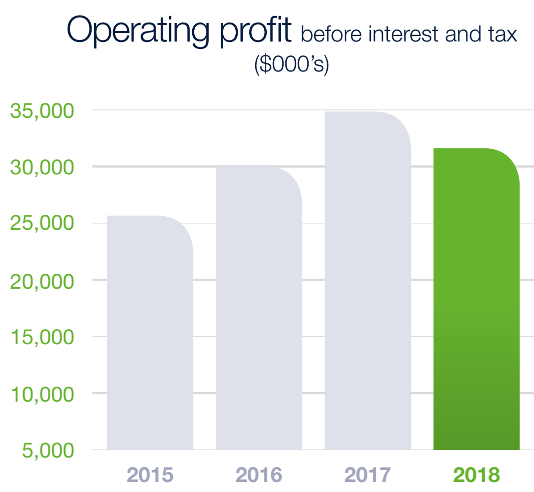
The Directors have resolved to pay a fully imputed final dividend of 3.5 cents per share to shareholders on the register at 5pm on 15 June 2018. The dividend is consistent with the prior year, and will be paid on 29 June 2018. This takes the full year dividend to 7 cents per share. The Dividend Reinvestment Plan will not be operative for this dividend payment.

Thank you to our team

On behalf of our board and management team, I'd like to express our gratitude and respect for the professional health care and advice that our team delivers in pharmacies and medical centres, in people's homes and via remote support services. It is your skills, and the commitment you show every day that supports the health of New Zealand communities. Thank you.

Peter Merton
Chair
29 May 2018





CEO report

Pharmacy division

During the past year we have continued our focus on delivering products and services that improve customer experience, engagement and health outcomes. We introduced tools for our pharmacy teams to enable convenient, multi-channel communication with customers.

5.8%

revenue increase

3.5%

operating profit increase

An automated Prescription Reminder Service prompts customers about scripts that are due, and opens up a clinical channel for conversations with their pharmacists, which will help to improve medicines adherence. We are building towards 1 million digital interactions annually via this service.

Our Living Rewards retail engagement programme has continued to grow to 1.5 million members. It provides the ability to reward and retain customers and drive incremental sales via targeted marketing, personalised messaging and curated content. These assets, combined with an improved omnichannel offering, will ensure that we remain relevant and market competitive.

Embedding improved operational standards and promotional excellence across the store network, in conjunction with licensees and supply partners, supported retail product sales growth of 2%. These core retail disciplines will continue to be a priority.

Growth in Pharmacy revenue and operating profit was achieved in a market which was impacted by major infrastructure works in Auckland and Wellington CBDs. Post-earthquake strengthening to many Wellington sites and mall redevelopments in our main city centres, including the closure of a flagship store, Life Pharmacy 277, in Newmarket, had a negative effect on trade.

31.7 million

prescription items dispensed

1.5 million

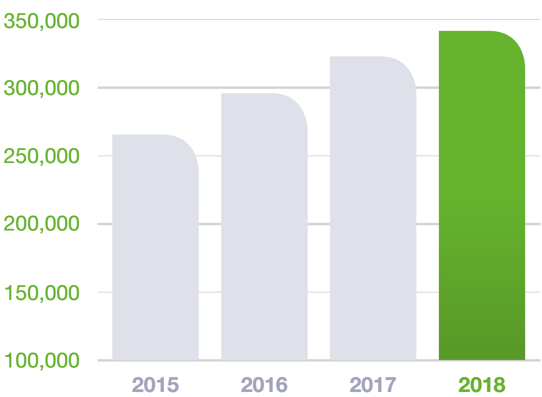
Living Rewards members

We continued to take a leading industry role in raising the profile of pharmacists as part of the primary health care team, and in facilitating stronger relationships in multi-disciplinary teams. Our intention is to provide a platform for the delivery of future-proofed health care models in which the workforce is used to its best capacity.

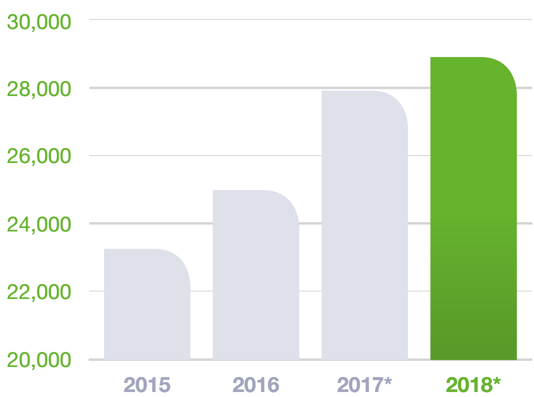
Our contribution to industry groups and key contract negotiations has been a focus for our leadership team this year and furthers our commitment to support our pharmacists as their roles expand into becoming health coaches for the community.

We are operating in a competitive market that provides customers with plenty of choice. As the New Zealand retail landscape evolves, the expert care and advice our teams provide is fundamental to maintaining our market leading position. Our Green Cross Health Academy training and development programme now has more than 6,000 people enrolled across 180 courses on our internationally award-winning TeachMe platform. This has been instrumental in driving enhanced operational efficiencies and customer experience.

Pharmacy operating revenue
($000's)



Pharmacy operating profit before interest and tax
($000's)



*Excludes corporate costs

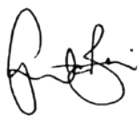

Cough
& Cold
HOT PRICE
HOT PRICE
$9.99
Panadol
Unichem

Highlights:

- Revenue growth of 5.8% and Operating Profit up 3.5% over previous year
- 31.7 million prescription items dispensed – approximately 50% of New Zealand's community pharmacy prescriptions
- 1.5 million members in our customer engagement programme, Living Rewards
- Opening of greenfield pharmacy sites co-located with The Doctors Wynyard Quarter and The Doctors Huapai

Future focus

- Continuous implementation and monitoring of operational improvement programmes and core retail disciplines across our network
- Redefine the Unichem and Life Pharmacy customer value propositions to ensure retail relevance and excellence, and reduce friction in the on and offline customer journeys
- Continue rollout of digital health and retail services and convenient communications channels for superior customer engagement and improved health outcomes.



Grant Bai
CEO Pharmacy and Medical
29 May 2018

CEO report

Medical division

Strengthening our presence and operational capacity in the Medical division has been our key focus for this year. We have invested in developing a skilled, experienced and focused management team, and systems to drive growth. This focus has been reflected in an improved financial result for the division.

6.9%

revenue increase

26.1%

operating profit increase

Medical division revenue increased 6.9%, with Operating Profit up by 26.1%. A strong second half performance resulted in Operating Profit of $2.2m, up from $1.5m in the second half of 2017.

Organic growth, investment in six medical centres, and the purchase of two patient books resulted in an increase in enrolled patients of 30,200 (13%). In addition, there has been an increase in the provision of urgent care and walk in services, evidenced by the opening of a new X-ray and radiology facility in Auckland.

We face health care challenges that are not unique to New Zealand, namely aging populations, an increase in chronic diseases, rising health care costs, infrastructure fragility and a shortage of skilled people. We operate in an environment challenged by funding and equitable access issues.

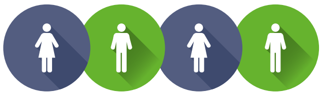
The increased demand for health services will require a greater focus towards primary and community based care. Green Cross Health is in a strong position to be able to offer solutions and positively influence health outcomes for our communities.

We have looked to new leadership models, collaborative multi-disciplinary team initiatives, greater analytical rigour and use of technology to anticipate patient demand, create capacity in our medical centres, and tailor our services to meet patient needs. We will look to share experiences across the network and continue to focus on these strategies, ultimately driving better performance and health outcomes.

Navigating the challenges in primary health care requires collaboration and new ways of providing care for patients. We are working with DHBs on Neighbourhood Healthcare Homes, aiming to deliver better patient and staff experience and improved quality of care. Initiatives have included implementing phone triage and using mobile applications to deliver remote care.

The rapid change of pace in technology within health service and retail health sectors presents transformative opportunities to help prevent illness and to support health knowledge of our communities through easily accessible channels. Providing innovative IT solutions for health coaching and medicines adherance, for example, will pave the way for positive measurable health outcomes.


NITRAFREE



13%

increase in enrolled patients to 237,000

Recruiting and retaining skilled teams is critical to support future growth and to provide the best patient experiences. During this year we have continued to foster collaboration and collegial support, encouraging continuous learning via our Green Cross Health Academy and career opportunities across our group.

Highlights:

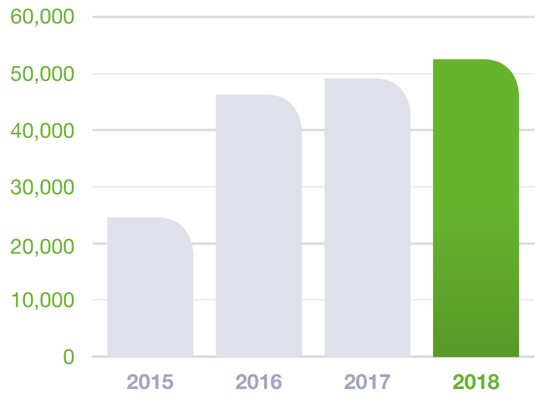
- Revenue increased 6.9% to $52.7m, with Operating Profit up by 26.1% to $3.7m
- Investment in six medical centres and the purchase of two patient books resulted in an increase in enrolled patients of 30,200 (13%)
- Growth in the provision of urgent care and walk in services
- 30 medical centres under The Doctors brand

Future focus

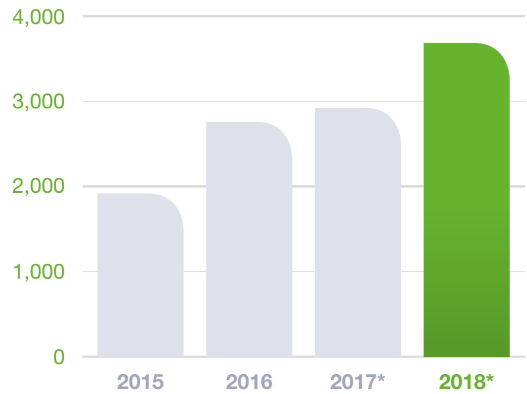
- Network growth through targeted acquisition
- Identify and pursue operational efficiencies which can create capacity in medical centres and lead to improved profitability
- Develop and deploy digital technologies to enhance the delivery of health care with a focus on easier access and improved outcomes for patients.

Grant Bai
CEO Pharmacy and Medical
29 May 2018

Medical operating revenue
($000's)



Medical operating profit before interest and tax
($000's)



**Excludes corporate costs*

Community Health division

The 2017–18 year was a challenging one for Community Health, in particular the impact of the implementation of the Guaranteed Hours and Pay Equity programmes. Whilst we welcomed both programmes as providing well deserved recognition for the hard work and commitment of our support workers, they were complex to implement and were accompanied by significant unfunded costs. Despite these challenges, client numbers grew to more than 21,000 and our team now makes more than 3.8 million care visits a year.

11.4%

revenue increase

The Community Health team invested significant resource in the 2017-18 year to implement the Guaranteed Hours and Pay Equity programmes, and manage the logistical and cost complexities that accompanied these implementations.

The most notable financial impact was the $1.9 million one-off impact on staff annual leave liabilities, whilst other related cost impacts contributed to an erosion of profitability versus the prior financial year.

The Community Health team also implemented programmes designed to improve operational efficiency, and to offset the cost pressures. More than 50% of our Support Workers are now using our proprietary mobile technology which improves efficiency with rostering and client appointments and we anticipate full rollout in the coming year.

The business enjoyed another strong year of growth with total revenue up 11.4% on the prior year. Our ACC portfolio grew 12.9%, and our Total Care Health business grew 12.1%, benefitting significantly from expansion in to the Taranaki and Hawkes Bay regions. Winning 50.0% of the Nelson Marlborough DHB home and community support services contract was a highlight of the 2017–18 year. This contract more than doubled our presence in this region, and the complex transition plan was completed on time.

Despite being faced with significant challenges, we are very pleased with the results achieved across our balanced scorecard which saw year on year improved performance in our customer service measures, support worker retention and in our health and safety performance.


Access

3.8 million

home visits

21,400

clients

Highlights:

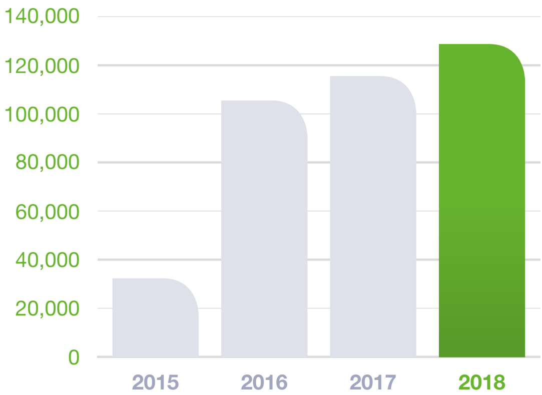
- Revenue growth of 11.4% over previous year
- Expansion of Total Care Health business in to new regions
- Successful mobilisation of the Nelson Marlborough DHB contract
- Implementation of Pay Equity and Guaranteed Hours programmes
- Support Worker retention improved 13% versus prior year

Future Focus

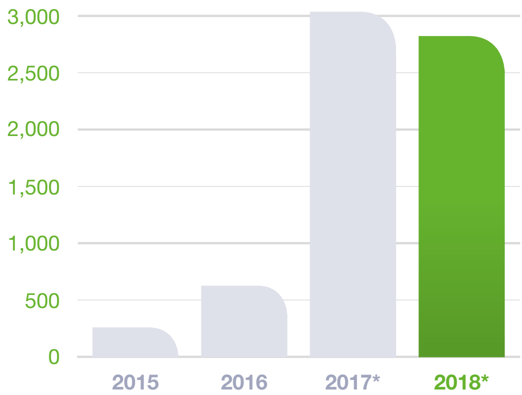
- Continue to set the standard for outstanding client experience in our sector
- Focus on the engagement of our workforce
- Expansion of our community nursing portfolio and a case mix requiring more specialist health care skills for complex cases
- Harness technology to deliver greater clinical oversight, earlier interventions and better outcomes for our clients.

Simon Lipscombe
CEO Community Health
29 May 2018

Community Health operating revenue
($000's)



Community Health operating profit
before interest and tax ($000's)



**Excludes corporate costs*


Unichem
Huapai Pharmacy
the doctors
Unichem

life Pharmacy
beautique
ESTĒE LAUDER
Jurlique

Directors' declaration

For the year ended 31 March 2018

In the opinion of the directors of Green Cross Health Limited, the financial statements and notes, on pages 32 to 62:

- Comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the Green Cross Health Limited Group as at 31 March 2018 and the results of its operations and cash flows for the year ended on that date.
- Have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

The directors consider that they have taken adequate steps to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

The directors are pleased to present the financial statements of Green Cross Health Limited for the year ended 31 March 2018.

For and on behalf of the Board of Directors:

Peter Merton	**Carolyn Steele**
Chair	Director
29 May 2018	29 May 2018

Independent auditor's report

To the shareholders of Green Cross Health Limited

Report on the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Green Cross Health Limited (the Company) and its subsidiaries (the Group) on pages 32 to 62:

i. present fairly in all material respects the Group's financial position as at 31 March 2018 and its financial performance and cash flows for the year ended on that date; and

ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 31 March 2018;
- the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

Our firm has also provided other services to the Group in relation to tax compliance and advisory services. Subject to certain restrictions, partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as auditor of the Group. The firm has no other relationship with, or interest in, the Group.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $1.4 million determined with reference to a benchmark of group profit before tax. We chose the benchmark because, in our view, this is a key measure of the Group's performance.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.

The key audit matter: Impairment of goodwill ($123 million)

Refer to note 13 to the consolidated financial statements.

In recent years the Group has grown significantly through acquisitions in its Pharmacy, Medical and Community Health business units which has resulted in the recognition of goodwill on the balance sheet in the amount of $75.7 million, $28.3 million and $19.0 million, respectively.

In the event that acquisitions under-perform compared to their business case, there is a risk that the goodwill arising on acquisition may no longer be supported by the value of the business acquired.

As disclosed in note 13, the Group uses a discounted cash flow model to determine the recoverable amount of each cash generating unit to which goodwill has been allocated. The key assumptions include:

- Revenue growth rates and achievement of operating cost efficiencies taking into consideration the Group's business unit plans and ensuring consistent application of best practice across it's pharmacies, medical centres and home care operations;
- Discount rates based on a weighted average cost of capital applicable for each of the cash generating units reflecting an assessment of the time value of money and the risks specific to the business; and
- A terminal growth rate taking into consideration the long term inflation rate.

The annual impairment test performed by the Group was significant to our audit due to the magnitude of the goodwill balance and because the assessment process involved judgment about the future performance of the business units, including considering future economic and market conditions.

Independent auditor’s report

(continued)

How the matter was addressed in our audit

Our audit procedures included:

- Ensuring the allocation of goodwill to cash generating units is appropriate;
- Evaluating the methodology, mathematical accuracy and assumptions applied in the discounted cash flow models. We used our own valuation specialists to assist us with the consideration of terminal growth and discount rates;
- Challenging management’s cash flow assumptions over revenue growth and operating costs taking into consideration the expected impact of the Group’s business plans on each cash generating unit by reference to their historical performance and the internal and external factors that influence their operations;
- Performing sensitivity analyses around the key assumptions used in the models.

We did not identify material exceptions from procedures performed, and found the judgements and assumptions used in the assessment of goodwill impairment to be balanced.

Other Information

The Directors, on behalf of the Group, are responsible for the other information included in the entity’s Annual Report. Other information includes the Directors’ Declaration and the other information included in the Annual Report. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have received the Directors Declaration and have nothing to report in regards to it. The Annual Report is expected to be made available to us after the date of this Independent Auditor’s Report and we will report the matters identified, if any, to the Directors.

Use of this Audit Report

This independent auditor’s report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent 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 shareholders as a body for our audit work, this independent auditor’s report, or any of the opinions we have formed.

Responsibilities of Directors for the consolidated financial statements

The Directors, on behalf of the Group, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate 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 objective is:

- 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 independent 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. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/.

This description forms part of our Auditor's Report.

The engagement partner on the audit resulting in this independent auditor's report is Aaron Woolsey.

For and on behalf of

KPMG
Auckland
29 May 2018

Group financial statements

Consolidated statement of comprehensive income

For the year ended 31 March 2018

	Note	2018 $'000	2017 $'000
Operating revenue	5	522,909	487,645
Operating expenditure	7.2	(485,170)	(446,627)
Depreciation and amortisation	12,13	(7,165)	(6,808)
Share of equity accounted net earnings	15	1,077	674
Operating profit before interest and tax		**31,651**	**34,884**
Interest income		208	394
Interest expense		(2,300)	(2,294)
Net interest expense		(2,092)	(1,900)
Profit before tax		**29,559**	**32,984**
Income tax expense	8	(8,258)	(8,631)
Profit after tax for the year		**21,301**	**24,353**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		**21,301**	**24,353**

	Note	2018 $'000	2017 $'000
Attributable to:			
Shareholders of the Parent		16,784	19,642
Non-controlling interest		4,517	4,711
Attribution of profit and comprehensive income to shareholders and non controlling interest		21,301	24,353
Earnings per share:			
Basic earnings per share (cents)	9	11.88	14.23
Diluted earnings per share (cents)	9	11.85	14.18

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 37 to 62 form part of the financial statements.

Consolidated statement of changes in equity

For the year ended 31 March 2018

	Note	Share capital $'000	Retained earnings $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 April 2016		76,577	13,835	3,728	94,140
Profit for the year			19,642	4,711	24,353
Total comprehensive income for the year			**19,642**	**4,711**	**24,353**
Transactions with owners, recorded directly in equity					
Issue of shares		7,253			7,253
Dividends to shareholders	10		(9,625)		(9,625)
Distribution to non-controlling interests				(3,496)	(3,496)
Impact of other transactions with non-controlling interest			(364)	(88)	(452)
Share scheme amortisation	23	57			57
Balance at 31 March 2017		**83,887**	**23,488**	**4,855**	**112,230**
Balance at 1 April 2017		83,887	23,488	4,855	112,230
Profit for the year			16,784	4,517	21,301
Total comprehensive income for the year			**16,784**	**4,517**	**21,301**
Transactions with owners, recorded directly in equity					
Issue of shares		6,707			6,707
Dividends to shareholders	10		(9,818)		(9,818)
Distribution to non-controlling interests				(2,264)	(2,264)
Impact of other transactions with non-controlling interest			(108)		(108)
Share scheme amortisation	23	15			15
Balance at 31 March 2018		**90,609**	**30,346**	**7,108**	**128,063**

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 37 to 62 form part of the financial statements.

Consolidated statement of financial position

As at 31 March 2018

	Note	2018 $'000	2017 $'000
Equity			
Share capital		90,609	83,887
Retained earnings		30,346	23,488
Total equity attributable to shareholders of the Parent		120,955	107,375
Non-controlling interest		7,108	4,855
Total equity		**128,063**	**112,230**
Current assets			
Cash and cash equivalents		10,754	18,195
Trade and other receivables	11	36,731	33,859
Inventories		34,199	33,713
Total current assets		**81,684**	**85,767**
Non-current assets			
Property, plant and equipment	12	20,916	21,966
Intangible assets	13	135,827	124,381
Deferred tax asset	14	10,393	7,970
Equity accounted group investments	15	6,264	5,127
Total non-current assets		**173,400**	**159,444**
Total assets		**255,084**	**245,211**
Current liabilities			
Payables and accruals	16	72,501	62,410
Income taxes payable	16	4,101	3,872
Borrowings	17	16,310	28,586
Total current liabilities		**92,912**	**94,868**
Non-current liabilities			
Payables and accruals	16	1,195	1,162
Borrowings	17	32,914	36,951
Total non-current liabilities		**34,109**	**38,113**
Total liabilities		**127,021**	**132,981**
Net assets		**128,063**	**112,230**

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 37 to 62 form part of the financial statements.

Consolidated statement of cash flows

For the year ended 31 March 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Dividend received	15	781	614
Receipts from customers		519,823	488,148
Interest received		208	394
Payments to suppliers and employees		(474,789)	(449,024)
Interest paid		(2,300)	(2,294)
Income taxes paid		(10,542)	(7,920)
Net cash inflow from operating activities	**18**	**33,181**	**29,918**
Cash flows from investing activities			
Purchase of property, plant, equipment and software intangibles		(11,784)	(10,350)
Acquisition of interests in equity accounted investments		(1,048)	-
Acquisition of interests in subsidiaries	6	(6,101)	(13,379)
Net cash outflow from investing activities		**(18,933)**	**(23,729)**
Cash flows from financing activities			
Proceeds from borrowings	17	57,312	9,068
Repayment of borrowings	17	(73,626)	(10,716)
Shares issued for cash		-	187
Distribution to non-controlling interest		(2,264)	(3,497)
Dividends paid		(3,111)	(2,959)
Net cash outflow from financing activities		**(21,689)**	**(7,917)**
Net decrease in cash and cash equivalents		**(7,441)**	**(1,728)**
Add opening cash and cash equivalents		18,195	19,918
Cash acquired: business combinations	6	-	5
Closing cash and cash equivalents		**10,754**	**18,195**
Reconciliation of closing cash and cash equivalents to the consolidated statement of financial position:			
Cash and cash equivalents		10,754	18,195
Closing cash and cash equivalents		**10,754**	**18,195**

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 37 to 62 form part of the financial statements.

Notes to the financial statements

For the year ended 31 March 2018

1. Reporting Entity

Green Cross Health Limited (the "Parent" or the "Company") is a New Zealand company registered under the Companies Act 1993 and is an FMC entity for the purposes of the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013. The Financial Statements have been prepared in accordance with these Acts. The Company is listed on the NZX Main Board ("NZX").

The consolidated financial statements of Green Cross Health Limited comprise the Parent, its subsidiaries, and its interest in associates and joint ventures (together referred to as the "Group").

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 New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, and authoritative notices as appropriate for a Tier one for profit entity. They also comply with International Financial Reporting Standards.

The financial statements were approved by the Board of Directors on 29 May 2018.

(b) Basis of measurement

The financial statements of the Group are prepared under the historical cost basis unless otherwise noted within the specific accounting policies below.

(c) Functional and presentation currency

These financial statements are presented in New Zealand dollars ($), which is the functional currency of the entities of the Group. All financial information presented in New Zealand dollars has been rounded to the nearest thousand.

(d) Significant estimates and judgments

The preparation of financial statements in conformity with NZ IFRS's requires the Directors to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying values of some assets and liabilities. Actual results may differ from these estimates.

In authorising the financial statements for the year ended 31 March 2018, the Directors have ensured that the specific accounting policies necessary for the proper understanding of the financial statements have been disclosed, and that all accounting policies adopted are appropriate for the Group's circumstances and have been consistently applied throughout the year for all Group entities for the purposes of preparing the consolidated financial statements.

Inherent in the application of certain accounting policies, judgments and estimates are required and the Directors note that the actual results may differ from the judgments and estimates made.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. Information about the significant areas of judgment exercised or estimation in applying accounting policies that have had a significant impact on the amounts recognised in the financial statements are described as follows:

2. Basis of preparation (continued)

(i) Classification of investments

Classifying investments as either subsidiaries, associates or joint ventures requires the Directors to assess the degree of influence which the Group holds over the investee. In arriving at a conclusion the Directors take into account the constitutional structure of the investee, governance arrangements, current and future representation on the Board of Directors, and all other arrangements which might allow influence over the operating and financial policies of the investee.

(ii) Impairment of goodwill and indefinite life intangible assets

The carrying values of goodwill and intangible assets with an indefinite useful life, are assessed at least annually to ensure that they are not impaired. This assessment requires the Directors to estimate future cash flows to be generated by cash generating units to which goodwill and intangible assets with indefinite useful lives have been allocated. Estimating future cash flows entails making judgments including the expected rate of growth of revenues and expenses, margins and market shares to be achieved, and the appropriate rate to apply when discounting future cash flows. Note 13 of these financial statements provides more information on the assumptions the Directors have made in this area and the carrying values of goodwill and indefinite life intangible assets. As the outcomes in the next financial period may be different to the assumptions made, it is impracticable to predict the impact that could result in a material adjustment to the carrying amount.

3. Basis of preparing Group financial statements

(a) Subsidiaries

Subsidiaries are entities that are controlled by the Group. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement in the investee and has the ability to affect those returns through its power over the investee. Power arises when the Group has existing rights to direct the relevant activities of the investee, i.e. those that significantly affect the investee's returns. Control is assessed on a continuous basis.

The Group consolidates the results of its subsidiaries from the date that control commences until the date on which control ceases. At such point as control ceases, it derecognises the assets, liabilities and any related non-controlling interests and other components of equity. Any interest retained in the former subsidiary is measured at fair value when control is lost.

The Group's ownership interests in subsidiaries ranges from 25% to 100% (2017: 25% to 100%). The Group has less than half of the voting rights of a number of entities that are consolidated. This is on the basis that the Group's contractual arrangements with these entities result in them meeting the definition of being subsidiaries as set out above.

(b) Non-controlling interests

Non-controlling interests are present ownership interests and are initially measured at either fair value or the non-controlling interests' proportionate share of the acquiree's identifiable net assets. The choice of measurement basis is determined on a transaction-by-transaction basis. Under the proportionate interest method, goodwill is not attributed to the non-controlling interest and the Group recognises only its share of goodwill whereas under fair value, the non-controlling interest includes its proportionate share of goodwill.

Changes in the Group's interest in a subsidiary that do not result in a change in the control conclusion are accounted for as transactions with equity-holders in their capacity as equity holders.

While the group has 44 (2017: 42) subsidiaries with non-controlling interests, there are no subsidiaries with individually material non-controlling interest.

(c) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees 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.

(d) Goods and services tax (GST)

The statement of comprehensive income has been stated so that all components are exclusive of GST. All items in the statement of financial position are stated net of GST with the exception of receivables and payables, which include GST invoiced.

(e) Comparatives

Certain comparative information has been reclassified in order to provide a more consistent basis for comparison.

(f) Statement of cash flows

The statement of cash flows has been prepared using the direct method subject to the netting of certain cash flows.

Cash flows in respect of investments and borrowings that have been rolled-over under arranged banking facilities have been netted in order to provide meaningful disclosures.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Operating activities include all cash received from all revenue sources and all cash disbursed for all expenditure sources including taxation refunds or payments and other transactions that are not classified as investing or financing activities.

Investing activities reflect the acquisition and disposal of property, plant and equipment and intangibles, loans to associates, and investments in associates, subsidiaries and joint ventures.

Financing activities reflect changes in borrowings and equity.

(g) Going concern

At the balance date the Group has a working capital deficit of $11 million (2017: $9 million) due to current borrowings that will be repaid in the normal course of business. The financial statements have been prepared on the going concern basis as management believe there will be sufficient cash flows generated from operations to meet the Group's obligations as they fall due. The Group also has unused available credit facilities of $22 million.

(h) Inventory

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on a weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

4. New standards and interpretations issued and not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2018. These include the following new standards and interpretations that are applicable to the business of the Group, and have not been applied in preparing these consolidated financial statements:

- NZ IFRS 15 Revenue from Contracts with Customers
- NZ IFRS 9 Financial Instruments
- NZ IFRS 16 Leases

NZ IFRS 15 Revenue from Contracts with Customers

The standard establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including NZ IAS 18 Revenue, NZ IAS 11 Construction Contracts and NZ IFRIC 13 Customer Loyalty Programmes. NZ IFRS 15 will become effective for the Group's financial reporting period beginning on 1 April 2018. Management have completed an initial assessment of the potential impact of the adoption of NZ IFRS 15 and believe that it will not have a material effect on the consolidated financial statements of the Group.

4. New standards and interpretations issued and not yet effective (continued)

NZ IFRS 9 Financial instruments

The standard replaces the existing guidance in NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from NZ IAS 39. NZ IFRS 9 will become effective for the Group's financial reporting period beginning on 1 April 2018. Management have completed an initial assessment and, based on the financial instruments that are expected to be held by the Group in future reporting periods, does not expect a significant change to the way in which the Group will measures its financial instruments.

NZ IFRS 16 Leases

The Group has performed a preliminary high-level assessment of the new standard on its existing operating lease arrangements as a lessee (refer to Note 22). Based on the preliminary assessment, the Group expects these operating leases to be recognised as ROU assets with corresponding lease liabilities under the new standard. The operating lease commitments on an undiscounted basis amount to approximately 28% of the consolidated total assets and 44% of consolidated total liabilities. Assuming no additional new operating leases in future years until the effective date, the Group expects the amount of ROU asset and lease liability to be lower due to discounting and as the lease terms run down. The Group plans to adopt the standard when it becomes effective in 2019.

All other remaining standards, amendments and interpretations issued but not yet effective have been assessed for applicability to the Group and the Directors have concluded that they are not applicable to the business of the Group and will therefore have no impact on future financial statements.

5. Segment reporting

The Group has three reportable segments: pharmacy services, medical services and community health.

The Group's main operations are in the pharmacy industry providing pharmacy services through consolidated stores, equity accounted investments and franchise stores. The medical services segment includes fully owned and equity accounted medical centres, and support services provided to these medical centres, as well as medical centres outside the Group. The community health segment provide services direct to the community to support independent living.

The Board monitors the various revenue streams within each reportable segment separately however, they do not meet the criteria for separate disclosure due to the following:

- Aggregation of the operating segments within each reportable segment is consistent with the core principal of NZ IFRS 8, i.e. aggregating will not distort the interpretation of the financial statements for the users;
- The operating segments within each reportable segment share the same economic characteristics; and
- The nature of the products and services, and the nature of the regulatory environment are the same for the operating segments.

Operating segments

Information about reportable segments

March 2018	Note	Pharmacy services $'000	Medical services $'000	Community Health $'000	Corporate $'000	Total $'000
External revenues	7.1	341,303	52,721	128,885	-	522,909
Total revenue		**341,303**	**52,721**	**128,885**	**-**	**522,909**
Cost of products sold		(198,791)	-	-	-	(198,791)
Employee benefit expense		(61,721)	(39,568)	(118,935)	-	(220,224)
Lease expenses		(16,491)	(2,986)	(1,128)	-	(20,605)
Other expenses		(30,158)	(6,710)	(4,940)	(1,802)	(43,610)
Depreciation and amortisation		(5,498)	(608)	(1,059)	-	(7,165)
Share of equity accounted net earnings		240	837	-	-	1,077
Segment Profit		**28,884**	**3,686**	**2,823**	**(1,802)**	**33,591**
One-off increase in unfunded leave liability due to pay equity legislation	7.3					(1,940)
Interest income						208
Interest expense						(2,300)
Profit before tax						**29,559**
Tax expense						(8,258)
Profit after tax						21,301
Non-controlling interest						(4,517)
Net profit attributable to the shareholders of the Parent						**16,784**
Reportable segment assets		190,614	34,427	42,623	(12,580)	255,084
Equity accounted investments		2,125	4,139	-	-	6,264
Capital expenditure		10,868	1,390	1,757	-	14,015
Reportable segment liabilities		93,605	21,034	24,962	(12,580)*	127,021

**Intersegmental elimination*

5. Segment reporting (continued)

March 2017	Note	Pharmacy services $'000	Medical services $'000	Community Health $'000	Corporate $'000	Total $'000
External revenues	7.1	322,604	49,336	115,705	-	487,645
Total revenue		**322,604**	**49,336**	**115,705**	**-**	**487,645**
Cost of products sold		(186,664)	-	-	-	(186,664)
Employee benefit expense		(58,565)	(37,110)	(106,208)	-	(201,883)
Lease expenses		(15,556)	(2,897)	(1,212)	-	(19,665)
Other expenses		(28,692)	(6,339)	(4,416)	(1,731)	(41,179)
Depreciation and amortisation		(5,368)	(600)	(840)	-	(6,808)
Share of equity accounted net earnings		140	534	-	-	674
Segment Profit		**27,898**	**2,924**	**3,028**	**(1,731)**	**32,120**
Fair value gain on put option	7.3					2,764
Interest income						394
Interest expense						(2,294)
Profit before tax						**32,984**
Tax expense						(8,631)
Profit after tax						24,353
Non-controlling interest						(4,711)
Net profit attributable to the shareholders of the Parent						**19,642**
Reportable segment assets		187,956	35,338	39,380	(17,463)	245,211
Equity accounted investments		1,589	3,538	-	-	5,127
Capital expenditure		9,288	465	1,346	-	11,099
Reportable segment liabilities		106,873	21,450	22,121	(17,463)*	132,981

**Intersegmental elimination*

6. Business combinations

Business combinations acquired during the year include; The Doctors (Coastcare) Limited, The Doctors (Whangaparaoa) Limited and Neptune Pharmacy (2017) Limited. None of these acquisitions are individually material to the Group's result.

Identifiable assets acquired and liabilities assumed	**Carrying value $'000**	**Fair value $'000**
Total assets	660	660
Identifiable net assets	**660**	**660**
Consideration transferred		
Satisfied by:		
Cash consideration		6,101
Deferred consideration		-
Total consideration		6,101
Less cash acquired (included in assets above)		-
Net cash outflow		**6,101**
Goodwill		
Goodwill recognised as a result of the acquisitions are as follows:		
Total consideration		6,101
Identifiable net assets		(660)
Goodwill		**5,441**

The amount of revenue included in the consolidated statement of comprehensive income is $3.8 million with a net profit after tax of $0.1 million.

7. Operating performance

7.1 Operating income	2018 $'000	2017 $'000
Pharmacy retail and dispensary	309,300	292,998
Pharmacy other	32,003	29,606
Medical fee income	52,721	49,336
Home care	128,885	115,705
	522,909	**487,645**

Revenue recognition

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer and the amount of revenue can be measured reliably, which is at point of sale in the case of pharmacy stores.

(ii) Rendering of services

The Group earns revenue from the provision of medical services and community health and services to associates, joint ventures and franchisees. Revenue is recognised when services have been provided to patients and in the case of other services, in accordance with the terms of the relevant franchise, marketing or other service support agreements.

(iii) Loyalty programme

The Group operates its own Living Rewards loyalty programme. When a sale is made and points are earned, the resulting revenue is allocated between the loyalty programme and the other components of the sale. The amount allocated to the loyalty programme is deferred, and is recognised as revenue when the points are redeemed under the terms of the programme or when it is no longer probable that the points under the programme will be redeemed.

7.2 Operating expenditure	2018 $'000	2017 $'000
Cost of products sold	198,791	186,664
Employee benefit expense	222,165	201,883
Lease expenses	20,604	19,665
Change in fair value of vendor put option	-	(2,764)
Other expenses	42,120	39,945
Audit fees	185	238
Other services provided by auditors	157	58
Directors' fees in respect of the Parent company	453	440
Directors' fees in respect of the subsidiary companies	299	237
Bad debts written off and movement in doubtful debt	396	261
	485,170	**446,627**
Auditor's remuneration to KPMG comprises:		
Annual audit of financial statements	185	185
Annual audit of financial statements - Prior year	-	53
	185	**238**
Other services provided by auditors:		
Taxation services	146	58
Other services	11	-
	157	**58**

Tax services relate to compliance and related services. Other services relate to consulting assistance.

The employee benefit expense includes a non-recurring $1.94m cost as a result of the pay equity implementation within the Community Health business not being fully funded by the Ministry of Health. As the increased liability has not been matched by increased funding, reported profit has also reduced by $1.94m (2017: nil).

7. Operating performance (continued)

7.3 Underlying Profit After Tax Attributable to the Shareholders of the Parent (Non-GAAP disclosure)	Note	2018 $'000	2017 $'000
Reported profit after tax attributable to the shareholders of the parent		16,784	19,642
Less gain on settlement of vendor put option	5.1	-	(2,764)
Add one off increase in unfunded leave liability due to pay equity legislation	5.1, 16	1,940	-
Underlying profit after tax attributable to the shareholders of the parent		**18,724**	**16,878**

	2018 cents per share	2017 cents per share
Basic underlying earnings per share The calculation of basic underlying earnings per share is based on the underlying profit attributable to equity holders of the parent and a weighted average number of ordinary shares issued during the year of 141,278,420 (2017: 138,133,000).	13.25	12.22
Diluted underlying earnings per share The calculation of basic underlying earnings per share is based on the underlying profit attributable to equity holders of the parent and a weighted average number of ordinary shares issued during the year of 141,611,420 (2017: 138,751,000).	13.22	12.16

The non-recurring items included in the reconciliation of underlying profit to the reported statutory profit after tax measure are:

Unfunded effect of pay equity implementation on leave liability (2018)

The 2018 employee entitlements liability reflects a non-recurring $1.94m revaluation as a result of the pay equity implementation within the Community Health business not being fully funded by the Ministry of Health.

Gain on Settlement of Vendor Put Option (2017)

Previous periods included a liability for a vendor put option liability in relation to the acquisition of Peak Primary. During 2017 this liability was settled resulting in a fair value gain of $2.764m.

Green Cross Health Limited refers to underlying profit, a non-GAAP financial measure, within these financial statements and accompanying notes.

This is the first year that underlying profit has been presented in the consolidated financial statements. Underlying profit has also been presented for the previous year to provide comparability.

Underlying profit provides a measure of financial performance that excludes significant, non-recurring items in order to provide a more meaningful comparison of business trading performance across reporting periods. Non-recurring items are those items that have not occurred in the past and are unlikely to occur in future reporting periods. Underlying profit is also the financial measure used for internal reporting within the business.

The limited use of this non-GAAP financial measure is to supplement the GAAP measures provided so that readers of the financial statements are able to obtain a broader understanding of the Group's financial performance. It is not intended to be a substitute for GAAP measures. Underlying profit is not defined by NZ GAAP and therefore the measure presented in these financial statements may not be comparable to similar financial measures presented by other entities.

8. Income tax expense

(a) Income tax expense	2018 $'000	2017 $'000
Current tax expense	(10,681)	(10,348)
Deferred tax expense (see note 14)	2,423	1,717
Total income tax expense	**(8,258)**	**(8,631)**
Imputation credit account:		
Available for use in subsequent periods $1,299,000 (2017: $1,988,000).		
(b) Numerical reconciliation between tax expense & pre-tax accounting profit		
Profit before tax	29,559	32,984
Income tax expense at 28%	(8,277)	(9,236)
(Add)/Deduct the tax effect of adjustments		
Prior period adjustment	(132)	(312)
Other	151	917
	(8,258)	(8,631)

Taxation accounting policy

Income tax expense is charged to profit and loss and comprises current tax and deferred tax, unless it relates to an item recognised in other comprehensive income or equity in which case it is recognised in other comprehensive income or equity.

Current tax is the estimated tax payable on the current period's taxable income using current tax rates, adjusted for any under or over accrual in respect of prior periods.

Deferred tax is recognised using the balance sheet liability method, allowing for temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the carrying amounts for tax purposes. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related benefit will be realised.

9. Earnings and assets per share

The earnings per share, and dividend per share is calculated using the Group's result divided by the weighted average number of shares for the listed entity, Green Cross Health Limited.

	2018 cents per share	2017 cents per share
Basic earnings per share	11.88	14.23
The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent and a weighted average number of ordinary shares issued during the year of 141,278,420 (2017: 138,133,000).		
Diluted earnings per share	11.85	14.18
The calculation of diluted earnings per share is based on the profit attributable to equity holders of the parent and a weighted average number of ordinary shares issued during the year after adjustment for the effects of all dilutive ordinary shares of 141,611,420 (2017: 138,751,000).		
Net tangible (liabilities) / assets per share	(12.68)	(14.42)
The calculation of net tangible assets per share is based on net assets less deferred tax and intangible assets (refer Note 13 and Note 14) and the closing number of ordinary shares at the end of the year.		
Net assets per share	89.46	80.45
The calculation of net assets per share is based on net assets and the closing number of ordinary shares at the end of the year.		

10. Dividends to shareholders of the Parent company

Dividends per share	7.00	7.00

In December 2017 Green Cross Health Limited paid an interim dividend of 3.5 cents per qualifying ordinary shares to shareholders, which was fully imputed to 28%.

In June 2017 Green Cross Health Limited paid a final dividend for the March 2017 year of 3.5 cents per qualifying ordinary shares to shareholders, which was fully imputed to 28%.

11. Trade and other receivables

	2018 $'000	2017 $'000
Trade receivables	22,037	19,353
Accrued income	13,742	12,550
Other receivables and prepayments	1,704	2,646
Provision for doubtful debts	(752)	(690)
	36,731	**33,859**

12. Property, plant and equipment

Opening cost	59,380	52,620
Acquisitions through business combinations	771	1,115
Additions	7,554	6,284
Disposals	(1,786)	(639)
Closing cost	65,919	59,380
Opening accumulated depreciation	40,054	35,017
Depreciation for the period	5,458	5,304
Disposals	(509)	(267)
Closing accumulated depreciation	45,003	40,054
Closing book value	20,916	19,326
Work in progress	-	2,640
Total property, plant and equipment	**20,916**	**21,966**

Property, plant and equipment accounting policy

Property, plant and equipment owned by the Group is stated at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment acquired in stages is not depreciated until the asset is ready for its intended use.

Depreciation is provided on a straight-line basis on all property, plant and equipment components to allocate the cost of the asset (less any residual value) over its useful life or if it relates to assets in a leased premises, the life of the lease if shorter. The residual values and remaining useful lives of asset components are reviewed at least annually.

Current estimated useful lives of property, plant and equipment are between two and twelve years.

Subsequent expenditure that extends or expands the useful life of property, plant and equipment or its service potential is capitalised. All other costs are recognised in the profit and loss as expenditure when incurred.

Any resulting gain or loss on disposal of an asset is recognised in the profit and loss in the period in which the asset is disposed of.

13. Intangible assets

Software and other intangible assets	Note	2018 $'000	2017 $'000
Opening cost		13,007	8,894
Acquisitions through business combinations	6	-	-
Additions		7,188	4,125
Disposals		-	(12)
Closing cost		**20,915**	**13,007**
Opening accumulated amortisation		5,678	4,186
Amortisation for the period		1,707	1,504
Disposals		-	(12)
Closing accumulated amortisation		**7,385**	**5,678**
Closing book value		**12,810**	**7,329**
Goodwill			
Opening cost		117,052	108,535
Other acquired goodwill		524	-
Additions	6	5,441	8,517
Closing cost		**123,017**	**117,052**
Total intangible assets		**135,827**	**124,381**

Intangible assets accounting policy

Intangible assets recognised by the Group are stated at cost less accumulated amortisation and any impairment losses with the exception of goodwill (see below).

Intangible assets acquired in stages are not amortised until the asset is ready for its intended use.

Amortisation is provided on a straight-line basis for software to allocate the cost of the asset (less any residual value) over its useful life. The residual values and remaining useful lives of software are reviewed at least annually. Other intangible assets represent franchisee, store rebranding costs and have an indefinite life.

Estimated useful lives of the asset classes are:

Software: 3 – 5 years

Subsequent expenditure that extends or expands the useful life of an intangible asset or its service potential is capitalised. All other costs are recognised in the profit and loss as expenditure when incurred.

Any resulting gain or loss on disposal of an intangible asset is recognised in the profit and loss in the period in which the intangible asset is disposed of.

Intangible assets disclosed in the financial statements relate to computer software, trademarks and other indefinite life intangible assets. Indefinite life intangible assets are tested annually for impairment.

Goodwill accounting policy

Goodwill arises on the acquisition of subsidiaries. Goodwill represents the excess of the purchase consideration over the fair value of the net identifiable tangible and intangible assets at the time of acquisition.

Goodwill is allocated to the relevant cash generating units expected to benefit from the acquisition and tested for impairment annually, or earlier at any interim reporting dates if there are indicators of impairment.

If the recoverable amount is less than the carrying amount of the cash generating unit then an impairment loss is recognised in profit and loss and the carrying amount of the asset is written down. Recoverable amount is calculated as the greater of the fair value less cost to sell and value in use.

The relative value of the goodwill allocated to the relevant cash generating unit is included in the determination of any gain or loss on disposal.

Impairment testing

Discounted cash flow (DCF) models have been based on three year forecast cash flow projections. The Board approved budget for the year-ending 31 March 2019 is the basis for the first year's projections and projections for subsequent periods have been based on the Group's three year business plan. Terminal cash flows are projected to grow in-line with the New Zealand long-term inflation rate.

	Impairment test assumptions 2018		
	Pharmacy services	**Medical services**	**Community Health**
Discount rate - post tax	10.6%	8.4%	9.9%
Terminal growth rate	1.8%	1.8%	1.8%
Carrying amount of goodwill allocated to the unit ($000)	75,687	28,366	18,964
Carrying value of other intangible assets with indefinite useful lives ($000)	2,047	-	1,201

	Impairment test assumptions 2017		
	Pharmacy services	**Medical services**	**Community Health**
Discount rate - post tax	11.0%	9.5%	10.2%
Terminal growth rate	2%	2%	2%
Carrying amount of goodwill allocated to the unit ($000)	73,238	24,850	18,964
Carrying value of other intangible assets with indefinite useful lives ($000)	2,061	-	-

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. Within pharmacy and medical, whilst a cash generating unit (CGU) may be an individual store or medical centre, goodwill is allocated across all operations within a division that have similar economic characteristics and collectively benefit from acquisitions that increase the Group's portfolio.

Sensitivities

No impairment was identified for any CGU tested as a result of this review, nor under any reasonable possible change in any key assumptions described above.

14. Deferred tax asset

The movement in deferred tax asset during the year is made up of the following:

	Opening $'000	Recognised in profit or loss $'000	Closing $'000
Group – 2018			
Property, plant and equipment	1,780	281	2,061
Provisions and accruals	5,018	1,347	6,365
Tax losses	1,172	795	1,967
	7,970	**2,423**	**10,393**
Group – 2017			
Property, plant and equipment	1,537	243	1,780
Provisions and accruals	4,542	476	5,018
Tax losses	174	998	1,172
	6,253	**1,717**	**7,970**

15. Equity accounted group investments

	2018 $'000	2017 $'000
The movement in equity accounted investments comprises:		
Opening carrying amount	5,127	5,067
Investment in associates and joint ventures	1,071	-
Disposal of associates and joint ventures	(230)	-
Share of net earnings	1,077	674
Dividend	(781)	(614)
	6,264	**5,127**
There are no individually material associates or joint ventures.		
Amount of goodwill within the carrying amount of equity accounted group investments:		
Opening carrying amount	3,208	3,208
(Disposal) / investment in associates and joint ventures	850	-
	4,058	3,208

Summary associate and joint venture financial information

The aggregate results of the associates and joint venture financial position and current year's profit are as follows:

	Assets $'000	Liabilities $'000	Revenue $'000	Net profit after tax $'000
As at and for the year ended 31 March 2018	12,573	6,856	46,682	2,855
As at and for the year ended 31 March 2017	11,147	6,406	41,391	2,209

Reporting dates

The controlled entities and all associates have a 31 March reporting date.

15. Equity accounted group investments (continued)

Investments in associates and joint ventures accounting policy

An associate is an investee over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but not to control or jointly control those policies.

A joint venture is a joint arrangement in which the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of the arrangement which only exists when decision about the relevant activities require the unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated into the financial statements of the Group using the equity method of accounting. Under the equity method, the initial investment in the Group financial statements is measured at cost and adjusted thereafter for the Group's share of profit and loss and other comprehensive income of the associate and joint venture. Any goodwill arising on the acquisition of an associate or joint venture investment is included in the carrying amount of the investment net of dividends received. Where the Group's share of losses of the associate of joint venture exceeds the Group's interest in that associate or joint venture, the Group discontinues recognising its share of losses unless it has a legal or constructive obligation to continue doing so. The equity method is discontinued where the Group ceases to exert significant influence over the investee.

Accounting policies adopted by associates and joint ventures are generally consistent with those of the Group. Where a material difference does exist, appropriate adjustments are applied to ensure congruence with the policies of the Group, the most significant of these being the recognition of deferred tax.

16. Trade and other payables and income taxes payable

	2018 $'000	2017 $'000
Trade payables	32,301	28,580
Payable to non-controlling interest	2,673	3,366
Accruals	17,788	14,672
Employee entitlements	19,739	15,792
	72,501	**62,410**
Income tax payable	4,101	3,872
Non-current income in advance	1,195	1,162
	77,797	**67,444**

Employee entitlements accounting policy

Employee entitlements for salaries, bonuses, long service and annual leave are provided for and recognised as a liability when benefits are earned by employees but not paid at the reporting date.

The 2018 employee entitlements liability reflects a non-recurring $1.94m revaluation as a result of the pay equity implementation within the Community Health business not being fully funded by the Ministry of Health. As the increased liability has not been matched by increased funding, reported profit has also reduced by $1.94m (2017: nil).

17. Borrowings

	2018 $'000	2017 $'000
Current	16,310	28,586
Non-current	32,914	36,951
	49,224	**65,537**

The Group's interest rate on outstanding loans is calculated based on BKBM or cost of funds plus a margin. The current interest rate is between 3.82% and 5.61% (2017: 3.6% – 6.15%). A 0.5% increase/decrease in the effective interest rate would result in a decrease/increase in after tax profit of $246,000 or ($246,000).

Green Cross Health Limited and all its subsidiaries provided guarantees and indemnities in favour of Bank New Zealand covering all loans held by the parent and subsidiary companies. Loans within partnership subsidiaries are covered by a GSA agreement over the individual business assets.

Security has also been provided by Green Cross Health Limited in favour of ANZ in relation to one Pharmacy subsidiary.

During the year, the Group changed its primary lender from ANZ to BNZ and restructured its borrowing facilities to enable the Group to better fund growth opportunities as they present themselves. As at balance date, the Group has undrawn banking facilities of $22m (2017: nil).

As at balance date, three subsidiaries are in breach of covenanted ratios in respect of their bank borrowings. The breaches have been remedied subsequent to balance date and borrowings amounting to $2m have been classified as current in these financial statements.

Borrowings and advances accounting policy

Borrowings and advances are initially recognised at fair value, including directly attributable transaction costs. Subsequent to initial recognition, borrowings and advances are measured at amortised cost using the effective interest method, less any impairment losses on advances.

18. Operating cash flows reconciliation

	2018 $'000	2017 $'000
Profit after tax for the year	21,301	24,353
Add/(deduct) non-cash items:		
Depreciation and amortisation	7,165	6,808
Change in fair value of vendor put option	-	(2,764)
Other non-cash items	(2,214)	(1,554)
Add/(deduct) changes in working capital items:		
Receivables and accruals	(3,086)	503
Inventory	(211)	(881)
Payables and accruals	10,226	3,453
Net cash inflow from operating activities	**33,181**	**29,918**

19. Shares on issue

	2018 '000	2017 '000
Shares authorised and on issue		
Opening number of shares	139,835	137,284
Shares issued – fully paid	3,651	2,701
Shares issued – partly paid	-	-
Shares cancelled – partly paid	-	(150)
	143,486	**139,835**
Shares held as treasury stock	(333)	(333)
	143,153	**139,502**

All ordinary shares carry equal rights in terms of voting, dividend payments and distribution upon winding up.

Treasury stock

The redeemable ordinary shares held by Life Pharmacy Trustee Company Limited to satisfy the Senior Management incentive schemes have not been included in the calculation of the total number of shares issued by the Group as these shares have not been issued externally by the Group.

Share capital

Incremental costs directly attributable to the issue of ordinary shares, share options and share capital are recognised as a deduction from equity.

20. Financial instruments

The Group is party to financial instruments as part of its normal operations. Financial instruments include cash and cash equivalents, borrowings, trade and other receivables and trade and other payables.

Financial instruments are initially recognised at their fair value less transaction costs, and subsequently measured at their amortised cost. A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Financial assets are classified as loans and receivables and financial liabilities at amortised cost with exception of the vendor put liability, which is measured at fair value through profit and loss.

Risk management policies are used to mitigate the Group's exposures to credit risk, liquidity risk and market risk that arise in the normal course of operations.

Credit risk

The Group's maximum credit risk resulting from a third party defaulting on its obligations to the Group is represented by the carrying amount of each financial asset on the statement of financial position. The Group is not exposed to any material concentrations of credit risk other than its exposure within the retail pharmacy and government sectors. The Group monitors credit limits on a monthly basis. All credit facilities to external parties are provided on normal trade terms (unsecured, to a maximum of 50 days). At any one time, the Group generally has amounts owed to and amounts owed by the same counterparty, although no legal right of set-off exists. The Parent company holds direct debit authorities for amounts payable under the contractual terms of its franchise agreements. The Parent regularly monitors the credit ratings issued, and any qualifications to those ratings, to the financial institutions (and those of the ultimate parent financial institution) used by the Group.

The status of trade receivables at reporting date is as follows:

	Gross receivable 2018 $'000	Impairment 2018 $'000	Gross receivable 2017 $'000	Impairment 2017 $'000
Not past due	31,616	-	29,946	-
Past due 0-30 days	2,171	-	892	-
Past due 31-120 days	1,269	-	1,333	-
Past due more than 120 days	2,427	(752)	2,378	(690)
Total	**37,483**	**(752)**	**34,549**	**(690)**

20. Financial instruments (continued)

Liquidity risk

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. In general, the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls. The following table sets out the contractual cash flows for financial liabilities that are settled on a gross cash flow basis:

	2018				
	Carrying Value $'000	**Contractual cash flows $'000**	**Less than one year $'000**	**Between one year and two years $'000**	**Between two years and five years $'000**
Borrowings	49,224	52,074	17,836	10,749	23,489
Trade and other payables	52,762	52,762	52,762	-	-
Total non-derivative liabilities	**101,986**	**104,836**	**70,598**	**10,749**	**23,489**
	2017				
Borrowings	65,537	69,146	30,600	24,267	14,278
Trade and other payables	46,618	46,618	46,618	-	-
Total non-derivative liabilities	**112,155**	**115,764**	**77,218**	**24,267**	**14,278**

Market risk

As interest rates change, the fair value of financial instruments may change. Refer to note 17 for details of the interest rates for the group loans and borrowings, which are the most significant financial instruments.

Capital management

The Group's capital includes share capital and retained earnings. The Group is not subject to any externally imposed capital requirements.

The allocation of capital between its specific business segments' operations and activities is, to a large extent, driven by the optimisation of the return achieved on the capital allocated. The process of allocating capital to specific business segment operations and activities is undertaken independently of those responsible for the operation.

The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

The carrying amount of the Group's on-balance sheet financial instruments including trade and other receivables, cash and cash equivalents, borrowings and trade payables, closely approximate their fair values as at 31 March 2018 and 31 March 2017. The assessment of fair value relating to borrowings was determined by reference to observable market data (level 2).

21. Related parties

During the period, there was one director who had a shareholding in a subsidiary and also had a shareholding in the Parent company.

The Group has commercial franchise agreements with stores relating to marketing levies and franchise fees. The Group also enters into transactions on behalf of the stores which are on-charged. These transactions comprise items such as training courses, supplier agreements, central advertising campaigns, loyalty card costs, and IT related costs. The Parent has leased some equipment which is on-leased to associate companies. The Parent performs accounting services, based on commercial terms, for some of the stores.

The Parent has shareholder agreements with the other shareholders of the associates. The agreements set out the return on investment/profit sharing arrangements relating to these investments.

Related party transactions for the Group:

	Transaction value		Balance outstanding	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Equity earnings from associates	1,077	674	-	-
Franchise fees and on-charged costs with equity accounted investments	107	43	27	1
Management service charges to equity accounted investments	1,156	1,128	447	126
Total owing from equity accounted investments			**474**	**127**
Receivable from other related parties			805	1,551
Payable to non-controlling interests (note 16)			2,673	3,366

Key management personnel remuneration

The Group provides compensation to key management personnel which comprises the directors and executive officers. The CEO and other senior executives also participate in the share option scheme. Key management personnel (includes the divisional CEO's, the Group COO/CFO and company directors) compensation comprised:

	2018 $'000	**2017 $'000**
Short-term employee benefits	1,993	1,844
Share vesting costs	15	57
	2,008	1,901

22. Non-cancellable operating leases

	2018 $'000	2017 $'000
Non-cancellable operating leases		
Due within one year	21,671	24,201
Due between one and five years	61,581	60,182
Due after five years	14,718	30,637
	97,970	**115,020**

The future lease payments comprise leased office equipment, vehicles and premises.

Leases accounting policy

The Group is party to operating leases as a lessee. The lessors retain substantially all of the risks and rewards of ownership of the leased assets. Operating lease payments are recognised and included in the profit and loss on a straight line basis over the period of the lease.

Lease incentives received are recognised in the profit and loss as an integral part of the total lease expense over the life of the lease, with any unamortised incentive recognised as a liability in the statement of financial position.

23. Share based payments

(a) Description of share-based payment arrangements

At 31 March 2018, the Group had the following share-based payment arrangements:

Redeemable ordinary shares granted to senior managers: 100,000 instruments were granted on 14 February 2014, which are exercisable over the period 1 December 2015 to their expiry date on 1 December 2019, with no more than one third being exercisable prior to 1 October 2016 and two thirds prior to 1 October 2017. In addition, a further 300,000 instruments were granted on 29 June 2015, which are exercisable over the period from 28 April 2017 to their expiry date on 28 April 2020, with no more than one third being exercisable prior to 28 April 2017 and two thirds prior to 28 April 2018.

The Redeemable Ordinary Shares (ROS) have been issued by the parent to Life Pharmacy Trustee Company Limited as trustee of a trust that holds the shares on behalf of the employees. Each ROS is partly-paid to $0.01 and carries an entitlement to dividends and voting rights in proportion to the extent paid. On exercise, the ROS are fully paid and converted into ordinary shares. The total charged to the profit and loss in the period was $15,262 (2017: $56,528).

(b) Measurement of fair value

The fair value of the ROS has been calculated using the Black-Scholes formula. The inputs used in the measurement of the fair values at the grant-date of the ROS were at follows:

	Senior management	
	2017 – 2018	**2016**
Fair value at grant date	-	$0.52
Share price at grant date	-	$2.37
Exercise price	-	$2.37
Expected volatility	-	30%
Expected life	-	3 years
Expected dividends	-	0.1%
Risk-free rate	-	2.8%

The expected life is the mid-point of the three tranches under which each of the schemes can be exercised from the grant date. Expected volatility has been based on an evaluation of the historic volatility of the Parent's share price. There were no ROS issued to key or senior managers during the 2018 or 2017 financial years.

23. Share based payments (continued)

(c) Reconciliation of outstanding ROS

	Number of instruments 2018 '000	Weighted average exercise price 2018	Number of instruments 2017 '000	Weighted average exercise price 2017
Outstanding at 1 April	333	$1.90	617	$1.91
Cancelled during the year	-	-	(150)	$2.37
Exercised during the year	-	-	(134)	$1.43
Granted during the year	-	-	-	-
Outstanding at 31 March	**333**	**$1.90**	**333**	**$1.90**
Exercisable at 31 March	33	n/a	-	n/a

Instruments outstanding at 31 March 2018 had exercise prices of $1.25 – $2.37 (2017: $1.25 – $2.37) and a weighted average contractual life of 2.1 years (2017: 3.1 years). The weighted average share price at the date of exercise for ROS during the year was nil (2017: $1.90).

Share based payments accounting policy

Equity-settled share based payments awarded to employees are measured at fair value at the date of grant and are recognised as an employee expense, with a corresponding increase in equity, over the period from the date of grant to the date on which the employees become unconditionally entitled to the option. The fair value at grant date is determined using an appropriate valuation model.

At each reporting date, the Group revises the estimate of the number of options expected to vest. The cumulative expense is revised to reflect the revised estimate, with a corresponding adjustment to equity.

24. Subsequent events

On 29 May 2018 Green Cross Health Limited declared dividends of 3.5 cents per qualifying ordinary share, which will be fully imputed to 28%.

No adjustments are required to these financial statements in respect to this event.

Group entities

For the year ended 31 March 2018

The current Green Cross Health Limited group structure comprises 132 companies.
The group entities are as follows:

Legal Parent	Holding	Activity
Green Cross Health Limited		Franchisor & investment
Controlled entities		
280 Queen Street (2005) Limited	43.9%	Pharmacy
Access Health Services Limited	100.0%	Non-trading
Access Homehealth Limited	100.0%	Community Health
Albany Pharmacy Limited	49.0%	Pharmacy
Alexandra Pharmacy (2013) Limited	48.5%	Pharmacy
Amcal Chemists (N.Z.) Limited	100.0%	Non-trading
Amida Training Limited	100.0%	Non-trading
Apollo Pharmacy (2014) Limited	49.0%	Pharmacy
Bay of Plenty Pharmacies Limited	100.0%	Pharmacy
Bayfair Pharmacy (2010) Limited	49.0%	Pharmacy
Bayfair Pharmacy Limited	100.0%	Non-trading
Baymed Group (2013) Limited	100.0%	Medical Centre
Birkenhead Pharmacy (2011) Limited	48.5%	Pharmacy
Botany Downs Pharmacy Limited	25.0%	Pharmacy
Botany Pharmacy (2016) Limited	49.0%	Pharmacy
Care Chemist Limited	100.0%	Non-trading
Care Chemist Pakuranga (2008) Limited	49.0%	Pharmacy
Centre City Pharmacy (2004) Limited	43.9%	Pharmacy
Chemist Express Limited	49.0%	Pharmacy
Christchurch Pharmacy (2015) Limited	49.0%	Pharmacy
Davies Corner Pharmacy Limited	25.0%	Pharmacy
Discovery Pharmacy (2016) Limited	100.0%	Non-trading
Dispensaryfirst Limited	100.0%	Non-trading
Endeavour Pharmacy (2016) Limited	100.0%	Non-trading
Fred Thomas Pharmacy (2015) Limited	49.0%	Pharmacy
Gascoigne Medical Services Limited	59.7%	Medical Centre
Glenfield Mall Pharmacy Limited	48.5%	Pharmacy
Green Cross Health Direct Limited	100.0%	Non-trading
Green Cross Health Medical Limited	100.0%	Investment
Green Cross Health Medical Solutions Limited	100.0%	Services to medical centres
Green Cross Health Primary Limited	100.0%	Services to medical centres
Green Cross Health Workplace Limited	100.0%	Health services
Guthries Pharmacy Limited	49.0%	Pharmacy
Harbour City Pharmacy (2011) Limited	48.6%	Pharmacy

Controlled entities	Holding	Activity
Hastings Pharmacy (2013) Limited	49.0%	Pharmacy
Hawkes Bay Pharmacies Limited	49.0%	Pharmacy
Health Services Limited	100.0%	Investment
Helensville Pharmacy (2008) Limited	48.5%	Pharmacy
Highland Park Pharmacy (2009) Limited	48.5%	Pharmacy
Hurstmere Pharmacy (2008) Limited	49.0%	Pharmacy
Hutt Valley Pharmacies 2014 Limited	48.0%	Pharmacy
J-Mall Pharmacy Limited	49.0%	Pharmacy
Knox Pharmacy 2010 Limited	48.5%	Pharmacy
Lake Taupo Pharmacy (2008) Limited	48.5%	Pharmacy
Levin Pharmacy (2005) Limited	100.0%	Pharmacy
Life Pharmacy Albany Limited	49.0%	Pharmacy
Life Pharmacy Centre Place (2009) Limited	49.0%	Pharmacy
Life Pharmacy Limited	100.0%	Non-trading
Life Pharmacy Sylvia Park Limited	49.0%	Pharmacy
Life Pharmacy Trustee Company Limited	100.0%	Non-trading
Life Pharmacy Wall Street Dunedin Limited	49.1%	Pharmacy
Manawatu Pharmacies Limited	49.0%	Pharmacy
Manners Pharmacy (2016) Limited	49.0%	Pharmacy
Manukau Pharmacy (2011) Limited	49.1%	Pharmacy
Moorhouse Pharmacy 2003 Limited	25.0%	Pharmacy
Motueka Medical (2013) Limited	74.8%	Medical Centre
Neptune Pharmacy (2017) Limited	49.0%	Pharmacy
New Lynn Pharmacy (2015) Limited	48.8%	Pharmacy
New Plymouth Pharmacy (2015) Limited	48.5%	Pharmacy
Northlands Pharmacy (2003) Limited	49.3%	Pharmacy
Onehunga Medical 2012 Limited	100.0%	Medical Centre
Palms Pharmacy (2013) Limited	48.5%	Pharmacy
Parklands Pharmacy (2015) Limited	49.0%	Pharmacy
Peak Primary Limited	100.0%	Medical Centre
Pharmacy 277 Limited	49.1%	Pharmacy
Pharmacy B102 Limited	48.5%	Pharmacy
Pharmacy G101 Limited	49.0%	Pharmacy
Pharmacy J104 Limited	49.0%	Pharmacy
Pharmacy K103 Limited	49.0%	Pharmacy
Pharmacy L105 Limited	49.0%	Pharmacy
Pharmacy N106 Limited	49.0%	Pharmacy
Pharmacy Management Limited	100.0%	Investment
Pharmacy Store Holdings Limited	100.0%	Investment

Controlled entities	Holding	Activity
Pharmacybrands Limited	100.0%	Non-trading
Pharmacybrands On-line Limited	100.0%	Non-trading
Queen Street Pharmacy (2015) Limited	49.0%	Pharmacy
Radius Medical Limited	100.0%	Non-trading
Radius Medical Solutions Limited	100.0%	Non-trading
Radius Pharmacy Greenmeadows Limited	49.0%	Pharmacy
Radius Pharmacy Limited	100.0%	Franchisor and Investment
Radius Pharmacy Lower Hutt Limited	48.5%	Pharmacy
Radius Pharmacy Napier Limited	48.8%	Pharmacy
Radius Pharmacy Riccarton Limited	49.0%	Pharmacy
Radius Pharmacy Te Rapa Limited	48.8%	Pharmacy
Radius Pharmacy Upper Hutt Limited	49.5%	Pharmacy
Radius Pharmacy Waikanae Limited	48.5%	Pharmacy
Radius Pharmacy Wanganui Limited	49.0%	Pharmacy
Radius Ti Rakau Limited	100.0%	Medical Centre
Riccarton Mall Pharmacy 2000 Limited	49.0%	Pharmacy
RPG Medicine Management Limited	25.0%	Pharmacy
Russell Street Pharmacy Hastings (2015) Limited	48.5%	Pharmacy
Shirley Pharmacy Limited	100.0%	Pharmacy
Shore City Pharmacy (2010) Limited	48.5%	Pharmacy
Shore City Pharmacy Limited	100.0%	Non-trading
Smart Pharmacy Limited	100.0%	Non-trading
St James Pharmacy (2015) Limited	100.0%	Non-trading
St Lukes Pharmacy Holdings Limited	49.0%	Pharmacy
Stokes Valley Pharmacy (2009) Limited	48.5%	Pharmacy
Tauranga Pharmacy (2012) Limited	48.5%	Pharmacy
Timaru Pharmacy (2013) Limited	48.1%	Pharmacy
Trident Pharmacy (2017) Limited	49.0%	Pharmacy
The Doctors (Coastcare) Limited	100.0%	Medical Centre
The Doctors (Hastings) Limited	71.2%	Medical Centre
The Doctors (Huapai) Limited	100.0%	Medical Centre
The Doctors (Whangaparaoa) Limited	100.0%	Medical Centre
The Doctors (Wynyard) Limited	100.0%	Non-trading
Total Care Health Services Limited	100.0%	Community Health
Tower Junction Pharmacy Limited	48.5%	Pharmacy
Unichem Chemists (N.Z.) Limited	100.0%	Non-trading
Upper Hutt Health Centre Pharmacy Limited	25.0%	Pharmacy
Upper Riccarton Pharmacy Limited	25.0%	Pharmacy
Waiuku Medical Pharmacy (2010) Limited	48.5%	Pharmacy

Controlled entities	Holding	Activity
Waiuku Pharmacy (2005) Limited	100.0%	Non-trading
Waiuku Pharmacy (2016) Limited	48.8%	Pharmacy
West City Pharmacy (2010) Limited	48.5%	Pharmacy
Wellington Pharmacy (2016) Limited	49.0%	Pharmacy
Willis Street Pharmacy Limited	25.0%	Pharmacy
Joint Venture entities		
Pharmacies Instore Limited	50.0%	Retail
Unichem Export Limited	30.0%	Wholesale
Associate entities		
Accident & Medical Centre Quaymed Limited	25.0%	Medical Centre
Albany Family Medical Centre Limited	50.0%	Medical Centre
Huapai Pharmacy (2017) Limited	25.1%	Pharmacy
Radius Medical Whakatane Properties Limited	50.0%	Medical Centre
Silverstream Health Centre Limited	49.0%	Medical Centre
Team Medical at Kapiti Limited	48.8%	Medical Centre
The Doctors (Mangere) Limited	25.1%	Medical Centre
The Doctors (Massey Medical) Limited	25.1%	Medical Centre
The Doctors (Napier) Limited	25.1%	Medical Centre
The Doctors (New Lynn) Limited	36.7%	Medical Centre
Total Health Doctors Limited	42.3%	Medical Centre
Walls & Roche Royal Oak Pharmacy Limited	25.1%	Pharmacy

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Board of Directors

As at 31 March 2018

Peter Merton, Chair

Peter Merton, an Otago University Pharmacy graduate, has been involved in the pharmaceutical industry in New Zealand and overseas since the early 1980s. His involvement with the Group goes back to the late 1990s, and he played an active part in the initial industry consolidation when Amcal and Unichem brands merged to form Pharmacybrands Limited (later renamed Green Cross Health Limited).

Following the merger of Life Pharmacy Limited with Pharmacybrands Limited in 2009, Peter assumed the role of Chair of the Group. He is also a significant shareholder in the Company through his interest in Cape Healthcare Limited.

Peter has previously held the roles of Chief Executive of the Propharma/Healthcare Logistics businesses and Director of EBOS Group Limited.

Andrew Bagnall, Non-Executive Director

Andrew Bagnall holds a Commerce Degree from Otago University and an MBA from Michigan State University. Andrew was a significant investor in Life Pharmacy Limited and following the merger with Pharmacybrands Limited (later renamed Green Cross Health Limited) has continued to hold a significant shareholding in the merged entity.

In Andrew's earlier career, he was a leading figure in the New Zealand travel industry establishing and managing Gullivers Travel Group which became the major distributor of wholesale and retail travel services in New Zealand. Gullivers Travel Group ws eventually listed on the NZX and Australian stock exchanges ("ASX"), and subsequently sold to ASX listed S8. Andrew was also involved in co-developing one of New Zealand's first commercial retirement villages.

Andrew now runs his own private investment company Segoura, which manages investments in various businesses and he maintains a keen interest in sports car racing.

John Bolland, Non-Executive Director

John Bolland has more than 20 years business experience in private equity, senior management and corporate finance. This includes 14 years with Ernst & Young, where he had Partner level responsibility in Corporate Finance, Audit and Business Advisory. John's current role is managing a closely held private investment fund, including non-executive roles in a number of the fund's investments. John holds a Bachelor of Commerce from the University of Auckland and is a member of the New Zealand Institute of Chartered Accountants.

Peter Williams, Non-Executive Director (appointed 24 May 2017)

Peter Williams is an executive of the Zuellig Group which has significant health care interests in Asia Pacific. In this capacity he is a Director for a number of companies including, in New Zealand, EBOS Group Limited and C.B. Norwood Distributors Limited. Peter is also a Director of Cape Healthcare Limited.

Tony Edwards, Independent Director

Dr Tony Edwards is a founding Director and shareholder of The Doctor's Group, which originated in Napier in 1989. The Doctor's Group became part of Radius Medical in 2005, which was in turn acquired by Green Cross Health (then Pharmacybrands) in 2011. The Doctors is the primary brand of medical centres for Green Cross Health Medical.

Tony has been a board member of Medical Centres within the group since 1989. He is currently chair of Te Matau a Maui Health Trust which is the owner of Health Hawke's Bay Limited. He continues in his part time integrative Medical Practice at The Doctors Napier, where he is also the Managing Director.

Dame Margaret Millard, Independent Director

Dame Margaret Millard runs a farm in partnership with her husband and is currently the Chair of C. Alma Baker Trust (NZ) Limited, a Trustee of the Strive Rehabilitation Manawatu Trust (client centred, community based social rehabilitation for people with brain injuries) and Chair of the Manawatu Rangitikei Rural Family Support Trust. Dame Margaret was on the Nursing Council of NZ for 8 years. She has been a member of Rural Women New Zealand for over 30 years and has been heavily involved in a number of community initiatives both in New Zealand and across the world.

Ken Orr, Independent Director

Ken Orr has had over 30 years as a community pharmacist and is currently a partner in a group of pharmacies in Northland. Ken was a former President of the NZ Pharmacy Guild, which represents the business interests of community pharmacies.

Ken joined the Board in September 2009 as an alternate Director and was appointed as an Independent Director of the Company in March 2012.

Carolyn Steele, Independent Director (appointed 26 June 2017)

Carolyn Steele is a Director of Metlifecare Limited, Halberg Disability Sport Foundation, WEL Networks Limited, Ultrafast Fibre Limited and a Trustee of the New Zealand Football Foundation. Until 2016, Carolyn was a Portfolio Manager at Guardians of New Zealand Superannuation, the Crown entity managing the New Zealand Superannuation Fund. Prior to joining the Guardians in 2010, Carolyn spent ten years in investment banking at Forsyth Barr and Credit Suisse/First NZ Capital.


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Corporate governance

For the year ended 31 March 2018

Role of the Board of Directors

The Board understands the importance of good corporate governance in maximising the value of the Company. Accordingly, the Board is working to ensure compliance with applicable regulatory requirements and best practice, including the NZX Corporate Governance Code.

The Board is responsible for the strategic direction and objectives of the Company and sets the policy framework within which Green Cross Health must operate. The CEO Pharmacy and Medical and the CEO Community Health are appointed by the Board and have delegated authority for the day-to-day operations of their respective divisions of Green Cross Health.

NZX Corporate Governance Code

The Company has reviewed the 2017 NZX Corporate Governance Code and is in compliance with the majority of its recommendations. The Company is actively working to ensure that it fully complies with the Code over time.

This Corporate Governance Statement was approved by the Board of Green Cross Health Limited on 25 June 2018 for the year ended 31 March 2018.

Compliance with the Principles of the Code is as follows:

Principle 1: Code of Ethical Behaviour

Directors should set high standards of ethical behaviour and hold management accountable for these standards being followed throughout the organisation.

The Company has adopted formal a Code of Ethics, and Whistleblowing and Share Trading Policies, which are available on the Company's intranet for employees to access and are included in employee induction.

Further detail on the Code of Ethics and Share Trading Policies is provided later in this Annual Report.

The policies are being reviewed as part of a regular review process to ensure that they continue to meet stakeholder expectations and once completed, the updated policies will be published on the Company's website (www.greencrosshealth.co.nz).

The Company also has procedures in place to ensure that gifts received by employees and directors do not result in inappropriate influence on decision making, and that conflicts of interest are disclosed and managed.

NZX Corporate Governance Code (continued)

Principle 2: Board Composition & Performance

To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.

Board Charters and Management Responsibility

The Board operates under a written Charter and delegates authority to senior management, including the two divisional CEOs to run the day-to-day operations of the Company.

Director Terms of Appointment

The Company does not have written terms of appointment for current directors, which reflects the long standing tenure of many of the directors.

Diversity Policy

The Company is developing a written Diversity Policy, which will be published on the company's website (www.greencrosshealth.co.nz) once completed. The Board is proud of the wide ranging ethnic, cultural and gender diversity across the Group that reflects the evolving makeup of New Zealand society. The Company believes that this diversity better enables the Group to meet the needs of its stakeholders, including customers, patients, clients, suppliers, funding agencies, employees and shareholders.

Mandatory disclosure of Board and Key management gender diversity is provided later in this Annual Report.

Board Performance

Directors are expected to understand the Company's operations and determine the professional development that they require to undertake their duties. Senior management present to the Board on a regular basis on key matters affecting the Company, enabling directors to ask for further information and explanation as required.

The Board, led by the Chair, review their performance against the Board Charter in light of the Company's changing operating conditions and make improvements to Board processes and meetings when changes in Board focus are identified. The Board has committed to a performance review being conducted by a third party in 2018.

Chair and CEO

The Company complies with the recommendation that the Chair (Peter Merton) is not the CEO.

Principle 3: Board Committees

The Board should use Committees where this will enhance its effectiveness in key areas, while still retaining Board responsibility.

Board Committees

The Board has the following Committees, and has determined that no other Committees are required at this time:

- Audit Committee
- Finance & Risk Committee
- Health & Safety Committee
- Remuneration & Nominations Committee

These Committees have written Charters. Additional information on the role and makeup of these Committees is provided elsewhere in this Annual Report. The Board Charters are reviewed regularly and will be added to the Company's website (www.greencrosshealth.co.nz) once the review process has been completed.

Directors who are not members of Committees are welcome to attend meetings if they wish. The company complies with the recommendation that Management only attends Committee meetings at invitation of the Committee.

The NZX Corporate Governance Code recommends that the composition of Remuneration and Nominations Committees should include a majority of independent directors. The Company does not comply with this requirement, but ensures there is an appropriate level of governance by having independent directors as half of the members of the Committee.

Takeover Protocols

The Board has a Takeover Protocol to be followed if a takeover offer is made for the Company. In the event of a takeover proposal, the Board will immediately establish an appropriately constituted Committee to deal with matters arising from the proposal, including:

- Preparing the Company's response to the proposal
- Engaging an independent advisor to advise on the merits of the proposal
- Making a recommendation to shareholders

Principle 4: Reporting & Disclosure

The Board should demand integrity in financial and non financial reporting, and in the timeliness and balance of corporate disclosures.

The Board has a written continuous disclosure policy.

The Company does not yet comply with the recommendation that Board and Committee Charters, Code of Ethics and other key governance documents are available on the Company's website. The Interim and audited Annual Reports are available on the website (www.greencrosshealth.co.nz). The Company is currently developing a new website which will enable it to better comply with this recommendation, and expects to be in full compliance within the next twelve months.

The Board has members with financial reporting knowledge and experience that enable the Board to be satisfied that financial matters are adequately disclosed in the Company's reporting. The Company is also developing additional non-financial reporting that, over time, will improve the Company's non-financial reporting in areas such as environmental, social and governance (ESG) reporting. This will be an ongoing process of development and refinement.

Principle 5: Remuneration

The remuneration of directors and executives should be transparent, fair and reasonable.

The Parent company Director Fee pool was last approved in 2015 and is currently capped at $500,000. Directors' fees are informally benchmarked against market precedents. Further disclosure of the details of Directors' Fees is included elsewhere in this Annual Report.

The Company does not yet comply with the recommendation that there should be a remuneration policy for Directors and Officers which outlines the relative weightings of remuneration components and performance criteria.

In addition, the recent resignation of the CEO Community Health means that a new employment agreement will need to be agreed with the successful candidate for that role. As a result of the Group having two CEO roles, the Company does not yet comply with the requirement to disclose details of the remuneration arrangements for the CEO Pharmacy & Medical and the CEO Community Health but will do so in subsequent reporting periods once the remuneration policy has been finalised. The Company will also be able to fully comply with the recommended Directors' Fees disclosure when the remuneration policy is available.

The Company operates a share based incentive scheme for certain Senior Managers, which is disclosed further in Note 23 to the Financial Statements.

NZX Corporate Governance Code (continued)

Principle 6: Risk Management

Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.

The Board is responsible for risk management and internal control and has a framework for identifying, assessing, controlling, monitoring and reporting on the key risks to the company's people, assets, reputation and business objectives.

The Audit, Health & Safety, and Finance & Risk Committees have responsibility for ensuring that the Company's risk management framework, policies and procedures are effective and appropriate. The Company maintains a comprehensive Risk Register and management reports to the Board regularly on health and safety issues and progress on objectives. Risk reporting software is used to facilitate reporting by employees, capture risks, and escalate them within the Company as required. The nature of many of the Company's activities, including dispensing of drugs, providing medical treatment, and caring for clients in their homes, makes managing health and safety risks a significant area of focus within the Group.

The Company is exposed to substantially the same economic, environmental, and social risks as similar businesses operating in the same sectors in New Zealand. These risks include:

- competitive pressure from traditional and disruptive competitor business models
- demographic changes impacting on employee availability and customer, client and patient demand
- regulatory changes
- changes to Government and wider Health Sector funding models

Principle 7: Auditors

The Board should ensure the quality and independence of the external audit process.

The Audit Committee is tasked with ensuring that the external audit process is independent and of high quality, including approving any non-audit services provided by the audit firm.

The Committee is also responsible for ensuring that the audit firm or lead audit partner are rotated at least every five years. The lead audit partner was rotated prior to the 2017 external audit.

The Company does not have an internal audit function but via the Audit and Finance & Risk Committees and the Company's external audit process, looks to maintain and improve risk management and internal controls.

The external auditor attends the Annual Meeting and is available to answer any questions from shareholders.

Principle 8: Shareholder Rights & Relations

The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.

As noted above, the Company is redeveloping its website to enable better stakeholder access to financial and governance information. Financial information is currently available at www.greencrosshealth.co.nz/reports with further information to be added over coming months.

Communications from the Company are available electronically through the Company's share registrar, Computershare.

The Company fully complies with the following recommendations:

- Shareholders have the right to vote on major decisions
- One vote per share
- Annual Meeting notice advised at least 28 days prior to meeting

Directors and Officers of the Company attend the Annual Meeting and are available to answer questions from shareholders.

Board composition and structure

The Board comprises four independent directors and four non-executive directors. Two directors have been nominated by LPL Trustee Limited and elected by shareholders (Andrew Bagnall and John Bolland) and two directors have been nominated by Cape Healthcare Limited and elected by shareholders (Peter Merton and Peter Williams). The independent directors are selected to ensure that the appropriate skills and experience are available. In accordance with the NZX Listing Rules, one third of the directors are required to retire by rotation every year and may offer themselves for re-election by shareholders.

The Board holds regular scheduled meetings and follows procedures that ensure that all directors have the necessary information to participate in an informed discussion on all agenda items and effectively carry out their duties. The CEO Pharmacy and Medical, CEO Community Health, COO/CFO and key senior managers attend appropriate sections of Board meetings.

Board meetings

The following table outlines the number of board meetings attended by directors during the course of the 2018 financial year.

Director	Meetings held	Meetings attended
John (Andrew) Bagnall[1]	7	3
John Bolland	7	7
Patrick Davies[2]	1	-
Peter Merton	7	6
Peter Williams[3]	7	7
Anthony (Tony) Edwards	7	7
Margaret Millard	7	6
Ken Orr	7	7
Keith Rushbrook[4]	3	3
Carolyn Steele[5]	5	5

1. Mary-Elizabeth Tuck is the alternate to Andrew Bagnall. She has attended four board meetings on behalf of Andrew Bagnall and two additional meetings.

2. Patrick Davies resigned as a director on 23 May 2017.

3. Peter Williams was appointed as a director on 24 May 2017. Prior to this he was the alternate for Patrick Davies and attended one Board meeting on his behalf.

4. Keith Rushbrook retired as a director on 26 June 2017.

5. Carolyn Steele was appointed as a director on 26 June 2017.

Code of Ethics

The Company has established a Code of Ethics to govern its conduct. The Code addresses ethical issues, establishes compliance standards and procedures, provides mechanisms to report unethical behaviour and provides for disciplinary actions.

Shareholder relations

The Board will ensure that shareholders are informed of major developments affecting the Company. Information is available through the Annual and Interim Reports, with shareholders able to participate at each Annual Meeting. Any material information affecting the Company during the intervening period is announced to the financial markets via the New Zealand Stock Exchange (NZX) under the Board's policy for continuous disclosure.

Insider trading guidelines

The Board has issued guidelines to prevent insider trading to all directors, deemed directors, officers and other restricted persons of Green Cross Health. All directors, deemed directors, officers and other restricted persons of Green Cross Health must formally apply for consent to trade the Company's securities from the CFO before undertaking any sales or purchases.

The Board reviews all consents granted at each Board meeting. The directors, deemed directors, officers and other restricted persons of Green Cross Health are obliged to complete and submit disclosure notices to the NZX within five days of any trades being settled.

Board Committees

The Board has four standing committees described as follows. The Board annually reviews the performance of the standing committees against written charters.

Remuneration and Nominations Committee

This committee comprises two independent directors and two non-executive directors, who meet as required to:

- Review the remuneration of the CEO Pharmacy and Medical and the CEO Community Health and approve remuneration of their direct reports
- Make recommendations to shareholders for non-executive and independent director remuneration
- Recommend director appointments

Remuneration packages are reviewed annually. Independent external surveys are used as a basis for establishing competitive remuneration.

The composition of the Remuneration and Nominations Committee is Peter Merton (Chair), Carolyn Steele, Ken Orr and John Bolland. The committee meets as required.

Audit Committee

The committee comprises two independent directors and one non-independent director. One of the directors is appointed Chair who is not the Chair of the Board. All other directors are entitled to attend the meetings.

The CEO Pharmacy and Medical, CEO Community Health and the COO/CFO attend as ex-officio members and external auditors by invitation of the Chair. The Audit Committee also meets privately with the external auditors, that is, without management in attendance. All Audit Committee members must be financially literate, with at least one member having a financial background.

The Committee meets a minimum of three times each year. It's responsibilities include:

- To review the scope and outcome of the external audit
- To review the annual and half yearly financial statements prior to approval by the Board
- To approve the public releases of financial information
- To assess the performance of financial management and monitoring of material corporate risk assessments and internal controls
- To report the proceedings of each meeting to the Board
- To make recommendations to the Board on the appointment of the external auditors, their independence and their fees

The current composition of the committee is Carolyn Steele (Chair), Ken Orr and John Bolland.

Directors	Meetings held	Meetings attended
John Bolland	4	4
Ken Orr	4	4
Keith Rushbrook	1	1
Carolyn Steele	3	3

Finance and Risk Committee

The committee comprises two independent directors and two non-independent directors. One of the directors is appointed Chair who is not the Chair of the Board. All other directors are entitled to attend the meetings.

The CEO Pharmacy and Medical, CEO Community Health and the COO/CFO attend as ex-officio members. All Finance and Risk Committee members must be financially literate.

The committee meets a minimum of four times each year. It's responsibilities include:

- To review potential acquisition and disposal proposals, approve small acquisitions and disposals and make recommendations to the Board for larger acquisitions and disposals
- To review the Group's annual budgets and endorse for board approval
- To review capital expenditure proposals and make recommendations to the Board
- To report the proceedings of each meeting to the Board
- To annually review the Risk Register
- To review the effectiveness of the risk management policies and processes and monitor compliance with them
- To review debt management policy and covenant compliance

The current composition of the committee is Carolyn Steele (Chair), Peter Merton, Ken Orr and John Bolland.

Directors	Meetings held	Meetings attended
John Bolland	7	7
Peter Merton	7	7
Ken Orr	7	7
Keith Rushbrook	1	1
Carolyn Steele	6	6

Health and Safety Committee

The committee comprises one independent director and one non-independent director. One of the directors is appointed Chair. All other directors are entitled to attend the meetings.

The CEO Pharmacy and Medical, CEO Community Health and the COO/CFO attend as ex-officio members. The Group People and Capability and Group Health and Safety Managers as well as other senior managers attend meetings as required.

The committee meets a minimum of twice each year. It's responsibilities include:

- To evaluate health and safety risks in the Company's business and to report back on status, and recommend as required changes or initiatives to the Board
- To act independently and objectively in monitoring the Company's health and safety reporting process and systems including reviewing and appraising the reporting and audit structures in place for the Company's businesses
- To review and appraise health and safety audit reports
- To provide an open avenue of communication about the external health and safety policies and guidelines, and the policies and guidelines of the Company's businesses
- To review incident investigations from significant health and safety events.

The current composition of the committee is Ken Orr (Chair) and Andrew Bagnall. The committee met three times during the year with Ken Orr attending three meetings and Mary-Elizabeth Tuck attending two meetings as an alternate director for Andrew Bagnall.

Organisation structure and financial control

The Board has delegated to the executive management team the management responsibilities of the Company. The executive management team is made up of the CEO Pharmacy and Medical, CEO Community Health and COO/CFO.

The Board satisfies itself that adequate external insurance cover is in place appropriate to the Company's size and risk profile.

Gender and diversity

The following table set out a quantitative breakdown of the gender balance of the directors and key personnel of the Group as at 31 March 2018:

As at 31 March 2018	Directors		Key management personnel	
Female	2	25%	-	0%
Male[1]	6	75%	3	100%
Total	**8**		**3**	
As at 31 March 2017				
Female	1	13%	-	0%
Male[1]	7	87%	3	100%
Total	**8**		**3**	

1. Andrew Bagnall has appointed Mary-Elizabeth Tuck as his alternate director. Ms Tuck attended four board meetings as Mr Bagnall's alternate in the 12 months ended 31 March 2018 and four board meetings as Mr Bagnall's alternate in the 12 months ended 31 March 2017.

Other Annual Report Disclosures

For the year ended 31 March 2018

The total annual Parent company Directors' remuneration approved for each financial year is capped at $500,000 (from 1 April 2012). The Directors holding office during the year ended 31 March 2018 and the remuneration paid or payable to the Directors is as follows:

Director	Appointed	Resigned	Total Fees $
John (Andrew) Bagnall[1] ^			35,000
John Bolland *+#			35,000
Anthony (Tony) Edwards			60,000
Peter Merton +#			85,000
Margaret Millard			60,000
Ken Orr *+#^			60,000
Carolyn Steele *+#	26 June 2017		53,308
Peter Williams	24 May 2017		30,289
Keith Rushbrook		26 June 2017	17,500
Patrick Davies		24 May 2017	5,385
Total			**441,482**
Payment allocations			
Chair of Board			85,000
Non-Executive Directors			35,000
Independent Directors			60,000
Chair of Audit Committee			5,000
Chair of Finance & Risk Management Committee			5,000

Over the next twelve months, the Company will consider introducing Committee Fees.

1. Mary-Elizabeth Tuck was appointed on 5 June 2012 as an alternate to Andrew Bagnall. Ms Tuck is paid a portion of Mr Bagnall's fees in a direct arrangement with Mr Bagnall.

** = Audit Committee member*
+ = Remuneration and Nominations Committee member
 # = Finance and Risk Committee member
^ = Health and Safety Committee member

Employee remuneration

The number of employees or former employees of the group, not being directors of Green Cross Health Limited, who received remuneration and other benefits in their capacity as employees, the value of which exceeded $100,000 for the year ended 31 March 2018 is set out below:

Employee annual remuneration bands:	2018	2017
$100,000 - $109,999	28	35
$110,000 - $119,999	18	16
$120,000 - $129,999	18	21
$130,000 - $139,999	14	13
$140,000 - $149,999	17	16
$150,000 - $159,999	12	12
$160,000 - $169,999	10	12
$170,000 - $179,999	33	11
$180,000 - $189,999	14	11
$190,000 - $199,999	10	11
$200,000 - $209,999	14	14
$210,000 - $219,999	6	9
$220,000 - $229,999	11	4
$230,000 - $239,999	3	10
$240,000 - $249,999	3	3
$250,000 - $259,999	1	3
$260,000 - $269,999	3	1
$270,000 - $279,999	-	3
$280,000 - $289,999	1	3
$290,000 - $299,999	1	3
$300,000 - $309,999	1	4
$310,000 - $319,999	1	-
$320,000 - $329,999	1	-
$350,000 - $359,999	1	4
$520,000 - $529,999	-	1
$560,000 - $569,999	-	1
$580,000 - $589,999	1	-
Former employees included in the above bands:	3	4

Donations

The Group made donations to the value of $21,423.

Directors' shareholding and trades

The following table summarises:

(a) the number of shares in the Company held by directors at 31 March 2018; and

(b) disclosures made by directors, in accordance with section 148(2) of the Companies Act 1993, of acquisitions and dispositions of relevant interests in shares in the Company during the year.

Directors	Holding 1 April 2017	Cancelled	Issued	Net trades in the period	Holding 31 March 2018
J A Bagnall (i)	44,288,713	-	1,647,108	-	45,935,821
J B Bolland (ii)	44,288,713	-	1,647,108	-	45,935,821
P M Merton (iii)	44,261,323	-	1,579,660	-	45,840,983
P J Williams (iv)	44,261,323	-	1,579,660	-	45,840,983
K A Orr (v)	579,405	-	20,678	-	600,083
A W Edwards (vi)	96,105	-	3,430	-	99,535
C M Steele (vii)	-	-	-	18,000	18,000

(i) J A Bagnall is a Director of LPL Trustee Limited and therefore holds a relevant interest of 45,935,821 fully paid ordinary shares in the company (shares are legally owned by LPL Trustee Limited). This includes a benefical interest in 42,578,264 ordinary shares. Received beneficial interest in 689,941 fully paid ordinary shares (shares acquired by LPL Trustee Limited for $1,442,460) on reinvestment of dividend under the DRP of the Company on 23 June 2017. Received beneficial interest in 957,167 fully paid ordinary shares (shares acquired by LPL Trustee Limited for $1,574,253) on reinvestment of dividend under the DRP of the Company on 22 December 2017.

(ii) J B Bolland was appointed Director of LPL Trustee Limited on 10 June 2013 and therefore holds a relevant interest in 45,935,821 fully paid ordinary shares in the company (shares are legally owned by LPL Trustee Limited). This includes a beneficial interest (but no voting rights) in 3,357,557 ordinary shares. Received relevant interest in 689,941 fully paid ordinary shares (shares acquired by LPL Trustee Limited for $1,442,460) on reinvestment of dividend under the DRP of the Company on 23 June 2017. Received relevant interest in 957,167 fully paid ordinary shares (shares acquired by LPL Trustee Limited for $1,574,253) on reinvestment of dividend under the DRP of the Company on 22 December 2017.

(iii) P M Merton is a Director of Cape Healthcare Limited and a trustee of the Pentz Trust which is a 49% shareholder of Cape Healthcare Limited. P M Merton has a relevant Interest in the 45,840,983 fully paid ordinary shares in the Company owned by Cape Healthcare Limited. Received beneficial interest in 689,514 fully paid ordinary shares (shares acquired by Cape Healthcare Limited for $1,441,567) on reinvestment of dividend under the DRP of the Company on 23 June 2017. Received beneficial interest in 890,146 fully paid ordinary shares (shares acquired by Cape Healthcare Limited for $1,464,023) on reinvestment of dividend under the DRP of the Company on 22 December 2017.

(iv) P J Williams is a Director of Cape Healthcare Limited. He has a relevant Interest in the 45,840,983 fully paid ordinary shares in the Company owned by Cape Healthcare Limited. Received relevant interest in 689,514 fully paid ordinary shares (shares acquired by Cape Healthcare Limited for $1,441,567) on reinvestment of dividend under the DRP of the Company on 23 June 2017. Received relevant interest in 890,146 fully paid ordinary shares (shares acquired by Cape Healthcare Limited for $1,464,023) on reinvestment of dividend under the DRP of the Company on 22 December 2017.

(v) K A Orr holds a beneficial interest of 600,083 fully paid ordinary shares in the Company (shares are legally owned by Orrs Kaipara Pharmacies Limited and Orrs Pharmacies Limited). Received beneficial interest in 3,430 fully paid ordinary shares (shares acquired by Orrs Pharmacies Limited for $7,171) and 5,596 fully paid ordinary shares (shares acquired by Orrs Kaipara Pharmacies Limited for $11,700) on reinvestment of dividend under the DRP of the Company on 23 June 2017. Received beneficial interest in 4,428 fully paid ordinary shares (shares acquired by Orrs Pharmacies Limited for $7,283) and 7,224 fully paid ordinary shares

(shares acquired by Orrs Kaipara Pharmacies Limited for $11,882) on reinvestment of dividend under the DRP of the Company on 22 December 2017.

(vi) A W Edwards holds a beneficial interest of 99,535 fully paid ordinary shares in the Company. Received benefical interest in 1,497 fully paid ordinary shares for $3,130 on reinvestment of dividend under the DRP of the Company on 23 June 2017. Received benefical interest in 1,933 fully paid ordinary shares for $3,179 on reinvestment of dividend under the DRP of the Company on 22 December 2017.

(vii) C M Steele has a relevant interest in 18,000 fully paid ordinary shares in the Company, after acquiring 18,000 fully paid ordinary shares for $28,781 on 14 December 2017.

Directors' insurance

Green Cross Health Limited has insured all its directors against liabilities to other parties that may arise from their positions as directors. The insurance does not cover liabilities arising from criminal actions.

General disclosure of interest by directors

(section 140(2) of the Companies Act 1993)

The Directors and Alternate Director of the Company named below have made a general disclosure of interest by a general notice disclosed to the Board and entered in the Company's interest register. General notices of interest were given by these directors during the financial year ended 31 March 2018:

Andrew Bagnall – LPL Trustee Limited (Director & Shareholder), Segoura Limited (sole Shareholder and Director), Plan B Limited (Director & Shareholder), Waiaro Investments Limited (Director & Shareholder), major shareholder or director of various unlisted or privately controlled companies.

John Bolland – LPL Trustee Limited (Director & Consultant), Segoura Limited (Consultant), Plan B Limited (Director & Shareholder), Waiaro Investments Limited (Director & Consultant), shareholder or director of various unlisted or privately controlled companies.

Peter Merton – Cape Healthcare Limited (Director & Shareholder).

Ken Orr – Orrs Pharmacies Limited (Director & Shareholder), Orrs Kaipara Pharmacies Limited (Director & Shareholder), Orrs Maungaturoto Pharmacy Limited (Director & Shareholder), Orrs Rust Ave Pharmacy Limited (Director & Shareholder), Orrs Cameron Pharmacy Limited (Director & Shareholder), Orrs Ruakaka Pharmacy Limited (Director & Shareholder), Orrs Tui Pharmacy Limited (Director & Shareholder), Orrs Kaikohe Pharmacies Limited (Director & Shareholder), Member of Northland Collaboration Kaupapa (Northland DHB, Manaia PHO, Te Tai Tokerau PHO and Iwi Leaders Group) shareholder or director of various unlisted or privately controlled companies.

Tony Edwards – The Doctors (Napier) Limited (Shareholder & Director), The Doctors (New Lynn) Limited (Shareholder & Director), The Doctors (Mangere) Limited (Shareholder & Director) Beedre Properties Limited (Shareholder & Director), Galah Forestry Limited (Shareholder & Director), Trustee and Chairman of Te Matau a Maui Health Trust (owner of Hawkes Bay PHO), Managing Director and Employee of The Doctors (Napier) Limited.

Margaret Millard – C. Alma Baker Trust (NZ) Limited (Chair), Strive Rehabilitation Manawatu Trust (Trustee), Manawatu Rangitikei Rural Family Support Trust (Trustee), and EG & MM Millard Trust (Trustee).

Carolyn Steele – Director of Metlifecare Limited, Halberg Disability Sport Foundation, WEL Networks Limited, Ultra Fast Fibre Limited, Trustee of New Zealand Football Foundation.

Mary-Elizabeth Tuck (alternate Director) – Is the Manager, Operations and Business Projects, Components & Technology division of Fisher & Paykel Appliances Limited.

Peter Williams – Director of Cape Healthcare Limited, EBOS Group Limited and C.B. Norwood Distributors Limited.

Shareholder information

As at 31 March 2018

Shares and shareholding

The Company's ordinary shares are listed on the NZX using the ticker code, GXH. As at 31 March 2018 the Company had on issue 143,486,093 equity securities (as defined by the Financial Markets Conduct Act 2013) being 143,152,759 fully paid ordinary shares, and 333,334 redeemable ordinary shares payable to $0.01 and held on trust by Life Pharmacy Trustee Company Limited on behalf of senior executive employees.

The 20 largest registered holders of quoted equity securities as at 31 March 2018 were as follows:

Name	Holding	%
LPL TRUSTEE LIMITED	45,935,821	32.09
CAPE HEALTHCARE LIMITED	45,840,983	32.02
BNP PARIBAS NOMINEES (NZ) LIMITED A/C STATE STREET NZCSD <BPSS40>	3,446,074	2.41
MASSEY PHARMACY LIMITED	3,160,070	2.21
NEW ZEALAND PERMANENT TRUSTEES LIMITED - NZCSD <NZPT43>	2,400,000	1.68
NATIONAL NOMINEES NEW ZEALAND LIMITED - NZCSD < NNLZ90>	1,673,424	1.17
GANET INVESTMENTS LIMITED	1,647,979	1.15
JANE STEWART DUNN	1,413,771	0.99
FNZ CUSTODIANS LIMITED	1,155,783	0.81
FRANCES ANN VUKSICH & WALTER MICK GEORGE YOVICH <MARK & FRANCES FAMILY A/C>	1,153,303	0.81
GRANT CLAYTON BAI + CHRISTINA BAI + BARRIE CAMPBELL <GRATTON WILSON A/C>	1,066,224	0.74
THOMAS LAI & CAROLYN PAMELA LAI & KATHLEEN YEE <THOMAS & CAROLYN LAI FAMILY A/C>	994,985	0.70
CUSTODIAL SERVICES LIMITED <A/C 3>	955,029	0.67
FORSYTH BARR CUSTODIANS LIMITED <1-CUSTODY>	848,118	0.59
KIM CHRISTOPHER WILKINSON & MARIE ELEANOR WILKINSON	795,120	0.56
MATTHEW JAMES FLEET <FLEET BUSINESS A/C>	750,000	0.52
ELIZABETH ANN MCAULAY	687,022	0.48
WATT LAND COMPANY LIMITED	570,116	0.40
JAMES STEVE BEGOVIC + KERRY ELLWYN BEGOVIC + KATHERINE MARINA PALIN <BEGOVIC FAMILY A/C>	560,000	0.39
PIERRE GORDON PIERCE COTTER	537,050	0.38

Substantial security holders

The following persons are deemed to be substantial product holders in accordance with section 274 (1) of the Financial Markets Authority Act 2013:

Name	Holding	%
Cape Healthcare Limited	45,840,983	32.02
LPL Trustee Limited	45,935,821	32.09

Shareholding spread

Green Cross Health Limited's shareholding spread as at 31 March 2018 is as follows:

Size of holding	Holders	%	Securities	%
1-999	335	18.8	154,127	0.11
1,000 - 9,999	990	55.5	3,313,932	2.31
10,000 - 99,999	379	21.3	10,752,937	7.51
100,000 - 499,999	60	3.3	12,436,906	8.69
500,000 - 999,999	9	0.5	6,697,440	4.68
1,000,000 and over	11	0.6	109,797,417	76.70
Total	**1,784**	**100.0**	**143,152,759**	**100.00**

Annual Report Disclosure for Dividend Re-investment Plan

At the Company's 2012 Annual Meeting, shareholders approved the allotment of ordinary shares under the Company's dividend re-investment plan ("DRP") during the period from 3 August 2012 to 31 December 2017. A copy of the terms of the DRP can be obtained from the registered office of the Company at Ground Level, Building B, 602 Great South Road, Ellerslie, Auckland.

The Takeovers Panel granted the Company an exemption from the Takeovers Code in respect of the notice of the meeting to approve the allotment of ordinary shares to Cape Healthcare Limited ("CHL") and LPL Trustee Limited ("LPL") (each, a "Specified Shareholder") under the DRP. The disclosures below are required by the Takeovers Code (Pharmacybrands Limited) Exemption Notice 2012.

As at 31 March 2018 ("Calculation Date"):

1. Under the DRP, 1,579,660 ordinary shares were allotted to CHL during the year, bringing its total shareholding in the Company to 45,840,983 or 32.02%. This percentage also represents the total shareholding of CHL and its associates.

2. Under the DRP, 1,647,108 ordinary shares were allotted to LPL during the year, bringing its total shareholding in the Company to 45,935,821 or 32.09%. This percentage also represents the total shareholding of LPL and its associates.

3. On completion of all allotments that could be made under the DRP ("Specified Transaction") during the period from 1 April 2017 to 31 December 2017 ("Specified Period"):

> **(a)** The maximum percentage of all ordinary shares on issue that could be held or controlled by CHL is 32.02%. This percentage also represents the maximum percentage of all ordinary shares on issue that could be held or controlled by CHL and its associates; and
>
> **(b)** The maximum percentage of all ordinary shares on issue that could be held or controlled by LPL is 32.09%. This percentage also represents the maximum percentage of all ordinary shares on issue that could be held or controlled by LPL and its associates.

4. The assumptions on which the particulars referred to in paragraph 3 above are based are as follows:

> **(a)** that the number of ordinary shares is the number of ordinary shares on issue on the Calculation Date and there have been no other share issuances or changes in capital structure such as share splits, consolidations or buybacks of shares;
>
> **(b)** that there is no change in the total number of ordinary shares on issue between the Calculation Date and the end of the Specified Period, other than as a result of the Specified Transaction;
>
> **(c)** that the Specified Shareholder elects full participation under the Specified Transaction in respect of each dividend during the Specified Period to which the Specified Transaction applies and is allotted the number of ordinary shares under the Specified Transaction corresponding to its full participation;
>
> **(d)** that the Specified Shareholder does not have any associates that hold or control ordinary shares in the Company (CHL and LPL have each advised the Board that it has no such associates at the Calculation Date);
>
> **(e)** that each Specified Shareholder (and any of the Specified Shareholder's associates) do not increase their voting control of the Company other than under the Specified Transaction;
>
> **(f)** that the issue prices of ordinary shares under the Specified Transaction determined in accordance with the price formula will be $1.64 in each year of the Specified Period;
>
> **(g)** that the net cash dividend payable by the Company in each year of the Specified Period will be $0.07 per share; and
>
> **(h)** that no shareholder of the Company elects to participate in the Specified Transaction, other than the Specified Shareholder.

Company directory

As at 31 March 2018

Registered office

Green Cross Health Limited
Ground Floor, Building B
602 Great South Road
Ellerslie, Auckland 1051
Telephone: +64 9 571 9080

Board

P M Merton
Chair

J A Bagnall
Non-Executive Director

J B Bolland
Non-Executive Director

P J Williams
Non-Executive Director

A W Edwards
Independent Director

M M Millard
Independent Director

K A Orr
Independent Director

C M Steele
Independent Director

Officers

S J Browning COO/CFO

Board secretary

J H Greenwood BCom, FCA
Green Cross Health Limited
Private Bag 11 906
Ellerslie, Auckland 1542

Auditor

KPMG
KPMG Centre
18 Viaduct Harbour Avenue
Auckland

Bankers

Bank of New Zealand
80 Queen Street
Auckland 1010

Websites

www.greencrosshealth.co.nz
www.access.org.nz
www.gxhworkplace.co.nz
www.lifepharmacy.co.nz
www.livingrewards.co.nz
www.thedoctors.co.nz
www.unichem.co.nz

Share registrar

Computershare Investor
Services Limited
Private Bag 92119
Auckland 1142
159 Hurstmere Road
Takapuna, Auckland 0622

Managing your shareholding online:

To change your address, update your payment instructions and to view your registered details including transactions, please visit www.investorcentre.com/nz

General enquiries can be directed to:

enquiry@computershare.co.nz
Telephone: + 64 9 488 8777
Facsimile: + 64 9 488 8787

Please assist our registrar by quoting your CSN or shareholder number

02905

Green Cross Health Ltd
Ground Floor, Building B
602 Great South Road
Ellerslie, Auckland 1051

Private Bag 11906
Ellerslie, Auckland 1542

www.greencrosshealth.co.nz

Working together
to support healthier
communities