



Green Cross Health Limited

Consolidated Financial Statements

For the year ended 31 March 2015

Directors' declaration

For the year ended 31 March 2015

In the opinion of the directors of Green Cross Health Limited, the financial statements and notes, on pages 4 to 19:

- 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 2015 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 2015.

For and on behalf of the Board of Directors:



Peter Merton
Chairman
26 May 2015



Keith Rushbrook
Director
26 May 2015



Independent auditor's report

To the shareholders of Green Cross Health Limited

We have audited the accompanying consolidated financial statements of Green Cross Health Limited and its subsidiaries ("the group") on pages 4 to 19. The financial statements comprise the consolidated statement of financial position as at 31 March 2015, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

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

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

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

Our firm has also provided other services to the group in relation to taxation and other 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.



Opinion

In our opinion, the consolidated financial statements on pages 4 to 19 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the consolidated financial position of Green Cross Health Limited as at 31 March 2015 and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

KPMG

26 May 2015
Auckland

Consolidated statement of comprehensive income

For the year ended 31 March 2015

	Note	2015 \$'000	2014 \$'000
Operating Revenue			
Revenue	5	322,478	257,949
Cost of sales		167,607	146,123
		154,871	111,826
 Share of equity accounted net earnings	15	1,004	645
Operating expenditure			
Employee benefit expense		96,343	54,395
Depreciation and amortisation	12,13	4,499	3,975
Lease expenses		14,744	12,951
Other expenses	7	14,593	14,536
		130,179	85,857
Operating profit before interest and tax		25,696	26,614
Interest income		969	948
Interest expense		(1,221)	(1,148)
Net interest expense		(252)	(200)
Profit before tax		25,444	26,414
Income tax expense	8	(6,554)	(7,582)
Profit after tax for the year		18,890	18,832
Other comprehensive income for for the year, net of tax		-	-
Total comprehensive income for the year		18,890	18,832
 Attributable to:			
Shareholders of the Parent		14,425	15,034
Non-controlling interest		4,465	3,798
Attribution of profit and comprehensive income to shareholders and non controlling interest		18,890	18,832
 Earnings per share:			
Basic earnings per share (cents)	9	10.91	11.83
Diluted earnings per share (cents)	9	10.88	11.79

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 8 to 19 form part of the financial statements.

Consolidated statement of changes in equity

For the year ended 31 March 2015

	Note	Share Capital \$'000	Retained Earnings \$'000	Non- controlling interest \$'000	Total equity \$'000
Balance at 1 April 2013		56,182	16,933	1,774	74,889
Profit for the year			15,034	3,798	18,832
Total comprehensive income for the year			15,034	3,798	18,832
Transactions with owners, recorded directly in equity					
Issue of shares		6,952			6,952
Dividends to shareholders	10		(8,843)		(8,843)
Distribution to non-controlling interests				(2,864)	(2,864)
Impact of other transactions with non-controlling interest			104	190	294
Share scheme amortisation	21	155			155
Balance at 31 March 2014		63,289	23,228	2,898	89,415

	Note	Share Capital \$'000	Retained Earnings \$'000	Non- controlling interest \$'000	Total equity \$'000
Balance at 1 April 2014		63,289	23,228	2,898	89,415
Profit for the year			14,425	4,465	18,890
Total comprehensive income for the year			14,425	4,465	18,890
Transactions with owners, recorded directly in equity					
Issue of shares		6,402			6,402
Dividends to shareholders	10		(9,197)		(9,197)
Distribution to non-controlling interests				(3,949)	(3,949)
Impact of other transactions with non-controlling interest			(1,942)	(274)	(2,216)
Share scheme amortisation	21	76			76
Balance at 31 March 2015		69,767	26,514	3,140	99,421

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 8 to 19 form part of the financial statements.

Consolidated statement of financial position

As at 31 March 2015

	Note	2015 \$'000	2014 \$'000
Equity			
Share capital		69,767	63,289
Retained earnings		26,514	23,228
Total equity attributable to shareholders of the parent		96,281	86,517
Non-controlling interest		3,140	2,898
Total equity		99,421	89,415
Current assets			
Cash and cash equivalents		23,554	25,274
Trade and other receivables	11	22,694	10,266
Inventories		24,951	23,769
Total current assets		71,199	59,309
Non-current assets			
Property, plant and equipment	12	13,434	9,531
Intangible assets	13	93,407	56,873
Deferred tax asset	14	5,869	2,719
Equity accounted group investments	15	7,142	6,028
Total non-current assets		119,852	75,151
Total assets		191,051	134,460
Current liabilities			
Payables and accruals	16	50,264	32,688
Income taxes payable	16	1,238	2,876
Borrowings	17	7,892	3,137
Total current liabilities		59,394	38,701
Non-current liabilities			
Payables and accruals		1,177	190
Borrowings	17	31,059	6,154
Total non-current liabilities		32,236	6,344
Total liabilities		91,630	45,045
Net assets		99,421	89,415

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 8 to 19 form part of the financial statements.

Consolidated statement of cash flows

For the year ended 31 March 2015

	Note	2015 \$'000	2014 \$'000
Cash flows from operating activities			
Dividend received		674	392
Receipts from customers		321,417	257,622
Interest received		969	948
Payments to suppliers and employees		(291,972)	(227,693)
Interest paid		(1,221)	(1,148)
Income taxes paid		(8,324)	(6,875)
Net cash inflow from operating activities	18	21,543	23,246
Cash flows from investing activities			
Purchase of property, plant, equipment and software intangibles		(6,384)	(3,234)
Acquisition of interests in equity accounted investments		(1,109)	(1,523)
Acquisition of interests in subsidiaries		(24,230)	(5,458)
Proceeds from sale of shares in subsidiary		-	955
Net cash outflow from investing activities		(31,723)	(9,260)
Cash flows from financing activities			
Proceeds from borrowings		22,397	5,355
Repayment of borrowings		(8,604)	(9,139)
Shares issued for cash		223	987
Distribution to non-controlling interest		(3,949)	(2,864)
Dividends paid		(3,017)	(2,878)
Net cash inflow/(outflow) from financing activities		7,050	(8,539)
Net (decrease)/increase in cash and cash equivalents		(3,130)	5,447
Add opening cash and cash equivalents		25,274	19,827
Cash acquired: business combinations	6	1,410	-
Closing cash and cash equivalents		23,554	25,274
<i>Reconciliation of closing cash and cash equivalents to the consolidated statement of financial position:</i>			
Cash and cash equivalents		23,554	25,274
Closing cash and cash equivalents		23,554	25,274

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 8 to 19 form part of the financial statements.

Notes to the financial statements

For the year ended 31 March 2015

1. Reporting Entity

Green Cross Health Limited (the "Parent") is a New Zealand company registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange ("NZX"). The Parent is an Issuer in terms of the Financial Reporting Act 2013 and a profit-oriented entity.

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, as appropriate for profit-oriented entities. They also comply with International Financial Reporting Standards.

The financial statements were approved by the Board of Directors on 26 May 2015.

(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 Group's functional currency. 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 2015, 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:

(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 value of goodwill and intangible assets with a indefinite useful life, is 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 discount rate to apply when discounting future cash flows. Note 13 of these financial statements provides more information on the assumptions 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.

Notes to the financial statements

For the year ended 31 March 2015

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% (2014: 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.

The Group has one subsidiary where its ownership interest is below 100% but no non-controlling interest is recognised. The Group has adopted the anticipated acquisition method in accounting for this subsidiary based on circumstances specific to that subsidiary (refer note 6).

While the group has 37 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) 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 2015. 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 9 *Financial Instruments*
- NZ IFRS 15 *Revenue from Contracts with Customers*

The impact of these standards on the Group is currently being evaluated by the Directors. 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.

Notes to the financial statements

For the year ended 31 March 2015

5 Segment reporting

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

The Group's main operations are in the pharmacy industry providing pharmacy retail 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 care services segment provide services direct to the community to support independent living.

The Board monitors these 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 NZIFRS 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

	Pharmacy retail services \$'000	Medical services \$'000	Community Care services \$'000	Intersegment eliminations \$'000	Total \$'000
March 2015					
External revenues	265,268	24,722	32,488	-	322,478
Total Revenue	265,268	24,722	32,488	-	322,478
Interest income	1,246	66	8	(351)	969
Interest expense	(918)	(570)	(84)	351	(1,221)
Depreciation and amortisation	(3,949)	(409)	(141)	-	(4,499)
Reportable segment profit	23,262	1,920	262	-	25,444
Tax expense	(6,069)	(411)	(74)	-	(6,554)
Profit after tax	17,193	1,508	189	-	18,890
Non-controlling interest	(4,465)	-	-	-	(4,465)
Net Profit attributable to the shareholders of the parent	12,728	1,508	189	-	14,425
Share of equity accounted net earnings	393	611	-	-	1,004
Reportable segment assets	141,002	33,211	28,497	(11,659)	191,051
Equity accounted investments	3,493	3,649	-	-	7,142
Capital expenditure	6,011	72	301	-	6,384
Reportable segment liabilities	64,129	21,553	17,607	(11,659)	91,630
March 2014					
External Revenues	245,518	12,431	-	-	257,949
Total Revenue	245,518	12,431	-	-	257,949
Interest Income	888	60	-	-	948
Interest expense	(994)	(154)	-	-	(1,148)
Depreciation and amortisation	(3,801)	(174)	-	-	(3,975)
Reportable segment profit before income tax	24,048	2,366	-	-	26,414
Tax expense	(7,040)	(542)	-	-	(7,582)
Profit after tax	17,008	1,824	-	-	18,832
Non-controlling interest	(3,798)	-	-	-	(3,798)
Net Profit attributable to the shareholders of the parent	13,210	1,824	-	-	15,034
Share of equity accounted net earnings	119	526	-	-	645
Reportable segment assets	125,826	12,994	-	(4,360)	134,460
Equity accounted investments	3,319	2,709	-	-	6,028
Capital expenditure	3,096	138	-	-	3,234
Reportable segment liabilities	40,456	8,950	-	(4,360)	45,045

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 care services 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 Group has fulfilled its obligations to supply the products under the terms of the programme or when it is no longer probable that the points under the programme will be redeemed.

Notes to the financial statements

For the year ended 31 March 2015

6. Business combinations

a) On 29 October 2014 the Group acquired 100% of the shares in Peak Primary Limited. The acquisition was to expand our medical business towards becoming a leading provider of primary health services in New Zealand.

Identifiable assets acquired and liabilities assumed

	Carrying value \$'000	Fair value \$'000
Cash and cash equivalents	1,287	1,287
Trade and other receivables	387	387
Inventories	136	36
Deferred tax asset	-	668
Property, plant and equipment	2,781	2,578
Payables and accruals	(3,727)	(3,817)
Borrowings	(3,320)	(3,320)
Net liabilities assumed	(2,456)	(2,181)

Consideration transferred

Satisfied by:	
Non cash consideration	6,306
Net cash consideration	7,443
Total consideration	13,749

Goodwill

Goodwill recognised as a result of the acquisition is as follows:

Total consideration	13,749
Net liabilities assumed	2,181
Goodwill	15,930

The goodwill recognised as a result of the acquisition reflects expected synergies to be realised and intangible assets that do not qualify for separate recognition.

The amount of revenue for Peak Primary Limited included in the consolidated statement of comprehensive income is \$10.5 million with a net loss after tax of \$16,000. Had the acquisition of Peak Primary Limited taken place on 1 April 2014, revenue of \$26.1 million and a net loss after tax of \$531,000 would have been included in the consolidated statement of comprehensive income.

The non cash consideration is the present value of the liability associated with a vendor put option over 17.5% of the shares in Radius Medical Limited which was transferred to the vendor as part of this transaction. The put option is valued based on an exercise date in 2017. The Group has accounted for this element of the consideration using the anticipated acquisition method, and accordingly no non-controlling interest has been recognised in the Radius Medical Limited Group.

b) On 1 December 2014 the Group acquired 100% interest in Access Homehealth Limited. The acquisition will allow the Group to offer a comprehensive primary health service to communities throughout the New Zealand.

Identifiable assets acquired and liabilities assumed

	Carrying value \$'000	Fair value \$'000
Cash and cash equivalents	123	123
Trade and other receivables	10,655	10,655
Inventories	85	85
Property, plant and equipment	598	598
Intangible assets	691	691
Deferred tax asset	-	2,350
Payables and accruals	(12,200)	(12,813)
Borrowings	(6,000)	(6,000)
Net liabilities assumed	(6,048)	(4,311)

Consideration transferred

Satisfied by:	
Net cash consideration	10,510
Total consideration	10,510

Goodwill

Goodwill recognised as a result of the acquisition is as follows:

Total consideration	10,510
Net liabilities assumed	4,311
Goodwill	14,821

The goodwill recognised as a result of the acquisition reflects expected synergies to be realised and intangible assets that do not qualify for separate recognition.

The amount of revenue for Access Homehealth Limited included in the consolidated statement of comprehensive income is \$32.5 million with a net profit after tax of \$189,000. Had the acquisition of Access Homehealth Limited taken place on 1 April 2014, revenue of \$98.9 million and a net profit after tax of \$451,000 would have been included in the consolidated statement of comprehensive income.

Notes to the financial statements

For the year ended 31 March 2015

Business combinations (continued)

c) During the year the Group acquired a controlling interest in Apollo Pharmacy (2014) Limited, Hutt Valley Pharmacy 2014 Limited and Tucker Consulting Limited. None of these acquisitions are material to the Groups result.

Identifiable assets acquired and liabilities assumed

	Carrying value \$'000	Fair value \$'000
Identifiable net assets	636	636
Consideration transferred		
Satisfied by:		
Net cash consideration		4,225
Total consideration		4,225
Goodwill		
Goodwill recognised as a result of the acquisition is as follows:		
Total consideration		4,225
Identifiable net assets		(636)
Goodwill		3,589

The amount of revenue included in the consolidated statement of comprehensive income is \$7.8 million with a net profit after tax of \$187,000.

7. Other expenses

	2015 \$'000	2014 \$'000
Audit fees	183	197
Other services provided by auditors	116	62
Directors' fees in respect of the parent company	331	330
Directors' fees in respect of the subsidiary companies	154	147
Bad debts written off and movement in doubtful debt provision	(30)	(5)
Other operating costs	13,839	13,805
	14,593	14,536
<i>Auditor's remuneration to KPMG comprises:</i>		
Annual audit of financial statements	143	165
Audit of subsidiaries	40	32
	183	197
Other services provided by auditors:		
Taxation services	58	47
Other services	58	15
	116	62

Tax services relate to compliance and related services. Other services relate to due diligence services and sector benchmarking.

8. (a) Income tax expense

Current tax expense	(6,686)	(7,684)
Deferred tax expense	132	102
	(6,554)	(7,582)

Total income tax expense

Imputation credit account:

Available for use in subsequent periods \$3,255,000 (2014: \$6,674,000).

(b) Numerical reconciliation between tax expense & pre-tax accounting profit

Profit before tax	25,444	26,414
Income tax expense at 28%	(7,124)	(7,396)
(Add)/deduct the tax effect of adjustments		
Prior period adjustment	221	(206)
Other	349	20
	(6,554)	(7,582)

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 the 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.

Notes to the financial statements

For the year ended 31 March 2015

9. Earnings and assets per share

The earnings per share, net assets 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.

	2015	2014
Basic earnings per share (cents)	10.91	11.83

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 132,242,000 (2014: 127,102,000).

Diluted earnings per share (cents)	10.88	11.79
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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 the adjustment for the effects of all dilutive ordinary shares of 132,626,000 (2014: 127,547,000).

Net tangible assets per share (cents)	0.11	22.90
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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. The net assets of the company including deferred tax and intangible assets is \$99.4 million (2014: \$89.4 million).

10. Distribution to owners comprises

The dividends per share (cents)	7.00	7.00
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In December 2014 Green Cross Health Limited paid an interim dividend of 3.5 cents per qualifying shares to shareholders, which was fully imputed to 28%.
In June 2014 Green Cross Health Limited paid a final dividend for the March 2014 year of 3.5 cents per qualifying shares to shareholders, which was fully imputed to 28%.

11. Trade and other receivables

	2015 \$'000	2014 \$'000
Trade receivables	12,385	5,081
Accrued income	7,884	4,328
Other receivables and prepayments	2,871	1,106
Provision for doubtful debts	(446)	(249)
	22,694	10,266

12. Property, plant and equipment

Opening cost	38,409	37,153
Acquisitions through business combinations	3,522	532
Additions	3,460	1,862
Disposals	(946)	(1,138)
Closing cost	44,445	38,409
Opening accumulated depreciation	29,296	26,436
Depreciation for the period	3,747	3,629
Disposals	(910)	(769)
Closing accumulated depreciation	32,133	29,296
Closing book value	12,312	9,113
Work in progress	1,122	418
Total Property, plant and equipment	13,434	9,531

Property, plant & equipment accounting policy

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

Property, plant & 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 & 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 ten years.

Subsequent expenditure that extends or expands the useful life of property, plant & 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.

Notes to the financial statements

For the year ended 31 March 2015

	Note	2015 \$'000	2014 \$'000
13. Intangible assets			
Software & Other intangible assets			
Opening cost		3,724	2,440
Acquisitions through business combinations	6	691	-
Additions		2,255	1,294
Disposals		-	(10)
Closing cost		6,670	3,724
Opening accumulated amortisation		2,327	1,984
Amortisation for the period		752	347
Disposals		-	(4)
Closing accumulated amortisation		3,079	2,327
Closing book value		3,591	1,397
Goodwill			
Opening cost		55,476	51,696
Additions	6	34,340	3,780
Closing cost		89,816	55,476
Total intangible assets		93,407	56,873

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 on all intangible asset components to allocate the cost of the asset (less any residual value) over its useful life. The residual values and remaining useful lives of intangible asset components are reviewed at least annually.

Estimated useful lives of the asset classes are:

Software & other intangibles 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 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 the 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 2016 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 long-term inflation rate.

	Impairment test assumptions		
	Pharmacy	Medical	Community care
Discount rate - post tax	12.5%	9.4%	11.6%
Terminal growth rate	2%	2%	2%
Carrying amount of goodwill allocated to the unit (\$'000)	52,605	22,390	14,821
Carrying value of other intangible assets with indefinite useful lives (\$'000)	1,643	-	-

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 CGUs 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 reasonably possible change in any of the key assumptions described above.

Notes to the financial statements

For the year ended 31 March 2015

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	Recognised on acquisition (note 6) \$'000	Closing \$'000
Group – 2015				
Property, plant and equipment	1,325	90		1,415
Provisions	1,023	55	3,018	4,096
Tax losses	371	(13)		358
	2,719	132	3,018	5,869

Group – 2014

Property, plant and equipment	1,171	170	(16)	1,325
Provisions	1,041	(5)	(13)	1,023
Tax losses	434	(63)	-	371
	2,646	102	(29)	2,719

15. Equity accounted group investments

The movement in equity accounted investments comprises:

	2015 \$'000	2014 \$'000
Opening carrying amount	6,028	3,498
Investment in associates and joint ventures	784	2,277
Share of net earnings	1,004	645
Dividend	(674)	(392)
	7,142	6,028

There are no individually material associates or joint ventures.

Amount of goodwill within the carrying amount of equity accounted group investments:

Opening carrying amount	3,685	2,225
Investment in associates and joint ventures	802	1,460
	4,487	3,685

There are no individually material associates or joint ventures.

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 2015	13,930	8,240	48,840	2,734
As at and for the year ended 31 March 2014	11,861	7,929	40,496	2,431

Reporting dates

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

Impairment testing of the carrying amount of equity accounted investments

The carrying value of equity accounted investments is tested for impairment annually using a value in use discounted cash flow model, where an indicator of impairment has been identified. The following triggers have been identified as the indicators of impairment:

- Loss making associates or associates that are behind budget.
- Associates whose market value is below the carrying value.
- Adverse economic conditions that may affect the associate.

Where present the investment is tested for impairment using a value in use discounted cash flow model, the basis for which is described in note 13.

No impairment was identified as a result of this exercise.

Sensitivities

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

Notes to the financial statements

For the year ended 31 March 2015

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 or 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

Trade payables
Payable to non-controlling interest
Accruals
Employee entitlements

Income tax payable

2015 \$'000	2014 \$'000
22,976	18,981
2,977	2,677
12,211	8,091
12,100	2,939
50,264	32,688
1,238	2,876
51,502	35,564

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.

17. Borrowings

Current
Non-current

2015 \$'000	2014 \$'000
7,892	3,137
31,059	6,154
38,951	9,291

The Group's interest rate on outstanding loans is calculated based on BKBM plus a margin. The current interest rate is between 5.30% and 6.08% (2014: 4.81% - 7.27%)

The security provided by the partners in subsidiaries are several. Green Cross Health Limited has provided guarantees in favour of ANZ Bank New Zealand Limited (ANZNB), with back-to-back guarantees received from each partners shareholding limiting the Group's ultimate exposure to commensurate with Green Cross Health Limited's shareholding in each subsidiary.

Security has also been provided by Green Cross Limited in favour of Westpac Banking Corporation in relation to various medical centre loans and a Access Homehealth loan.

Included in the non current borrowings is a vendor put liability in relation to the acquisition of Peak Primary Limited refer note 6.

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

Profit after tax for the year

Add/(deduct) non-cash items:

Depreciation and amortisation

Other non-cash items

Add/(deduct) changes in working capital items:

Receivables and accruals

Inventory

Payables and accruals

Net cash inflow from operating activities

2015 \$'000	2014 \$'000
18,890	18,832
4,499	3,975
(793)	(183)
(1,060)	(326)
(771)	559
778	389
21,543	23,246

Notes to the financial statements

For the year ended 31 March 2015

19. Shares on issue

Shares authorised and on issue

Opening number of shares
Shares issued - fully paid
Shares issued - partly paid

Shares held as treasury stock

2015 000's	2014 000's
130,740	125,512
3,498	4,978
150	250
134,388	130,740
(500)	(517)
133,888	130,223

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.

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:

Green Cross Health Group

	Gross receivable 2015 \$'000	Impairment 2015 \$'000	Gross receivable 2014 \$'000	Impairment 2014 \$'000
Trade and other receivables				
Not past due	19,544	-	8,727	-
Past due 0-30 days	1,027	-	947	-
Past due 31-120 days	548	(42)	606	(14)
Past due more than 120 days	2,021	(404)	235	(235)
Total	23,140	(446)	10,515	(249)

Included within the past due more than 120 days is \$1.6 million of accounts receivables that have been guaranteed by Rural Women New Zealand Incorporated as part of the acquisition of Access Homehealth Limited.

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:

Notes to the financial statements

For the year ended 31 March 2015

Financial Instruments (continued)

	2015				
	Carrying Value \$'000	Contractual cash flows \$'000	Less than one year \$'000	Between one year and two \$'000	Between two year and five \$'000
Loans and borrowings	38,951	42,343	9,385	12,436	20,522
Trade and other payables	38,164	38,164	38,164	-	-
Total non-derivative liabilities	77,115	80,508	47,549	12,436	20,522

	2014				
	Carrying Value \$'000	Contractual cash flows \$'000	Less than one year \$'000	Between one year and two \$'000	Between two year and five \$'000
Bank loan	9,291	9,291	3,137	2,678	3,476
Trade and other payables	29,749	29,749	29,749	-	-
Total non-derivative liabilities	39,040	39,040	32,886	2,678	3,476

Market risk

As interest rates change, the fair value of financial instruments may change. Refer to note 17 for details of the interest rates and re-pricing 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 2015 and 31 March 2014.

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 fees, 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	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Equity earnings from associates	1,004	645	-	-
Franchise fees and on-charged costs with equity accounted investments	34	31	1	3
Management service charges to equity accounted investments	1,382	1,738	146	169
Total owing from equity accounted investments			147	172
Receivable from other related parties			1,452	225
Payable to non-controlling interests (note 16)			2,977	2,677
Payable to other related parties			-	754

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 CFO and company directors, compensation comprised:

	2015 \$'000	2014 \$'000
Short-term employee benefits	1,744	2,159
Share vesting costs	76	155
Total	1,820	2,314

The prior year comparison has been restated to achieve comparability with the identified key management personnel.

Notes to the financial statements

For the year ended 31 March 2015

22. Non-cancellable operating leases

Due within one year
Due between one and five years
Due after five years

2015 \$'000	2014 \$'000
15,364	11,851
33,289	24,201
4,985	7,200
53,638	43,252

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 2015, the Group had the following share-based payment arrangements:

Redeemable ordinary shares granted to key management personnel: 150,000 instruments were granted on 2 October 2014 and are exercisable over the period from 1 October 2016 to their expiry date on 1 October 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 150,000 instruments were granted on 2 December 2013 and are exercisable over the period from 1 October 2015 to their expiry date on 1 October 2019, with no more than one third being exercisable prior to 1 October 2016 and two thirds prior to 1 October 2017.

Redeemable ordinary shares granted to senior managers: 800,000 instruments were granted on 24 April 2012 and are exercisable in three equal amounts in each of 2013, 2014 and 2015. These expire on 1 October 2017. In addition, a further 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.

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 \$75,658 (2014: \$155,006).

(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 as follows:

	Key Management		Senior management	
	2/10/14	2/12/13	12/2/14	24/4/12
Fair value at grant date	\$0.40	\$0.22	\$0.22	\$0.34
Share price at grant date	\$1.72	\$1.27	\$1.26	\$0.70
Exercise price	\$1.72	\$1.27	\$1.26	\$0.70
Expected volatility	30%	30%	30%	60%
Expected life	3 years	3 years	3 years	3 years
Expected dividends	0.1%	0.1%	0.1%	-
Risk-free rate	3.5%	3.1%	3.2%	2.6%

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.

(c) Reconciliation of outstanding ROS

	Number of instruments	weighted average exercise price	Number of instruments	weighted average exercise price
in thousands	2015	2015	2014	2014
Outstanding at 1 April	517	\$0.97	866	\$0.64
Exercised during the year	(167)	\$0.70	(599)	\$0.62
Granted during the year	150	\$1.72	250	\$1.27
Outstanding at 31 March	500	\$1.29	517	\$0.97
Exercisable at 31 March	-	n/a	-	n/a

Instruments outstanding at 31 March 2015 had exercise prices of \$0.70 - \$1.72 (2014: \$0.70 - \$1.27) and a weighted average contractual life of 4.5 years (2014: 4.5 years). The weighted average share price at the date of exercise for ROS during the year was \$1.60 (2014: \$1.30).

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 26 May 2015 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.