


Annual Report 2019

Consolidated Financial Statements for the year ended 31 March 2019

GREEN CROSS HEALTH



Who we are

Unichem

Life Pharmacy

360 pharmacies

Life Pharmacy 63

Unichem 297

1.6 million loyalty members

the doctors

325 nurses

346 doctors

255,000 enrolled patients

41 medical centres

Access community health

Total Care health services

180 clinical staff including qualified nurses, occupational therapists & physiotherapists

30,500 clients

50 specialist nurses

4.2 million home visits each year

3,000 support workers

Green Cross Health's promise is to provide the best health support, care and advice to New Zealand communities. We are passionate about supporting healthier communities through our network of pharmacies, medical centres and community health services.

Contents

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.

	2019 $'000	2018 restated* $'000
We generate revenue from four sources:		
Pharmacy retail and dispensary sales	304,627	309,300
Community Health fees	156,501	143,181
Medical fees	70,539	52,721
Other pharmacy and group provided services	35,569	32,003

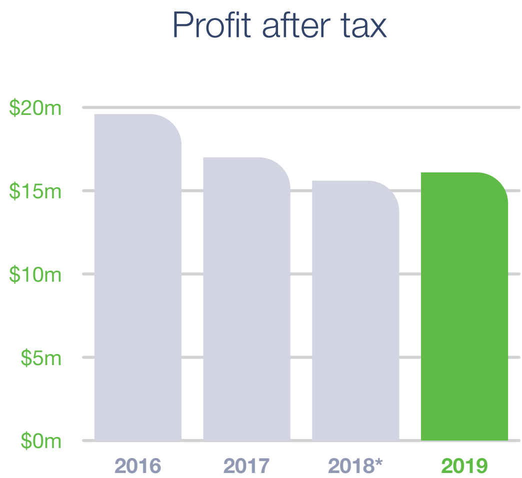
Our costs to operate are primarily:		
Wages and salaries	263,250	237,460
Costs of products sold	198,929	198,791
Other costs (marketing, governance, communications etc)	46,817	44,241
Lease expense	21,310	20,604
Depreciation and amortisation	8,431	7,165

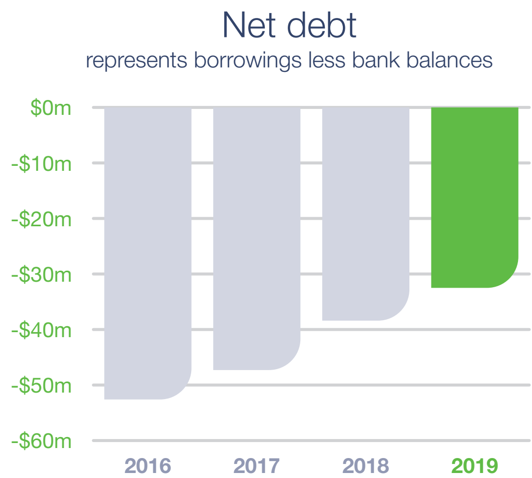
Organic growth and acquisitions in medical centres, and contract wins in Community Health have increased total sales. This continued sales growth is reflected in ongoing additional costs, especially wages and salaries. The increase in depreciation and amortisation reflects the ongoing investment in pharmacies, medical centres and IT infrastructure.

After all income and expenses we earned:		
Profit before tax	27,428	27,929
Tax expense	(7,339)	(7,801)
Profit after tax	20,089	20,128
Non-controlling interest	(3,984)	(4,517)
Profit after tax attributable to the Parent shareholders	**16,105**	**15,611**

**We have restated 2018 amounts due to the application of the new accounting standards and leave liability restatement. The new accounting standards have been applied to the 2019 amounts also.*

	2019 $'000	2018 restated* $'000
What happened to the profit and where did the cash go?		
We started the year with a bank balance of	10,754	18,195
Our profit after tax (and after adjusting for non-cash items) was	23,908	25,079
We bought and sold various businesses	(2,684)	(7,149)
We bought fixed assets	(8,947)	(11,784)
We repaid bank borrowings	(105)	(16,314)
We paid dividends to our shareholders	(10,045)	(3,111)
We paid dividends to our minority partners	(1,986)	(2,264)
We acquired cash with the businesses we bought	214	-
Our working capital increased by	5,543	8,102
We ended the year with a bank balance of	**16,652**	**10,754**





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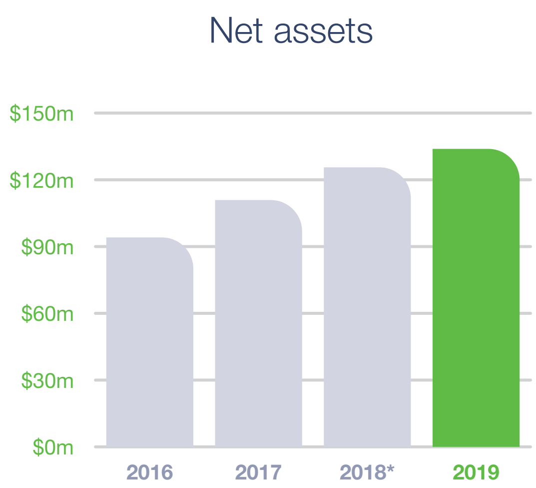
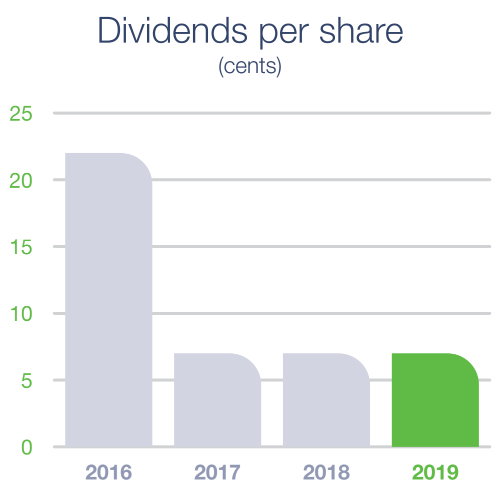
	As at March 2019 $'000	As at March 2018 restated* $'000
So what is the equity book value?		
We have total assets of	264,797	255,233
We have total liabilities of	(130,854)	(129,630)
So our equity book value is	133,943	125,603
Which represents a net asset value for each share of (cents)	**93.6**	**87.7**





We have restated 2018 amounts due to the application of the new accounting standards and leave liability restatement. The new accounting standards have been applied to the 2019 amounts also.

Company report

Green Cross Health has continued to focus on its strategy to provide accessible, quality primary health care to New Zealand communities. The year has been one of transition as the company has responded to increased competition in the Pharmacy division and an increasingly difficult funding environment in the Community Health division. In all divisions, we continue to adapt as the market evolves, constantly refining our model to manage costs and margins while capitalising on growth opportunities.

5.6%

revenue increase to $567 million

We delivered a 5.6% increase in Revenue to $567m in the 12 months to 31 March 2019 compared to the prior period. Net Profit after Tax Attributable to Shareholders of the Parent was $16.1m, up 3.2% from $15.6m (restated from $16.8m as outlined in the notes to the financial statements) in the prior period.

During the year, the Pharmacy division responded to protect its market position. This, combined with infrastructure change and mall redevelopment at several key sites, led to a gross margin decline.

The Medical division continued to post strong results as it benefits from organic growth and selective acquisitions.

The Community Health division result was impacted by a challenging funding and labour cost landscape and the company is looking for support from funders to ensure the ongoing viability of this division.

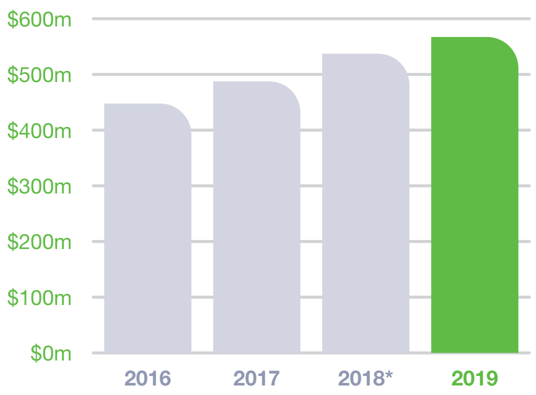
The year in review saw a transition in management, with Rachael Newfield beginning a newly created position as Group CEO in late January 2019. Rachael has significant CEO and commercial experience, having previously held the position of CEO of the Carter Holt Harvey Wood Products division. Several other senior management changes occurred, including the recent departure of our Group CFO, who we are currently recruiting to replace, and the appointment of a new Community Health division CEO, Alison Van Wyk. Alison has a long history with Green Cross Health and significant experience in the primary health care sector.

The company is in a strong financial position, having generated approximately $30m in operating cash flows per annum for the past two years and maintaining a conservative balance sheet. This position allows the company to pay dividends, withstand market pressures and invest in growth and/or pay down debt.

Result summary

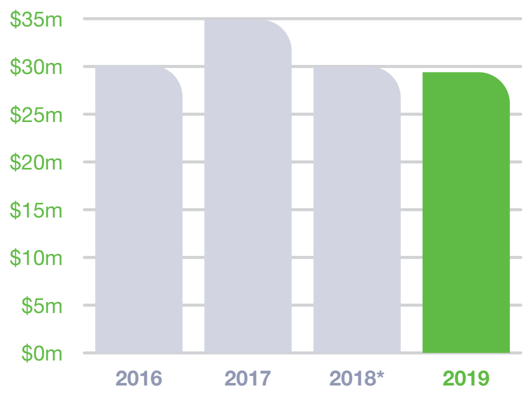
- Revenue of $567m (+5.6%)
- EBITDA at $36.9m (+2.3%)
- Operating Profit $29.4m (-2.2%)
- Net Profit after Tax Attributable to the Parent Shareholders of $16.1m (+3.2%)
- Pharmacy Revenue flat at $340m, Operating Profit down 5.5% at $27.3m on the back of a record low cold and flu winter season and a decline in gross margin as the company responded to competitive pressures
- Medical performed strongly with Revenue up 33.8% and Operating Profit up 20.4% to $4.4m driven by an increase in enrolled patient numbers from organic growth and selective acquisitions
- Community Health Revenue up 9.3% but Operating Profit $0.1m (down $1.1m) as the division continues to struggle with under-funding from various legislative changes
- Operating Cash Flow $29.5m (down $3.7m)
- Net Debt $32.5m (reduction of $6.0m)

Group operating revenue



Group operating profit

before interest and tax



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PRESCRI
HOT PRICE
Panadol
clear


life Pharmacy
Natural Skin Care
REVLON

Pharmacy division

Unichem and Life Pharmacy

During the year we continued to focus on our customer experience, engagement and health outcomes. The expert care and advice our teams provide, coupled with our professional instore experience, differentiates us from our competition. While increasing our national coverage, we upgraded our online capability to further support our strategy to engage with customers using multiple channels.

360

stores

1.6 million

loyalty members

During the year, the company added three licensed stores to the branded group, which now totals 360 Unichem and Life pharmacies, of which 89 are stores in which we hold an equity stake.

Our Living Rewards loyalty programme grew 8.0% to 1.6 million New Zealanders participating in the Living Rewards programme at 31 March 2019. We remain focused on providing a strong multi-channel customer experience, along with personalised customer service supporting health, beauty and wellness.

The upgrade of the Life Pharmacy e-commerce site was largely completed during the year. The focus is now shifting to driving traffic and sales via digital marketing, leveraging our Living Rewards membership and partnering with our suppliers to deliver increased sales via this channel.

A record low cold and flu winter season meant pharmacy revenue was flat year on year. We continue to adapt to the changing market, ensuring a focus on cost and margin management, along with capitalising on new product and category growth opportunities.

The company continued to optimise its pharmacy investments and made a number of changes to its equity positions in the store network. External challenges disrupted several stores this year, including major infrastructure works in the Auckland CBD and mall redevelopments in multiple locations. The efforts of our team managing through such disruptions has been noteworthy. Unichem Plimmer Steps Pharmacy and Unichem Waikanae Beach Pharmacy greenfield sites were opened in the Wellington region, whilst Unichem Pakuranga Pharmacy was relocated to an expanded site in a new, purpose-built integrated family health centre.

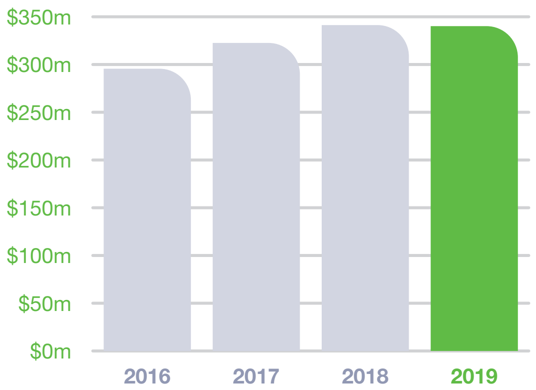
During the year, Green Cross Health restructured its presence in the China Cross Border e-commerce market, capitalising on New Zealand's reputation for health, beauty and wellness products. The Unichem-branded Alibaba T-Mall site is now one of the top 15 highest selling health product sites on T-Mall.

The company continues to leverage its national network to expand existing funder streams, including aged residential care and community residential care, whilst developing new strategic partnerships, such as funded health services with private healthcare insurers.

Highlights

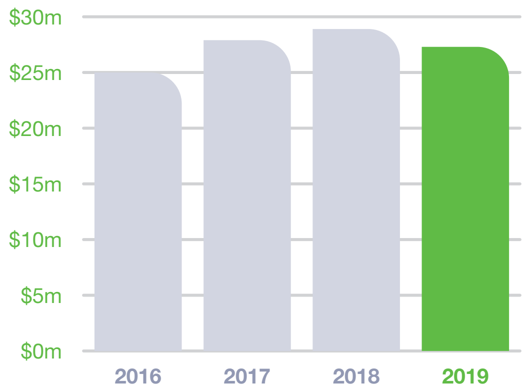
- Three licensed stores were added to the branded group, which now totals 360 Unichem and Life pharmacies
- Same store sales were up 1.1% year on year, despite a record low cold and flu season
- In the China cross border e-commerce market, the Unichem-branded Alibaba T-Mall site is now one of the top 15 highest selling health product sites on T-Mall
- The upgrade of the Life Pharmacy e-commerce site was largely completed
- Living Rewards membership grew 8.0% to 1.6 million New Zealanders

Pharmacy operating revenue



Pharmacy operating profit

before interest and tax



Future focus

- Leverage the significant strengths we have with our bricks and mortar network using our trusted brands
- Utilise our 1.6 million loyalty database to obtain insights and continue to provide expert care and advice to our customers
- Continue to focus on cost management, operational improvements and core retail disciplines to further improve the customer experience
- Evolve product range and offering to capitalise on retail growth opportunities, while ensuring an emphasis on margin management across all product categories
- Drive e-commerce sales through digital marketing
- Maximise market opportunities in China through cross-border e-commerce
- Continue to work with the Ministry of Health, District Health Boards and other funders on new services, while strengthening our connection with New Zealand communities

Medical division

The Doctors

The Medical division delivered continued growth year on year. The company has invested to drive patient growth both organically and through selected acquisitions. We continue to focus on developing our people, processes and systems to improve patient outcomes and experience.

7.6%

increase in enrolled patients to 255,000

41

medical centres

Medical division Revenue increased 33.8% to $70.5m, with Operating Profit up 20.4% to $4.4m, driven by organic growth, selective acquisitions and improvements in operational efficiency.

The division increased enrolled patients by approximately 18,000 (+7.6%) since March 2018 to 255,000.

During the year we continued to grow our clinic network. Two medical businesses, located at Waimauku and St Heliers, were acquired during the year. The Medical division also increased its investment in two associate medical centre businesses, at New Lynn and Whakatane, moving to majority interest. The net acquisition cost invested in medical centres over the 12 months to 31 March 2019 was $3.4m. The Doctors network now numbers 41 medical centres.

From an operational perspective, we have continued to roll-out our three-legged centre leadership model (GP Lead, Nurse Lead, Medical Centre Manager) across much of the network to better reflect the team approach that is required in the delivery of modern primary care. Efficiency in practice-level flexible funding has also been sought for a number of practices through working more closely with regional primary health organisations.

Clinically, a key focus has been maintaining quality across the network, with all GP sites obtaining or working towards Cornerstone accreditation, and all Urgent Care centres maintaining accreditation through their Urgent Care audits. Our practices are supported by our Clinical Advisory Team who actively promote shared leadership to provide a means for clinicians, managers and other staff to work together to improve and be held accountable for the quality and safety of care.

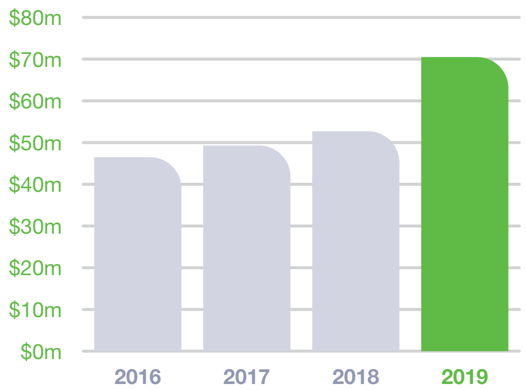
Highlights

- Medical division Revenue increased 33.8% to $70.5m
- Operating Profit up 20.4% to $4.4m
- Enrolled patients grew by approximately 18,000 (+7.6%) to 255,000
- Continued expansion of The Doctors presence, with an increase of two medical businesses to now 41 centres

Future focus

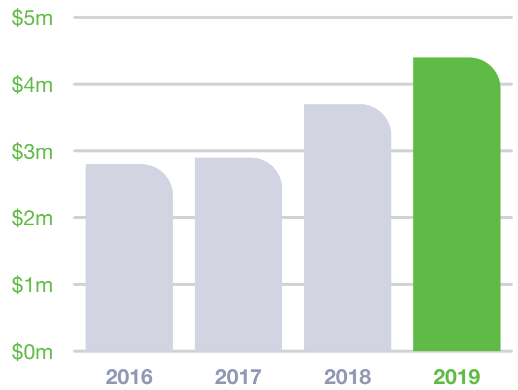
- Network and patient number growth through organic and selected acquisition
- Continue to pursue operational efficiencies to support patient number growth and enhance delivery of high-quality patient care

Medical operating revenue



Medical operating profit

before interest and tax



Community Health division

Access Community Health and Total Care Health

The year was challenging for Community Health as it continued to suffer from under-funding as a result of pay equity and guaranteed hours legislation. The company hopes more sustainable community health funding will be a result of the health and disability review currently being undertaken by Government. Community Health also remains focused on growing revenue in the higher clinical needs segment and continuing to pursue operational efficiencies.

4.2 million

home visits

30,500

clients

Revenue growth in Community Health continued, up 9.3% to $156.5m. However, the Community Health Operating Profit was disappointing at $0.1m, down $1.1m from $1.2m reported in the prior year largely due to continued funding challenges. Included in the $0.1m operating result is a $0.4m increase in leave liability resulting from support worker pay increases due to pay equity legislation.

The division was one of five organisations who won the tender to deliver national ACC Integrated Home and Community Support Services, which provides an opportunity for Community Health to grow its market share in the ACC market.

As part of a programme to review profitability by contract, the division exited the underperforming Midland DHB contract and retendered and won the Greater Wellington contract on new terms which began on 1 April 2019 alongside an additional provider.

Total Care Health, our nursing business which supports our higher clinical needs clients, continued to expand our service offering in multiple regions including Whangarei, Rotorua, New Plymouth, Napier and Wellington.

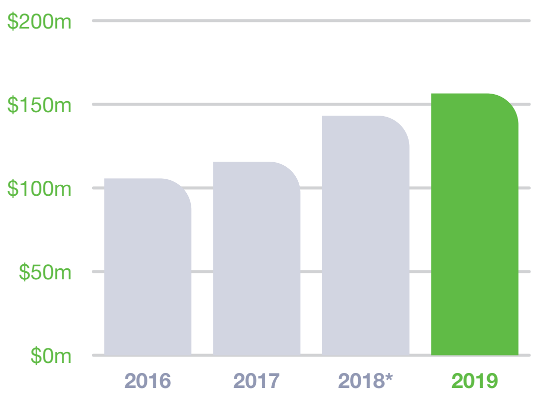
Highlights

- The division was one of five organisations who won the tender to deliver national ACC Integrated Home and Community Support Services, which provides an opportunity to grow our market share in the ACC market
- We exited the underperforming Midland DHB contract and retendered and won the Greater Wellington contract on new terms which began on 1 April 2019 alongside an additional provider
- Our specialist Total Care Health nursing business extended its coverage to Whangarei, Rotorua, New Plymouth, Napier and Wellington

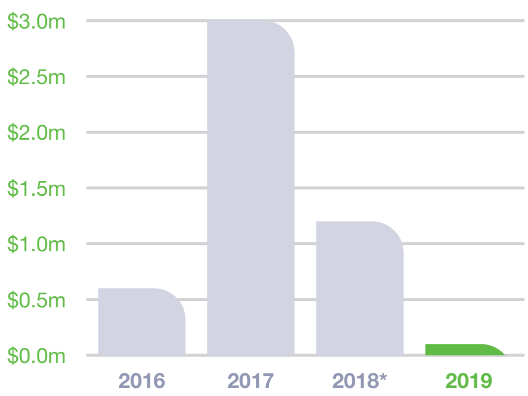
Future focus

- Further expansion of our Total Care Health nursing coverage requiring more specialist health care skills for complex client needs
- Continue to pursue cost and operational efficiencies, particularly around public holiday management and rostering efficiencies
- Review contract profitability and, where contracts are loss-making, work proactively with funders to rebalance outcomes

Community Health operating revenue



Community Health operating profit
before interest and tax



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Access
community health

Company report (continued)

The year ahead

Looking forward, the company remains focused on ensuring that Green Cross Health is well positioned to provide quality primary health care through its network of health care experts. Green Cross Health is confident in delivering future earnings growth, both organically and through selective acquisitions. The company's trusted brands and nationwide footprint will continue to offer convenient access to health, beauty and wellness products and services. Green Cross Health is developing income streams that use the company's nationwide network as a base for commercial success.

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 13 June 2019. The dividend is consistent with the prior year and will be paid on 27 June 2019.

Thank you to our team

None of our results would be achieved without the hard work and dedication of our teams, who provide expert care and advice, every day. Thank you for going above and beyond every day to support the health of New Zealand communities.

Directors' declaration

For the year ended 31 March 2019

In the opinion of the Directors of Green Cross Health Limited, the financial statements and notes, on pages 25 to 56:

- 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 2019 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 2019.

For and on behalf of the Board of Directors:

Peter Merton
Chair
28 May 2019

Carolyn Steele
Director
28 May 2019

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 25 to 56:

i. present fairly in all material respects the Group's financial position as at 31 March 2019 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 2019;
- 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.

Independent auditor's report

(continued)

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 $1.2 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 ($126.5 million)

Refer to note 12 of the consolidated financial statements.

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 $75.1 million, $32.4 million and $19.0 million, respectively.

In the event the business units under-perform compared to their business cases, there is a risk that the goodwill arising on acquisition may no longer be supported.

As disclosed in note 12, the Group uses a discounted cash flow model to determine the recoverable amount of its business units to which goodwill has been allocated. The key assumptions include:

- Income 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 its 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.

How the matter was addressed in our audit

Our audit procedures included:

- Ensuring the allocation of goodwill to the Group's business 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 projected cash flows taking into consideration the expected impact of the Group's business plans for each business unit by reference to their historical performance and the internal and external factors that influence their operations;
- Performing sensitivity analysis around the key assumptions used in the models, and reviewed appropriateness of related disclosures in the consolidated financial statements.

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.

Independent auditor's report

(continued)

Responsibilities of Directors for the consolidated financial statements

The Directors, on behalf of the Company, 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 independent 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

KPMG
Auckland
28 May 2019

Group financial statements

Consolidated statement of comprehensive income

For the year ended 31 March 2019

	Note	2019 $'000	2018 restated $'000
Operating revenue	4	567,236	537,205
Operating expenditure	6.2	(530,306)	(501,096)
Depreciation and amortisation	11,12	(8,431)	(7,165)
Share of equity accounted net earnings	14	874	1,077
Operating profit before interest and tax		**29,373**	**30,021**
Interest income		44	208
Interest expense		(1,989)	(2,300)
Net interest expense		(1,945)	(2,092)
Profit before tax		**27,428**	**27,929**
Income tax expense	7	(7,339)	(7,801)
Profit after tax for the year		**20,089**	**20,128**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		**20,089**	**20,128**
Attributable to:			
Shareholders of the Parent		16,105	15,611
Non-controlling interest		3,984	4,517
Attribution of profit and comprehensive income to shareholders and non controlling interest		20,089	20,128
Earnings per share:			
Basic earnings per share (cents)	8	11.25	11.05
Diluted earnings per share (cents)	8	11.22	11.02

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 30 to 56 form part of the financial statements.

Consolidated statement of changes in equity

For the year ended 31 March 2019

	Note	Share capital $'000	Retained earnings $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 April 2017 (restated)		83,887	22,201	4,855	110,943
Profit for the year (restated)			15,611	4,517	20,128
Total comprehensive income for the year			**15,611**	**4,517**	**20,128**
Transactions with owners, recorded directly in equity					
Issue of shares		6,707			6,707
Dividends to shareholders	9		(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		15			15
Balance at 31 March 2018 (restated)		**90,609**	**27,886**	**7,108**	**125,603**
Balance at 1 April 2018 (restated)		90,609	27,886	7,108	125,603
Profit for the year			16,105	3,984	20,089
Total comprehensive income for the year			**16,105**	**3,984**	**20,089**
Transactions with owners, recorded directly in equity					
Issue of shares					-
Dividends to shareholders	9		(10,021)		(10,021)
Distribution to non-controlling interests				(2,026)	(2,026)
Impact of other transactions with non-controlling interest			(128)	422	294
Balance at 31 March 2019		**90,609**	**33,843**	**9,489**	**133,940**

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 30 to 56 form part of the financial statements.

Consolidated statement of financial position

As at 31 March 2019

	Note	2019 $'000	31 Mar-18 restated $'000	1 Apr-17 restated $'000
Equity				
Share capital		90,610	90,609	83,887
Retained earnings		33,843	27,886	22,201
Total equity attributable to shareholders of the Parent		124,453	118,495	106,088
Non-controlling interest		9,490	7,108	4,855
Total equity		**133,943**	**125,603**	**110,943**
Current assets				
Cash and cash equivalents		16,652	10,754	18,195
Trade and other receivables	10	36,076	36,731	33,859
Inventories		32,804	34,199	33,713
Total current assets		**85,532**	**81,684**	**85,767**
Non-current assets				
Property, plant and equipment	11	22,291	20,916	21,966
Intangible assets	12	137,664	135,196	124,381
Deferred tax asset	13	12,912	11,173	8,470
Equity accounted group investments	14	6,398	6,264	5,127
Total non-current assets		**179,265**	**173,549**	**159,944**
Total assets		**264,797**	**255,233**	**245,711**
Current liabilities				
Payables and accruals	15	79,975	75,287	64,197
Income taxes payable	15	1,760	3,924	3,872
Borrowings	16	25,556	16,310	28,586
Total current liabilities		**107,291**	**95,521**	**96,655**
Non-current liabilities				
Payables and accruals	15	-	1,195	1,162
Borrowings	16	23,563	32,914	36,951
Total non-current liabilities		**23,563**	**34,109**	**38,113**
Total liabilities		**130,854**	**129,630**	**134,768**
Net assets		**133,943**	**125,603**	**110,943**

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 30 to 56 form part of the financial statements.

Consolidated statement of cash flows

For the year ended 31 March 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Dividend received	14	706	781
Receipts from customers		568,525	519,823
Interest received		44	208
Payments to suppliers and employees		(525,636)	(474,789)
Interest paid		(1,989)	(2,300)
Income taxes paid		(12,199)	(10,542)
Net cash inflow from operating activities	17	**29,451**	**33,181**
Cash flows from investing activities			
Purchase of property, plant, equipment and software intangibles		(8,947)	(11,784)
Acquisition of interests in equity accounted investments		-	(1,048)
Acquisition of interests in subsidiaries and non-controlling interests	5	(3,372)	(6,101)
Proceeds from sale of shares in subsidiary		688	-
Net cash outflow from investing activities		**(11,631)**	**(18,933)**
Cash flows from financing activities			
Proceeds from borrowings		19,575	57,312
Repayment of borrowings		(19,680)	(73,626)
Distribution to non-controlling interest		(1,986)	(2,264)
Dividends paid		(10,045)	(3,111)
Net cash outflow from financing activities		**(12,136)**	**(21,689)**
Net increase in cash and cash equivalents		**5,684**	**(7,441)**
Add opening cash and cash equivalents		10,754	18,195
Cash acquired: business combinations	5	214	-
Closing cash and cash equivalents		**16,652**	**10,754**
Reconciliation of closing cash and cash equivalents to the consolidated statement of financial position:			
Cash and cash equivalents		16,652	10,754
Closing cash and cash equivalents		**16,652**	**10,754**

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 30 to 56 form part of the financial statements.

Notes to the financial statements

For the year ended 31 March 2019

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 28 May 2019.

(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) Changes in accounting policies

Other than as disclosed below, the accounting policies applied by the Group in these financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 March 2018. The Group has not applied any standards, amendments to standards and interpretations that are not yet effective.

Grants from government bodies

The Group receives funding from government bodies to reflect increased costs incurred in the provision of services by the Community Health division. In prior periods this additional funding was offset against personnel costs incurred. In accordance with IAS20 this funding is now recognised as revenue rather than an offset against personnel costs. Comparative figures have been restated to reflect this change, resulting in an increase in revenue of $14.3m and a corresponding increase in operating expenses. The overall net effect on reported March 2019 net profit and operating cash flows is nil.

The change in accounting policies had no effect on the Group's statement of financial position as at 31 March 2019 or the Group's statement of comprehensive income.

Adoption of NZ IFRS 15 revenue from contracts with customers

NZ IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced NZ IAS 18 Revenue, NZ IAS 11 Construction Contracts and related interpretations.

The Group has adopted NZ IFRS 15 Revenue from Contracts with Customers using the retrospective effect method with a date of initial application of 1 April 2018.

Practical expedients under the retrospective method have not been applied by the Group as these are not applicable in case of the Group.

On adoption of NZ IFRS 15, the Group has written off certain contract costs previously capitalised in the amount of $0.6m which would not have been eligible to be capitalised under the new standard. These related to costs incurred in obtaining contracts which do not fulfil the recognition criteria under NZ IFRS 15.

The following table summarises the impact of adopting IFRS 15, change in accounting policies in respect of government grants and correction of an error in calculating the provision for alternate leave (note 15) on the Group's financial statement:

	Amount previously reported	IFRS 15 adjustment	IAS 20 adjustment	Error restatement	Restated amount
1 April 2017					
Statement of financial position					
Deferred tax asset	7,970			500	8,470
Payables and accruals	62,410			1,787	64,197
Retained Earnings	23,488			(1,287)	22,201
31 March 2018					
Statement of financial position					
Intangible assets	135,827	(631)			135,196
Deferred tax asset	10,393			780	11,173
Income Tax Payable	4,101	(177)			3,924
Payables and accruals	72,501			2,786	75,287
Retained Earnings	30,346	(454)		(2,006)	27,886
31 March 2018					
Statement of comprehensive income					
Operating revenue	522,909		14,296		537,205
Operating expenditure	(485,170)	(631)	(14,296)	(999)	(501,096)
Income tax expense	(8,258)	177		280	(7,801)

Adoption of NZ IFRS 9 financial instruments

NZ IFRS 9: Financial Instruments (effective for annual periods beginning on or after 1 January 2018). This standard addresses the classification, measurement and recognition of financial assets and liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group's adoption of the new standard on 1 April 2018 did not give rise to a transition adjustment. The Group has assessed which business models apply to its financial assets and classified these into the appropriate categories under NZ IFRS 9. Financial assets which were previously classified as loans and receivables are now classified as financial assets recognised at amortised cost.

There is no impact on the Group's accounting for financial liabilities. The derecognition rules have been transferred from NZ IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as previously required by NZ IAS 39. The standard applies to the Group in relation to financial assets classified at amortised cost, being the Group's trade receivables. The Group has adopted the simplified approach to provide for ECL. Based on the Group's assessment of historical provision rates and forward-looking analysis, there is no material financial impact on the impairment provisions.

2. Basis of preparation (continued)

(d) Comparatives

Where appropriate comparative information has been reclassified to conform to the current period's presentation.

(e) 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.

(f) 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 2019, 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 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 12 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.

(g) 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% (2018: 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.

(h) 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 45 (2018: 44) subsidiaries with non-controlling interests, there are no subsidiaries with individually material non-controlling interest.

(i) 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.

(j) 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.

(k) 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.

(l) Going concern

At the balance date the Group has a working capital deficit of $22 million (2018: $14 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. At the balance date the Group also has unused credit facilities of $18m available under its debt facility agreement which expires in August 2020.

(m) 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.

3. 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 2019. 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 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 21). 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 22% of the consolidated total assets and 37% 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 for the Group's Financial Statements for the year ending March 2020.

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.

4. 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 provides 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 2019	Note	Pharmacy services $'000	Medical services $'000	Community Health $'000	Corporate $'000	Total $'000
External revenues	6.1	340,196	70,539	156,501	-	567,236
Total revenue		**340,196**	**70,539**	**156,501**	**-**	**567,236**
Cost of products sold		(198,929)	-	-	-	(198,929)
Employee benefit expense		(61,459)	(51,768)	(149,273)	(750)	(263,250)
Lease expenses		(16,025)	(4,108)	(1,177)	-	(21,310)
Other expenses		(30,633)	(9,674)	(4,843)	(1,667)	(46,817)
Depreciation and amortisation		(6,106)	(1,168)	(1,157)	-	(8,431)
Share of equity accounted net earnings		256	618	-	-	874
Segment Profit		**27,301**	**4,439**	**51**	**(2,417)**	**29,374**
One-off increase in unfunded leave liability due to pay equity legislation	6.3					-
Interest income						44
Interest expense						(1,989)
Profit before tax						**27,429**
Tax expense						(7,339)
Profit after tax						20,090
Non-controlling interest						(3,984)
Net profit attributable to the shareholders of the Parent						**16,107**
Reportable segment assets		211,121	36,529	29,814	(12,668)	264,797
Equity accounted investments		2,287	4,111	-	-	6,398
Capital expenditure		5,119	3,706	945	-	9,770
Reportable segment liabilities		92,638	22,963	27,921	(12,668)*	130,854

**Intersegmental elimination*

4. Segment reporting (continued)

Operating segments (continued)

March 2018	Note	Pharmacy services $'000	Medical services $'000	Community Health $'000	Corporate $'000	Total $'000
External revenues	6.1	341,303	52,721	143,181	-	537,205
Total revenue		**341,303**	**52,721**	**143,181**	**-**	**537,205**
Cost of products sold		(198,791)	-	-	-	(198,791)
Employee benefit expense		(61,721)	(39,568)	(134,230)	-	(235,520)
Lease expenses		(16,491)	(2,986)	(1,128)	-	(20,604)
Other expenses		(30,158)	(6,710)	(5,571)	(1,802)	(44,241)
Depreciation and amortisation		(5,498)	(608)	(1,059)	-	(7,165)
Share of equity accounted net earnings		240	837	-	-	1,077
Segment Profit		**28,885**	**3,686**	**1,192**	**(1,802)**	**31,961**
Fair value gain on put option	6.3					(1,940)
Interest income						208
Interest expense						(2,300)
Profit before tax						**27,929**
Tax expense						(7,801)
Profit after tax						20,128
Non-controlling interest						(4,517)
Net profit attributable to the shareholders of the Parent						**15,611**
Reportable segment assets		190,614	34,427	42,772	(12,580)	255,233
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	27,570	(12,580)*	129,629

**Intersegmental elimination*

5. Business combinations

Business combinations acquired during the year include; St Heliers Health Centre Ltd, Waimauku Doctors Ltd, Total Health Doctors Ltd, Radius Medical Whakatane Properties Ltd and The Doctors (New Lynn) Ltd. 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	2,771	2,771
Total liabilities	(2,245)	(2,245)
Identifiable net assets	**526**	**526**
Consideration transferred		
Satisfied by:		
Cash consideration		3,467
Deferred consideration		300
Total consideration		3,767
Less cash acquired (included in assets above)		(214)
Net cash consideration		**3,553**
Goodwill		
Goodwill recognised as a result of the acquisitions are as follows:		
Total consideration		3,767
Identifiable net assets		(526)
Goodwill		**3,241**

The amount of revenue included in the consolidated statement of comprehensive income is $11.6 million with a net profit after tax of $1.3 million in respect of the acquisitions made in the year.

6. Operating performance

6.1 Revenue *The nature and effect of initially applying NZ IFRS 15 on the Group's financial statements is disclosed in Note 2(c).*	**2019 $'000**	**2018 restated $'000**
Revenue from contracts with customers:		
Pharmacy retail and dispensary	304,627	309,300
Pharmacy other	35,569	32,003
Medical fee income	70,539	52,721
Home care	156,501	143,181
	567,236	**537,205**

Disaggregation of Contract Revenue	**Pharmacy services $'000**	**Medical services $'000**	**Community Health $'000**	**Total $'000**
Year ended 31 March 2019				
Timing of revenue recognition				
Transferred at a point in time	331,120	35,726	105,899	**472,745**
Transferred over time	9,076	34,813	50,602	**94,491**
	340,196	**70,539**	**156,501**	**567,236**
Year ended 31 March 2018				
Timing of revenue recognition				
Transferred at a point in time	332,851	27,590	104,928	**465,369**
Transferred over time	8,452	25,131	38,252	**71,836**
	341,303	**52,721**	**143,181**	**537,205**

Pharmacy retail and dispensing services

Pharmacy retail and dispensary services include retail sales, dispensing, professional advisory and care services. For all these services control is considered to pass to the customer at the point when the customer can use or otherwise benefit from the goods and services. For retail sales, control passes at point of sale. Retail sales are predominantly by credit card, debit card or in cash.

The Group operates its own Living Rewards loyalty programme. When a retail 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.

Other pharmacy revenue

These mainly include franchise fees and supplier income. Control for franchise services pass over time as the services are delivered over the term of the franchise agreement. Payment terms for franchise fees is generally 20 to 30 days. Supplier income is earned, as promotional services are rendered over a specified time period by the Group. Payment terms are generally 20 to 30 days.

Medical services

Medical services include capitation, health services and patient fees. Control for capitation and health services passes over time as the healthcare services are delivered to the patient over a certain time period. Payments terms are generally 20 to 30 days. Patient fees are earned at a point in time. Control passes to the customer when service has been delivered to a customer. Patient fees are predominantly by credit card, debit card or in cash.

Home care services

Home care services consist primarily of community health and support services. Control passes to the customer as the services are delivered and simultaneously consumed by the customer. Payment terms are generally 30 to 60 days.

Contract assets and contract liabilities

Current contract assets represent revenue where the service has been provided but not yet invoiced to the customer. When the customer has been invoiced, any outstanding balances are included in receivables. Non current contract assets represent capitalised contract acquisition costs. Contract liabilities reflect payments received for services that have not yet been provided and the payments will be recognised as revenue over time.

Costs directly related to the acquisition of a contract or renewal of an existing contract are capitalised and amortised over the life of the contract. Cost relating to fulfilling a contract are only capitalised if they meet the recognition criteria under NZ IFRS 15. Costs incurred in obtaining a contract are only capitalised to the extent they are incremental.

Contract balances

The following table provides information, about receivables, contract assets and contract liabilities from contracts with customers:

	31 Mar-19 $'000	31 Mar-18 restated $'000	1 Apr-17 restated $'000
Trade receivables which are included in trade and other receivables	21,466	22,037	19,353
Contract assets	11,561	11,816	10,912
Contract liabilities	(5,072)	(5,831)	(3,450)

Significant changes in the contract assets and the contract liabilities during the period are as follows:

	2019		2018	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities
Revenue recognised that was included in the contract liability balance at the beginning of the period		5,831		3,450
Transfer from contract assets recognised at the beginning of the period to receivables	11,816		10,912	

As at 31 March 2019, the amount of revenue deferred and recognised as a contract liability for the loyalty programme is $4.9m. This will be recognised as revenue as the loyalty points are redeemed or expire, which is expected to occur over the next fifteen months.

6. Operating performance (continued)

6.2 Operating expenditure	2019 $'000	2018 restated $'000
Cost of products sold	198,929	198,791
Employee benefit expense	263,250	237,460
Lease expenses	21,310	20,604
Other expenses	46,351	42,751
Audit fees	185	185
Other services provided by auditors	123	157
Directors' fees in respect of the Parent company	453	453
Directors' fees in respect of the subsidiary companies	235	299
Bad debts written off and movement in doubtful debt	(530)	396
	530,306	**501,096**
Auditor's remuneration to KPMG comprises:		
Annual audit of financial statements	185	185
Annual audit of financial statements – Prior year	-	-
	185	**185**
Other services provided by auditors:		
Taxation services	113	146
Other services	10	11
	123	**157**

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

The 2018 employee benefit expense included a non-recurring $1.9m 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, 2018 reported profit was also reduced by $1.9m.

6.3 Underlying profit after tax attributable to the shareholders of the Parent (Non-GAAP disclosure)	**Note**	**2019 $'000**	**2018 restated $'000**
Reported profit after tax attributable to the shareholders of the parent		16,105	15,611
Add one off increase in unfunded leave liability due to pay equity legislation	4.1, 15	-	1,940
Underlying profit after tax attributable to the shareholders of the Parent		**16,105**	**17,551**

	2019 cents per share	**2018 restated 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 143,152,759 (2018: 141,327,827).	11.25	12.42
Diluted underlying earnings per share The calculation of diluted 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 after adjustment for the effects of all dilutive ordinary shares of 143,485,759 (2018: 141,660,829).	11.22	12.39

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.

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

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.

7. Income tax expense

Income tax expense	**2019 $'000**	**2018 restated $'000**
Current tax expense	(9,078)	(10,504)
Deferred tax expense (see note 13)	1,739	2,703
Total income tax expense	**(7,339)**	**(7,801)**
Imputation credit account:		
Available for use in subsequent periods $1,223,000 (2018: $1,299,000).		
Numerical reconciliation between tax expense and pre-tax accounting profit		
Profit before tax	27,428	27,929
Income tax expense at 28%	(7,680)	(7,820)
(Add)/Deduct the tax effect of adjustments		
Prior period adjustment		(132)
Other	341	151
	(7,339)	**(7,801)**

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.

8. 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.

	2019 cents per share	2018 restated cents per share
Basic earnings per share	11.25	11.05
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 143,152,759 (2018: 141,327,827).		
Diluted earnings per share	11.22	11.02
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 143,485,759 (2018: 141,660,829).		
Net tangible (liabilities) / assets per share	(11.62)	(14.51)
The calculation of net tangible assets per share is based on net assets less deferred tax and intangible assets (refer Note 12 and Note 13) and the closing number of ordinary shares at the end of the year.		
Net assets per share	93.57	87.74
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.		

9. Dividends to shareholders of the Parent company

	2019 cents per share	2018 cents per share
Dividends per share	7.00	7.00

In December 2018 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 2018 Green Cross Health Limited paid a final dividend for the March 2018 year of 3.5 cents per qualifying ordinary shares to shareholders, which was fully imputed to 28%.

10. Trade and other receivables

	2019 $'000	2018 $'000
Trade receivables	21,466	22,037
Accrued income*	12,737	13,742
Other receivables and prepayments	2,743	1,704
Provision for doubtful debts	(870)	(752)
	36,076	**36,731**

**Included in Accrued income are Contract Assets of $11,561 (2018: 11,816) (note 6.1)*

11. Property, plant and equipment

	2019 $'000	2018 $'000
Opening cost	68,044	61,505
Acquisitions through business combinations	1,698	771
Additions	8,195	7,554
Disposals	(2,825)	(1,786)
Closing cost	**75,112**	**68,044**
Opening accumulated depreciation	47,128	42,179
Acquisitions through business combinations	1,133	-
Depreciation for the period	6,036	5,458
Disposals	(1,154)	(509)
Closing accumulated depreciation	**53,143**	**47,128**
Closing book value	21,969	20,916
Work in progress	322	-
Total property, plant and equipment	**22,291**	**20,916**

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.

12. Intangible assets

	Note	2019 $'000	2018 restated $'000
Software and other intangible assets			
Opening cost		19,564	13,007
Acquisitions through business combinations	5	16	-
Additions		1,574	6,557
Disposals		(878)	-
Closing cost		**20,277**	**19,564**
Opening accumulated amortisation		7,385	5,678
Amortisation for the period		2,395	1,707
Disposals		(675)	-
Closing accumulated amortisation		**9,105**	**7,385**
Closing book value		**11,172**	**12,179**
Goodwill			
Opening cost		123,017	117,052
Other acquired goodwill		234	524
Additions	5	3,241	5,441
Closing cost		**126,492**	**123,017**
Total intangible assets		**137,664**	**135,196**

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.

12. Intangible assets (continued)

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 budget for the year-ending 31 March 2020 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 2019		
	Pharmacy services	**Medical services**	**Community Health**
Discount rate – post tax	9.85%	8.35%	9.90%
Terminal growth rate	1.8%	1.8%	1.8%
Carrying amount of goodwill allocated to the unit ($000)	75,068	32,363	19,061
Carrying value of other intangible assets with indefinite useful lives ($000)	2,048	16	-

	Impairment test assumptions 2018		
	Pharmacy services	**Medical services**	**Community Health**
Discount rate - post tax	10.60%	8.40%	9.90%
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

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 the Pharmacy or Medical services CGU's as a result of this review, nor under any reasonable possible change, in any of the key assumptions described above.

The estimated recoverable amount of the Community Health CGU exceeds its carrying value by $2.9m. The budgeted EBIT for the Community Health CGU is forecast to return to historical levels and thereafter increase by 5% year on year over the forecast period, reflecting a focus on individual contract profitability. Management have identified that a reasonable change in the following two assumptions could cause the recoverable amount to decrease to below its carrying value.

The following table shows the amount by which these assumptions need to change individually for the estimated recoverable amount to be equal to the carrying value of the Community Health CGU.

Community Health Services	**Change required for carrying amount to equal the recoverable amount**
Projected EBIT in forecast period	Decrease by 15%
Post-tax discount rate	Increase by 1.4%

13. Deferred tax asset

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

	Opening restated $'000	**Recognised in profit or loss $'000**	**Closing $'000**
Group – 2019			
Property, plant and equipment	2,061	196	2,257
Provisions and accruals	7,145	(141)	7,004
Tax losses	1,967	1,683	3,650
	11,173	**1,739**	**12,912**
Group – 2018 restated			
Property, plant and equipment	1,780	281	2,061
Provisions and accruals	5,518	1,627	7,145
Tax losses	1,172	795	1,967
	8,470	**2,703**	**11,173**

14. Equity accounted group investments

	Note	2019 $'000	2018 $'000
The movement in equity accounted investments comprises:			
Opening carrying amount		6,264	5,127
Investment in associates and joint ventures		50	1,071
Disposal of associates and joint ventures		(84)	(230)
Share of net earnings		874	1,077
Dividend	20	(706)	(781)
		6,398	**6,264**
There are no individually material associates or joint ventures.			
Amount of goodwill within the carrying amount of equity accounted group investments:			
Opening carrying amount		4,058	3,208
(Disposal) / investment in associates and joint ventures		(34)	850
		4,024	**4,058**

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 2019	11,357	5,727	41,063	2,405
As at and for the year ended 31 March 2018	12,573	6,856	46,682	2,855

Reporting dates

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

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.

15. Trade and other payables and income taxes payable

	2019 $'000	**2018 $'000**
Trade payables	33,599	32,301
Payable to non-controlling interest	3,024	2,673
Accruals*	19,010	17,787
Employee entitlements	24,342	22,525
	79,975	**75,286**
Income tax payable	1,760	3,924
Non-current income in advance	-	1,195
	81,735	**80,405**

**Included in Accruals are Contract Liabilities of $5,072 (2018: $5,831) (note 6.1)*

Employee entitlements accounting policy

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

In the current year the employee entitlements liability has been revalued to correctly account for the alternate leave provision. Adjustment has been made to rectify the errors in calculation of the provision arising in prior years. This has been done retrospectively in accordance with the requirements of IAS 8. See note 2 for the effects of the adjustment on the year ending 31 March 2018 and on the opening retained earnings of the earliest period presented.

16. Borrowings

	2019 $'000	2018 $'000
Current	25,556	16,310
Non-current	23,563	32,914
	49,119	**49,224**

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 4.14% and 5.54% (2018: 3.82% - 5.61%). 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.

The Group's primary lender is the BNZ. As at balance date, the Group has undrawn banking facilities of $18m (2018: $22m).

As at balance date, four subsidiaries are in breach of covenanted ratios in respect of their bank borrowings. All debt in breach amounting to $2.2m has 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.

17. Operating cash flows reconciliation

	2019 $'000	2018 restated $'000
Profit after tax for the year	20,089	20,128
Add/(deduct) non-cash items:		
Depreciation and amortisation	8,431	7,165
Other non-cash items	(4,612)	(2,214)
Add/(deduct) changes in working capital items:		
Receivables and accruals	655	(3,086)
Inventory	1,395	(211)
Payables and accruals	3,493	11,399
Net cash inflow from operating activities	**29,451**	**33,181**

18. Shares on issue

	2019 '000	2018 restated '000
Shares authorised and on issue		
Opening number of shares	143,486	139,835
Shares issued – fully paid	-	3,651
Shares issued – partly paid	-	-
Shares cancelled – partly paid	-	-
	143,486	**143,486**
Shares held as treasury stock	(333)	(333)
	143,153	**143,153**

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.

19. 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:

	Gross receivable 2019 $'000	Impairment 2019 $'000	Gross receivable 2018 $'000	Impairment 2018 $'000
Not past due	29,559	-	31,616	-
Past due 0-30 days	4,869	-	2,171	-
Past due 31-120 days	1,646	-	1,269	-
Past due more than 120 days	873	(870)	2,427	(752)
Total	**36,947**	**(870)**	**37,483**	**(752)**

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:

	2019				
	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	49,119	52,130	27,234	8,807	16,089
Trade and other payables	49,017	49,017	49,017	-	-
Total non-derivative liabilities	**98,137**	**101,148**	**76,252**	**8,807**	**16,089**
	2018				
Borrowings	49,224	52,074	17,836	10,749	23,489
Trade and other payables	48,008	48,008	48,008	-	-
Total non-derivative liabilities	**97,232**	**100,082**	**65,844**	**10,749**	**23,489**

Market risk

As interest rates change, the fair value of financial instruments may change. Refer to note 16 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 2019 and 31 March 2018. The assessment of fair value relating to borrowings was determined by reference to observable market data (level 2).

20. 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	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Equity earnings from associates	874	1,077	-	-
Franchise fees and on-charged costs with equity accounted investments	39	107	7	27
Management service charges to equity accounted investments	748	1,156	100	447
Dividend income	706	781		
Receivable from other related parties			818	805
Payable to non-controlling interests (note 15)			3,024	2,673

Key management personnel remuneration

The Group provides compensation to key management personnel which comprises the directors and executive officers. Senior executives also participate in the share option scheme. Key management personnel (includes the Group CEO, certain senior managers, the Group CFO and company directors) compensation comprised:

	2019 $'000	**2018 $'000**
Short-term employee benefits	2,642	1,993
Share vesting costs	2	15
	2,644	**2,008**

21. Non-cancellable operating leases

	2019 $'000	2018 $'000
Non-cancellable operating leases		
Due within one year	20,432	21,671
Due between one and five years	42,950	61,581
Due after five years	12,614	14,718
	75,995	**97,970**

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.

22. Share based payments

(a) Description of share-based payment arrangements

At 31 March 2019, the Group had the following share-based payment arrangements:

Redeemable ordinary shares granted to senior managers: 333,333 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 $0 (2018: $15,262).

There were no ROS issued to key or senior managers during the 2019 or 2018 financial years.

(b) Reconciliation of outstanding ROS

	Number of instruments 2019 ’000	Weighted average exercise price 2019	Number of instruments 2018 ’000	Weighted average exercise price 2018
Outstanding at 1 April	333	$1.90	333	$1.90
Cancelled during the year	-	-	-	-
Exercised during the year	-	-	-	-
Granted during the year	-	-	-	-
Outstanding at 31 March	**333**	**$1.90**	**333**	**$1.90**
Exercisable at 31 March	183	2.17	33	1.25

Instruments outstanding at 31 March 2019 had exercise prices of $1.25 - $2.37 (2018: $1.25 - $2.37) and a weighted average contractual life of 1.1 years (2018: 2.1 years). The weighted average share price at the date of exercise for ROS during the year was nil (2018: nil).

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.

23. Subsequent events

On 28 May 2019 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 2019

The current Green Cross Health Limited group structure comprises 140 companies.
The group entities are as follows:

Legal Parent	Holding	Activity
Green Cross Health Limited		Franchisor and 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 Care
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	48.8%	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
Browns Bay Pharmacy (2018) Limited	48.5%	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
Coastlands Pharmacy (2018) Limited	49.0%	Non-trading
Davies Corner Pharmacy Limited	25.0%	Pharmacy
Discovery Pharmacy (2016) Limited	49.0%	Pharmacy
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 Distribution Limited	100.0%	Pharmacy
Green Cross Health Investment 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%	Medical Centre
Green Cross Health Workplace Limited	100.0%	Health services

Controlled entities	Holding	Activity
Guthries Pharmacy Limited	49.0%	Pharmacy
Harbour City Pharmacy (2011) Limited	48.7%	Pharmacy
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%	Non-trading
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%	Non-trading
Manukau Pharmacy (2011) Limited	49.1%	Pharmacy
Moorhouse Pharmacy 2003 Limited	25.0%	Pharmacy
Motueka Medical (2013) Limited	54.8%	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
Plimmer Steps Pharmacy (2018) Limited	49.0%	Pharmacy
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

Controlled entities	Holding	Activity
Pharmacy N106 Limited	49.0%	Pharmacy
Pharmacy Management Limited	100.0%	Investment
Pharmacy Store Holdings Limited	100.0%	Investment
Pharmacybrands Limited	100.0%	Non-trading
Pharmacybrands On-line Limited	100.0%	Non-trading
Queen Street Pharmacy (2015) Limited	49.0%	Non-trading
Radius Medical Limited	100.0%	Non-trading
Radius Medical Solutions Limited	100.0%	Non-trading
Radius Medical Whakatane Properties Limited	100.0%	Medical Centre
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%	Non-trading
Shore City Pharmacy (2010) Limited	48.5%	Pharmacy
Shore City Pharmacy Limited	100.0%	Non-trading
Smart Pharmacy Limited	100.0%	Non-trading
St Heliers Health Centre	100.0%	Medical Centre
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
Timaru Pharmacy (2013) Limited	48.1%	Non-trading
Trident Pharmacy (2017) Limited	49.0%	Pharmacy
The Doctors (Coastcare) Limited	100.0%	Medical Centre
The Doctors (DFM) Limited	100.0%	Non-trading
The Doctors (Hastings) Limited	71.2%	Medical Centre
The Doctors (Huapai) Limited	100.0%	Medical Centre
The Doctors (New Lynn) Limited	53.7%	Medical Centre
The Doctors (Whangaparaoa) Limited	100.0%	Medical Centre
The Doctors (Wynyard) Limited	100.0%	Medical Centre

Controlled entities	Holding	Activity
Total Care Health Services Limited	100.0%	Health services
Total Health Doctors Limited	100.0%	Medical Centre
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
Waimauku Doctors Limited	100.0%	Medical Centre
Waiuku Medical Pharmacy (2010) Limited	48.5%	Pharmacy
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
Silverstream Health Centre Limited	49.0%	Medical Centre
Tauranga Pharmacy (2012) Limited	48.5%	Pharmacy
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
Walls & Roche Royal Oak Pharmacy Limited	25.1%	Pharmacy


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Board of Directors

As at 31 March 2019

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 was 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

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.

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 was formerly a director of Manaia PHO and is now a Trustee of Mahitahi Hauora that leads primary health care in Northland.

Carolyn Steele, Independent Director

Carolyn Steele is a Director of Metlifecare Limited, WEL Networks Limited, Ultrafast Fibre Limited, the Chair of the Halberg Foundation 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 2019

Corporate governance and the 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 Group CEO is appointed by the Board and has delegated authority for the day-to-day operations of Green Cross Health.

NZX Corporate Governance Code

The Company has reviewed the 2019 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.

Compliance with the Principles of the Code is as follows:

Principle 1: Code of Ethical Behaviour

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

The Company has adopted formal Code of Ethics, 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 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.

Principle 2: Board Composition and 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 Group CEO 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. However, the Company will ensure that Terms of Appointment are provided to all new Directors, as they are appointed.

NZX Corporate Governance Code (continued)

Principle 2: Board Composition and Performance (continued)

Diversity Policy

The Company and the Board confirm the commitment and core responsibilities to building diversity and inclusion of thought within the Company.

The Company is committed to attracting, developing and retaining a diverse, talented group of individuals whose collective thoughts and contributions will help the Company to be the best healthcare company in New Zealand.

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.

The Company's Diversity Policy is published on its website (www.greencrosshealth.co.nz/governance).

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 required changes in Board focus are identified. A performance review has been conducted by a third party in 2019 with the active participation of all the members of the Board.

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 and Risk Committee
- Nomination and Remuneration 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 are available on the Company's website (www.greencrosshealth.co.nz/governance).

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 Governance Code recommends that the composition of Nomination and Remuneration Committee should include a majority of independent Directors. The Company complies with this requirement.

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 and 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 complies 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 also available on the website (www.greencrosshealth.co.nz/investors).

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 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 has a remuneration policy for Directors, Officers and all employees of the Company, which outlines its remuneration practices. The remuneration policy is available on the company's website (www.greencrosshealth.co.nz/governance).

The Company has disclosed details of the remuneration arrangements for the Group CEO. Please refer Group CEO Remuneration under Other Annual Report Disclosures for the year.

The Company operates a share based incentive scheme for certain Senior Managers, which is disclosed further in Note 22 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 and Finance and 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 and 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 and Relations

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

The Company has redeveloped its website to enable better stakeholder access to financial and governance information. Announcements and Reports are currently available at www.greencrosshealth.co.nz/investors 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 20 business 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 Company's current Board structure consists of 4 directors representing the 2 major shareholders (who collectively hold 64% of the Company) together with 4 independent directors.

The Independent Directors are selected to ensure that the appropriate skills and experience required are available to the Company.

In response to recommendation 2.8 of the NZX Corporate Governance Code recommending boards have a majority of independent directors, and Green Cross Health not being compliant with this recommendation, the Board is of the view that the existing Board structure appropriately reflects the shareholding structure of the Company and represents the best interests of all shareholders.

In accordance with NZX Listing Rules, directors must not hold office (without re-election) past the third annual meeting following the director's appointment or 3 years, whichever is longer. In addition a director appointed by the Board must not hold office (without re-election) past the next annual meeting following the director's appointment.

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 Group CEO, 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 2019 financial year.

Director	Meetings held	Meetings attended
John (Andrew) Bagnall	9	7
John Bolland	9	8
Peter Merton	9	9
Peter Williams	9	8
Anthony (Tony) Edwards	9	8
Margaret Millard	9	9
Kenneth Orr	9	9
Carolyn Steele	9	9

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. The Code of Ethics policy is available on the company's website (www.greencrosshealth.co.nz/governance).

Shareholder relations

The Company maintains a website (www.greencrosshealth.co.nz) where investors and interested stakeholders can access financial and operational information and key corporate governance information about the Company.

The Board will ensure that shareholders are informed of major developments affecting the Company. Information is available through the Annual Reports and shareholders are 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) and the company website 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 three standing committees described as follows. The Board annually reviews the performance of the standing committees against written charters.

Nomination and Remuneration Committee

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

- Review the remuneration of the Group CEO and approve remuneration of the Group CEO's 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 Nomination and Remuneration Committee is John Bolland (Chair), Carolyn Steele and Ken Orr. 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 Group CEO and the 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. Its 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.

Director	Meetings held	Meetings attended
John Bolland	4	3
Ken Orr	4	4
Carolyn Steele	4	4

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 Group CEO and the 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. Its responsibilities include:

- To review potential acquisition proposals, approve small acquisitions and make recommendations to the Board for larger acquisitions
- To review the Group's annual budgets and endorse for Board approval
- To review capex proposals and make recommendations to the Board
- To review risks and risk management

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

Directors	Meetings held	Meetings attended
John Bolland	9	8
Peter Merton	9	8
Ken Orr	9	9
Carolyn Steele	9	9

Organisation structure and financial control

The Board has delegated to the Group CEO the management responsibilities of the Company.

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 2019:

As at 31 March 2019	Directors		Key management personnel	
Female	2	25%	2	50%
Male	6	75%	2	50%
Total	**8**		**4**	
As at 31 March 2018				
Female	2	25%	-	0%
Male	6	75%	3	100%
Total	**8**		**3**	

Other Annual Report Disclosures

For the year ended 31 March 2019

The total annual Directors' remuneration approved for each financial year is capped at $500,000 (last approved in 2015). The Directors holding office during the year ended 31 March 2019 and the remuneration paid or payable to the Directors is as follows:

Director	**Total Fees $**
John (Andrew) Bagnall	35,000
John Bolland *+#	35,000
Anthony (Tony) Edwards	60,000
Peter Merton #	85,000
Margaret Millard	60,000
Kenneth Orr *+#	65,000
Carolyn Steele *+#	70,000
Peter Williams	35,000
Total	**445,000**
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 and Risk Committee	5,000
Independent Directors on Audit Committee and Finance and Risk Committee	2,500

** = Audit Committee member*
+ = Nomination and Remuneration Committee member
 # = Finance and Risk Committee member

Group CEO remuneration

Rachael Newfield joined the company as Group CEO in January 2019, therefore her total remuneration for 2019 year is not a reflection of future payments. Rachael was paid a sign on bonus in recognition of benefits she forwent in leaving her previous role. Her package for the 2020 year will consist of a base salary, a Short Term Incentive (STI) and a Long Term Incentive (LTI). The STI is a maximum of 25% of current base salary. The STI is based on a quantitative criteria to be achieved during the 2020 year. The LTI is a maximum of 23% of current base salary. The LTI is designed to align the Group CEO remuneration with financial outcomes for shareholders in the longer term.

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 2019 is set out below:

Employee annual remuneration bands:	**2019**	**2018**
$100,000 - $109,999	40	28
$110,000 - $119,999	19	18
$120,000 - $129,999	18	18
$130,000 - $139,999	26	14
$140,000 - $149,999	19	17
$150,000 - $159,999	11	12
$160,000 - $169,999	18	10
$170,000 - $179,999	8	33
$180,000 - $189,999	13	14
$190,000 - $199,999	18	10
$200,000 - $209,999	10	14
$210,000 - $219,999	13	6
$220,000 - $229,999	9	11
$230,000 - $239,999	9	3
$240,000 - $249,999	2	3
$250,000 - $259,999	9	1
$260,000 - $269,999	3	3
$270,000 - $279,999	5	-
$280,000 - $289,999	1	1
$290,000 - $299,999	-	1
$300,000 - $309,999	1	1
$310,000 - $319,999	1	1
$320,000 - $329,999	2	1
$330,000 - $339,999	-	-
$340,000 - $349,999	2	-
$350,000 - $359,999	1	1
$360,000 - $369,999	1	-
$370,000 - $379,999	1	-
$390,000 - $399,999	1	-
$410,000 - $419,999	1	-
$440,000 - $449,999	-	-
$520,000 - $529,999	-	-
$560,000 - $569,999	-	-
$580,000 - $589,999	1	1
$900,000 - $909,999	1	-
Former employees included in the above bands:	16	3

Donations

The Group made donations to the value of $17,911.

Directors' shareholding and trades

The following table summarises:

(a) the number of shares in the Company held by Directors at 31 March 2019; 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 2018	Cancelled	Issued	Net trades in the period	Holding 31 March 2019
J A Bagnall (i)	45,935,821	-	-	-	45,935,821
J B Bolland (ii)	45,935,821	-	-	-	45,935,821
P M Merton (iii)	45,840,983	-	-	-	45,840,983
P J Williams (iv)	45,840,983	-	-	-	45,840,983
K A Orr (v)	600,083	-	-	-	600,083
A W Edwards (vi)	99,535	-	-	-	99,535
C M Steele (vii)	18,000	-	-	32,000	50,000

(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).

(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).

(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.

(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.

(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).

(vi) A W Edwards holds a beneficial interest of 99,535 fully paid ordinary shares in the Company.

(vii) C M Steele has a relevant interest in 50,000 fully paid ordinary shares in the Company, after acquiring 24,546 and 7,454 ordinary shares on 28 November 2018 and 29 November 2018 respectively for $38,978.

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 2019:

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

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

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

Kenneth Orr – Orrs Pharmacies Limited (Director and Shareholder), Orrs Kaipara Pharmacies Limited (Director and Shareholder), Orrs Maungaturoto Pharmacy Limited (Director and Shareholder), Orrs Rust Ave Pharmacy Limited (Director and Shareholder), Orrs Cameron Pharmacy Limited (Director and Shareholder), Orrs Ruakaka Pharmacy Limited (Director and Shareholder), Orrs Tui Pharmacy Limited (Director and Shareholder), Orrs Kaikohe Pharmacies Limited (Director and Shareholder), Manaia Health PHO Limited (Director), 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 and Director), The Doctors (New Lynn) Limited (Shareholder and Director), The Doctors (Mangere) Limited (Shareholder and Director), Beedre Properties Limited (Shareholder and Director), Galah Forestry Limited (Shareholder and 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), EG & MM Millard Trust (Trustee).

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

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

Shareholder information

As at 31 March 2019

Shares and shareholding

The Company's ordinary shares are listed on the NZX using the ticker code, GXH. As at 31 March 2019 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 2019 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 - NZCSD <BPSS40>	3,317,500	2.32
MASSEY PHARMACY LIMITED	2,877,150	2.01
FNZ CUSTODIANS LIMITED	2,261,713	1.58
NEW ZEALAND PERMANENT TRUSTEES LIMITED - NZCSD <NZPT43>	2,083,393	1.46
GANET INVESTMENTS LIMITED	1,627,979	1.14
NATIONAL NOMINEES NEW ZEALAND LIMITED - NZCSD <NNLZ90>	1,561,249	1.09
FRANCES ANN VUKSICH + WALTER MICK GEORGE YOVICH <MARK & FRANCES FAMILY A/C>	1,139,224	0.80
GRANT CLAYTON BAI + CHRISTINA BAI + BARRIE MCCORMICK CAMPBELL <GRATTON WILSON A/C>	1,066,224	0.74
THOMAS LAI + CAROLYN PAMELA LAI + KATHLEEN YEE <THOMAS & CAROLYN LAI FAMILY A/>	994,985	0.70
KIM CHRISTOPHER WILKINSON + MARIE ELEANOR WILKINSON	795,120	0.56
FORSYTH BARR CUSTODIANS LIMITED <1-CUSTODY>	775,797	0.54
MATTHEW JAMES FLEET <FLEET BUSINESS A/C>	750,000	0.52
ELIZABETH ANN MCAULAY	687,022	0.48
CUSTODIAL SERVICES LIMITED <A/C 3>	664,808	0.46
JANE STEWART DUNN	662,115	0.46
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

Shares and shareholding (continued)

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 2019 is as follows:

Size of holding	Holders	%	Securities	%
1-999	339	18.8	155,725	0.11
1,000 - 9,999	975	54.0	3,264,198	2.28
10,000 - 99,999	415	23.0	12,158,603	8.49
100,000 - 499,999	57	3.2	12,337,090	8.62
500,000 - 999,999	11	0.6	7,525,907	5.26
1,000,000 and over	10	0.6	107,711,236	75.24
Total	**1,807**	**100.0**	**143,152,759**	**100.00**

Company directory

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

Rachael Newfield Group CEO

Vivek Singh Interim Group 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.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
Level 2, 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

03413

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