Annual Report 2017

Consolidated Financial Statements for the year ended 31 March 2017

GREEN CROSS HEALTH

A cross has been used to represent health professionals for hundreds of years. Once a symbol for medical and apothecary merchants, the green cross first took the form of a serpent wrapped around the jade hilt of a sword and was used in Greece by the Hospitallers of St Lazarus.

Throughout the centuries, the green cross has become widely recognised in Europe and the USA as a place to find health care and advice and we are proud to embrace this legacy in both our company name and the icon we use to identify our services.

Contents

Who we are

Our purpose and our passion, shared throughout the Green Cross Health Group, is to provide New Zealand communities with the best health support, care and advice. We are a growing network of health professionals and supporting staff committed to delivering better patient experiences and health outcomes.

Unichem Life Pharmacy

354 pharmacies

Life Pharmacy 63

Unichem 291

90 Green Cross Health **equity pharmacies**

31.2 MILLION prescription items dispensed annually

We believe easy access to **good health care is a right of everyone in New Zealand**

the doctors

39 medical centres

270 doctors

31 Green Cross Health **equity medical centres**

300 nurses

200,000 enrolled patients

Access community health

Supporting the strategy of **live well, stay well, get well** for all New Zealanders

Specialist nursing services through Total Care Health

166 **community nurses**

Clinical staff including qualified nurses, occupational therapists & physiotherapists

20,000 **clients**

3,500 **support workers**

Community Support

Our team members across the country are passionate about the health of their communities. Green Cross Health also partners with other organisations who provide services with a focus on the health and wellbeing of people in New Zealand.

We are very proud to have cancer charity Look Good Feel Better as our primary community support partner. Look Good Feel Better provide workshops to guide people through ways of coping with the physical side effects of cancer treatment and through our network of pharmacies and medical centres we are able to help raise awareness of these services.

Many of our team members also volunteer their time and expertise to support local workshops and help Look Good Feel Better to reach their goal that nobody should have to travel more than 30 minutes to a workshop.

For more information visit www.lgfb.co.nz

Proud supporters of look good feel better

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.

	2017 $'000	2016 $'000
We generate revenue from four sources:		
Consolidated pharmacy store sales	292,281	272,199
Medical centre sales	46,434	43,472
Community Health sales	115,705	105,676
Services provided to stores and medical centres	33,225	26,353

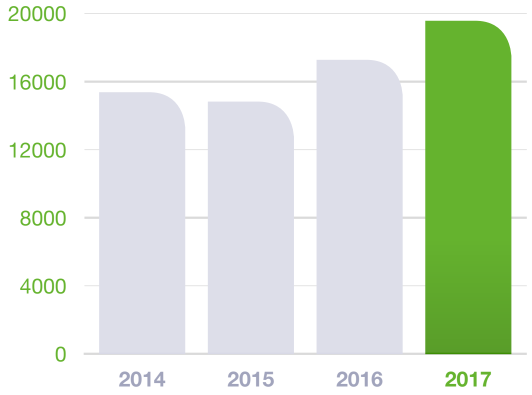
Our costs to operate are primarily:		
Lease expense	19,665	18,227
Wages and salaries	201,883	187,268
Costs of products sold	186,664	170,681
Depreciation and amortisation	6,808	5,580
Other costs (marketing, governance, communications etc)	38,415	36,760

You can see how the pharmacy store sales growth, both organic and through acquisitions in 2016, as well as organic growth in medical centres and community health have increased sales. In line with this growth you can see the effect on our expenses particularly wages and salaries and cost of products purchased.

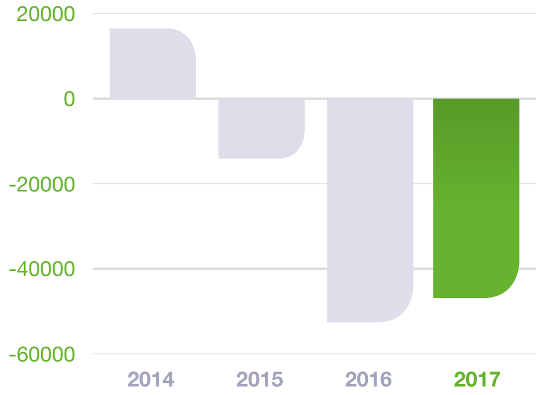
After all income and expenses we earned:		
Profit before tax	32,984	27,930
Tax expense	(8,631)	(6,882)
Profit after tax	24,353	21,048
Non-controlling interest	(4,711)	(4,012)
Profit after tax attributable to the shareholders of the Parent	**19,642**	**17,036**

	2017 $'000	2016 $'000
So what happened to the profit and where did the cash go?		
We started the year with a bank balance of	19,918	23,554
Our profit after tax (and after adjusting for non-cash items) was	26,843	24,516
We bought various businesses	(13,373)	(13,540)
We bought fixed assets	(10,350)	(10,642)
We sold investments	-	1,461
Our bank borrowings decreased by	(1,649)	26,896
We raised additional equity	187	178
We paid dividends to our shareholders	(2,959)	(23,217)
We paid dividends to our minority partners	(3,497)	(3,196)
Our working capital increased by	3,075	(6,092)
We ended the year with a bank balance of	**18,195**	**19,918**

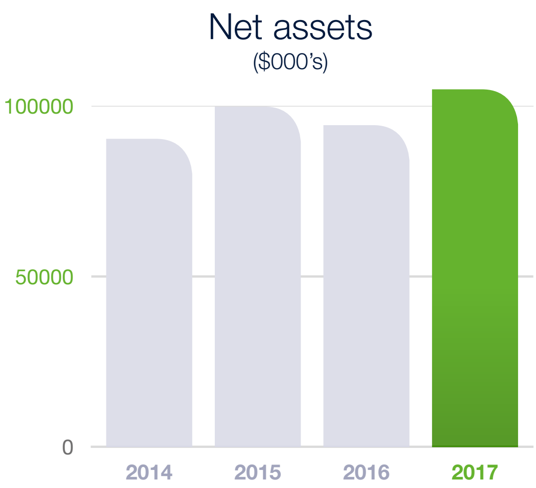
Profit after tax
($000's)

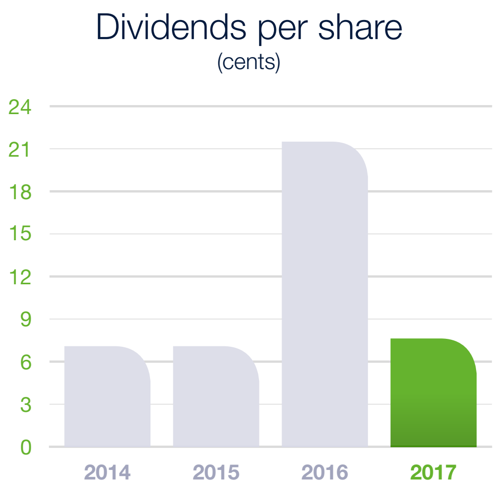


Net debt represents borrowings less bank balances
($000's)



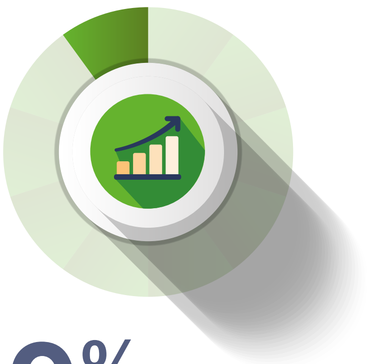
	As at March 2017 $'000	As at March 2016 $'000
So what is the Company worth?		
We have total assets of	245,211	229,651
We have total liabilities of	(132,981)	(135,511)
So our equity is	112,230	94,140
Which represents a net asset value for each share of (cents)	**80.5**	**68.9**





Chairman's report

This year Green Cross Health has consolidated its position as a leader in the provision of primary health care services. While investment in targeted acquisition to enhance our existing portfolio has continued, our focus has been on improving the operational and financial performance of our Pharmacy network and Community Health and Medical divisions.



9%

revenue increase to $488 million

This focus resulted in organic growth and positive financial performance across our three divisions. Revenue for the Group increased by 9% to $488 million compared to $448 million for the 2016 financial year. All three divisions contributed to the growth, with Pharmacy division revenue increasing $27 million over the previous year, Community Health division growing by $10 million and Medical division by $3 million.

The Group's operating profit before interest and tax was $34.9 million, up $4.8 million (16%) on last year. The net profit attributable to shareholders was $19.6 million, up $2.6 million (15.3%) and was impacted by a $2.8 million fair value gain (compared with $2.2 million of one-off gains last year).

This contributed to positive cashflow from operating activities of $29.9 million up $11.5 million on last year. From this cash inflow, $13.4 million was applied to new acquisitions. The Pharmacy division invested in four new pharmacies and the Medical division acquired the remaining 17.5% of

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

Peak Primary. $10.3 million was applied to capital expenditure ($10.6 million last year) including $1.6 million on greenfield pharmacies and $4.1 million on technology infrastructure to support further operational efficiencies and growth strategies.

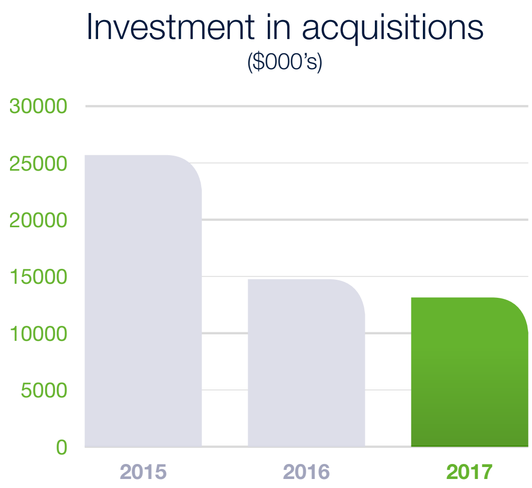
After acquisition debt funding of $8.4 million, net borrowings (net of cash) reduced from $52.6 million to $47.3 million at balance date.

Highlights:

- Revenue increased by 9% to $488 million
- Net profit attributable to shareholders of $19.6 million, up $2.6 million (15.3%)
- Operating cash flow growth of 62.4%
- Return on capital employed of 23%, up from 19% last year
- Community Health division operating profit increased $2.3 million

Future focus:

There is opportunity in the Medical division for substantial growth and innovation. Growth via acquisition will give us critical mass and the capacity to drive additional primary health care initiatives, with improved health outcomes for our communities. As such we are investing in people and IT systems to support this growth and expect to start to see the results of this investment in the coming year.

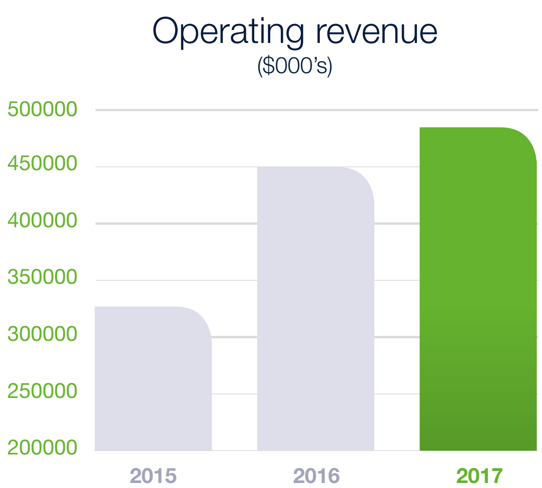


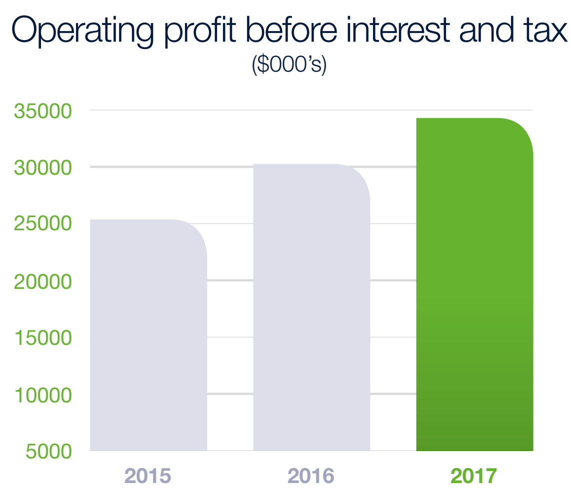
Develop Green Cross Health into a primary health care business able to deliver sustainable care that will meet the changing social and demographic needs and expectations of our communities

The Pharmacy division will continue to focus on the core retail and professional service offers while further enhancing operational efficiencies and managing the cost base to drive revenue and profit growth. Profit contributions from pharmacy acquisitions during the past two years will augment this. In support of the government's NZ Health Strategy and Pharmacy Action Plan, Green Cross Health is ideally placed to deliver increased primary health care services in community pharmacy throughout New Zealand.

The strong result delivered by our Community Health division provides optimism for growth to continue in the 2018 fiscal year. We are mindful that funding in the sector is undergoing significant change with guaranteed hours implemented from April and pay equity planned to start in July this year. These initiatives will benefit our workforce and, we hope, the sector, making it easier to attract and retain health care workers. In the medium term, we anticipate higher demand for care in the home, which, combined with an aging population and property development constraints, gives us confidence that community health care has significant growth potential.

We remain committed and on track to develop Green Cross Health into a primary health care business able to deliver sustainable care that will meet the changing social and demographic needs and expectations of our communities. We will identify and facilitate opportunities for collaboration between the people who deliver health care services, and continue to improve the technology and infrastructure which supports them to do so, ultimately offering improved health outcomes and experience for people in New Zealand.





Changes to the Board

In February 2017 Peter Williams was added to the Board as an alternate for Patrick Davies. He formally replaced Patrick as a Non-Executive Director on 24th May 2017. Peter is an executive of The Zuellig Group which has significant health care interests in Asia Pacific. He is a Director of a number of companies including, in New Zealand, Ebos Group Ltd and CB Norwood Distributors Ltd.

Keith Rushbrook, after ten years as an independent director and Chairman of the Audit Committee, has advised the Board of his decision to retire from the Board prior to this year's Annual Meeting. We will take the opportunity at the Annual Meeting to sincerely thank Keith for his significant contribution to the governance of the Company during his term on the Board.

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 9 June 2017. This is consistent with the prior year and enables continued reinvestment in the business. The dividend will be paid on 23 June 2017. The dividend reinvestment plan continues to operate. This takes the full year dividend to 7 cents per share.

Thank you to our team

The Green Cross Health team is passionately committed to the health and wellness of New Zealand. Several natural disasters in the last year challenged our teams, personally and professionally, and we are proud of the commitment shown by our people during those testing times, and every other day, to support the health of our communities. Thank you for your contribution.

Peter Merton

Chairman

CEO report

Pharmacy division

During the past year we extended our leadership position in the pharmacy sector, expanding health services and retail experiences to provide improved access to primary health care in our communities.

Pharmacies

Unichem **291**

Life **63**

Total **354**

Creating sustainable growth for our pharmacy network is an ongoing priority and we have continued to deliver on our core strategies to improve customer experience and access to health and retail services in almost every New Zealand community.

Investment in our retail IT infrastructure is ongoing to future-proof our growing pharmacy network and support a comprehensive customer engagement programme.

In the physical store network, brand rationalisation was completed, and we grew network numbers adding 16 pharmacies to the network, bringing the totals to 63 Life Pharmacies and 291 under the Unichem brand for a total of 354.

We continued with our commitment to raise the profile of pharmacists as members of the primary health care team in the community. This strategy is closely aligned with the New Zealand Health Strategy and the New Zealand Pharmacy Action Plan. Our contribution to industry groups and contract negotiations is key to our continued leadership and support for pharmacists and pharmacy staff as their roles expand as health coaches in the community.

Positive steps forward were achieved in providing improved access to quality health care and advice for everyone in New Zealand with the reclassification of repeats of oral contraceptives into pharmacy and funded flu vaccinations for pregnant women and people aged 65 and over. Investment in reclassification and the associated professional programmes is vital to the delivery of our care and advice strategy and extending a defensible market leadership position.

In tandem with our professional services, we have focused on delivering retail excellence and improving in-store experiences. Challenges during the last financial year which have affected retail business performance include:

- The Kaikoura earthquakes which resulted in the temporary closure of three pharmacies in Wellington, which extended for several months, with Life Pharmacy Queensgate remaining closed as at the end of the financial year.
- Temporary regulatory changes in China which had a negative effect on sales of health products.

- The redevelopment of Auckland's Downtown mall and surrounding area which resulted in the closure of one of our largest retail pharmacies and affected traffic flow in the CBD.

Highlights:

- Same store operating profit before interest and tax grew 11%
- Unichem and Life Pharmacies achieved 3.7% year-on-year retail sales growth. For the same period, pharmacies outside of the Green Cross Health group showed a decline of 7.4%*
- 5.7% retail sales growth in beauty and fragrance categories
- The acquisition of four new pharmacies into our equity portfolio
- The addition of 16 new pharmacies to our branded group
- Living Rewards, with 1.3 million members, was successfully migrated to a new IT platform in September 2016, giving us capacity to grow the programme further and the ability to deliver personalised communications to our customers
- Green Cross Health Academy has gone from strength to strength with more than 3,500 team members registered for courses on the online TeachMe platform, and 360 individuals undertaking the Level 3 NZQA accredited Certificate of Retail and Level 4 NZQA Leadership course. This investment in our people is critical to delivering improved health initiatives
- Reclassification of oral contraceptives, giving women who have been prescribed with oral contraceptives in the last three years access to repeats from pharmacy
- Vaccination services available in pharmacy grew, with funded vaccines for people 65 years and over and pregnant women, approved for the upcoming flu season
- We dispensed 31.2 million prescription items, up from 29.7 million last year
- Overall Pharmacy revenue was up 9% on last year and operating profit before interest and tax (and excluding fair value gains) grew 5%

Green Cross Health Academy

1963

online training sessions activated each week

159

managers taking NZQA L4 Stellar Leadership course

3599

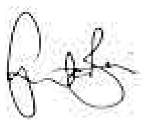
people registered with TeachMe

** MarketEdge IRI | Dollar % Growth vs YA | MAT 29/01/17*

We continued with our commitment to raise the profile of pharmacists as members of the primary health care team in the community

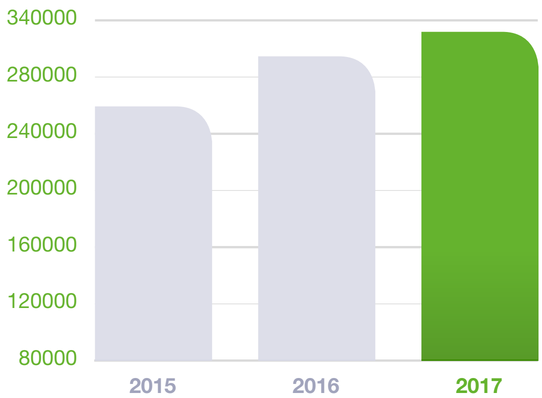
Future focus

- Continue to create easier access to high quality health care and advice through the development of new services
- Create seamless customer focused shopping experiences with the development of our digital channels and moves to a more personalised, data driven marketing programme
- Roll out of collaborative patient centred service improvements, such as our script reminder service, which add value to customers, pharmacies and medical centres
- Further strengthen our consumer retail offering with a more structured approach to store ranging, layout and compliance
- Acquisitions in line with coordinated primary health care opportunities

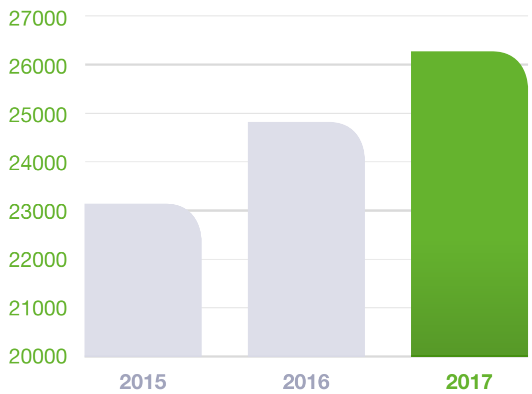


Grant Bai
CEO Pharmacy and Medical
24 May 2017

Pharmacy operating revenue
($000's)



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




kia ora, welcome
please see reception on arrival

Medical division

We continued to build on the operational foundations required to deliver quality health care and to improve patient outcomes and experience.

Medical centres

- Corporate sites **17**
- Associates **14**
- Independents **8**

During the past year, we have consolidated our structures and services following two years of growth by significant acquisition.

We brought together the Napier and Auckland support office functions this financial year which has enabled greater collaboration across our divisions and created the opportunity for efficiencies in the future.

To improve business performance at medical centres we have focused on medical centre leadership teams and maximising available revenue streams, with an emphasis on the best patient outcomes and experience. Optimisation will be ongoing and the reported improvement in operating profit is a positive indication of the sustainable results that can be achieved.

We continued the rollout of The Doctors brand across our medical centres, developing our proposition and recognition to be able to market as a strong consumer brand within the Green Cross Health group. 28 medical centres are now under The Doctors brand with marketing programmes focused on patient enrolment underway.

Our core strategies have remained consistent:

Patients

Our vision is to reduce complexity on the patient journey and establish support for patients to proactively manage their own health. We have developed IT platforms ready to implement script reminder and health coaching services in the coming year. These services offer increased patient convenience and the opportunity for positive impacts on health outcomes.

28 sites

now under The Doctors brand

Medical centres

Our strategy is to develop tailored business partnerships and to provide support services which enable medical centres to prosper as individual units. We continued to develop business tools to measure and benchmark service delivery. Insights gained through data means our teams can better anticipate patient needs and provide our communities with easier access to care.

We are fostering an environment of collaboration and collegial support, encouraging continuous learning and development through our Green Cross Health Academy, with career opportunities across the group.

Highlights:

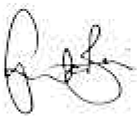
- Continued rollout of our brand with a total of 28 The Doctors sites
- Relocation of the Napier-based support office functions to the Auckland office
- Successful implementation of the Green Cross Health Academy and TeachMe platform with more than 550 medical staff enrolled across 20 training courses
- Operating profit before interest and tax up 5% over the previous year
- Operating revenue was up 6%

Our strategy is to develop tailored business partnerships and to provide support services which enable medical centres to prosper as individual units

Future focus

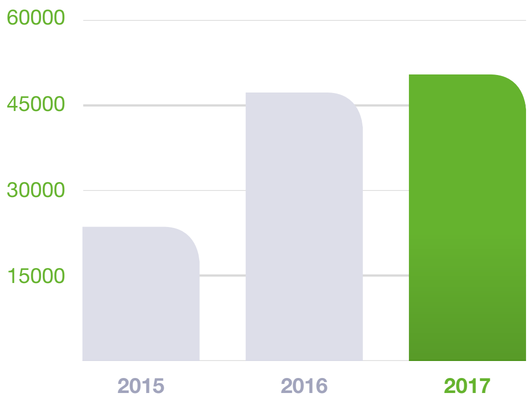
Our focus for the coming year:

- Growth through targeted acquisition
- Improve business performance through a simplified leadership model in our medical centres
- Improve patient outcomes and experience by creating easier access to their health care teams through technology and contact points
- Continued use of data and dashboard analytics to anticipate the needs of patients and tailor services appropriately

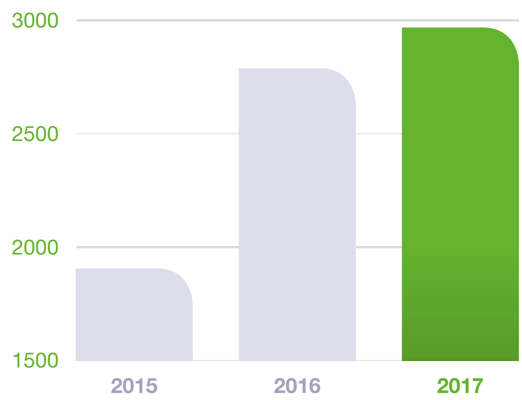


Grant Bai
CEO Pharmacy and Medical
24 May 2017

Medical operating revenue
($000's)



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




Access
community health

CEO report

Community Health division

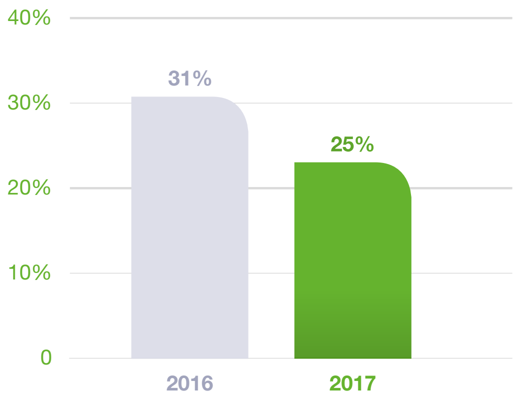
Access Community Health enjoyed a successful financial year, with a strong performance across all core business measures. We have established a strong foundation from which to achieve greater success in the coming year.

The Community Health team's focus during the year was on improving client services, retaining staff and improving business efficiencies

The Community Health team's focus during the year was on improving client services, retaining staff and improving business efficiencies. We are very pleased with the results, and are satisfied that we have set our business up with a strong platform for future growth.

Our new sole provision Home and Community Services contract in Wellington commenced in September 2016, and we are very proud of the opportunity we have to deliver our services to this community. We now conduct more than 20,000 home visits per week in this region. Scalable best practices have been implemented as part of this contract, including expanding the functionality of our contact centre, and we intend to develop these practices as part of our growth aspirations in the year ahead.

Support worker turnover



3.3million

home visits

20,000

clients

We have worked closely with the Ministry of Health and the Unions to introduce guaranteed hours in to the sector. We firmly believe that this initiative will have significant positive benefits for our front line staff, and we plan to augment that by continuing to work closely with all parties to implement pay equity once all factors have been agreed.

Highlights:

- Revenue growth of 9.5% year on year
- Operating profit of $3 million, up $2.3 million on previous year
- Successful mobilisation of the Capital and Coast/Hutt Valley DHB sole service provision contract
- Improved service level programmes and performance
- Support Worker retention improved 20% versus prior year

Future Focus

The Community Health division will continue to set the standard for outstanding client experience in our sector, and will lead the way in engaging our workforce and employing technology to deliver greater clinical oversight, earlier interventions and better outcomes for our clients.

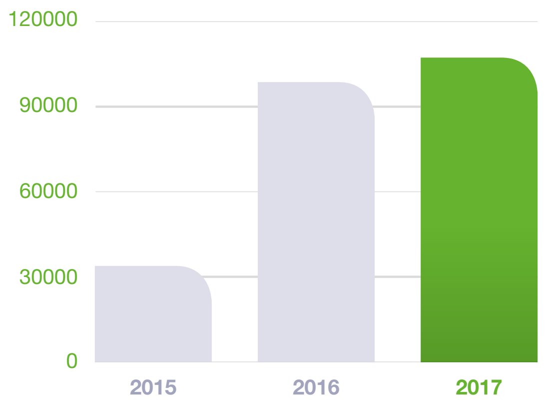
Build on our operations excellence platform to drive enhanced client experience

Our focus for the coming year:

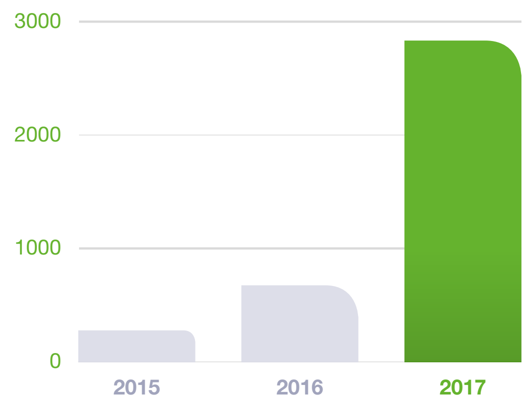
- Implement and enhance sector programmes such as guaranteed hours and pay equity to improve engagement with our front line staff
- Build on our operations excellence platform to drive enhanced client experience
- Drive revenue growth in our District Nursing and Serious Injury services
- Grow the Community Health business by developing the synergies between the specialist nursing services of Total Care Health, the home support services of Access and our networks of medical centres and pharmacies
- Invest in IT solutions to deliver improved efficiency and patient outcomes

Simon Lipscombe
CEO Community Health
24 May 2017

Community Health operating revenue
($000's)



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



Directors' declaration

For the year ended 31 March 2017

In the opinion of the directors of Green Cross Health Limited, the financial statements and notes, on pages 32 to 60:

- 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 2017 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 2017.

For and on behalf of the Board of Directors:

Peter Merton
Chairman
24 May 2017

John Bolland
Director
24 May 2017

Independent auditor's report

To the shareholders of Green Cross Health Limited

Report on the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Green Cross Health Limited (the company) and its subsidiaries (the Group) on pages 32 to 60:

i. Present fairly in all material respects the Group's financial position as at 31 March 2017 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.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 31 March 2017;
- the consolidated statement of comprehensive income, statement of changes in equity and statement of 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) (ISA's (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 ISA (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 taxation compliance. Subject to certain restrictions, partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as auditor of the Group. The firm has no other relationship with, or interest in, the Group.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $1.5 million determined with reference to a benchmark of consolidated 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 ($117.1 million)

Refer to Note 13 to the consolidated financial statements.

In recent years the Group has grown significantly through acquisitions in its Pharmacy, Medical and Community Health business segments which has resulted in the recognition of goodwill on the balance sheet in the amount of $73.2 million, $24.9 million and $19.0 million, respectively.

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

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

- Revenue growth rates and achievement of operating cost efficiencies taking into consideration the Group's segmental business plans and ensuring consistent application of best practice across all pharmacies, medical centres and home care providers;
- Discount rates based on an industry weighted average cost of capital applicable for each of the business segments; 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 segments, including considering future economic and market conditions.

Independent auditor's report

(continued)

How the matter was addressed in our audit

Our audit procedures included:

- Ensuring the allocation of goodwill to segments 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 expected inflation rates, terminal value growth and discount rates;
- Challenging management's cash flow assumptions over revenue growth and operating costs in each of the business segments. For the Pharmacy segment we reviewed its business plan, considering its impact on owned pharmacies, franchisee fees and associated marketing income. For Medical centres we considered projected patient and medical staff numbers, patient fees, and associated revenue and personnel costs. For Community Health we reviewed their business plan considering the nature of contracts and management's ability to improve contractual profitability in prior periods; and
- Performing sensitivity analyses around the key assumptions used in the models;

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

Other Information

The Directors, on behalf of the Group, are responsible for the other information included in the entity's Annual Report. Other information includes the Directors Declaration and the other information included in the Annual Report. Our opinion on the 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 financial statements our responsibility is to read the other information, once received, and, in doing so, consider whether the other information is materially inconsistent with the 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 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 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 report, or any of the opinions we have formed.

Responsibilities of Directors for the consolidated financial statements

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

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards);
- implementing necessary internal control to enable the preparation of consolidated a 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 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 International Standards on Auditing (New Zealand) 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:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page1.aspx. This description forms part of our Auditor's Report.

KPMG

Aaron Woolsey - Partner

For and on behalf of KPMG

Auckland

24 May 2017

Group financial statements

Consolidated statement of comprehensive income

For the year ended 31 March 2017

	Note	2017 $'000	2016 $'000
Operating revenue	5	487,645	447,700
Operating expenditure	7	(446,627)	(412,936)
Depreciation and amortisation	12,13	(6,808)	(5,580)
Share of equity accounted net earnings	15	674	879
Operating profit before interest and tax		**34,884**	**30,063**
Interest income		394	575
Interest expense		(2,294)	(2,708)
Net interest expense		(1,900)	(2,133)
Profit before tax		**32,984**	**27,930**
Income tax expense	8	(8,631)	(6,882)
Profit after tax for the year		**24,353**	**21,048**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		**24,353**	**21,048**

	Note	2017 $'000	2016 $'000
Attributable to:			
Shareholders of the Parent		19,642	17,036
Non-controlling interest		4,711	4,012
Attribution of profit and comprehensive income to shareholders and non controlling interest		24,353	21,048
Earnings per share:			
Basic earnings per share (cents)	9	14.23	12.57
Diluted earnings per share (cents)	9	14.18	12.53

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 37 to 60 form part of the financial statements.

Consolidated statement of changes in equity

For the year ended 31 March 2017

	Note	Share capital $'000	Retained earnings $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 April 2015		69,767	26,514	3,140	99,421
Profit for the year			17,036	4,012	21,048
Total comprehensive income for the year			**17,036**	**4,012**	**21,048**
Transactions with owners, recorded directly in equity					
Issue of shares		6,690			6,690
Dividends to shareholders	10		(29,727)		(29,727)
Distribution to non-controlling interests				(3,196)	(3,196)
Impact of other transactions with non-controlling interest			12	(228)	(216)
Share scheme amortisation	23	120			120
Balance at 31 March 2016		**76,577**	**13,835**	**3,728**	**94,140**
Balance at 1 April 2016		76,577	13,835	3,728	94,140
Profit for the year			19,642	4,711	24,353
Total comprehensive income for the year			**19,642**	**4,711**	**24,353**
Transactions with owners, recorded directly in equity					
Issue of shares		7,253			7,253
Dividends to shareholders	10		(9,625)		(9,625)
Distribution to non-controlling interests				(3,496)	(3,496)
Impact of other transactions with non-controlling interest			(364)	(88)	(452)
Share scheme amortisation	23	57			57
Balance at 31 March 2017		**83,887**	**23,488**	**4,855**	**112,230**

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 37 to 60 form part of the financial statements.

Consolidated statement of financial position

As at 31 March 2017

	Note	2017 $'000	2016 $'000
Equity			
Share capital		83,887	76,577
Retained earnings		23,488	13,835
Total equity attributable to shareholders of the Parent		107,375	90,412
Non-controlling interest		4,855	3,728
Total equity		**112,230**	**94,140**
Current assets			
Cash and cash equivalents		18,195	19,918
Trade and other receivables	11	33,859	34,264
Inventories		33,713	31,353
Total current assets		**85,767**	**85,535**
Non-current assets			
Property, plant and equipment	12	21,966	19,553
Intangible assets	13	124,381	113,243
Deferred tax asset	14	7,970	6,253
Equity accounted group investments	15	5,127	5,067
Total non-current assets		**159,444**	**144,116**
Total assets		**245,211**	**229,651**
Current liabilities			
Payables and accruals	16	62,410	60,221
Income taxes payable	16	3,872	1,444
Borrowings	17	28,586	13,016
Total current liabilities		**94,868**	**74,681**
Non-current liabilities			
Payables and accruals		1,162	1,366
Borrowings	17	36,951	59,464
Total non-current liabilities		**38,113**	**60,830**
Total liabilities		**132,981**	**135,511**
Net assets		**112,230**	**94,140**

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 37 to 60 form part of the financial statements.

Consolidated statement of cash flows

For the year ended 31 March 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Dividend received	15	614	1,005
Receipts from customers		488,148	436,636
Interest received		394	575
Payments to suppliers and employees		(449,024)	(410,364)
Interest paid		(2,294)	(2,083)
Income taxes paid		(7,920)	(7,345)
Net cash inflow from operating activities	**18**	**29,918**	**18,424**
Cash flows from investing activities			
Purchase of property, plant, equipment and software intangibles		(10,350)	(10,642)
Acquisition of interests in equity accounted investments		-	(495)
Proceeds from sale of interests in equity accounted investments		-	266
Acquisition of interests in subsidiaries	6	(13,379)	(14,337)
Proceeds from sale of shares in subsidiaries		-	1,195
Net cash outflow from investing activities		**(23,729)**	**(24,013)**
Cash flows from financing activities			
Proceeds from borrowings		9,068	40,766
Repayment of borrowings		(10,716)	(13,870)
Shares issued for cash		187	178
Distribution to non-controlling interest		(3,497)	(3,196)
Dividends paid		(2,959)	(23,217)
Net cash outflow from financing activities		**(7,917)**	**661**
Net decrease in cash and cash equivalents		**(1,728)**	**(4,928)**
Add opening cash and cash equivalents		19,918	23,554
Cash acquired: business combinations	6	5	1,292
Closing cash and cash equivalents		**18,195**	**19,918**
Reconciliation of closing cash and cash equivalents to the consolidated statement of financial position:			
Cash and cash equivalents		18,195	19,918
Closing cash and cash equivalents		**18,195**	**19,918**

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 37 to 60 form part of the financial statements.

Notes to the financial statements

For the year ended 31 March 2017

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 24 May 2017.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

2. Basis of preparation (continued)

(d) Significant estimates and judgments

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

In authorising the financial statements for the year ended 31 March 2017, 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 13 of these financial statements provides more information on the assumptions the Directors have made in this area and the carrying values of goodwill and indefinite life intangible assets. As the outcomes in the next financial period may be different to the assumptions made, it is impracticable to predict the impact that could result in a material adjustment to the carrying amount.

3. Basis of preparing Group financial statements

(a) Subsidiaries

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

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

The Group's ownership interests in subsidiaries ranges from 47% to 100% (2016: 25% to 100%). The Group has less than half of the voting rights of a number of entities that are consolidated. This is on the basis that the Group's contractual arrangements with these entities result in them meeting the definition of being subsidiaries as set out above.

(b) Non-controlling interests

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

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

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

While the group has 42 (2016: 42) subsidiaries with non-controlling interests, there are no subsidiaries with individually material non-controlling interest.

(c) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(d) Goods and services tax (GST)

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

(e) Comparatives

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

(f) Statement of cash flows

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

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

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

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

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

Financing activities reflect changes in borrowings and equity.

(g) Going concern

At the balance date the Group has a working capital deficit of $9 million due to current borrowings that will be renewed 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.

(h) Inventory

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

4. New standards and interpretations issued and not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2017. These include the following new standards and interpretations that are applicable to the business of the Group, and have not been applied in preparing these consolidated financial statements:

- NZ IFRS 15 Revenue from Contracts with Customers
- NZ IFRS 9 Financial Instruments
- Disclosure Initiative (Amendments to NZ IAS 7)
- NZ IFRS 16 Leases

The impact of these standards on the Group is currently being evaluated by the Directors. Of these standards, NZ IFRS 16 Leases is expected to have the most significant impact on the financial statements. NZ IFRS 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The Group has performed a preliminary high-level assessment of the new standard on its existing operating lease arrangements as a lessee (refer to Note 22). Based on the preliminary assessment, the Group expects these operating leases to be recognised as ROU assets with corresponding lease liabilities under the new standard. The operating lease commitments on an undiscounted basis amount to approximately 32% of the consolidated total assets and 46% of consolidated total liabilities. Assuming no additional new operating leases in future years until the effective date, the Group expects the amount of ROU asset and lease liability to be lower due to discounting and as the lease terms run down. The Group plans to adopt the standard when it becomes effective in 2019.

The other remaining standards, amendments and interpretations issued but not yet effective that are applicable to the business are currently being evaluated by the Directors. It is not yet possible to make a reasonable estimate the impact of the adoption of these pronouncements.

5. Segment reporting

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

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

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

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

Operating segments

Information about reportable segments

March 2017	Pharmacy services $'000	Medical services $'000	Community Health $'000	Other $'000	Total $'000
External revenues	322,604	49,336	115,705	-	487,645
Total revenue	**322,604**	**49,336**	**115,705**	**-**	**487,645**
Cost of products sold	(186,664)	-	-	-	(186,664)
Employee benefit expense	(58,565)	(37,110)	(106,208)	-	(201,883)
Lease expenses	(15,556)	(2,897)	(1,212)	-	(19,665)
Other expenses	(30,353)	(6,356)	(4,470)	2,764	(38,415)
Depreciation and amortisation	(5,368)	(600)	(840)	-	(6,808)
Share of equity accounted net earnings	140	534	-	-	674
Operating profit before interest and tax	**26,238**	**2,907**	**2,975**	**2,764**	**34,884**
Interest income					394
Interest expense					(2,294)
Profit before tax					**32,984**
Tax expense					(8,631)
Profit after tax					24,353
Non-controlling interest					(4,711)
Net profit attributable to the shareholders of the Parent					**19,642**
Reportable segment assets	187,956	35,338	39,380	(17,463)	245,211
Equity accounted investments	1,589	3,538	-	-	5,127
Capital expenditure	9,288	465	1,346	-	11,099
Reportable segment liabilities	106,873	21,450	22,121	(17,463)	132,981

5. Segment reporting (continued)

March 2016	Pharmacy services $'000	Medical services $'000	Community Health $'000	Other $'000	Total $'000
External revenues	295,573	46,451	105,676	-	447,700
Total revenue	**295,573**	**46,451**	**105,676**	**-**	**447,700**
Cost of products sold	(170,681)	-	-	-	(170,681)
Employee benefit expense	(53,586)	(34,712)	(98,970)	-	(187,268)
Lease expenses	(14,169)	(2,736)	(1,322)	-	(18,227)
Other expenses	(27,969)	(6,266)	(4,214)	1,689	(36,760)
Depreciation and amortisation	(4,359)	(676)	(545)	-	(5,580)
Share of equity accounted net earnings	176	699	4	-	879
Operating profit before interest and tax	**24,985**	**2,760**	**629**	**1,689**	**30,063**
Interest income					575
Interest expense					(2,708)
Profit before tax					**27,930**
Tax expense					(6,882)
Profit after tax					21,048
Non-controlling interest					(4,012)
Net profit attributable to the shareholders of the Parent					**17,036**
Reportable segment assets	176,487	36,004	39,677	(22,517)	229,651
Equity accounted investments	1,576	3,491	-	-	5,067
Capital expenditure	9,914	82	646	-	10,642
Reportable segment liabilities	111,269	22,545	24,214	(22,517)	135,511

Revenue recognition

(i) Sale of goods

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

(ii) Rendering of services

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

(iii) Loyalty programme

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

6. Business combinations

Business combinations acquired during the year include; Discovery Pharmacy (2016) Limited and Trident Pharmacy (2017) Limited. None of these acquisitions are individually material to the Groups result.

Identifiable assets acquired and liabilities assumed	**Carrying value $'000**	**Fair value $'000**
Total assets	2,697	2,697
Identifiable net assets	**2,697**	**2,697**
Consideration transferred		
Satisfied by:		
Cash consideration		10,714
Contingent consideration		500
Total consideration		11,214
Less cash acquired (included in assets above)		(5)
Net cash outflow		**11,209**
Goodwill		
Goodwill recognised as a result of the acquisitions are as follows:		
Total consideration		11,214
Identifiable net assets		(2,697)
Goodwill		**8,517**

The amount of revenue included in the consolidated statement of comprehensive income is $1.8 million with a net profit after tax of $0.1 million.

7. Operating expenditure

	2017 $'000	2016 $'000
Cost of products sold	186,664	170,681
Employee benefit expense	201,883	187,268
Lease expenses	19,665	18,227
Change in fair value of vendor put option	(2,764)	(1,689)
Other expenses	39,945	37,486
Audit fees	238	211
Other services provided by auditors	58	84
Directors' fees in respect of the parent company	440	407
Directors' fees in respect of the subsidiary companies	237	206
Bad debts written off and movement in doubtful debt provision	261	55
	446,627	**412,936**
Auditor's remuneration to KPMG comprises:		
Annual audit of financial statements	185	178
Annual audit of financial statements - Prior year	53	-
Audit of subsidiaries	-	33
	238	**211**
Other services provided by auditors:		
Taxation services	58	80
Other services	-	4
	58	**84**

Tax services relate to compliance and related services.

8. Income tax expense

(a) Income tax expense	**2017 $'000**	**2016 $'000**
Current tax expense	(10,348)	(7,538)
Deferred tax expense (see note 14)	1,717	656
	(8,631)	(6,882)
Total income tax expense		
Imputation credit account:		
Available for use in subsequent periods $1,988,000 (2016: $1,117,000).		
(b) Numerical reconciliation between tax expense & pre-tax accounting profit		
Profit before tax	32,984	27,930
Income tax expense at 28%	(9,236)	(7,820)
Deduct the tax effect of adjustments		
Prior period adjustment	(312)	130
Other	917	808
	(8,631)	(6,882)

Taxation accounting policy

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

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

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

9. Earnings and assets per share

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

	2017	**2016**
Basic earnings per share (cents)	14.23	12.57
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 138,133,000 (2016: 135,528,000).		
Diluted earnings per share (cents)	14.18	12.53
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 138,751,000 (2016: 135,910,000).		
Net tangible (liabilities) / assets per share (cents)	(14.42)	(18.55)
The calculation of net tangible assets per share is based on net assets less deferred tax and intangible assets (refer Note 13 and Note 14) and the closing number of ordinary shares at the end of the year.		
Net assets per share (cents)	80.45	68.88
The calculation of net assets per share is based on net assets and the closing number of ordinary shares at the end of the year.		

10. Dividends to shareholders of the Parent company

Dividends per share (cents)	7.00	22.00

In December 2016 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 2016 Green Cross Health Limited paid a final dividend for the March 2016 year of 3.5 cents per qualifying ordinary shares to shareholders, which was fully imputed to 28%.

11. Trade and other receivables

	2017 $'000	2016 $'000
Trade receivables	19,353	19,195
Accrued income	12,550	12,150
Other receivables and prepayments	2,646	3,373
Provision for doubtful debts	(690)	(454)
	33,859	**34,264**

12. Property, plant and equipment

Opening cost	52,620	44,445
Acquisitions through business combinations	1,115	2,254
Additions	6,284	7,582
Disposals	(639)	(1,661)
Closing cost	59,380	52,620
Opening accumulated depreciation	35,017	32,133
Depreciation for the period	5,304	4,471
Disposals	(267)	(1,587)
Closing accumulated depreciation	40,054	35,017
Closing book value	19,326	17,603
Work in progress	2,640	1,950
Total property, plant and equipment	**21,966**	**19,553**

Property, plant and equipment accounting policy

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

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

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

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

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

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

13. Intangible assets

Software and other intangible assets	Note	2017 $'000	2016 $'000
Opening cost		8,894	6,670
Acquisitions through business combinations	6	-	-
Additions		4,125	2,231
Disposals		(12)	(7)
Closing cost		13,007	8,894
Opening accumulated amortisation		4,186	3,079
Amortisation for the period		1,504	1,109
Disposals		(12)	(2)
Closing accumulated amortisation		5,678	4,186
Closing book value		**7,329**	**4,708**
Goodwill			
Opening cost		108,535	89,816
Additions	6	8,517	18,719
Closing cost		117,052	108,535
Total intangible assets		**124,381**	**113,243**

Intangible assets accounting policy

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

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

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

Estimated useful lives of the asset classes are:

Software 3 - 5 years

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

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

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

Goodwill accounting policy

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

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

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

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

Impairment testing

Discounted cash flow (DCF) models have been based on three year forecast cash flow projections. The Board approved budget for the year ending 31 March 2018 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. Cash flows are discounted using a weighted average cost of capital.

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

	Impairment test assumptions 2016		
	Pharmacy services	**Medical services**	**Community Health**
Discount rate - post tax	11.4%	9.2%	9.9%
Terminal growth rate	2%	2%	2%
Carrying amount of goodwill allocated to the unit ($000)	64,757	24,813	18,964
Carrying value of other intangible assets with indefinite useful lives ($000)	1,963	-	-

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

Sensitivities

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

14. Deferred tax asset

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

	Opening $'000	Recognised in profit or loss $'000	Recognised on acquisition $'000	Closing $'000
Group - 2017				
Property, plant and equipment	1,537	243	-	1,780
Provisions and accruals	4,542	476	-	5,018
Tax losses	174	998	-	1,172
	6,253	**1,717**	**-**	**7,970**
Group - 2016				
Property, plant and equipment	1,415	122	-	1,537
Provisions and accruals	4,096	718	(272)	4,542
Tax losses	358	(184)	-	174
	5,869	**656**	**(272)**	**6,253**

15. Equity accounted group investments

	2017 $'000	2016 $'000
The movement in equity accounted investments comprises:		
Opening carrying amount	5,067	7,142
Investment in associates and joint ventures	-	495
Disposal of associates and joint ventures	-	(2,444)
Share of net earnings	674	879
Dividend	(614)	(1,005)
	5,127	5,067
There are no individually material associates or joint ventures.		
Amount of goodwill within the carrying amount of equity accounted group investments:		
Opening carrying amount	3,208	4,487
(Disposal) / investment in associates and joint ventures	-	(1,279)
	3,208	3,208

Summary associate and joint venture financial information

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

	Assets $'000	Liabilities $'000	Revenue $'000	Net profit after tax $'000
As at and for the year ended 31 March 2017	11,147	6,406	41,391	2,209
As at and for the year ended 31 March 2016	10,659	6,108	36,662	2,191

Reporting dates

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

Impairment testing of the carrying amount of equity accounted investments

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

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

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

No impairment was identified as a result of this exercise.

15. Equity accounted group investments (continued)

Sensitivities

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

Investments in associates and joint ventures accounting policy

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

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

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

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

16. Trade and other payables and income taxes payable

	2017 $'000	2016 $'000
Trade payables	28,580	29,267
Payable to non-controlling interest	3,366	3,003
Accruals	14,672	14,158
Employee entitlements	15,792	13,793
	62,410	60,221
Income tax payable	3,872	1,444
	66,282	**61,665**

Employee entitlements accounting policy

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

17. Borrowings

	2017 $'000	2016 $'000
Current	28,586	13,016
Non-current	36,951	59,464
	65,537	72,480

The Group's interest rate on outstanding loans is calculated based on BKBM plus a margin. The current interest rate is between 3.6% and 6.15% (2016: 3.4% - 4.4%). A 0.5% increase/decrease in the effective interest rate would result in a decrease/increase in after tax profit of $328,000 or ($328,000).

Green Cross Health Limited and all its wholly owned subsidiaries along with Green Cross Health Medical and its wholly owned subsidiaries provided cross guarantees in favour of ANZ Bank New Zealand Limited (ANZNB) covering all loans held by these companies. Loans within partnership subsidiaries are covered by a GSA agreements over the individual store.

Security has also been provided by Green Cross Limited in favour of Westpac Banking Corporation in relation to one Pharmacy subsidiary.

Included in the non current borrowings as at 31 March 2016 was a vendor put liability in relation to the acquisition of Peak Primary Limited. The vendor put liability is carried at fair value through profit and loss. The level 3 fair value is calculated based on a discounted cash flow valuation model which considers the present value of the expected payment of $5,294,000, discounted using a risk-adjusted discount rate of 7.0%. During the year, the vendor put liability has been settled resulting in a gain of $2,764,000 – refer note 7.

Borrowings and advances accounting policy

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

18. Operating cash flows reconciliation

	2017 $'000	2016 $'000
Profit after tax for the year	24,353	21,048
Add/(deduct) non-cash items:		
Depreciation and amortisation	6,808	5,580
Change in fair value of vendor put option	(2,764)	(1,689)
Other non-cash items	(1,554)	(423)
Add/(deduct) changes in working capital items:		
Receivables and accruals	503	(10,623)
Inventory	(881)	(2,985)
Payables and accruals	3,453	7,516
Net cash inflow from operating activities	**29,918**	**18,424**

19. Shares on issue

	2017 '000	2016 '000
Shares authorised and on issue		
Opening number of shares	137,284	134,388
Shares issued - fully paid	2,701	2,596
Shares issued - partly paid	-	300
Shares cancelled - partly paid	(150)	-
	139,835	137,284
Shares held as treasury stock	(333)	(617)
	139,502	**136,667**

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

Treasury stock

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

Share capital

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

20. Financial instruments

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

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

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

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

Credit risk

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

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

	Gross receivable	**Impairment**	**Gross receivable**	**Impairment**
	2017 $'000	**2017 $'000**	**2016 $'000**	**2016 $'000**
Not past due	29,946	-	27,326	-
Past due 0-30 days	892	-	1,913	-
Past due 31-120 days	1,333	-	2,765	-
Past due more than 120 days	2,378	(690)	2,714	(454)
Total	**34,549**	**(690)**	**34,718**	**(454)**

20. Financial instruments (continued)

Liquidity risk

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

	2017				
	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	65,537	69,146	30,600	24,267	14,278
Trade and other payables	46,618	46,618	46,618	-	-
Total non-derivative liabilities	**112,155**	**115,764**	**77,218**	**24,267**	**14,278**
	2016				
Borrowings	72,480	77,942	15,364	31,831	30,747
Trade and other payables	46,428	46,428	46,428	-	-
Total non-derivative liabilities	**118,908**	**124,370**	**61,792**	**31,831**	**30,747**

Market risk

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

Capital management

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

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

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

The carrying amount of the Group's on-balance sheet financial instruments including trade and other receivables, cash and cash equivalents, borrowings and trade payables, closely approximate their fair values as at 31 March 2017 and 31 March 2016.

21. Related parties

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

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

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

Related party transactions for the Group:

	Transaction value		Balance outstanding	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Equity earnings from associates	674	879	-	-
Franchise fees and on-charged costs with equity accounted investments	43	47	1	5
Management service charges to equity accounted investments	1,128	1,038	126	192
Total owing from equity accounted investments			127	197
Receivable from other related parties			1,551	2,015
Payable to non-controlling interests (note 16)			3,366	3,003

Key management personnel remuneration

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

	2017 $'000	**2016 $'000**
Short-term employee benefits	1,844	2,068
Share vesting costs	57	120
	1,901	2,188

22. Non-cancellable operating leases

	2017 $'000	2016 $'000
Non-cancellable operating leases		
Due within one year	24,201	21,558
Due between one and five years	60,182	53,664
Due after five years	30,637	8,470
	115,020	83,692

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

Leases accounting policy

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

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

23. Share based payments

(a) Description of share-based payment arrangements

At 31 March 2017, the Group had the following share-based payment arrangements:

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

In addition, a further 150,000 instruments were granted on 2 December 2013 and are exercisable over the period from 1 October 2015 to their expiry date on 1 October 2019, with no more than one third being exercisable prior to 1 October 2016 and two thirds prior to 1 October 2017.

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

The Redeemable Ordinary Shares (ROS) have been issued by the parent to Life Pharmacy Trustee Company Limited as trustee of a trust that holds the shares on behalf of the employees. Each ROS is partly-paid to $0.01 and carries an entitlement to dividends and voting rights in proportion to the extent paid. On exercise, the ROS are fully paid and converted into ordinary shares. The total charged to the profit and loss in the period was $56,528 (2016: $119,774).

(b) Measurement of fair value

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

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

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

23. Share based payments (continued)

(c) Reconciliation of outstanding ROS

	Number of instruments 2017 '000	Weighted average exercise price 2017	Number of instruments 2016 '000	Weighted average exercise price 2016
Outstanding at 1 April	617	$1.91	500	$1.29
Cancelled during the year	(150)	$2.37	-	NA
Exercised during the year	(134)	$1.43	(183)	$0.96
Granted during the year	-	-	300	$2.37
Outstanding at 31 March	**333**	**$1.90**	**617**	**$1.91**
Exercisable at 31 March	-	n/a	-	n/a

Instruments outstanding at 31 March 2017 had exercise prices of $1.25 - $2.37 (2016: $1.25 - $2.37) and a weighted average contractual life of 3.1 years (2016: 4.1 years). The weighted average share price at the date of exercise for ROS during the year was $1.90 (2016: $1.91).

Share based payments accounting policy

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

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

24. Subsequent events

On 24 May 2017 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 2017

The current Group structure comprises 125 companies.
The Group entities are as follows:

Legal Parent	Holding	Activity
Green Cross Health Limited		Franchisor & investment
Controlled entities		
280 Queen Street (2005) Limited	43.9%	Pharmacy
Access Homehealth Limited	100.0%	Community Health
Albany Pharmacy Limited	49.0%	Pharmacy
Alexandra Pharmacy (2013) Limited	48.5%	Pharmacy
Amcal Chemists (N.Z.) Limited	100.0%	Non-trading
Amida Training Limited	100.0%	Non-trading
Apollo Pharmacy (2014) Limited	49.0%	Pharmacy
Bay of Plenty Pharmacies Limited	100.0%	Pharmacy
Bayfair Pharmacy (2010) Limited	49.0%	Pharmacy
Bayfair Pharmacy Limited	100.0%	Non-trading
Baymed Group (2013) Limited	100.0%	Medical centre
Birkenhead Pharmacy (2011) Limited	48.8%	Pharmacy
Botany Downs Pharmacy Limited	25.0%	Pharmacy
Care Chemist Limited	100.0%	Non-trading
Care Chemist Pakuranga (2008) Limited	49.0%	Pharmacy
Central Pharmacy (2015) Limited	100.0%	Non-trading
Centre City Pharmacy (2004) Limited	43.9%	Pharmacy
Chemist Express Limited	49.0%	Pharmacy
Christchurch Pharmacy (2015) Limited	49.0%	Pharmacy
Davies Corner Pharmacy Limited	25.0%	Pharmacy
Discovery Pharmacy (2016) Limited	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	71.2%	Medical centre
Glenfield Mall Pharmacy Limited	48.5%	Pharmacy
Green Cross Health Direct Limited	100.0%	Non-trading
Green Cross Health Medical Limited	100.0%	Investment
Green Cross Health Medical Solutions Limited	100.0%	Services to medical centres
Green Cross Health Primary Limited	100.0%	Medical centre
Guthries Pharmacy Limited	49.0%	Pharmacy
Harbour City Pharmacy (2011) Limited	48.5%	Pharmacy
Hastings Pharmacy (2013) Limited	49.0%	Pharmacy
Hawkes Bay Pharmacies Limited	49.0%	Pharmacy

Controlled entities	Holding	Activity
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	100.0%	Pharmacy
Hutt Valley Pharmacies 2014 Limited	49.0%	Pharmacy
J-Mall Pharmacy Limited	49.0%	Pharmacy
Knox Pharmacy 2010 Limited	48.5%	Pharmacy
Lake Taupo Pharmacy (2008) Limited	48.5%	Pharmacy
Levin Pharmacy (2005) Limited	100.0%	Pharmacy
Life Pharmacy Albany Limited	49.0%	Pharmacy
Life Pharmacy Centre Place (2009) Limited	49.0%	Pharmacy
Life Pharmacy Limited	100.0%	Non-trading
Life Pharmacy Sylvia Park Limited	49.0%	Pharmacy
Life Pharmacy Trustee Company Limited	100.0%	Non-trading
Life Pharmacy Wall Street Dunedin Limited	49.1%	Pharmacy
Manawatu Pharmacies Limited	49.0%	Pharmacy
Manners Pharmacy (2016) Limited	49.0%	Non-trading
Manukau Pharmacy (2011) Limited	49.1%	Pharmacy
Moorhouse Pharmacy 2003 Limited	25.0%	Pharmacy
Motueka Medical (2013) Limited	74.8%	Medical centre
New Lynn Pharmacy (2015) Limited	48.8%	Pharmacy
New Plymouth (2015) Limited	48.5%	Pharmacy
Northlands Pharmacy (2003) Limited	49.0%	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%	Non-trading
Pharmacy 277 Limited	49.1%	Pharmacy
Pharmacy B102 Limited	49.0%	Pharmacy
Pharmacy G101 Limited	49.0%	Pharmacy
Pharmacy J104 Limited	49.0%	Pharmacy
Pharmacy K103 Limited	49.0%	Pharmacy
Pharmacy L105 Limited	49.0%	Pharmacy
Pharmacy N106 Limited	49.0%	Pharmacy
Pharmacy Management Limited	100.0%	Investment
Pharmacy Store Holdings Limited	100.0%	Investment
Pharmacybrands Limited	100.0%	Non-trading
Pharmacybrands On-line Limited	100.0%	Non-trading
Porirua Pharmacy (2006) Limited	100.0%	Non-trading

Controlled entities	Holding	Activity
Queen Street Pharmacy (2015) Limited	49.0%	Pharmacy
Radius Medical Limited	100.0%	Non-trading
Radius Medical Solutions Limited	100.0%	Non-trading
Radius Pharmacy Greenmeadows Limited	49.0%	Pharmacy
Radius Pharmacy Limited	100.0%	Franchisor and Investment
Radius Pharmacy Lower Hutt Limited	48.5%	Pharmacy
Radius Pharmacy Napier Limited	48.8%	Pharmacy
Radius Pharmacy Riccarton Limited	49.0%	Pharmacy
Radius Pharmacy Te Rapa Limited	48.8%	Pharmacy
Radius Pharmacy Upper Hutt Limited	49.0%	Pharmacy
Radius Pharmacy Waikanae Limited	48.5%	Pharmacy
Radius Pharmacy Wanganui Limited	49.0%	Pharmacy
Radius Ti Rakau Limited	100.0%	Medical centre
Riccarton Mall Pharmacy 2000 Limited	49.0%	Pharmacy
RPG Medicine Management Limited	25.0%	Pharmacy
Russell Street Pharmacy Hastings (2015) Limited	48.5%	Pharmacy
Shirley Pharmacy Limited	100.0%	Pharmacy
Shore City Pharmacy (2010) Limited	48.5%	Pharmacy
Shore City Pharmacy Limited	100.0%	Non-trading
Sinel-Francis Pharmacy Tauranga Limited	49.0%	Pharmacy
Smart Pharmacy Limited	100.0%	Non-trading
St James Pharmacy (2015) Limited	100.0%	Non-trading
St Lukes Pharmacy Holdings Limited	49.0%	Pharmacy
Stokes Valley Pharmacy (2009) Limited	48.5%	Pharmacy
Tauranga Pharmacy (2012) Limited	48.6%	Pharmacy
Timaru Pharmacy (2013) Limited	48.9%	Pharmacy
The Doctors (Hastings) Limited	71.2%	Medical centre
The Doctors (Huapai) Limited	100.0%	Medical centre
Total Care Health Services Limited	100.0%	Community Health
Tower Junction Pharmacy Limited	48.5%	Pharmacy
Trident Pharmacy (2017) Limited	48.8%	Pharmacy
Unichem Chemists (N.Z.) Limited	100.0%	Non-trading
Upper Hutt Health Centre Pharmacy Limited	25.0%	Pharmacy
Upper Riccarton Pharmacy Limited	25.0%	Pharmacy
Waiuku Medical Pharmacy (2010) Limited	48.5%	Pharmacy
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

Controlled entities	Holding	Activity
Willis Street Pharmacy Limited	25.0%	Pharmacy
Joint Venture entities		
Pharmacies Instore Limited	50.0%	Retail
Green Cross Health Workplace Limited	50.0%	Health services
Associate entities		
Radius Medical Whakatane Properties Limited	50.0%	Medical centre
Silverstream Health Centre Limited	49.0%	Medical centre
Team Medical at Kapiti Limited	48.8%	Medical centre
The Doctors (Mangere) Limited	25.1%	Medical centre
The Doctors (Massey Medical) Limited	25.1%	Medical centre
The Doctors (Napier) Limited	25.1%	Medical centre
The Doctors (New Lynn) Limited	36.7%	Medical centre
Total Health Doctors Limited	42.3%	Medical centre
Walls & Roche Royal Oak Pharmacy Limited	25.1%	Pharmacy


thedoctors
te whare hāpara
GP SERVICES
NURSE SERVICES
ACCIDENT & INJURY
MINOR PROCEDURES

Board of Directors

As at 31 March 2017

Peter Merton, Chairman

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) approximately 12 years ago.

Following the merger of Life Pharmacy Limited with Pharmacybrands Limited in 2009, Peter assumed the role of Chairman 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 a 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.

Patrick Davies, Non-Executive Director (resigned 23 May 2017)

Patrick Davies has been in executive management roles in the health care industry for over twenty years having held senior roles across many industry sectors including pharmacy, primary care, pharmaceutical and consumer products. In July 2014, Patrick was appointed to his current position of Chief Executive Officer of EBOS Group Limited, a company listed on the NZX and ASX that has leading positions in various health care market segments in New Zealand and Australia with a long heritage in the pharmacy industry in particular.

Tony Edwards, Independent Director

Dr Tony Edwards is a founding director and shareholder of The Doctors Group, which originated in Napier in 1989. The Doctors 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 chairman of Te Matau a Maui Health Trust which is the owner of Health Hawke's Bay Limited. He continues in his part time integrative medical practice at The Doctors Napier, where he is also the Managing Director.

Dame Margaret Millard, Independent Director

Dame Margaret Millard runs a farm in partnership with her husband and is currently the chairman of C. Alma Baker Trust (NZ) Limited, a trustee on the Eastern and Central Community Trust, trustee on the Manawatu Stewart Centre (a client centred, community based social rehabilitation for people with brain injuries) and chairman of the Manawatu Rangitikei Rural Family Support Trust. Dame Margaret was on the Nursing Council of NZ for eight 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 25 years as a community pharmacist and is currently a partner in a group of pharmacies in Northland. Ken has been a director of Manaia Health PHO Limited since formation in 2003 and was a former President of the NZ Pharmacy Guild, which represents the business interests of community pharmacies.

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

Keith Rushbrook, Independent Director

Keith Rushbrook is a retired partner of the international accounting firm KPMG.

Keith is a Fellow Member of the Institute of Chartered Accountants and has been Chairman of its Audit Committee, Deputy Chairman of the Accounting Research and Standards Board, Chairman of the Working party that developed the Conceptual Framework for Financial Reporting in New Zealand and Chairman of Advanced Business Education Limited, a subsidiary of the Institute. He was also Manager of the Accounting Standards Review Board during the period of implementation of NZ IFRS.

He is a director of a number of companies including: KC Securities Limited, and Putake West Coast Partner (2015) Limited. He is also Chairman of the Advisory Board of Development West Coast.

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

Peter Williams is an executive of the Zuellig Group which has significant health care interests in Asia Pacific. In this capacity he is a Director of a number of companies including, in New Zealand, Ebos Group Limited and CB Norword Distributors Limited.


Access
community health

Corporate governance

For the year ended 31 March 2017

Role of the Board of Directors

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

Board composition and structure

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

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

Board meetings

The following table outlines the number of board meetings attended by Directors during the course of the 2017 financial year.

Director	Meetings held	Meetings attended
John (Andrew) Bagnall [1]	9	5
John Bolland	9	7
Patrick Davies	9	5
Anthony (Tony) Edwards	9	8
Peter Merton	9	8
Margaret Millard	9	7
Kenneth Orr	9	9
Keith Rushbrook	9	9

1. Mary-ElizabethTuck is the alternate to Andrew Bagnall. She has attended 4 board meetings on behalf of Andrew Bagnall.

Code of Ethics

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

Shareholder relations

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

Insider trading guidelines

The Board has issued guidelines to prevent insider trading to all directors, deemed directors, officers and other restricted persons of Green Cross Health. All directors, deemed directors, officers and other restricted persons of Green Cross Health must formerly 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 five standing committees described as follows. The Board annually reviews the performance of the standing committees against written charters.

Remuneration and Nominations Committee

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

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

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

The composition of the Remuneration and Nominations Committee is Peter Merton (Chairman), Keith Rushbrook, Ken Orr and John Bolland. The committee meets as required.

Audit Committee

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

The CEO Pharmacy and Medical, CEO Community Health and the COO/CFO attend as ex-officio members and external auditors by invitation of the Chairman. 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 Keith Rushbrook (Chairman), Ken Orr and John Bolland.

Directors	Meetings held	Meetings attended
John Bolland	3	3
Keith Rushbrook	3	3
Ken Orr	3	3

Finance and Risk Management Committee

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

The CEO Pharmacy and Medical, CEO Community Health and the COO/CFO attend as ex-officio members. The Committee meets a minimum of four times each year. Its responsibilities include:

- To review potential acquisitions proposals and make recommendations to the Board
- To review the Groups annual budgets
- To review capex proposals and make recommendations to the Board
- To report the proceedings of each meeting to the Board

The current composition of the committee is Keith Rushbrook (Chairman), Peter Merton, Ken Orr and John Bolland. The committee met nine times during the year.

Health and Safety Committee

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

The CEO Pharmacy and Medical, CEO Community Health and COO/CFO attend as ex-officio members.

The Committee meets a minimum of twice each year. Its responsibilities include:

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

The current composition of the committee is Ken Orr (Chairman) and Andrew Bagnall. The committee met twice during the year.

Independent Directors' Committee

The committee comprises the independent directors. It meets as required to assist the Board in discharging its responsibility primarily in relation to matters that arise where there may be a perception of conflict of interest for those members of the Board or Management who hold a management and or ownership role in one or more of the company's associated companies.

Organisation structure and financial control

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

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

Gender and diversity

The following table set out a quantitative breakdown of the gender balance of the Directors and key personnel of the Group.

As at 31 March 2017	Directors		Key management personnel	
Female	1	13%	-	0%
Male [1]	7	87%	3	100%
Total	**8**		**3**	
As at 31 March 2016				
Female	1	13%	-	0%
Male [1]	7	87%	3	100%
Total	**8**		**3**	

1. Andrew Bagnall has appointed Mary-Elizabeth Tuck as his alternate director. Ms Tuck attended four board meetings as Mr Bagnall's alternate in the 12 months ended 31 March 2017 and three board meetings as Mr Bagnall's alternate in the 12 months ended 31 March 2016.

The Company's corporate governance policies and practices are consistent with the NZX Corporate Governance Best Practice Code, except that half of the Remunerations and Nominations Committee is comprised of Independent Directors (rather than at least a majority).

Other Annual Report Disclosures

For the year ended 31 March 2017

The total annual Directors' remuneration approved for each financial year is capped at $500,000 (from 1 August 2015). The Directors holding office during the year ending 31 March 2017 and the remuneration paid or payable to the Directors is as follows:

Director	Appointed	Resigned	Total Fees $
John (Andrew) Bagnall 1^			35,000
John Bolland *+#			35,000
Patrick Davies			35,000
Anthony (Tony) Edwards			60,000
Peter Merton +#			85,000
Margaret Millard			60,000
Kenneth Orr *+#¥^			60,000
Keith Rushbrook *¥+#			70,000
Total			**440,000**

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

** = Audit Committee member*
+ = Remuneration and Nominations Committee member
 # = Finance and Risk Management Committee member
¥ = Independent Directors' Committee member
^ = Health and Safety Committee member

Employee remuneration

The number of employees or former employees of the Group, not being directors of Green Cross Health Limited, who received remuneration and other benefits in their capacity as employees, the value of which exceeded $100,000 for the year ended 31 March 2017 is set out below:

Employee annual remuneration bands:	2017	2016
$100,000 - $109,999	35	23
$110,000 - $119,999	16	14
$120,000 - $129,999	21	9
$130,000 - $139,999	13	6
$140,000 - $149,999	16	8
$150,000 - $159,999	12	9
$160,000 - $169,999	12	7
$170,000 - $179,999	11	4
$180,000 - $189,999	11	6
$190,000 - $199,999	11	9
$200,000 - $209,999	14	10
$210,000 - $219,000	9	8
$220,000 - $229,999	4	3
$230,000 - $239,999	10	2
$240,000 - $249,999	3	2
$250,000 - $259,999	3	3
$260,000 - $269,999	1	1
$270,000 - $279,999	3	1
$280,000 - $289,999	3	-
$290,000 - $299,999	3	1
$300,000 - $309,999	4	3
$340,000 - $349,999	-	2
$350,000 - $359,999	4	3
$390,000 - $399,999	-	1
$520,000 - $529,999	1	-
$560,000 - $569,999	1	1
Former employees included in the above bands:	21	4

Donations

The Group made donations to the value of $89,436

Directors' shareholding and trades

The following table summarises:

(a) the number of shares in the Company held by Directors at 31 March 2017; 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 2016	Cancelled	Issued	Net trades in the period	Holding 31 March 2017
J A Bagnall (i)	43,115,203	-	1,086,228	87,282	44,288,713
J B Bolland (ii)	43,115,203	-	1,086,228	87,282	44,288,713
P D Davies (iii)	43,088,400	-	1,085,555	87,368	44,261,323
P M Merton (iv)	43,088,400	-	1,085,555	87,368	44,261,323
K R Rushbrook (v)	44,762	-	1,125		45,887
K A Orr (vi)	565,185	-	14,220		579,405
A W Edwards (vii)	50,624	-	1,587	43,894	96,105

(i) J A Bagnall is a Director of LPL Trustee Limited and therefore holds a relevant interest of 44,288,713 fully paid ordinary shares in the company (shares are legally owned by LPL Trustee Limited). This includes a benefical interest in 40,931,156 ordinary shares. Received a beneficial interest in 45,229 fully paid ordinary shares on 9 June 2016 (shares purchased by LPL Trustee Limited for $124,280) to return to percentage of shareholding held of 31.55% prior to the issue of shares to employees. Received beneficial interest in 484,782 fully paid ordinary shares (shares acquired by LPL Trustee Limited for $1,296,357) on reinvestment of dividend under the DRP of the Company on 24 June 2016. Received a beneficial interest in 31,505 fully paid ordinary shares between 4-11 October 2016 (shares purchased by LPL Trustee Limited for $85,487) to return to percentage of shareholding held of 31.64% prior to the issue of shares to employees. Received a beneficial interest in 10,548 fully paid ordinary shares on 16 December 2016 (shares purchased by LPL Trustee Limited for $26,897) to return to percentage of shareholding held of 31.64% prior to the issue of shares to employees. Received beneficial interest in 517,511 fully paid ordinary shares (shares acquired by LPL Trustee Limited for $1,314,531) on reinvestment of dividend under the DRP of the Company on 23 December 2016.

(ii) J B Bolland was appointed Director of LPL Trustee Limited on 10 June 2013 and therefore holds a relevant interest in 44,288,713 fully paid ordinary shares in the company (shares are legally owned by LPL Trustee Limited). This includes a beneficial interest (but no voting rights) in 3,357,557 ordinary shares. Received a relevant interest in 45,229 fully paid ordinary shares on 9 June 2016 (shares purchased by LPL Trustee Limited for $124,280) to return to percentage of shareholding held of 31.55% prior to the issue of shares to employees. Received beneficial interest in 40,894 fully paid ordinary shares (shares acquired by LPL Trustee Limited for $109,354) on reinvestment of dividend under the DRP of the Company on 24 June 2016. Received a relevant interest in 31,505 fully paid ordinary shares between 4-11 October 2016 (shares purchased by LPL Trustee Limited for $85,487) to return to percentage of shareholding held of 31.64% prior to the issue of shares to employees. Received a relevant interest in 10,548 fully paid ordinary shares on 16 December 2016 (shares purchased by LPL Trustee Limited for $26,897) to return to percentage of shareholding held of 31.64% prior to the issue of shares to employees. Received beneficial interest in 43,041 fully paid ordinary shares (shares acquired by LPL Trustee Limited for $109,327) on reinvestment of dividend under the DRP of the Company on 23 December 2016.

(iii) P D Davies is a Director of Cape Healthcare Limited therefore he holds a relevant interest in the 44,261,323 fully paid ordinary shares in the Company owned by Cape Healthcare Limited. Received a beneficial interest in 45,201 fully paid ordinary shares on 9 June 2016 (shares purchased by Cape Healthcare Limited for $124,303) to return to percentage of shareholding held of 31.53% prior to the issue of shares to employees. Received beneficial interest in 525,350 fully paid ordinary shares (shares acquired by Cape Healthcare Limited for $1,404,838) on reinvestment of dividend under the DRP of the Company on 24 June 2016. Received a beneficial interest in 31,625 fully paid ordinary shares on 27 October 2016 (shares purchased by Cape Healthcare Limited for $86,969) to return to percentage of shareholding held of 31.63% prior to the issue of shares to employees. Received a beneficial interest in 10,542 fully paid ordinary shares on 15 December 2016 (shares purchased by Cape Healthcare Limited for $26,882) to return to percentage of shareholding held of 31.63% prior to the issue of shares to employees. Received beneficial interest in 560,205 fully paid ordinary shares (shares acquired by Cape Healthcare Limited for $1,422,977) on reinvestment of dividend under the DRP of the Company on 23 December 2016.

(iv) 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 44,261,323 fully paid ordinary shares in the Company owned by Cape Healthcare Limited. Received a beneficial interest in 45,201 fully paid ordinary shares on 9 June 2016 (shares purchased by Cape Healthcare Limited for $124,303) to return to percentage of shareholding held of 31.53% prior to the issue of shares to employees. Received beneficial interest in 525,350 fully paid ordinary shares (shares acquired by Cape Healthcare Limited for $1,404,838) on reinvestment of dividend under the DRP of the Company on 24 June 2016. Received a beneficial interest in 31,625 fully paid ordinary shares on 27 October 2016 (shares purchased by Cape Healthcare Limited for $86,969) to return to percentage of shareholding held of 31.63% prior to the issue of shares to employees. Received a beneficial interest in 10,542 fully paid ordinary shares on 15 December 2016 (shares purchased by Cape Healthcare Limited for $26,882) to return to percentage of shareholding held of 31.63% prior to the issue of shares to employees. Received beneficial interest in 560,205 fully paid ordinary shares (shares acquired by Cape Healthcare Limited for $1,422,977) on reinvestment of dividend under the DRP of the Company on 23 December 2016.

(v) K R Rushbrook holds a beneficial interest of 45,887 fully paid ordinary shares in the Company (shares are legally owned by First NZ Custodians Limited). Received beneficial interest in 544 fully paid ordinary shares for $1,455 on reinvestment of dividend under the DRP of the Company on 24 June 2016. Received beneficial interest in 581 fully paid ordinary shares for $1,476 on reinvestment of dividend under the DRP of the Company on 23 December 2016.

(vi) K A Orr holds a beneficial interest of 579,405 fully paid ordinary shares in the Company (shares are legally owned by Orrs Kaipara Pharmacies Limited and Orrs Pharmacies Limited). Received beneficial interest in 2,616 fully paid ordinary shares (shares acquired by Orrs Pharmacy for $6,995) and 4,268 fully paid ordinary shares (shares acquired by Orrs Kaipara Pharmacies Limited for $11,413) on reinvestment of dividend under the DRP of the Company on 24 June 2016. Received beneficial interest in 2,788 fully paid ordinary shares (shares acquired by Orrs Pharmacy for $7,082) and 4,548 fully paid ordinary shares (shares acquired by Orrs Kaipara Pharmacies Limited for $11,552) on reinvestment of dividend under the DRP of the Company on 23 December 2016.

(vii) A W Edwards holds a beneficial interest of 96,105 fully paid ordinary shares in the Company. Received beneficial interest in 617 fully paid ordinary shares for $1,650 on reinvestment of dividend under the DRP of the Company on 24 June 2016. Received a beneficial interest in 24,394 fully paid ordinary shares on 15 July 2016 (shares purchased for $65,864). Received beneficial interest in 970 fully paid ordinary shares for $2,464 on reinvestment of dividend under the DRP of the Company on 23 December 2016. Received beneficial interest in 16,000 fully paid ordinary shares on 6 January 2017 (shares purchased for $40,320). Received beneficial interest in 3,500 fully paid ordinary shares on 9 January 2017 (shares purchased for $8,960).

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 2017:

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

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

Patrick Davies – Chief Executive Officer of EBOS Group Limited, President of Australia's National Pharmaceutical Services Association and a member of the Board of Overseers for the international Partnership for Innovative Healthcare Delivery (an initiative of the World Economic Forum). Resigned from Board 23/05/2017.

Peter Merton – Cape Healthcare Limited (Director & Shareholder), Wool Interests NZ Limited (Director and Shareholder).

Kenneth Orr – Orrs Pharmacies Limited (Director & Shareholder), Orrs Kaipara Pharmacies Limited (Director & Shareholder), Dodds Maungaturoto Pharmacy Limited (Director & 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), Pharmacy Guild of New Zealand (Director), Manaia Health PHO Limited (Director), shareholder or director of various unlisted or privately controlled companies.

Keith Rushbrook – KC Securities Limited (Director), Levante Holdings Limited (Director), Levante Karaka Limited (Director), OGL Nominees Limited (Director), Opportunities Group Limited (Director & Shareholder), Putake West Coast Partner (2015) Limited (Director).

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

Margaret Millard – C. Alma Baker Trust (NZ) Limited (Chairman), Eastern and Central Community Trust (Trustee), Manawatu Rangitikei Rural Family Support Trust (Trustee), and EG & MM Millard Trust (Trustee).

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

Peter Williams (alternate Director 01/03/2017; appointed non-executive Director on 24/05/2017), Director of Cape Healthcare Limited, Ebos Group Limited and C.B. Norwood Distributors Limited.

Shareholder information

As at 31 March 2017

Shares and shareholding

The Company's ordinary shares are listed on the NZX using the ticker code, GXH. As at 31 March 2017 the Company had on issue 139,502,899 equity securities (as defined by the Financial Markets Conduct Act 2013) being 139,169,565 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 2017 were as follows:

Name	Holding	%
LPL TRUSTEE LIMITED	44,288,713	31.75
CAPE HEALTHCARE LIMITED	44,261,323	31.73
MASSEY PHARMACY LIMITED	3,145,070	2.25
HSBC NOMINEES (NEW ZEALAND) LIMITED A/C STATE STREET -NZCSD <HKBN45>	2,486,917	1.78
NEW ZEALAND PERMANENT TRUSTEES LIMITED - NZCSD <NZPT43>	2,296,381	1.64
BNP PARIBAS NOMINEES (NZ) LIMITED - NZCSD <BPSS40>	1,999,358	1.43
FORTUNE MANNING TRUSTEE COMPANY LIMITED & JANE STEWART DUNN <M L DUNN NO 3 FAMILY A/C>GANET INVESTMENTS LIMITED	1,681,334	1.20
CUSTODIAL SERVICES LIMITED <A/C 3>	1,368,313	0.98
FRANCES ANN VUKSICH & WALTER MICK GEORGE YOVICH <MARK & FRANCES FAMILY A/C>	1,153,303	0.82
GRANT CLAYTON BAI & CHRISTINA BAI & BARRIE MCCORMICK CAMPBELL <GRATTON WILSON A/C>	1,029,482	0.73
THOMAS LAI & CAROLYN PAMELA LAI & KATHLEEN YEE <THOMAS & CAROLYN LAI FAMILY A/C>	994,985	0.71
FNZ CUSTODIANS LIMITED	975,155	0.69
NATIONAL NOMINEES NEW ZEALAND LIMITED - NZCSD <NNLZ90>	896,193	0.64
FORSYTH BARR CUSTODIANS LIMITED <1-CUSTODY>	825,418	0.59
KIM CHRISTOPHER WILKINSON & MARIE ELEANOR WILKINSON	767,720	0.55
MATTHEW JAMES FLEET <FLEET BUSINESS A/C>	750,000	0.53
ELIZABETH ANN MCAULAY	687,022	0.49
BRIAN PHILIP INGHAM	622,853	0.44
WATT LAND COMPANY LIMITED	570,116	0.40

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	44,261,323	31.73
LPL Trustee Limited	44,288,713	31.75

Shareholding spread

Green Cross Health Limited's shareholding spread as at 31 March 2017 is as follows:

Size of holding	Holders	%	Securities	%
1-999	304	18.2%	148,182	0.1%
1,000 - 9,999	921	55.1%	2,969,608	2.1%
10,000 - 99,999	372	22.3%	10,791,209	7.7%
100,000 - 499,999	53	3.2%	10,594,187	7.6%
500,000 - 999,999	10	0.6%	7,782,905	5.6%
1,000,000 and over	10	0.5%	107,216,808	76.9%
Total	**1,670**	**100.0**	**139,502,899**	**100.0**

Annual Report Disclosure for Dividend Re-investment Plan

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

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

As at 31 March 2017 ("Calculation Date"):

1. Under the DRP, 1,085,555 ordinary shares were allotted to CHL during the year, bringing its total shareholding in the Company to 44,261,323 or 31.73%. This percentage also represents the total shareholding of CHL and its associates.

2. Under the DRP, 1,086,228 ordinary shares were allotted to LPL during the year, bringing its total shareholding in the Company to 44,288,713 or 31.75%. This percentage also represents the total shareholding of LPL and its associates.

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

(a) The maximum percentage of all ordinary shares on issue that could be held or controlled by CHL is 32.08%. This percentage also represents the maximum percentage of all ordinary shares on issue that could be held or controlled by CHL and its associates; and

(b) The maximum percentage of all ordinary shares on issue that could be held or controlled by LPL is 32.10%. This percentage also represents the maximum percentage of all ordinary shares on issue that could be held or controlled by LPL and its associates.

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

(a) that the number of ordinary shares is the number of ordinary shares on issue on the Calculation Date and there have been no other share issuances or changes in capital structure such as share splits, consolidations or buybacks of shares;

(b) that there is no change in the total number of ordinary shares on issue between the Calculation Date and the end of the Specified Period, other than as a result of the Specified Transaction;

(c) that the Specified Shareholder elects full participation under the Specified Transaction in respect of each dividend during the Specified Period to which the Specified Transaction applies and is allotted the number of ordinary shares under the Specified Transaction corresponding to its full participation;

(d) that the Specified Shareholder does not have any associates that hold or control ordinary shares in the Company (CHL and LPL have each advised the Board that it has no such associates at the Calculation Date);

(e) that each Specified Shareholder (and any of the Specified Shareholder's associates) do not increase their voting control of the Company other than under the Specified Transaction;

(f) that the issue prices of ordinary shares under the Specified Transaction determined in accordance with the price formula will be $2.26 in each year of the Specified Period;

(g) that the net cash dividend payable by the Company in each year of the Specified Period will be $0.07 per share; and

(h) that no shareholder of the Company elects to participate in the Specified Transaction, other than the Specified Shareholder.

Company directory

As at 31 March 2017

Registered office

Green Cross Health Limited
Ground Floor, Building B
602 Great South Road
Ellerslie, Auckland 1542
Telephone: +64 9 571 9080

Board

P M Merton
Chairman

J A Bagnall
Non-Executive Director

P Williams
Non-Executive Director

J B Bolland
Non-Executive Director

M M Millard
Independent Director

K A Orr
Independent Director

K R Rushbrook
Independent Director

A W Edwards
Independent Director

Officers

SJ Browning COO/CFO

Websites

www.greencrosshealth.co.nz
www.livingrewards.co.nz

Auditor

KPMG
KPMG Centre
18 Viaduct Harbour Avenue
Auckland

Bankers

Bank of New Zealand
80 Queen Street
Auckland 1010

ANZ Bank New Zealand Limited
Ground Floor, ANZ Centre
23 – 29 Albert Street
Auckland 1010

Share registrar

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

Managing your
shareholding online:

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

General enquiries can be directed to:

enquiry@computershare.co.nz
Private Bag 92119
Auckland 1142
Telephone: + 64 9 488 8777
Facsimile: + 64 9 488 8787

Please assist our registrar by quoting your CSN or shareholder number

02302

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

Providing the best health support, care and advice to New Zealand communities