# Green Cross Health Limited
# Group consolidated financial statements
# for the year ended 31 March 2024

# Contents

**Green Cross Health Limited**
**Directors' declaration**
**31 March 2024**

In the opinion of the Directors of Green Cross Health Limited, the financial statements and notes, on pages 7 to 33:

- 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 2024 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 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 2024.

For and on behalf of the Board of Directors:

C. Steele

Kim Ellis
Chair
29 May 2024

Carolyn Steele
Director
29 May 2024

# Independent Auditor's Report

To the shareholders of Green Cross Health Limited

**Report on the audit of the consolidated financial statements**

## Opinion

In our opinion, the consolidated financial statements of Green Cross Health Limited (the 'company') and its subsidiaries (the 'group') on pages 7 to 33 present fairly, in all material respects:

i. the Group's financial position as at 31 March 2024 and its financial performance and cash flows for the year ended on that date;

in accordance with New Zealand Equivalents to International Financial Reporting Standards issued by the New Zealand Accounting Standards Board and International Financial Reporting Standards issued by the International Accounting Standards Board.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 31 March 2024;
- the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies.

## Basis for opinion

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

We are independent of the group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Our firm has also provided other services to the group in relation to tax compliance and advisory and a retail strategy review. 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.

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# 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 $1.1m determined with reference to a benchmark of group Profit Before Tax. We chose the benchmark because, in our view, this is a key measure of the group's performance.

# Key audit matters

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

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| **Impairment of non-current assets** | |
| Refer to note 14 of the consolidated financial statements.<br><br>The Group has grown significantly through acquisitions in its Pharmacy and Medical business units which has resulted in the recognition of goodwill in the amount of $86.6 million, $77 million respectively.<br><br>In the event the business units underperform compared to their business cases, there is a risk that the goodwill arising on acquisition may no longer be supported.<br><br>As disclosed in note 14, the Group performs an annual impairment test of goodwill and uses a discounted cash flow model to determine the recoverable amount of its business units to which goodwill has been allocated.<br><br>In performing this assessment, assumptions are made in respect of future economic and market conditions. Cashflow forecasts include consideration of the Group's strategic business plan for each business unit and their impact on forecast sales and operating costs. Additionally, management determined terminal growth rates and discount rates which reflect an assessment | Our audit procedures included:<br><br>— Ensuring the allocation of goodwill to the Group's business units is appropriate;<br><br>— Evaluating the methodology, mathematical accuracy and assumptions applied in the discounted cash flow models. We used our own valuation specialists to assist us with the consideration of terminal growth and discount rates;<br><br>— Challenging management's cash flow assumptions over projected cash, and the expected impact of the Group's business plans for each business unit by reference to their historical performance and the internal and external factors that influence their operations;<br><br>— Performing sensitivity analysis around the key assumptions used in the models; and<br><br>— Reviewing the appropriateness of related disclosures in the consolidated financial statements.<br><br>— Challenged management on whether the market capitalisation deficit is an indicator of impairment |

## The key audit matter

## How the matter was addressed in our audit

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| of the time value of money and the risks specific to each business unit.<br><br>The annual impairment test performed by the Group was significant to our audit due to the magnitude of the goodwill balance and because the assessment process involved judgment about the future performance of the business units.<br><br>The market capitalisation deficit that exists at balance date is an indicator of impairment. | and challenged management's earnings assumptions used in the value in use calculations.<br><br>We did not identify any factors that were materially inconsistent with management's overall conclusions. |

## Other information

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

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Directors.

## Use of this independent auditor's report

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

## Responsibilities of the Directors for the consolidated financial statements

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

— the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards issued by the New Zealand Accounting Standards Board;

- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is 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 financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Jodi Newth

For and on behalf of

KPMG

KPMG
Auckland

29 May 2024

**Green Cross Health Limited**
**Consolidated statement of comprehensive income**
**For the year ended 31 March 2024**

| | Notes | 2024 $'000 | 2023 $'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| **Operating Revenue** | 5 | 503,915 | 493,614 |
| **Operating expenditure** | 7.2 | (452,080) | (438,398) |
| Depreciation and amortisation expense | 12,14 | (6,254) | (6,820) |
| Depreciation - leases | 13 | (14,269) | (15,266) |
| Impairment | 12,14 | (716) | (129) |
| Share of equity accounted net earnings | 16 | 1,198 | 1,315 |
| **Operating profit before interest and tax** | | **31,794** | **34,316** |
| Interest income | | 900 | 584 |
| Interest expense | | (2,549) | (1,453) |
| Interest expense - leases | | (7,725) | (6,348) |
| **Net interest expense** | | **(9,374)** | **(7,217)** |
| **Profit before tax** | | **22,420** | **27,099** |
| Income tax expense | 8 | (6,591) | (6,804) |
| **Profit from continuing operations** | | **15,829** | **20,295** |
| **Discontinued operation** | | | |
| (Loss)/profit from discontinued operation, net of tax | 4 | (276) | 30,254 |
| **Profit for the year** | | **15,553** | **50,549** |
| Other comprehensive income for the year, net of tax | | - | - |
| **Total comprehensive income for the year** | | **15,553** | **50,549** |
| **Attributable to:** | | | |
| Shareholders of the Parent | | 11,757 | 45,234 |
| Non-controlling interest | | 3,796 | 5,315 |
| | | **15,553** | **50,549** |
| **Earnings per share:** | | | |
| Basic earnings per share (cents) | 9 | 8.20 | 31.57 |
| Diluted earnings per share (cents) | 9 | 8.18 | 31.46 |
| **Earnings per share - continuing operations** | | | |
| Basic earnings per share | 9 | 8.39 | 10.45 |
| Diluted earnings per share | 9 | 8.37 | 10.42 |

*The accompanying Statement of Accounting Policies and Notes to the Consolidated Financial Statements on pages 11 to 33 form part of the Financial Statements.*

**Green Cross Health Limited**
**Consolidated statement of changes in equity**
**For the year ended 31 March 2024**

| | Notes | Share Capital $'000 | Share Based Payment Reserve $'000 | Retained earnings $'000 | Non-controlling interest $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|
| Balance as at 1 April 2022 | | 90,610 | - | 66,071 | 14,485 | 171,166 |
| Profit or loss for the year | | - | - | 45,234 | 5,315 | 50,549 |
| **Total comprehensive income for the year** | | **-** | **-** | **45,234** | **5,315** | **50,549** |
| Distributions to non-controlling interests | | - | - | - | (8,859) | (8,859) |
| Impacts of other transactions with non-controlling interest | | - | - | (1,167) | (344) | (1,511) |
| Dividends to shareholders | 10 | - | - | (10,073) | - | (10,073) |
| Performance share rights charged to SOCI | | - | 733 | - | - | 733 |
| Performance share rights vested | 21 | 150 | (150) | - | - | - |
| **Balance as at 31 March 2023** | | **90,760** | **583** | **100,065** | **10,597** | **202,005** |
| Balance as at 1 April 2023 | | 90,760 | 583 | 100,065 | 10,597 | 202,005 |
| Profit or loss for the year | | - | - | 11,757 | 3,796 | 15,553 |
| **Total comprehensive income for the year** | | **-** | **-** | **11,757** | **3,796** | **15,553** |
| Distributions to non-controlling interests | | - | - | - | (3,543) | (3,543) |
| Impacts of other transactions with non-controlling interest | | - | - | (52) | 1,490 | 1,438 |
| Dividends to shareholders | 10 | - | - | (48,895) | - | (48,895) |
| Performance share rights charged to SOCI | | - | 50 | - | - | 50 |
| Performance share rights vested | 21 | 183 | (183) | - | - | - |
| **Balance as at 31 March 2024** | | **90,943** | **450** | **62,875** | **12,340** | **166,608** |

*The accompanying Statement of Accounting Policies and Notes to the Consolidated Financial Statements on pages 11 to 33 form part of the Financial Statements.*



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**Green Cross Health Limited**
**Consolidated statement of financial position**
**As at 31 March 2024**

| | Notes | 2024 $'000 | 2023 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 23,402 | 58,215 |
| Trade and other receivables | 11 | 25,549 | 26,496 |
| Inventories | | 30,445 | 31,961 |
| Income taxes refundable | 11 | 404 | - |
| **Total current assets** | | **79,800** | **116,672** |
| **Non-current assets** | | | |
| Other receivables | 11 | 2,693 | 2,421 |
| Property, plant and equipment | 12 | 18,979 | 19,248 |
| Right-of-use assets | 13 | 97,084 | 88,798 |
| Intangible assets | 14 | 165,937 | 155,030 |
| Deferred tax asset | 15 | 11,977 | 11,691 |
| Equity accounted group investments | 16 | 6,816 | 7,147 |
| **Total non-current assets** | | **303,486** | **284,335** |
| **Total assets** | | **383,286** | **401,007** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade payables and accruals | 17 | 72,095 | 74,656 |
| Income taxes payable | 17 | - | 1,531 |
| Borrowings | 18 | 2,573 | 1,903 |
| Lease liabilities | 13 | 13,098 | 13,025 |
| **Total current liabilities** | | **87,766** | **91,115** |
| **Non-current liabilities** | | | |
| Borrowings | 18 | 32,372 | 21,634 |
| Lease liabilities | 13 | 96,540 | 86,253 |
| **Total non-current liabilities** | | **128,912** | **107,887** |
| **Total liabilities** | | **216,678** | **199,002** |
| **Net assets** | | **166,608** | **202,005** |
| **EQUITY** | | | |
| Share capital | | 90,943 | 90,760 |
| Share based payment reserve | | 450 | 583 |
| Retained earnings | | 62,875 | 100,065 |
| Total equity attributable to shareholders of the Parent | | 154,268 | 191,408 |
| Non-controlling interest | | 12,340 | 10,597 |
| **Total equity** | | **166,608** | **202,005** |

*The accompanying Statement of Accounting Policies and Notes to the Consolidated Financial Statements on pages 11 to 33 form part of the Financial Statements.*

**Green Cross Health Limited**
**Consolidated statement of cash flows**
**For the year ended 31 March 2024**

| | Notes | 2024 $'000 | 2023 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Dividends received | 16 | 1,852 | 1,260 |
| Receipts from customers | | 504,862 | 692,836 |
| Interest received | | 900 | 584 |
| Payments to suppliers and employees | | (453,638) | (639,647) |
| Income taxes paid | | (8,019) | (9,124) |
| **Net cash inflow from operating activities** | 19 | **45,957** | **45,909** |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment and software intangibles | | (7,399) | (5,714) |
| Acquisition of interests in equity accounted investments | 16 | (323) | (2,880) |
| Acquisition of interests in subsidiary and non-controlling interests | | (10,178) | (15,725) |
| Disposal of discontinued operation, net of cash disposed of | 4 | (276) | 29,747 |
| **Net cash (outflow)/inflow from investing activities** | | **(18,176)** | **5,428** |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | 41,220 | 2,376 |
| Repayments of borrowings | | (29,812) | (2,873) |
| Payment of lease liabilities | | (12,641) | (14,734) |
| Interest expense | | (2,467) | (1,453) |
| Interest expense - leases | | (7,725) | (6,348) |
| Distributions to non-controlling interest | | (3,061) | (6,996) |
| Dividend paid | 10 | (48,895) | (10,073) |
| **Net cash outflow from financing activities** | | **(63,381)** | **(40,101)** |
| **Net (decrease)/increase in cash and cash equivalents** | | **(35,600)** | **11,236** |
| Cash and cash equivalents at the beginning of the financial year | | 58,215 | 45,154 |
| Cash acquired: business combinations | 6 | 787 | 1,825 |
| **Cash and cash equivalents at end of year** | | **23,402** | **58,215** |
| **Reconciliation of closing cash and cash equivalents to the consolidated statement of financial position:** | | | |
| Cash and cash equivalents | | 23,402 | 58,215 |
| **Closing cash and cash equivalents** | | **23,402** | **58,215** |

*The accompanying Statement of Accounting Policies and Notes to the Consolidated Financial Statements on pages 11 to 33 form part of the Financial Statements.*

## 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 New Zealand Stock Exchange ("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 of financial statements

### (a) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, and authoritative notices as appropriate for a Tier one for profit entity. They also comply with International Financial Reporting Standards.

The financial statements were approved by the Board of Directors on 29 May 2024.

### (b) Basis of measurement

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

### (c) Changes in accounting policy

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except as mentioned below.

### (d) Comparatives

Comparative information for the prior year has been represented in respect of the disposal of the Community Health division (refer to Note 4).

### (e) Functional and presentation currency

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

### (f) Significant estimates and judgments

The preparation of financial statements in conformity with NZ IFRS 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 2024, 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.

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

## 2 Basis of preparation of financial statements (continued)

### (f) Significant estimates and judgments (continued)

**(i) Classification of investments**

Classifying investments as either subsidiaries, associates or joint ventures requires the Directors to assess the degree of influence which the Group holds over the invested. In arriving at a conclusion the Directors take into account the constitutional structure of the invested, 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 invested.

**(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 14 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.

**(iii) Accounting for leases under NZ IFRS 16**

In determining the right of use assets and lease liabilities a number of estimates and judgments have been made by management. These include determining the applicable incremental borrowing rates and assessment of the lease terms, including any rights of renewal and whether it is reasonably certain they will be exercised. See Note 13.

### (g) Subsidiaries

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

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

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. At the date the equity method is discontinued, the difference between the carrying amount of the associate or a joint venture and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture.

The Group's ownership interests in subsidiaries ranges from 25% to 100% (2023: 25% to 100%). The Group consolidates 34 out of 49 entities where it holds less than half of the voting rights. This is on the basis that the Group's contractual arrangements with these entities result in them meeting the definition of being subsidiaries as set out above.

### (h) Non-controlling interests

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

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

While the group has 52 (2023: 48) subsidiaries with non-controlling interests, there are no subsidiaries with individually material non-controlling interest.

## 2 Basis of preparation of financial statements (continued)

### (i) Transactions eliminated on consolidation

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

### (j) Goods and Services Tax (GST)

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

### (k) Statement of cash flows

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

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

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

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

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

Financing activities reflect changes in borrowings and equity.

### (l) 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. Inventory comprises of pharmacy goods held for sale.

### (m) Government grants

Grants that compensate the Group for expenses incurred are recognised in profit and loss as other income on a systematic basis in the periods in which the expenses are recognised.

## 3 New standards and interpretations issued and not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2024. These have been assessed for applicability to the Group and the Directors have concluded that they will not have a significant impact on future financial statements, except for amendment to NZ IAS 1 which will require additional disclosures in the financial statements in respect of covenants.

## 4 Discontinued operations

The Community Health division was sold on 28 February 2023 with effect from 1 March 2023 and is reported in the prior period as a discontinued operation. Financial information relating to the discontinued operation for the prior period to the date of disposal is set out below.

The completion process associated with the sale of the Community Health division has concluded and an adjustment to the sale price of $276,000 has been reflected the current year result.

**Financial performance and cash flow information**

The financial performance and cash flow information presented are for the eleven months ended 28 February 2023 (2023 column).

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| **Discontinued operations** | | |
| Revenue | - | 197,443 |
| Expenses | - | (185,096) |
| Results from operating activities | **-** | **12,347** |
| Income tax expense | - | (3,898) |
| Result from operating activities, net of tax | **-** | **8,449** |
| (Loss)/gain on sale of discontinued operation | (276) | 21,805 |
| **(Loss)/profit from discontinued operation, net of tax** | **(276)** | **30,254** |
| **Cash flow** | | |
| Net cash inflow from operating activities | - | 8,765 |
| Net cash outflow from investing activities | - | (153) |
| Net cash outflow from financing activities | - | (15,490) |
| **Net decrease in cash generated by the discontinued operations** | **-** | **(6,878)** |
| Consideration (paid)/received, satisfied in cash | (276) | 31,971 |
| Cash and cash equivalents disposed of | - | (2,224) |
| **Net cash flows** | **(276)** | **29,747** |

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| **Effect of disposal on the financial position of the Group** | | |
| Cash and cash equivalents | - | (2,224) |
| Trade and other receivables | - | (19,034) |
| Inventories | - | (139) |
| Property, plant and equipment | - | (423) |
| Right-of-use assets | - | (3,679) |
| Intangible assets | - | (19,210) |
| Deferred tax asset | - | (6,595) |
| **Total assets** | **-** | **(51,304)** |
| Trade payables and accruals | - | 37,537 |
| Lease liabilities | - | 3,809 |
| Income taxes payable | - | 2,119 |
| **Total liabilities** | **-** | **43,465** |
| **Net assets and liabilities** | **-** | **(7,839)** |

## 5 Segment reporting

Segment information provided in this note reflects the Group's performance from continuing operations only. The Community Health business was discontinued last year and has been excluded from the disclosure in this note. Please see Note 4 Discontinued operations for further information.

The Group has two reportable segments: pharmacy services and medical services. The pharmacy services segment provides retail and dispensary services and the medical services segment provides GP, nursing and urgent care services.

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

**Operating segments**

Information about reportable segments from continuing operations

| | Notes | Pharmacy Services $'000 | Medical Services $'000 | Corporate $'000 | Total $'000 |
|---|---|---|---|---|---|
| **March 2024** | | | | | |
| External revenues | 7.1 | 363,559 | 140,254 | - | 503,813 |
| Other income | | 85 | 17 | - | 102 |
| **Total Revenue** | | **363,644** | **140,271** | **-** | **503,915** |
| Cost of products sold | | (214,321) | (271) | - | (214,592) |
| Employee benefit expense | | (80,028) | (100,784) | - | (180,812) |
| Lease expenses | | (3,598) | (722) | - | (4,320) |
| Other expenses | | (33,095) | (16,776) | (2,485) | (52,356) |
| Depreciation and amortisation | | (4,299) | (1,955) | - | (6,254) |
| Depreciation - leases | | (8,793) | (5,476) | - | (14,269) |
| Impairment | | (565) | (151) | - | (716) |
| Share of equity accounted net earnings | | 377 | 821 | - | 1,198 |
| **Segment Profit** | | **19,322** | **14,957** | **(2,485)** | **31,794** |
| Interest income | | | | | 900 |
| Interest expense | | | | | (2,549) |
| Interest expense - leases | | | | | (7,725) |
| **Profit before tax** | | | | | **22,420** |
| Tax expense | | | | | (6,591) |
| **Profit after tax** | | | | | **15,829** |
| Loss from discontinued operation, net of tax | | | | | (276) |
| Non-controlling interest | | | | | (3,796) |
| **Net Profit attributable to the shareholders of the Parent** | | | | | **11,757** |
| Reportable segment assets | | 274,352 | 119,693 | (10,759) | 383,286 |
| Reportable segment liabilities | | 135,383 | 92,054 | (10,759)* | 216,678 |

**Intersegmental elimination.*

## 5 Segment reporting (continued)

| | Notes | Pharmacy Services $'000 | Medical Services $'000 | Corporate $'000 | Total $'000 |
|---|---|---|---|---|---|
| **March 2023** | | | | | |
| External revenues | 7.1 | 360,030 | 132,541 | - | 492,571 |
| Other income* | | 356 | 687 | - | 1,043 |
| **Total Revenue** | | **360,386** | **133,228** | **-** | **493,614** |
| Cost of products sold | | (212,120) | (328) | - | (212,448) |
| Employee benefit expense | | (78,435) | (95,687) | - | (174,122) |
| Lease expenses | | (2,813) | (185) | - | (2,998) |
| Other expenses | | (30,361) | (15,477) | (2,992) | (48,830) |
| Depreciation and amortisation | | (5,204) | (1,616) | - | (6,820) |
| Depreciation - leases | | (10,302) | (4,964) | - | (15,266) |
| Impairment | | (179) | 50 | - | (129) |
| Share of equity accounted net earnings | | 143 | 1,172 | - | 1,315 |
| **Segment Profit** | | **21,115** | **16,193** | **(2,992)** | **34,316** |
| Interest income | | | | | 584 |
| Interest expense | | | | | (1,453) |
| Interest expense - leases | | | | | (6,348) |
| **Profit before tax** | | | | | **27,099** |
| Tax expense | | | | | (6,804) |
| **Profit after tax** | | | | | **20,295** |
| Profit from discontinued operation, net of tax | | | | | 30,254 |
| Non-controlling interest | | | | | (5,315) |
| **Net Profit attributable to the shareholders of the Parent** | | | | | **45,234** |
| Reportable segment assets | | 302,011 | 110,074 | (11,078) | 401,007 |
| Reportable segment liabilities | | 121,731 | 88,349 | (11,078)** | 199,002 |

**Other income includes:*

- Government wage subsidies and resurgence support payments received of $0.4m within Pharmacy Services.
- Gain on step acquisition, $0.7m within Medical Services.

***Intersegmental elimination*

## 6 Business combinations

Business combinations during the year include; High Street Health Hub Limited, St Heliers Health Partnership, Papakura East Medical Centre, Woodham Road Healthcare Limited, Richmond Road Medical Centre Limited and Onerahi Pharmacy Limited. None of these acquisitions are individually material to the Group's result.

| | Carrying Value $'000 | Fair value $'000 |
|---|---|---|
| **Identifiable assets acquired and liabilities assumed** | | |
| Total assets | 2,253 | 2,253 |
| Total liabilities | (1,143) | (1,143) |
| **Identifiable net assets** | **1,110** | **1,110** |

Included in the acquired assets is additional goodwill of $1.4m.

| | |
|---|---|
| **Consideration transferred** | |
| **Satisfied by:** | |
| Cash consideration | 10,712 |
| Deferred consideration | - |
| Contingent consideration | 392 |
| **Total consideration** | **11,104** |
| Less cash acquired (included in assets above) | (787) |
| **Net consideration** | **10,317** |

| | |
|---|---|
| **Goodwill** | |
| **Goodwill recognised as result of the acquisitions are as follows:** | |
| Total consideration | 11,104 |
| Identifiable net assets | (1,110) |
| **Goodwill** | **9,994** |

The goodwill is attributable mainly to the various patient databases acquired and the synergies expected to be achieved. None of the goodwill recognised is expected to be deductible for tax purposes.

The amount of revenue included in the consolidated statement of comprehensive income is $8.3m million with a net profit after tax of $0.6 million in respect of the entities acquired during the year.

If the acquisitions had occurred on 1 April 2023, management estimates that consolidated operating revenue would have been $512.4m, and consolidated profit after tax for the year would have been $16.4m for continuing operations.

## 7 Operating performance

### 7.1 Revenue

| **Revenue from contracts with customers** | **2024 $'000** | **2023 $'000** |
|---|---|---|
| Pharmacy retail and dispensary | 323,799 | 309,014 |
| Other pharmacy services | 39,760 | 51,016 |
| Medical services | 140,254 | 132,541 |
| | **503,813** | **492,571** |

## 7 Operating performance (continued)

**Disaggregation of contract revenue**

| | Reportable segments | | |
|---|---|---|---|
| | **Pharmacy Services $'000** | **Medical Services $'000** | **Total $'000** |
| **Year ended 31 March 2024** | | | |
| **Timing of revenue recognition** | | | |
| Transferred at a point in time | 351,863 | 61,804 | 413,667 |
| Transferred over time | 11,696 | 78,450 | 90,146 |
| | **363,559** | **140,254** | **503,813** |
| **Year ended 31 March 2023** | | | |
| **Timing of revenue recognition** | | | |
| Transferred at a point in time | 344,338 | 59,774 | 404,112 |
| Transferred over time | 15,692 | 72,767 | 88,459 |
| | **360,030** | **132,541** | **492,571** |

**Pharmacy retail and dispensing services**

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

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

**Other pharmacy services**

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

**Medical services**

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

## 7 Operating performance (continued)

**Contract assets and contract liabilities**

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

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

**Contract balances**

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

| | **31 Mar 2024 $'000** | **31 Mar 2023 $'000** |
|---|---|---|
| Trade receivables which are included in trade and other receivables | 11,008 | 13,692 |
| Contract assets | 12,514 | 11,457 |
| Contracts liabilities | (9,021) | (8,003) |

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

| | **2024 Contract Assets** | **2024 Contract liabilities** | **2023 Contract Assets** | **2023 Contract liabilities** |
|---|---|---|---|---|
| Revenue recognised that was included in the contract liability balance at the beginning of the period | - | 8,003 | - | 10,786 |
| Transfer from contract assets recognised at the beginning of the period to receivables | 11,457 | - | 16,124 | - |

As at 31 March 2024, the amount of revenue deferred and recognised as a contract liability for the loyalty programme is $8.3m (2023: $7.7m). This will be recognised as revenue as the loyalty points are redeemed or expire, which is expected to occur over the next fifteen months.

### 7.2 Operating expenditure

| | **2024 $'000** | **2023 $'000** |
|---|---|---|
| Cost of products sold | 214,592 | 212,448 |
| Employee benefit expense | 180,812 | 174,122 |
| Lease expenses | 4,320 | 2,998 |
| Other expenses | 51,155 | 47,551 |
| Audit fees | 347 | 312 |
| Other services provided by auditors | 288 | 174 |
| Directors’ fees in respect of the Parent company | 453 | 437 |
| Directors’ fees in respect of the subsidiary companies | 254 | 278 |
| Bad debts written off and movement in doubtful debt provision | (141) | 78 |
| | **452,080** | **438,398** |
| **Auditor’s remuneration to KPMG comprises:** | | |
| Annual audit of financial statements | 322 | 293 |
| Annual audit of financial statements - Prior year | 25 | 19 |
| | **347** | **312** |

## 7 Operating performance (continued)

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| **Other services provided by auditors:** | | |
| Taxation services | 143 | 171 |
| Other services | 145 | 3 |
| | **288** | **174** |

Taxation services relate to compliance and related services, and tax support.

Other services relate to a retail product category review.

## 8 Income tax expense

| | Notes | 2024 $'000 | 2023 $'000 |
|---|---|---|---|
| Current tax expense | | (6,877) | (3,763) |
| Deferred tax benefit/(expense) | 15 | 286 | (3,041) |
| **Total current tax** | | **(6,591)** | **(6,804)** |

**Imputation credit account:**

Available for use in subsequent periods $19.2m (2023: $34.2m).

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| **Numerical reconciliation between tax expense and pretax accounting profit** | | |
| Profit before tax | 22,420 | 27,099 |
| Income tax expense at 28% | (6,278) | (7,588) |
| **(Add)/Deduct tax effects of adjustments:** | | |
| Other | (313) | 784 |
| | **(6,591)** | **(6,804)** |

**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 approach, 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.



KPMG

## 9 Earnings 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.

| | 2024 cents per share | 2023 cents per share |
|---|---|---|
| **Basic earnings per share** | 8.20 | 31.57 |

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 143,431,640 (2023: 143,284,396).

| | | |
|---|---|---|
| **Diluted earnings per share** | 8.18 | 31.46 |

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the Parent and a weighted average number of ordinary shares issued during the year after adjustment for the effects of all dilutive ordinary shares of 143,744,827 (2023: 143,801,893).

| | | |
|---|---|---|
| **Net tangible (liabilities)/assets per share** | (7.88) | 24.63 |

The calculation of net tangible (liabilities)/assets per share is based on net (liabilities)/assets less deferred tax and intangible assets (refer Note 14 and Note 15) and the closing number of ordinary shares at the end of the year.

| | | |
|---|---|---|
| **Net assets per share** | 116.13 | 140.98 |

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.

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| **Earnings per share - continuing operations** | | |
| Profit from continuing operations | 15,829 | 20,295 |
| Profit from continuing operations attributable to minority interests | (3,796) | (5,315) |
| Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share | **12,033** | **14,980** |

| | 2024 cents per share | 2023 cents per share |
|---|---|---|
| Basic earnings per share - continuing operations | 8.39 | 10.45 |
| Diluted earnings per share - continuing operations | 8.37 | 10.42 |

## 10 Dividends

| | 2024 cents per share | 2023 cents per share |
|---|---|---|
| **Dividends per share** | 34.00 | 7.00 |

In December 2023, Green Cross Health Limited paid an interim dividend of 2.5 cents per qualifying ordinary share to shareholders, which was fully imputed to 28% (2022: 3.5 cents).

In June 2023, Green Cross Health Limited paid a final dividend of 3.5 cents per qualifying ordinary share to shareholders, which was fully imputed to 28% (2022: 3.5 cents).

In April 2023, Green Cross Health Limited paid a special dividend of 28.0 cents per qualifying ordinary share to shareholders, which was fully imputed to 28% (2022: nil).

## 11 Trade and other receivables and income taxes refundable

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Trade receivables | 11,008 | 13,692 |
| Provision for doubtful debts | (1,748) | (1,989) |
| Contract assets | 12,514 | 11,457 |
| Accrued income | 855 | 1,309 |
| Other receivables and prepayments | 2,920 | 2,027 |
| | **25,549** | **26,496** |
| **Other receivable - non-current asset** | **2,693** | **2,421** |
| **Income taxes refundable** | **404** | **-** |

## 12 Property, plant and equipment

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Opening Cost | 90,164 | 86,024 |
| Acquisitions through business combinations | 644 | 1,909 |
| Additions | 6,440 | 6,049 |
| Disposals | (2,600) | (3,727) |
| Assets written off | (3,844) | (91) |
| **Closing cost** | **90,804** | **90,164** |
| Opening accumulated depreciation | 71,177 | 66,485 |
| Acquisitions through business combinations | 242 | 1,454 |
| Depreciation for the period | 6,181 | 6,568 |
| Disposals | (2,225) | (3,294) |
| Assets written off | (3,431) | (36) |
| **Closing accumulated depreciation** | **71,944** | **71,177** |
| Closing book value | 18,860 | 18,987 |
| Work in progress | 119 | 261 |
| **Total property, plant and equipment** | **18,979** | **19,248** |

**Property, plant & equipment accounting policy**

Property, plant & equipment owned by the Group consists primarily of leasehold improvements and 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 twelve years.

Subsequent expenditure is capitalised only if it is probable that future economic benefit associated with the expenditure will flow to the Group. All other costs are recognised in the profit and loss as expenditure when incurred.

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

## 13 Leases

### As a lessee

The Group's leased assets include property leases for pharmacies, medical centres and support office. The lease terms of these leases typically range from 2 to 30 years (inclusive of any renewal options). Some leases provide for additional rent payments that are based on changes in CPI or market rental rates. The Group also leases motor vehicles and equipment, which typically run for a period of 3 to 5 years.

As a lessee, the Group recognises right-of-use assets and lease liabilities for the majority of its leases – i.e. these leases are on-balance sheet.

The carrying amounts of right-of-use assets and lease liabilities are as below:

| **Right-of-use assets** | **Property $'000** | **Motor Vehicles $'000** | **Equipment $'000** | **Total $'000** |
|---|---|---|---|---|
| **2024** | | | | |
| Balance as at 1 April 2023 | 87,617 | 348 | 833 | 88,798 |
| Balance as at 31 March 2024 | 95,583 | 217 | 1,284 | 97,084 |
| Depreciation | 13,398 | 130 | 741 | 14,269 |
| **2023** | | | | |
| Balance as at 1 April 2022 | 80,299 | 2,606 | 1,140 | 84,045 |
| Balance as at 31 March 2023 | 87,617 | 348 | 833 | 88,798 |
| Depreciation | 14,381 | 130 | 755 | 15,266 |

Additions to property of $16.4m (2023: $15.3m) and remeasurements of $5.0m (2023: $8.0m) have been made to right-of-use assets during the current year.
Low value leases of $4.3m (2023: $3.6m) have been expensed (under lease exemption).

| **Lease liabilities** | **Property $'000** | **Motor Vehicles $'000** | **Equipment $'000** | **Total $'000** |
|---|---|---|---|---|
| **2024** | | | | |
| **Balance as at 1 April 2023** | **97,983** | **376** | **919** | **99,278** |
| - Current liability | 12,312 | 121 | 592 | 13,025 |
| - Non-current liability | 85,671 | 255 | 327 | 86,253 |
| **Balance as at 31 March 2024** | **108,024** | **255** | **1,359** | **109,638** |
| - Current liability | 12,270 | 139 | 689 | 13,098 |
| - Non-current liability | 95,754 | 116 | 670 | 96,540 |
| **2023** | | | | |
| **Balance as at 1 April 2022** | **89,610** | **2,621** | **1,176** | **93,407** |
| - Current liability | 13,060 | 570 | 661 | 14,291 |
| - Non-current liability | 76,550 | 2,051 | 515 | 79,116 |
| **Balance as at 31 March 2023** | **97,983** | **376** | **919** | **99,278** |
| - Current liability | 12,312 | 121 | 592 | 13,025 |
| - Non-current liability | 85,671 | 255 | 327 | 86,253 |

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

## 13 Leases (continued)

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is re-measured when there is:

- a change in future lease payments arising from a change in an index or rate; or
- a change in the estimate of the amount expected to be payable under a residual value guarantee; or
- changes in assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised; or
- any other change in the future lease payments or the lease term due to a lease modification that's not accounted for as a separate lease.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impact the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

| | 2024<br>$'000 | 2023<br>$'000 |
|---|---|---|
| **Maturity analysis of contractual undiscounted cash flows** | | |
| Less than one year | 19,814 | 17,972 |
| Two to five years | 62,087 | 53,803 |
| More than five years | 88,759 | 70,130 |
| | **170,660** | **141,905** |

### As a lessor

The Group sub-leases some of its properties. Income in relation to these subleases is $1.7m (2023: $1.6m). The right-of-use assets recognised from the head leases are measured at cost. The sub-lease contracts are classified as operating leases under NZ IFRS 16.

| | 2024<br>$'000 | 2023<br>$'000 |
|---|---|---|
| **Maturity analysis of contractual undiscounted cash flows** | | |
| Less than one year | 983 | 1,280 |
| Two to five years | 1,405 | 2,267 |
| More than five years | 262 | 382 |
| | **2,650** | **3,929** |

## 14 Intangible assets

| | Notes | 2024 $'000 | 2023 $'000 |
|---|---|---|---|
| **Other intangible assets** | | | |
| Opening costs | | 11,966 | 15,608 |
| Acquisitions through business combinations | | 6 | 11 |
| Additions | | 59 | 243 |
| Disposals | | (171) | (2,826) |
| Asset impairment | | (1,090) | (1,070) |
| **Closing cost** | | **10,770** | **11,966** |
| Opening accumulated amortisation | | 9,452 | 12,636 |
| Acquisitions through business combinations | | 1 | 9 |
| Amortisation for the period | | 73 | 519 |
| Disposals | | (8) | (2,669) |
| Asset impairment | | (1,078) | (1,043) |
| **Closing accumulated amortisation** | | **8,440** | **9,452** |
| **Closing book value** | | **2,330** | **2,514** |
| **Goodwill** | | | |
| Opening costs | | 152,516 | 156,834 |
| Other acquired goodwill | 6 | 1,388 | 647 |
| Additions | 6 | 9,994 | 14,197 |
| Disposals | | (291) | (19,162) |
| **Closing cost** | | **163,607** | **152,516** |
| **Total intangible assets** | | **165,937** | **155,030** |

**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.

Other intangible assets represent franchisee store rebranding costs and have an indefinite life.

Subsequent expenditure is capitalised if future economic benefit will flow to the Group and the requirements of the standard are met. 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 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 businesses. 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 (CGU) expected to benefit from the acquisition and tested for impairment annually, or earlier at any interim reporting dates if there are indicators of impairment.

The value of each CGU is determined by its value in use. If the recoverable amount is less than the carrying amount of the CGU then an impairment loss is recognised in profit and loss and the carrying amount of the asset is written down.

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.

## 14 Intangible assets (continued)

**Impairment testing**

Discounted cash flow (DCF) models have been based on three-year forecast cash flow projections. The budget for the year-ending 31 March 2025 is the basis for the first year's projections and projections for subsequent periods have been based on this plus growth. Terminal cash flows are projected to grow in line with the New Zealand long-term inflation rate.

The discount rate was a post-tax measure (discount rate pre-tax 10.12%) based on the rate of 10-year government bonds issued by the government in the relevant market and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systematic risk of the specific CGU.

| **Impairment test assumptions 2024** | **Pharmacy Services** | **Medical Services** |
|---|---|---|
| Discount rate - post tax | 9.69 % | 9.69 % |
| Terminal growth rate | 3.50 % | 3.50 % |
| Carrying amount of goodwill allocated to the unit ($000) | 86,637 | 76,970 |
| Carrying value of other intangible assets with indefinite useful lives ($000) | 2,048 | - |

| **Impairment test assumptions 2023** | **Pharmacy Services** | **Medical Services** |
|---|---|---|
| Discount rate - post tax | 9.53 % | 9.53 % |
| Terminal growth rate | 3.50 % | 3.50 % |
| Carrying amount of goodwill allocated to the unit ($000) | 85,657 | 66,859 |
| Carrying value of other intangible assets with indefinite useful lives ($000) | 2,048 | - |

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. 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 Pharmacy Services and Medical Services as a result of this review, nor under any reasonable possible change, in any of the key assumptions described above.

## 15 Deferred tax asset

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

| | **Opening $'000** | **Net additions $'000** | **Recognised in profit and loss $'000** | **Closing $'000** |
|---|---|---|---|---|
| **Group - 2024** | | | | |
| Property, plant and equipment | 3,037 | - | (111) | 2,926 |
| Provisions and accruals | 2,941 | - | 186 | 3,127 |
| Tax losses | 2,779 | - | (238) | 2,541 |
| Right of use assets | (24,863) | (6,303) | 3,982 | (27,184) |
| Lease liabilities | 27,797 | 6,303 | (3,533) | 30,567 |
| | **11,691** | **-** | **286** | **11,977** |
| **Group - 2023** | | | | |
| Property, plant and equipment | 2,809 | - | 228 | 3,037 |
| Provisions and accruals | 9,285 | - | (6,344) | 2,941 |
| Tax losses | 17 | - | 2,762 | 2,779 |
| Right of use assets | (23,533) | (6,635) | 5,305 | (24,863) |
| Lease liabilities | 26,154 | 6,635 | (4,992) | 27,797 |
| | **14,732** | **-** | **(3,041)** | **11,691** |

## 16 Equity accounted group investments

| | Note | 2024 $'000 | 2023 $'000 |
|---|---|---|---|
| **The movement in equity accounted investments comprises:** | | | |
| Opening carrying amount | | 7,147 | 4,720 |
| Investment in associates and joint ventures | | 323 | 2,880 |
| Disposal of associates and joint ventures | | - | (508) |
| Share of net earnings | | 1,198 | 1,315 |
| Dividends | 23 | (1,852) | (1,260) |
| | | **6,816** | **7,147** |

There are no individually material associates or joint ventures.

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| **Amount of goodwill within the carrying amount of equity accounted group investments:** | | |
| Opening carrying amount | 1,366 | 1,987 |
| Disposal of associates and joint ventures | - | (621) |
| **Closing carrying amount** | **1,366** | **1,366** |

**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 2024 | 12,749 | 5,463 | 44,322 | 3,169 |
| As at and for the year ended 31 March 2023 | 19,676 | 5,296 | 37,273 | 4,950 |

**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 or joint control 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.

## 17 Trade and other payables and income taxes payable

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| **Payables and accruals** | | |
| Trade payables | 32,429 | 29,271 |
| Payable to non-controlling interest | 4,518 | 5,283 |
| Contract liabilities | 9,021 | 8,003 |
| Accrued expenses | 16,520 | 22,549 |
| Employee entitlements | 9,607 | 9,550 |
| | **72,095** | **74,656** |
| **Income taxes payable** | **-** | **1,531** |

### Employee entitlements accounting policy

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

## 18 Borrowings

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Current | 2,573 | 1,903 |
| Non-current | 32,372 | 21,634 |
| | **34,945** | **23,537** |

The Group re-financed its debt facilities during the year, with the Group's primary lenders now being BNZ and Bank of China (the lenders).

The Group's interest rate on outstanding loans is calculated based on BKBM or cost of funds plus a margin. The current interest rate is between 6.59% and 9.72% (2023: 6.50% - 8.49%). A 0.5% increase/decrease in the effective interest rate would result in a decrease/increase in after tax profit and equity of $126,000.

Green Cross Health Limited and all its subsidiaries provided guarantees and indemnities in favour of the lenders covering all loans held by the Parent and subsidiary companies. Loans provided by BNZ to partnership subsidiaries are covered by a General Security Agreement over the individual business assets.

At balance date, the Group has undrawn banking facilities of $32.5m (2023: $40.2m). The debt facilities held with both BNZ and Bank of China mature December 2027.

### Borrowings and advances accounting policy

Borrowings are initially recognised at fair value, including directly attributable transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost using the effective interest method.



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## 19 Operating cash flow reconciliation

| | 2024 $'000 | 2023* $'000 |
|---|---|---|
| Profit for the year | 15,553 | 50,549 |
| **Add/(deduct) non-cash items:** | | |
| Depreciation, amortisation and impairment | 21,239 | 22,215 |
| Other non-cash items | 1,288 | 1,434 |
| **Add/(deduct) changes in working capital:** | | |
| Receivable and accruals movement | 675 | 1,779 |
| Inventory | 1,516 | 65 |
| Payable and accruals movements | (2,561) | (11,965) |
| Provision for tax movement | (2,221) | (4,164) |
| **Add/(deduct) items classified as cash flows from investing and financing activities:** | | |
| Loss/(gain) on disposal of Community Health division | 276 | (21,805) |
| Interest expense | 2,467 | 1,453 |
| Interest expense - leases | 7,725 | 6,348 |
| **Net cash inflow from operating activities** | **45,957** | **45,909** |

*Comparative information includes re-presentations for consistency with the current period.

## 20 Shares on issue

| | 2024 '000 | 2023 '000 |
|---|---|---|
| **Shares authorised and on issue** | | |
| Opening number of shares | 143,285 | 143,153 |
| Shares issued - fully paid | 177 | 132 |
| Shares issued - partly paid | - | - |
| Shares cancelled - partly paid | - | - |
| | **143,462** | **143,285** |
| Shares held as treasury stock | - | - |
| Performance share rights | 367 | 517 |
| | **143,829** | **143,802** |

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

**Share capital**

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

## 21 Share-based payments

### Performance Share Rights

Performance Share Rights (PSRs) were offered to some senior executives, commencing 1 April 2019. Under the scheme PSRs are issued to participants which give them the rights to receive ordinary shares in the Company after a three year period, subject to certain vesting and other conditions being met. The fair value is measured at grant date and amortised over the vesting period. The vesting of the PSRs is subject to the Company achieving performance hurdles relating to the growth of its earnings per share over a three year measurement period. There is no exercise price for these performance rights and there is no right to dividends during the vesting periods.

Vesting is contingent upon audited financial statements, therefore PSRs which meet the vesting criteria will vest in the financial year following the end of the PSR period.

The shares granted during the current financial period have a fair value of $200,000 (2023: $220,000) which is calculated using the weighted average price of shares through the NZX over the one month period prior to the date of the Company's results announcement for the financial year ended 31 March 2023 (2023: 31 March 2022).

The total expense recognised in the year to 31 March 2024 in relation to the PSRs was $100,000 (2023: $194,000). 176,693 PSR's were vested during the year.

PSRs granted are summarised as below:

| Grant Date | PSR Period | PSRs granted | PSRs vested | PSRs forfeited | PSRs end of period |
|---|---|---|---|---|---|
| 23/10/2020 | 01/04/2019 - 31/03/2022 | 131,637 | (131,637) | - | - |
| 23/10/2020 | 01/04/2020 - 31/03/2023 | 176,693 | (176,693) | - | - |
| 28/06/2021 | 01/04/2021 - 31/03/2024 | 188,679 | - | (47,170) | 141,509 |
| 27/06/2022 | 01/04/2022 - 31/03/2025 | 167,338 | - | (53,244) | 114,094 |
| 26/06/2023 | 01/04/2023 - 31/03/2026 | 148,677 | - | (37,169) | 111,508 |
| Total | | 813,024 | (308,330) | (137,583) | 367,111 |

## 22 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 and financial liabilities are recognised at amortised cost.

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

## 22 Financial instruments (continued)

**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 45 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 and contract assets at reporting date is as follows:

| | Gross receivable 2024 $'000 | Impairment 2024 $'000 | Gross receivable 2023 $'000 | Impairment 2023 $'000 |
|---|---|---|---|---|
| **Trade receivables and contract assets** | | | | |
| Not past due | 24,994 | - | 25,248 | - |
| Past due 0-30 days | 1,329 | - | 538 | - |
| Past due 31-120 days | 1,919 | - | 3,131 | - |
| Past due more than 120 days | 1,748 | (1,748) | 1,989 | (1,989) |
| **Total** | **29,990** | **(1,748)** | **30,906** | **(1,989)** |

The Group's exposure to credit risk for trade receivables, which includes contract assets with the government is influenced mainly by the individual characteristics of each customer. The creditworthiness of a customer or counterparty is determined by a number of qualitative and quantitative factors. Qualitative factors include external credit ratings (where available), payment history and strategic importance of customer or counterparty. Quantitative factors include transaction size, net assets of customer or counterparty, and ratio analysis on liquidity, cash flow and profitability.

The Group's cash balances is held with a number of banks with the level of exposure to credit risk considered minimal with low levels of cash held.

**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:

| | 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 |
|---|---|---|---|---|---|
| **2024** | | | | | |
| Borrowings | 34,945 | 39,933 | 2,727 | 3,480 | 33,726 |
| Trade and other payables | 53,467 | 53,467 | 53,467 | - | - |
| **Total non-derivative liabilities** | **88,412** | **93,400** | **56,194** | **3,480** | **33,726** |

| | 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 |
|---|---|---|---|---|---|
| **2023** | | | | | |
| Borrowings | 23,537 | 25,262 | 1,951 | 3,343 | 19,968 |
| Trade and other payables | 57,103 | 57,103 | 57,103 | - | - |
| **Total non-derivative liabilities** | **80,640** | **82,365** | **59,054** | **3,343** | **19,968** |

## 22 Financial instruments (continued)

**Market Risk**

Refer to note 18 for details of the interest rates for the group loans and borrowings, which are the most significant financial instruments.

**Capital management**

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

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

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

The carrying amount of the Group's on-balance sheet financial instruments including trade and other receivables, cash and cash equivalents, borrowings and trade payables, closely approximate their fair values as at 31 March 2024 and 31 March 2023. The assessment of fair value relating to borrowings was determined by reference to observable market data (level 2).

## 23 Related parties

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 agreed terms, for some of the stores and medical centres.

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 | |
|---|---|---|---|---|
| | **2024 $'000** | **2023 $'000** | **2024 $'000** | **2023 $'000** |
| Franchise fees and on-charged costs to equity accounted investments | 52 | 49 | 5 | 3 |
| Management service charges and on charged costs to equity accounted investments | 1,108 | 353 | 248 | 58 |
| Dividend Income | 1,852 | 1,260 | - | - |
| Receivable from other related parties | - | - | 3,220 | 2,544 |

**Key management personnel remuneration**

The Group provides compensation to key management personnel which comprises the Directors, the Group CEO and the CFO (prior year included some senior executives). Key management compensation comprised:

| | **2024 $'000** | **2023 $'000** |
|---|---|---|
| Remuneration and Directors fees | 1,559 | 2,224 |
| Short term employee benefits | 73 | 393 |
| Long term incentives (Note 21) | 100 | 194 |
| | **1,732** | **2,811** |

## 24 Subsequent events

On 29 May 2024, Green Cross Health Limited declared a final dividend of 2.0 cents per qualifying ordinary share amounting to $2.9m, which will be fully imputed at 28%. The dividend record date is 7 June 2024 and payment will occur on 21 June 2024.

No adjustment is required to these consolidated financial statements in respect of these events.