Green Cross Health Limited
Group consolidated financial statements
for the year ended 31 March 2021

Contents

Directors' declaration
For the year ended 31 March 2021

In the opinion of the Directors of Green Cross Health Limited, the financial statements and notes, on pages 7 to 31:

- 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 2021 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 2021.

For and on behalf of the Board of Directors:

Kim Ellis	C. Steele Carolyn Steele
Chair	Director
27 May 2021	27 May 2021

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 7 to 31:

i. present fairly in all material respects the Group's financial position as at 31 March 2021 and its financial performance and cash flows for the year ended on that date; and

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

We have audited the accompanying consolidated financial statements which comprise:

— the consolidated statement of financial position as at 31 March 2021;

— the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and

— notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

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

We are independent of the Group in accordance with Professional and Ethical Standard 1 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 services. Subject to certain restrictions, partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as auditor of the Group. The firm has no other relationship with, or interest in, the Group.

Materiality

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

Key audit matter

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 goodwill ($136.0 million)	
Refer to note 13 of the consolidated financial statements. The Group has grown significantly through acquisitions in its Pharmacy, Medical and Community Health business units which has resulted in the recognition of goodwill in the amount of $76.9 million, $40.1 million and $19.0 million, respectively. In the event the business units under-perform compared to their business cases, there is a risk that the goodwill arising on acquisition may no longer be supported. As disclosed in note 13, 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. In performing this assessment, assumptions are made in respect of future economic and market conditions, including the impact of COVID-19. 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 of the time value of money and the risks specific to each business unit. 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.	Our audit procedures included: — Ensuring the allocation of goodwill to the Group's business units is appropriate; — Evaluating the methodology, mathematical accuracy and assumptions applied in the discounted cash flow models. We used our own valuation specialists to assist us with the consideration of terminal growth and discount rates; — Challenging management's cash flow assumptions over projected cash flows taking into consideration COVID-19, 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; — Performing sensitivity analysis around the key assumptions used in the models; — Reviewing the appropriateness of related disclosures in the consolidated financial statements. We found the judgements and assumptions used in the assessment of goodwill impairment to be balanced.

Other information

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

In connection with our audit of the consolidated financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have received the Directors Declaration and have nothing to report in regards to it. The other information included in 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 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;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

- to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

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

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

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

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

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

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

For and on behalf of

KPMG.

KPMG
Auckland

27 May 2021

Green Cross Health Limited
Consolidated statement of comprehensive income
For the year ended 31 March 2021

	Notes	2021 $'000	2020 $'000
Operating Revenue	4	570,402	568,531
Operating expenditure	6.2	(513,065)	(509,889)
Depreciation and amortisation expense	11,13	(8,060)	(8,565)
Depreciation - leases	12	(15,338)	(15,629)
Impairment	13	(242)	(4,672)
Share of equity accounted net earnings	15	1,405	1,216
Operating profit before interest and tax		**35,102**	**30,992**
Interest income		84	114
Interest expenses		(1,094)	(1,787)
Interest expense - leases		(5,166)	(5,678)
Net interest expense		**(6,176)**	**(7,351)**
Profit before tax		**28,926**	**23,641**
Income tax expense	7	(7,890)	(6,689)
Profit after tax for the year		**21,036**	**16,952**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		**21,036**	**16,952**
Attributable to:			
Shareholders of the parent		16,752	13,490
Non-controlling interest		4,284	3,462
		21,036	**16,952**
Earnings per share:			
Basic earnings per share (cents)	8	11.70	9.42
Diluted earnings per share (cents)	8	11.69	9.41

The accompanying Statement of Accounting Policies and Notes to the Consolidated Financial Statements on pages 11 to 31 form part of the Financial Statements.

KPMG

Green Cross Health Limited
Consolidated statement of changes in equity
For the year ended 31 March 2021

	Notes	Share Capital $'000	Retained earnings $'000	Non-controlling interest $'000	Total equity $'000
Balance as at 1 April 2019		90,610	33,842	9,489	133,941
Impact on application of IFRS16 - net of tax			(2,167)	(419)	(2,586)
Balance as at 1 April 2019 (restated)		90,610	31,675	9,070	131,355
Profit or loss for the year			13,490	3,462	16,952
Total comprehensive income for the year			**13,490**	**3,462**	**16,952**
Dividends to shareholders	9		(10,039)	-	(10,039)
Distributions to non-controlling interests			-	(2,333)	(2,333)
Impacts of other transactions with non-controlling interest			(1,324)	108	(1,216)
Balance as at 31 March 2020		**90,610**	**33,802**	**10,307**	**134,719**
Balance as at 1 April 2020		90,610	33,802	10,307	134,719
Profit or loss for the year			16,752	4,284	21,036
Total comprehensive income for the year			**16,752**	**4,284**	**21,036**
Dividends to shareholders	9		-	-	-
Distributions to non-controlling interests			-	(7,309)	(7,309)
Impacts of other transactions with non-controlling interest			31	1,170	1,201
Balance as at 31 March 2021		**90,610**	**50,585**	**8,452**	**149,647**

KPMG

The accompanying Statement of Accounting Policies and Notes to the Consolidated Financial Statements on pages 11 to 31 form part of the Financial Statements.

Green Cross Health Limited
Consolidated statement of financial position
As at 31 March 2021

	Notes	2021 $'000	2020 $'000
ASSETS			
Current assets			
Cash and cash equivalents		37,302	33,899
Trade and other receivables	10	38,933	43,107
Inventories		30,388	34,720
Income taxes refundable	10	1,831	-
Total current assets		**108,454**	**111,726**
Non-current assets			
Property, plant and equipment	11	19,517	22,227
Right-of-use assets	12	76,355	86,090
Intangible assets	13	140,815	133,524
Deferred tax asset	14	12,018	16,055
Investments accounted for using the equity method	15	7,724	6,988
Total non-current assets		**256,429**	**264,884**
Total assets		**364,883**	**376,610**
LIABILITIES			
Current liabilities			
Trade payables and accruals	16	106,177	90,652
Income taxes payable	16	-	1,186
Borrowings	17	2,035	3,359
Lease liabilities	12	13,570	13,705
Total current liabilities		**121,782**	**108,902**
Non-current liabilities			
Borrowings	17	22,338	53,114
Lease liabilities	12	71,116	79,875
Total non-current liabilities		**93,454**	**132,989**
Total liabilities		**215,236**	**241,891**
Net assets		**149,647**	**134,719**
EQUITY			
Share Capital		90,610	90,610
Retained earnings		50,585	33,802
Total equity attributable to shareholders of the parent		141,195	124,412
Non-controlling interest		8,452	10,307
Total equity		**149,647**	**134,719**

The accompanying Statement of Accounting Policies and Notes to the Consolidated Financial Statements on pages 11 to 31 form part of the Financial Statements.

KPMG

Green Cross Health Limited
Consolidated statement of cash flows
For the year ended 31 March 2021

	Notes	2021 $'000	2020 $'000
Cash flows from operating activities			
Dividends received	15	797	653
Receipts from customers		574,576	561,500
Interest received		84	114
Payments to suppliers and employees		(497,800)	(498,508)
Income taxes paid		(6,720)	(9,456)
Net cash inflow from operating activities	18	**70,937**	**54,303**
Cash flows from investing activities			
Purchases of property, plant and equipment and software intangibles		(4,971)	(7,264)
Acquisition of interests in equity accounted investments		(128)	(26)
Acquisition of interests in subsidiary and non-controlling interests	5	(7,980)	(3,546)
Net cash outflow from investing activities		**(13,079)**	**(10,836)**
Cash flows from financing activities			
Proceeds from borrowings		2,712	19,299
Repayments of borrowings		(34,812)	(11,944)
Payment of lease liabilities		(14,498)	(13,778)
Interest expense		(1,094)	(1,787)
Interest expense - leases		(5,166)	(5,678)
Dividends to non-controlling interest		(1,475)	(2,333)
Dividend Paid		-	(10,039)
Net cash outflow from financing activities		**(54,333)**	**(26,260)**
Net increase in cash and cash equivalents		**3,525**	**17,207**
Cash and cash equivalents at the beginning of the financial year		33,899	16,652
Cash acquired: business combinations	5	(122)	40
Cash and cash equivalents at end of year		**37,302**	**33,899**
Reconciliation of closing cash and cash equivalents to the consolidated statement of financial position:			
Cash and cash equivalents		37,302	33,899
Closing cash and cash equivalents		**37,302**	**33,899**

The accompanying Statement of Accounting Policies and Notes to the Consolidated Financial Statements on pages 11 to 31 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 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 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 27 May 2021.

(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's statements, except as mentioned below.

The Group has early adopted COVID-19 Related Rent Concessions - Amendments to IFRS 16 issued on 28 May 2020. The amendment introduces an optional practical expedient for leases in which the Group is a lessee - i.e. for leases to which the Group applies the practical expedient, the Group is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-19 coronavirus pandemic are lease modifications. The Group has applied the amendment retrospectively. The amendment has no impact on retained earnings as at 1 April 2020.

The Group negotiated rent concessions with its landlords for the majority of its property leases as a result of the severe impacts of the COVID-19 pandemic during the period. The Group applied the practical expedient for COVID-19 related rent concessions consistently to eligible rent concessions relating to its property leases.

The amount credited to the consolidated statement of comprehensive income for the reporting period to reflect changes in lease payments arising from rent concessions to which the Group has applied the practical expedient is $1.2m (2020: nil)

(d) Comparatives

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

(e) Functional and presentation currency

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

(f) Significant estimates and judgments

The preparation of financial statements in conformity with NZ IFRS 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.

2 Basis of preparation of financial statements (continued)

(f) Significant estimates and judgments (continued)

In authorising the financial statements for the year ended 31 March 2021, 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:

(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 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.

(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 12.

(iv) COVID-19 pandemic

On 11 March 2020 the World Health Organisation declared a global pandemic as a result of the outbreak and spread of COVID-19. Following this, on Wednesday 25 March 2020 the New Zealand Government raised its Alert Level to 4 (full lockdown of non-essential services) for an initial 4 week period. A number of the Group's pharmacies, medical centres and its homecare operations continued to operate in a reduced capacity during level 4 due to the essential nature of their activities and the service they provide to the community.

The Board note the high level of business uncertainty that continues to exist in relation to the impacts of the Covid-19 pandemic including the possibility of business disruption, erosion of consumer spending and further government-imposed lockdowns. There are no provisions in these statements for the financial impacts of Covid-19.

(g) Subsidiaries

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

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

The Group's ownership interests in subsidiaries ranges from 25% to 100% (2020: 25% to 100%). The Group consolidates 30 out of 42 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.

KPMG

2 Basis of preparation of financial statements (continued)

(h) Non-controlling interests

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

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

While the group has 45 (2020: 44) subsidiaries with non-controlling interests, there are no subsidiaries with individually material non-controlling interest.

(i) Transactions eliminated on consolidation

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

(j) Goods and Services Tax (GST)

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

(k) Statement of cash flows

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

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

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

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

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

Financing activities reflect changes in borrowings and equity.

(l) 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.

(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 2021. 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 Classification of Liabilities was early adopted by the Group in the prior year.

4 Segment reporting

The Group has three reportable segments: pharmacy services, medical services and community health. The pharmacy services segment provides retail and dispensary services, the medical services segment provides GP, nursing and urgent care services and the community health segment provides in home and community care.

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

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

- Aggregation of the operating segments within each reportable segment is consistent with the core 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

	Notes	Pharmacy Services $'000	Medical Services $'000	Community Health $'000	Corporate $'000	Total $'000
March 2021						
External revenues	6.1	307,743	81,687	170,181	-	559,611
Other income*		9,095	466	1,230	-	10,791
Total Revenue		**316,838**	**82,153**	**171,411**	**-**	**570,402**
Cost of products sold		(188,007)	-	-	-	(188,007)
Employee benefit expense**		(59,233)	(58,779)	(159,281)	-	(277,293)
Lease expenses		(2,004)	(143)	(60)	-	(2,207)
Other expenses**		(26,825)	(10,943)	(5,706)	(2,084)	(45,558)
Depreciation and amortisation		(6,233)	(1,042)	(785)	-	(8,060)
Depreciation - leases		(10,507)	(3,015)	(1,816)	-	(15,338)
Impairment		(197)	-	(45)	-	(242)
Share of equity accounted net earnings		314	1,091	-	-	1,405
Segment Profit		**24,146**	**9,322**	**3,718**	**(2,084)**	**35,102**
Interest income						84
Interest expense						(1,094)
Interest expense - leases						(5,166)
Profit before tax						**28,926**
Tax expense						(7,890)
Profit after tax						21,036
Non-controlling interest						(4,284)
Net Profit attributable to the shareholders of the parent						**16,752**
Reportable segment assets		269,998	64,181	41,807	(11,103)	364,883
Reportable segment liabilities		136,936	54,454	34,949	(11,103)***	215,236

**Other income includes government wage subsidies received of $9.1m within Pharmacy services, $0.5m Medical services and $1.2m Community Health under the New Zealand Government's wage subsidy scheme available to eligible businesses impacted by the COVID-19 pandemic.*

***An objective review of costs has been carried out which has resulted in a change in the way some costs are allocated between segments. In the current year this change has impacted each division by +$2.6m Pharmacy, -$1.4m Medical and -$1.2m Community Health. Total operating profit for the Group remains unchanged.*

****Intersegmental elimination.*

KPMG

4 Segment reporting (continued)

	Note	Pharmacy Services $'000	Medical Services $'000	Community Health $'000	Corporate $'000	Total $'000
March 2020						
External revenues	6.1	336,449	76,509	155,573	-	568,531
Total Revenue		**336,449**	**76,509**	**155,573**	**-**	**568,531**
Cost of products sold		(195,386)	-	-	-	(195,386)
Employee benefit expense*		(59,824)	(55,339)	(145,947)	-	(261,110)
Lease expenses		(2,897)	(392)	(236)	-	(3,525)
Other expenses*		(31,351)	(10,791)	(5,733)	(1,992)	(49,867)
Depreciation and amortisation		(6,323)	(1,330)	(913)	-	(8,566)
Depreciation - leases		(11,097)	(2,957)	(1,575)	-	(15,629)
Impairment		(4,672)	-	-	-	(4,672)
Share of equity accounted net earnings		314	902	-	-	1,216
Segment Profit		**25,213**	**6,602**	**1,169**	**(1,992)**	**30,992**
Interest income						114
Interest expense						(1,787)
Interest expense - leases						(5,678)
Profit before tax						**23,641**
Tax expense						(6,689)
Profit after tax						16,952
Non-controlling interest						(3,462)
Net Profit attributable to the shareholders of the parent						**13,490**
Reportable segment assets		294,818	59,843	30,236	(8,287)	376,610
Reportable segment liabilities		169,235	54,176	26,768	(8,287)**	241,892

**An objective review of costs has been carried out which has resulted in a change in the way some costs are allocated between segments. In the prior year this change has impacted each division by +$2.7m Pharmacy, -$1.4m Medical and -$1.3m Community Health. Total operating profit for the Group remains unchanged.*

***Intersegmental elimination*

KPMG

5 Business combinations

Business combinations acquired during the year include; Tui Medical Centre Limited, Gabriel Medical Practice, Richmond Health Centre and Cambridge Pharmacies. 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	840	840
Total liabilities	(341)	(341)
Identifiable net assets	**499**	**499**
Consideration transferred		
Satisfied by:		
Cash consideration		7,980
Deferred consideration		1,048
Total consideration		**9,028**
Less cash acquired (included in assets above)		(122)
Net consideration		**8,906**
Goodwill		
Goodwill recognised as result of the acquisitions are as follows:		
Total consideration		9,028
Identifiable net assets		(499)
Goodwill		**8,529**

The amount of revenue included in the consolidated statement of comprehensive income is $1.1 million with a net profit after tax of $0.2 million in respect of the entities acquired during the year.

6 Operating performance

6.1 Revenue

Revenue from contracts with customers	2021 $'000	2020 $'000
Pharmacy retail and dispensary	280,553	298,261
Other pharmacy services	27,190	38,188
Medical services	81,687	76,509
Community health	170,181	155,573
	559,611	**568,531**

6 Operating performance (continued)

Disaggregation of contract revenue

	Reportable segments			
	Pharmacy Services $'000	**Medical Services $'000**	**Community Health Services $'000**	**Total $'000**
Year ended 31 March 2021				
Timing of revenue recognition				
Transferred at a point in time	297,936	33,516	121,258	452,710
Transferred over time	9,807	48,171	48,923	106,901
	307,743	**81,687**	**170,181**	**559,611**
Year ended 31 March 2020				
Timing of revenue recognition				
Transferred at a point in time	324,159	35,315	108,393	467,867
Transferred over time	12,290	41,194	47,180	100,664
	336,449	**76,509**	**155,573**	**568,531**

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

Medical services

Medical services include capitation 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.

Community health services

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

6 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 2021 $'000	31 Mar 2020 $'000
Trade receivables which are included in trade and other receivables	24,180	25,257
Contract assets	13,834	14,273
Contracts liabilities	(7,994)	(6,019)

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

	2021 Contract Assets	2021 Contract liabilities	2020 Contract Assets	2020 Contract liabilities
Revenue recognised that was included in the contract liability balance at the beginning of the period	-	6,019	-	5,072
Transfer from contract assets recognised at the beginning of the period to receivables	14,273	-	11,561	-

As at 31 March 2021, the amount of revenue deferred and recognised as a contract liability for the loyalty programme is $7.2m. This will be recognised as revenue as the loyalty points are redeemed or expire, which is expected to occur over the next fifteen months.

6.2 Operating expenditure

	2021 $'000	2020 $'000
Cost of products sold	188,007	195,387
Employee benefit expense	277,293	261,110
Lease expenses	2,207	3,525
Other expenses	44,070	48,225
Audit fees	244	233
Other services provided by auditors	124	140
Directors' fees in respect of the parent company	411	431
Directors' fees in respect of the subsidiary companies	224	244
Bad debts written off and movement in doubtful debt provision	485	594
	513,065	**509,889**

Auditor's remuneration to KPMG comprises:		
Annual audit of financial statements	229	233
Annual audit of financial statements - Prior year	15	-
	244	**233**

6 Operating performance (continued)

	2021 $'000	2020 $'000
Other services provided by auditors:		
Taxation services	124	140
	124	**140**

Tax services relate to compliance and related services.

7 Income tax expense

	Notes	2021 $'000	2020 $'000
Current tax expense		(3,853)	(8,829)
Deferred tax benefit/(expense)	14	(4,037)	2,140
Total current tax		**(7,890)**	**(6,689)**

Imputation credit account:

Available for use in subsequent periods $21.8m (2020: $10.1m).

	Notes	2021 $'000	2020 $'000
Numerical reconciliation between tax expense and pretax accounting profit			
Profit before tax		28,926	23,641
Income tax expense at 28%		(8,099)	(6,619)
(Add)/Deduct tax effects of adjustments:			
Non deductible write-offs		-	(385)
Other		209	315
		(7,890)	**(6,689)**

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.

8 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.

	2021 cents per share	**2020 cents per share**
Basic earnings per share	11.70	9.42

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent and a weighted average number of ordinary shares issued during the year of 143,152,759 (2020: 143,152,759).

Diluted earnings per share	11.69	9.41

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 143,302,759 (2020: 143,394,426).

Net tangible (liabilities)/assets per share	(2.23)	(10.38)

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	104.54	94.11

The calculation of net assets per share is based on net assets and the closing number of ordinary shares at the end of the year.

9 Dividends

	2021 cents per share	**2020 cents per share**
Dividends per share	-	7.00

No interim or final dividend has been paid in the current financial year (2020: 3.5 cents per qualifying ordinary shares in December 2019 and 3.5 cents in June 2019).

10 Trade and other receivables and income taxes receivable

	2021 $'000	**2020 $'000**
Trade receivables	24,180	25,257
Provision for doubtful debts	(1,511)	(1,070)
Contract assets	13,834	14,273
Accrued income	534	2,534
Other receivables and prepayments	1,896	2,113
	38,933	**43,107**

Income taxes refundable	**1,831**	-

KPMG

11 Property, plant and equipment

	2021 $'000	2020 $'000
Opening Cost	79,319	75,112
Acquisitions through business combinations	275	146
Additions	4,204	5,010
Disposals	(1,282)	(949)
Closing cost	**82,516**	**79,319**
Opening accumulated depreciation	58,667	53,143
Depreciation for the period	5,921	6,029
Disposals	(1,048)	(505)
Closing accumulated depreciation	**63,540**	**58,667**
Closing book value	18,976	20,652
Work in progress	541	1,575
Total property, plant and equipment	**19,517**	**22,227**

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 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.

12 Leases

As a lessee

The Group's leased assets include property leases for pharmacies, medical centres and offices. 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**
2021				
Balance as at 1 April 2020	83,705	1,345	1,040	86,090
Balance as at 31 March 2021	75,283	626	446	76,355
Depreciation	14,025	719	594	15,338

KPMG

12 Leases (continued)

	Property $'000	Motor Vehicles $'000	Equipment $'000	Total $'000
2020				
Balance as at 1 April 2019	88,933	2,015	1,959	92,907
Balance as at 31 March 2020	83,705	1,345	1,040	86,090
Depreciation	14,202	734	694	15,630

Additions to property of $3.3m (2020: $11.4m) have been made to Right of use assets during the current year.

Lease liabilities	Property $'000	Motor Vehicles $'000	Equipment $'000	Total $'000
2021				
Balance as at 1 April 2020	91,093	1,407	1,080	93,580
Balance as at 31 March 2021	83,513	686	487	84,686
2020				
Balance as at 1 April 2019	94,574	2,015	1,959	98,548
Balance as at 31 March 2020	91,093	1,407	1,080	93,580

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.

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.

	2021 $'000	2020 $'000
Maturity analysis of contractual undiscounted cash flows		
Less than one year	16,862	17,474
Two to five years	43,331	46,536
More than five years	50,678	60,124
	110,871	**124,134**

KPMG

12 Leases (continued)

As a lessor

The Group sub-leases some of its properties. 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.

13 Intangible assets

	Notes	2021 $'000	2020 $'000
Software and other intangible assets			
Opening costs		17,687	20,276
Additions		1,112	1,261
Disposals		(651)	(321)
Assets written-off		(673)	(3,529)
Closing cost		**17,475**	**17,687**
Opening accumulated amortisation		11,405	9,105
Amortisation for the period		2,139	2,536
Disposals		(447)	(3)
Assets written-off/impairment		(431)	(233)
Closing accumulated amortisation		**12,666**	**11,405**
Closing book value		**4,809**	**6,282**
Goodwill			
Opening costs		127,242	126,492
Other acquired goodwill		295	200
Additions	5	8,529	1,926
Disposals		(60)	(1,376)
Closing cost		**136,006**	**127,242**
Total intangible assets		**140,815**	**133,524**

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 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 computer software, trademarks and other indefinite life intangible assets. Indefinite life intangible assets are tested annually for impairment.

KPMG

13 Intangible assets (continued)

Internally developed software in the amount of $3.3m was impaired in the prior year as a result of a strategic review of existing projects.

Goodwill accounting policy

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

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

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

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

Impairment testing

Discounted cash flow (DCF) models have been based on three-year forecast cash flow projections. The budget for the year-ending 31 March 2022 is the basis for the first year's projections and projections for subsequent periods have been based on the Group's three-year Outlook. 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 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 2021	**Pharmacy Services**	**Medical Services**	**Community Health**
Discount rate - post tax	8.23 %	8.50 %	9.57 %
Terminal growth rate	1.50 %	1.50 %	1.50 %
Carrying amount of goodwill allocated to the unit ($000)	76,875	40,070	19,061
Carrying value of other intangible assets with indefinite useful lives ($000)	2,048	-	-

Impairment test assumptions 2020	**Pharmacy Services**	**Medical Services**	**Community Health**
Discount rate - post tax	9.43 %	7.93 %	9.50 %
Terminal growth rate	1.50 %	1.50 %	1.50 %
Carrying amount of goodwill allocated to the unit ($000)	74,513	33,667	19,061
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, Medical services or Community Health services as a result of this review, nor under any reasonable possible change, in any of the key assumptions described above.

14 Deferred tax assets

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

	Opening $'000	Recognised in profit and loss $'000	Closing $'000
Group - 2021			
Property, plant and equipment	2,288	29	2,317
Provisions and accruals	6,785	137	6,922
Tax losses	4,885	(4,439)	446
Right of use assets	(24,105)	2,726	(21,379)
Lease liabilities	26,202	(2,490)	23,712
	16,055	**(4,037)**	**12,018**
Group - 2020			
Property, plant and equipment	2,257	31	2,288
Provisions and accruals	7,004	(219)	6,785
Tax losses	3,650	1,235	4,885
Right of use assets*	(26,589)	2,484	(24,105)
Lease liabilities	27,593	(1,391)	26,202
	13,915	**2,140**	**16,055**

*Opening balance includes the deferred tax impact of IFRS16 adoption.

15 Equity accounted group investments

		2021 $'000	2020 $'000
The movement in equity accounted investments comprises:			
Opening carrying amount		6,988	6,399
Investment in associates and joint ventures		128	26
Share of net earnings		1,405	1,216
Dividends	21	(797)	(653)
		7,724	**6,988**

There are no individually material associates or joint ventures.

Amount of goodwill within the carrying amount of equity accounted group investments:		
Opening carrying amount	4,024	4,024
Closing carrying amount	**4,024**	**4,024**

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 2021	16,352	9,305	51,708	4,326
As at and for the year ended 31 March 2020	15,790	8,614	52,498	3,269

KPMG

15 Equity accounted group investments (continued)

Investments in associates and joint ventures accounting policy

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

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

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

16 Trade and other payables and income taxes payable

	2021 $'000	2020 $'000
Payables and accruals		
Trade payables	38,228	39,478
Payable to non-controlling interest	7,875	2,941
Contract liabilities	7,994	6,019
Accrued expenses	25,228	18,409
Employee entitlements	26,852	23,805
	106,177	**90,652**
Income tax payable	**-**	**1,186**

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.

17 Borrowings

	2021 $'000	2020 $'000
Current	2,035	3,359
Non-current	22,338	53,114
	24,373	**56,473**

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 2.25% and 3.96% (2020: 2.50% - 4.66%). A 0.5% increase/decrease in the effective interest rate would result in a decrease/increase in after tax profit of $88,000.

KPMG

17 Borrowings (continued)

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

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

The Group's primary lender is the BNZ. As at balance date, the Group has undrawn banking facilities of $41m (2020: $10m). The maturity of the debt facility with BNZ is 22 August 2022.

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 flow reconciliation

	2021 $'000	2020 $'000
Profit for the year	21,036	16,952
Add/(deduct) non-cash items:		
Depreciation, amortisation and impairment	23,640	28,867
Other non-cash items	2,230	6,754
Add/(deduct) changes in working capital:		
Receivable and accruals movement	4,174	(7,031)
Inventory	4,332	(1,916)
Payable and accruals movements	15,525	10,677
Net cash inflow from operating activities	**70,937**	**54,303**

19 Shares on issue

	2021 $'000	2020 $'000
Shares authorised and on issue		
Opening number of shares	143,303	143,486
Shares issued - fully paid	-	-
Shares issued - partly paid	-	-
Shares cancelled - partly paid	-	(183)
	143,303	**143,303**
Shares held as treasury stock	(150)	(150)
	143,153	**143,153**

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

Treasury stock

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

Share capital

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

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 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.

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 at reporting date is as follows:

	Gross receivable 2021 $'000	Impairment 2021 $'000	Gross receivable 2020 $'000	Impairment 2020 $'000
Trade and other receivables				
Not past due	37,567	-	39,851	-
Past due 0-30 days	938	-	1,437	-
Past due 31-120 days	428	-	1,819	-
Past due more than 120 days	1,511	(1,511)	1,070	(1,070)
Total	**40,444**	**(1,511)**	**44,177**	**(1,070)**

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
2021					
Borrowings	24,373	25,627	2,086	21,049	2,492
Trade and other payables	71,331	71,331	71,331	-	-
Total non-derivative liabilities	**95,704**	**96,958**	**73,417**	**21,049**	**2,492**

20 Financial instruments (continued)

	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
2020					
Borrowings	56,473	60,909	3,460	1,376	56,073
Trade and other payables	60,828	60,828	60,828	-	-
Total non-derivative liabilities	**117,301**	**121,737**	**64,288**	**1,376**	**56,073**

Market Risk

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

Capital management

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

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

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

The carrying amount of the Group's on-balance sheet financial instruments including trade and other receivables, cash and cash equivalents, borrowings and trade payables, closely approximate their fair values as at 31 March 2021 and 31 March 2020. The assessment of fair value relating to borrowings was determined by reference to observable market data (level 2).

21 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. Payable to non-controlling interests represents loans advanced to the Group.

Related party transactions for the group:

	Transaction value		Balance outstanding	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Franchise fees and on-charged costs to equity accounted investments	117	102	19	9
Management service charges and on charged costs to equity accounted investments	618	703	75	41
Dividend Income	797	653	-	-
Receivable from other related parties	-	-	586	458

KPMG

21 Related parties (continued)

Key management personnel remuneration

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

	2021 $'000	2020 $'000
Remuneration and Directors fees	1,961	2,074
Short term employee benefits	291	291
Long term incentives	111	50
	2,363	**2,415**

22 Share-based payments

(a) Description of share-based payment arrangements

At 31 March 2021, the Group had the following share-based payment arrangements:

150,000 Redeemable Ordinary Shares (ROS) have been issued by the parent to Life Pharmacy Trustee Company Limited as trustee of a trust that holds the shares on behalf of the employees. Each ROS is partly-paid to $0.01 and carries an entitlement to dividends and voting rights in proportion to the extent paid. On exercise, the ROS are fully paid and converted into ordinary shares. The total charged to the profit and loss in the period was $0 (2020: $0).

There were no ROS issued to key or senior managers during the 2021 or 2020 financial years.

(b) Reconciliation of outstanding ROS

	Number of instruments 2021	Weighted average exercise price 2021	Number of instruments 2020	Weighted average exercise price 2020
in thousands				
Outstanding at 1 April	150	$2.37	333	$1.90
Cancelled during the year	-	-	(183)	$1.26
Exercised during the year	-	-	-	-
Granted during the year	-	-	-	-
Outstanding at 31 March	**150**	**$2.37**	**150**	**2.37**
Exercisable at 31 March	150	$2.37	150	$2.37

Instruments outstanding at 31 March 2021 had an exercise prices of $2.37 (2020: $2.37) and a weighted average contractual life of 3 months (2020: 1 year). There were no ROS exercised during the year (2020: nil).

Share based payments accounting policy

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

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

23 Subsequent events

There have been no subsequent events which require disclosure in these financial statements.

KPMG