GREEN CROSS HEALTH

Annual Report 2022

Who we are

Unichem

Life Pharmacy

PillDrop Pharmacy. Your Way.

345 pharmacies

Life Pharmacy **58**

Unichem **287**

1.9 million loyalty members

thedoctors

HouseCall

415 nurses

408 doctors

329,000 enrolled patients

53 medical centres

Access community health Hauora Tara-Ā-Whare

Total Care health services

158 clinical staff including nurses, occupational therapists & physiotherapists

36,000 clients

3.8 million home visits each year

2,800 support workers

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

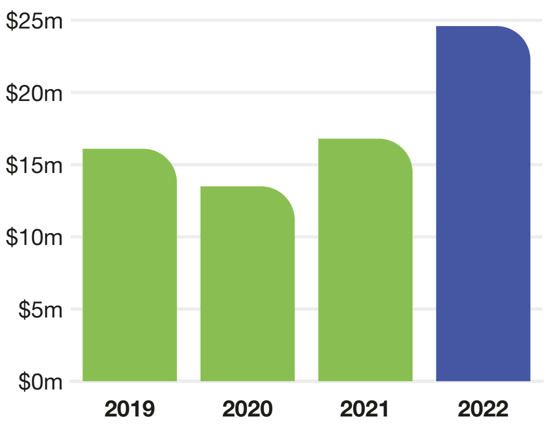
Contents

Financial summary

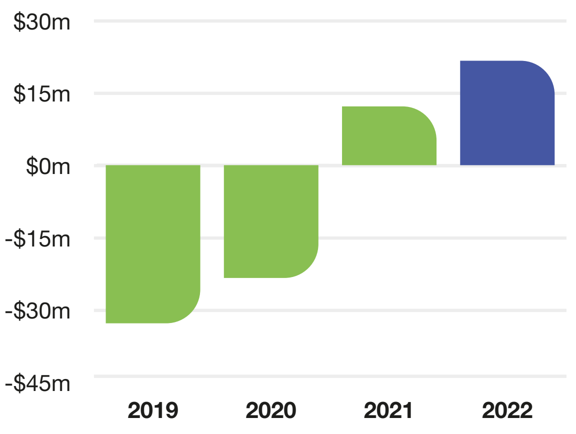
So let's start with the plain English version of our accounts. If you are interested, more details can be found in the financial statements and notes further on in this report.

	2022 ($'000)	2021 ($'000)
We generate revenue from three sources		
Pharmacy retail and dispensary services	367,113	316,838
Community Health services	192,242	171,411
Medical services	110,972	82,153
Our costs to operate are primarily		
Wages and salaries	328,020	277,293
Costs of products sold	210,164	188,007
Other costs (marketing, governance, communications etc)	53,589	45,558
Lease expense, depreciation and amortisation	25,458	25,605
Impairment	841	242
After all income and expenses, we earned		
Profit before tax	48,045	28,926
Tax expense	(14,292)	(7,890)
Profit after tax	33,753	21,036
Non-controlling interest	(9,192)	(4,284)
Profit after tax attributable to the Parent shareholders	**24,561**	**16,752**

Profit after tax
(attributable to shareholders)



Net cash / (debt)
represents cash and cash equivalents less borrowings

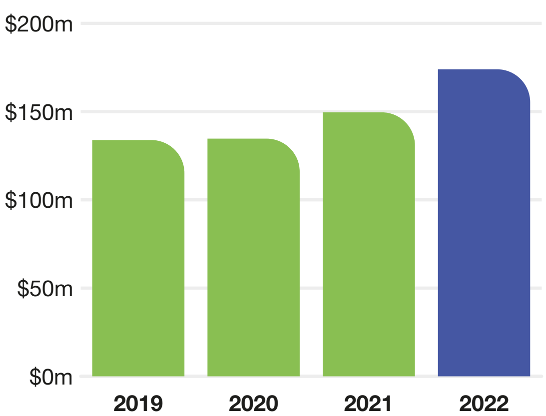


	2022 ($'000)	2021 ($'000)
What happened to the profit and where did the cash go?		
We started the year with a bank balance of	37,302	33,899
Our profit after tax (and after adjusting for non-cash items) was*	46,575	26,148
We bought and sold various businesses	(22,480)	(8,230)
We bought fixed assets	(4,090)	(4,971)
We repaid bank borrowings	(653)	(32,100)
We made investments and provided loans	(2,122)	-
We paid dividends to our shareholders	(4,314)	-
We paid dividends to our minority partners	(2,035)	(1,475)
Our working capital (decreased) / increased by	(3,029)	24,031
We ended the year with a bank balance of	**45,154**	**37,302**

**Includes repayment of lease principal and interest expense of $21.6m (2021: $19.7m) under NZ IFRS 16.*

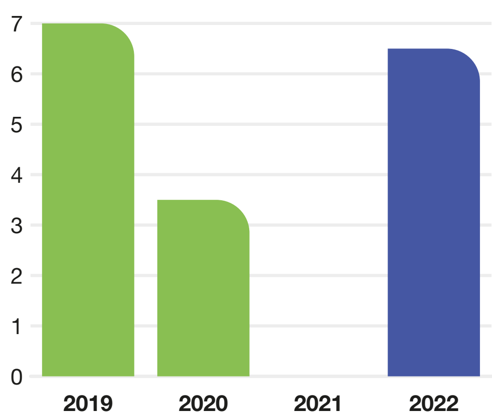
	As at 31 March	
	2022 ($'000)	2021 ($'000)
So what is the equity book value		
We have total assets of	408,775	364,883
We have total liabilities of	(234,819)	(215,236)
So our equity book value is	173,956	149,647
Which represents a net asset value for each share of (cents)	**121.52**	**104.54**

Net assets



Dividends per share (cents)

based on dividends declared during the year



Company report

Green Cross Health is pleased to report Net Profit After Tax Attributable to Shareholders of $24.6 million, which was ahead of the prior year by 47% and included an increase in performance across all three divisions, as well as in-year acquisition activity.

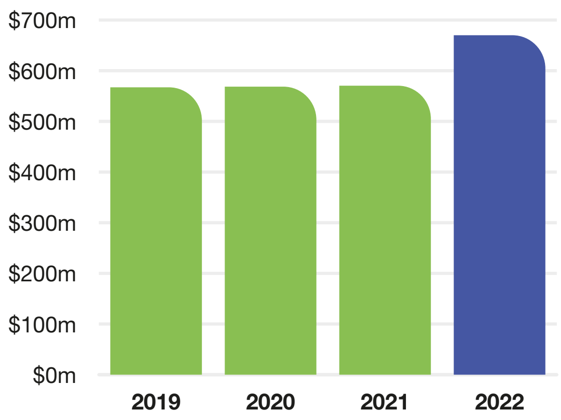
As essential services, all three divisions remained open providing services to New Zealand communities throughout the various COVID-19 alert levels. Whilst supporting New Zealand's COVID-19 response, all divisions continued implementing their organic growth strategies, contributing to improved profit margins year-on-year. Diversification of the portfolio has progressed, with the Medical and Community Health divisions growing in scale and now representing just under half of group revenue. Inorganic growth was also achieved during the year, with the addition of five pharmacies and eight medical centres.

Results summary

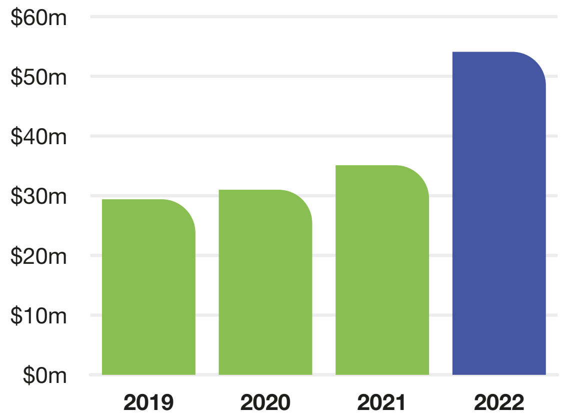
- Operating Revenue up 18% to $670.3m
- Operating Profit (EBIT) up 54% to $54.1m[1]
- Net Profit After Tax Attributable to Shareholders up 47% to $24.6m[1]
- Pharmacy Operating Revenue up 16% and Operating Profit up $11.7m to $35.9m
- Medical Operating Revenue up 35% and Operating Profit up $6.6m to $16.0m
- Community Health Operating Revenue up 12% and Operating Profit up $1.9m to $5.6m
- Over $20m invested in growth including eight medical centre acquisitions, one medical centre greenfield and five pharmacy acquisitions
- Internal promotions of Alison Van Wyk (COO), Androulla Kotrotsos (GM Community Health) and appointment of Wayne Woolrich (GM Medical)
- $21m Net Cash position – 3.5 cps dividend declared

[1]After deducting one-off costs of $1.4m associated with the process to acquire Tamaki Health, which Green Cross Health and its consortium partner withdrew from in November 2021.

Group operating revenue



Group operating profit
before interest and tax



Pharmacy division

Unichem and Life Pharmacy

345 stores

1.9 million
loyalty members

The benefit of our nationwide presence and scale was demonstrated with Green Cross Health pharmacies representing 51% of all New Zealand pharmacies providing COVID-19 vaccinations. Even with the disruption of COVID-19, operational improvement initiatives continued with initial script numbers up 6%, retail sales consistent year-on-year and Living Rewards loyalty programme membership increasing to 1.89m members. The Pharmacy Division lifted profit by 49% to $35.9m.

Pharmacy Revenue for the period saw an increase of 16% to $367m with Operating Profit lifting $11.7m to $35.9m, driven by further growth in dispensary activity and earnings from COVID-19 vaccinations and other services. Throughout the year our network of 345 pharmacies played a key role in supporting communities – providing essential services, supporting the COVID-19 vaccination programme and continuing to innovate and bring new healthcare solutions.

Even with the return to three-monthly dispensing (rather than monthly dispensing Pharmac put in place for much of the prior year given COVID-19 related challenges), total script volumes increased 2% year-on-year. The Green Cross Health pharmacy network dispensed over 30 million scripts during the period, representing almost 40% of New Zealand's volumes.

Retail sales were consistent year-on-year, with metro areas most challenged by further COVID-19 restrictions and businesses working from home. A differentiated product focus resulted in 20% of retail sales now being sourced via strategic supplier partnerships. In line with the strategy of retail innovation, new services were launched in the year including Ingeneous DNA testing and Phillips' sleep apnoea, enhancing our ability to connect with our customers on health solutions.

Living Rewards loyalty membership grew by 81,000 to 1.89m members through targeted acquisition campaigns and differentiated offers to loyalty customers, who spend 62% more on average than non-loyalty members. The Company has contracted the installation of a new loyalty system in FY23, which will allow for enhanced customer segmentation and relevant personalised offers.

Tight control of labour and occupancy costs continued through the period with a number of leases successfully renegotiated. The ongoing review and optimisation of the store portfolio is a strategic priority. During the year the division acquired two pharmacies in Whakatane, two pharmacies in Katikati and one in Onehunga. Investments included a 25% holding in PillDrop, ensuring Green Cross Health stays close to the increased demand for digital services and the changing needs of customers.

The Pharmacy digital booking system has been enhanced to support ease of customer access to instore services and online fulfilment capability has been scaled to support a 51% increase in online demand. The division announced a partnership with ASX listed MedAdvisor to roll out digital solutions to customers across the pharmacy network to support an omni-channel experience. In FY22, 450 staff completed year one of the specialised Green Cross

Health retail apprenticeship programme, with year two of the programme now underway.

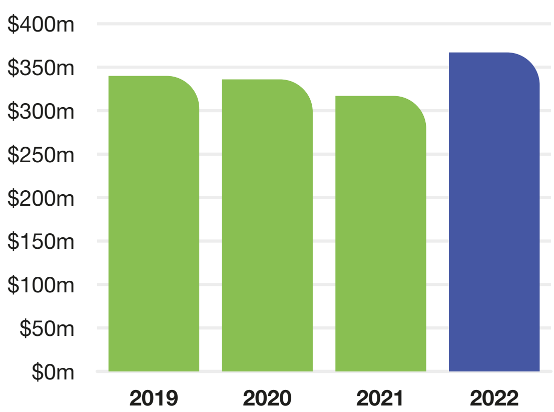
The value of the pharmacy workforce was highly visible throughout the pandemic response. Green Cross Health urges the Government to support the enhanced role community pharmacy has played and to address workforce sustainability and cost pressure recovery. With the health reforms underway, Green Cross Health calls on the Government to remove the medicines co-payment tax for vulnerable and marginalised communities as it is a significant barrier to equity of access.

Highlights

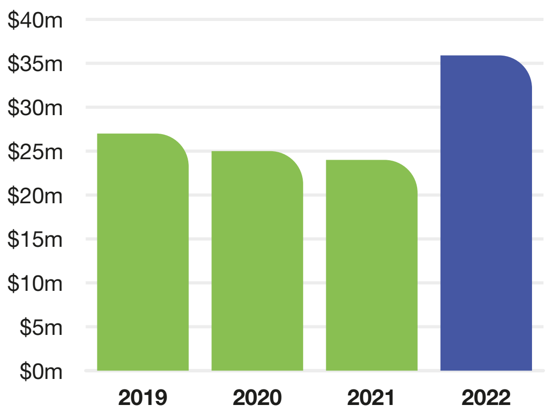
- Pharmacy Revenue increased 16% to $367.1m
- Operating Profit for the period up 49% to $35.9m
- Acquisition of five new pharmacies in Whakatane, Katikati and Onehunga
- Initial script numbers up 6%
- Living Rewards loyalty programme membership increased to 1.89m members
- Green Cross Health pharmacies represented 51% of all New Zealand pharmacies providing COVID-19 vaccinations.

Pharmacy division

Pharmacy operating revenue



Pharmacy operating profit
before interest and tax



Future focus

- Develop additional exclusive and strategic brand partnerships to deliver a differentiated retail offering
- Install a new loyalty system to support enhanced customer segmentation and engagement
- Deploy digital technology to ensure care and advice is accessible to our customers in multiple channels
- Manage costs, ensuring labour and occupancy costs are right-sized by store
- Advocate for workforce sustainability, cost pressure support and equity of access for our most vulnerable communities.


Unichem
Katikati Pharmacy
Unichem
Unichem
Katikati Pharmacy
care + advice
BLOOD PRESSURE TESTS
CONTRACEPTIVES
EAR PIERCING


life Pharmacy
BIODERMA

Medical division

The Doctors

15%
increase in enrolled patients to 329,000

53
medical centres

The Medical division continued its year-on-year growth, with the portfolio growing to 53 medical centres following the acquisition of eight medical centres and one greenfield development. The division played a key role in COVID-19 vaccinations and testing, while implementing operational improvement initiatives, which combined saw Operating Profit increase 71% to $16.0m.

Medical achieved year-on-year growth in revenue and profitability, through COVID-19 testing, vaccinations and other COVID-19 care opportunities, plus investing to drive growth both organically and through acquisitions. Medical Operating Revenue grew 35% to $111.0m, with Operating Profit up 71% to $16.0m.

Nationwide footprint increased by eight to 53 medical centres through a high level of acquisition activity and one greenfield development. Two centres were added in each of Auckland, Wellington, Christchurch and Queenstown. The Doctors Greenlane was opened in April 2021 and is already exceeding expectations. Enrolled patients for Medical as at 31 March 2022 totalled 329,000, an increase of 44,000 (+15%) since 31 March 2021.

COVID-19 created additional clinical and administrative demands, which put further pressure on practices and healthcare staff. Practices were required to respond to relentless change and added demands, while continuing to run day-to-day operations and provide high-quality care to patients. As community transmission spread, isolation requirements and positive cases also impacted Medical's workforce for extended periods.

The division offered phone, virtual and in-person consultations to ensure seamless patient care throughout the pandemic. The introduction of COVID-19 vaccinations to general practice, the transition from PCR swabbing to rapid antigen testing, and caring for COVID-19 positive patients within their home was a huge focus for the clinical teams.

Operationally, COVID-19 had an adverse impact on both acute and routine care presentations. The demand for swabbing activity was high and in some practices more than offset the decline in patient presentation revenue. A new 'Covid Care' telehealth service was implemented by the centralised virtual HouseCall team within a short space of time, relieving some of the pressure on the division's network.

Closed borders and immigration restrictions placed further pressure on workforce and the development of our own internal recruitment function has been effective in managing clinical recruitment. Procurement gains have been achieved in the areas of IT and recruitment and this remains a focus as we leverage our scale to reduce costs and improve service provision. Strengthening relationships with health funders has seen positive outcomes and remains a priority as we move forward.

The Medical strategy is to grow organically and through acquisitions. With increased scale, there should be opportunities to strengthen relationships with funders and become more cost efficient while maintaining high performing clinical teams. The Government's health reforms are moving into implementation which is an opportunity to work more closely with Health New Zealand, the Māori Health Authority and locality partners to improve how care is delivered more equitably to communities across New Zealand.

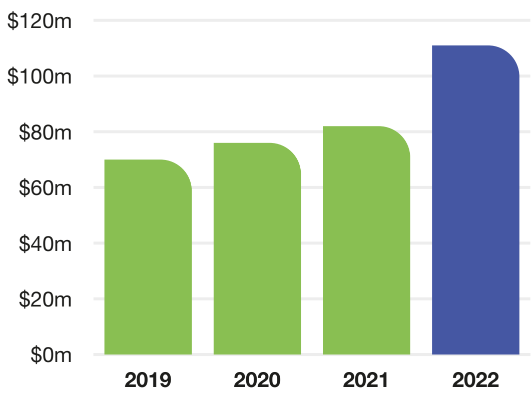
Highlights

- Medical division Operating Profit up 71% to $16.0m
- Enrolled patients grew from 285,000 to 329,000
- Ownership of 53 medical centres following acquisition of eight medical practices, with The Doctors now having New Zealand's largest general practice enrolled patient base
- Completion of The Doctors Greenlane greenfield development in Auckland.

Future focus

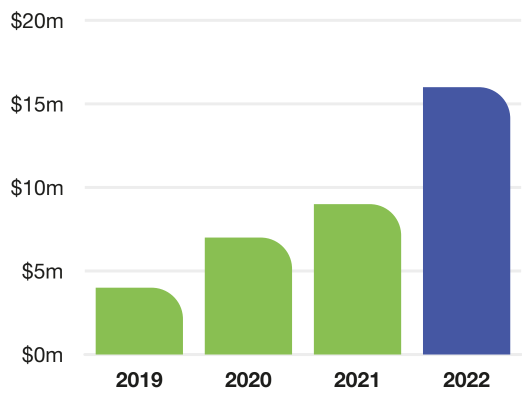
- Network and patient number growth through targeted acquisitions and organic revenue growth
- Continue to build The Doctors brand
- Deploy technology to increase efficiency and enhance delivery of high-quality patient care and experience
- Additional operational improvement and clinical development
- Work closely with Health New Zealand, the Māori Health Authority and locality partners.

Medical operating revenue



Medical operating profit

before interest and tax



Community Health division

Access Community Health and Total Care Health

3.8 million home visits

36,000 clients

The Community Health division has again improved returns, with a focus on the higher clinical needs segment delivering both revenue and profit growth. Our strategy to lift operational efficiency through maximising the use of technology to reduce costs, while also improving client experience, has supported margin improvements.

The Community Health team of 3,000 front-line and support staff delivered care to vulnerable communities during the various stages of the COVID-19 pandemic, ensuring clients were able to stay safely in their own homes.

The year was impacted by significant workforce shortages due to illness or contact isolation requirements, which led to a transitioning of care models to ensure clients with COVID-19 continued to receive services. Despite the headwinds, the division delivered year-on-year revenue growth of 12% to $192.2m, and Operating Profit (EBIT) growth of 51% to $5.6m. Despite the improved financial performance, Operating Profit margin remains low at 2.9%.

The strategy to increase share in higher clinical care needs segments has been successful, seeing a 13% growth in this segment over the previous year. With a workforce constrained by COVID-19 vaccine mandates and border closures, the division successfully leveraged digital tools to provide enhanced telehealth services and improved rostering.

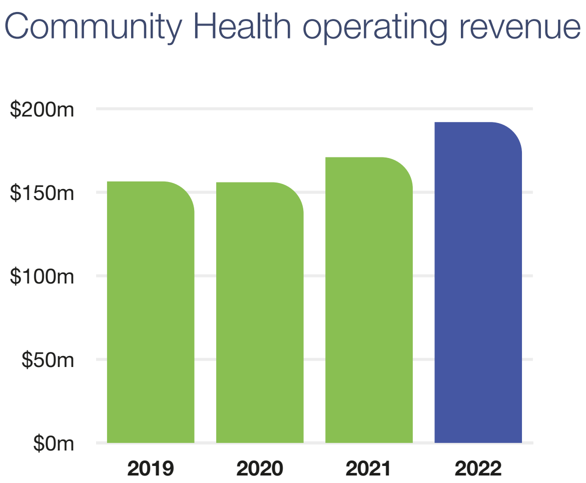
Investment in people and technology has provided operational efficiencies via automation and system improvements. Rollout of the client portal continued with a 61% increase in users year-on-year. Upskilling of team members has been driven via internal training programmes, including online competency development and assessment. In year, there was positive staff engagement from the newly introduced staff development programme Whakatipu Tāngata, which was nominated as a finalist in the New Zealand HR awards.

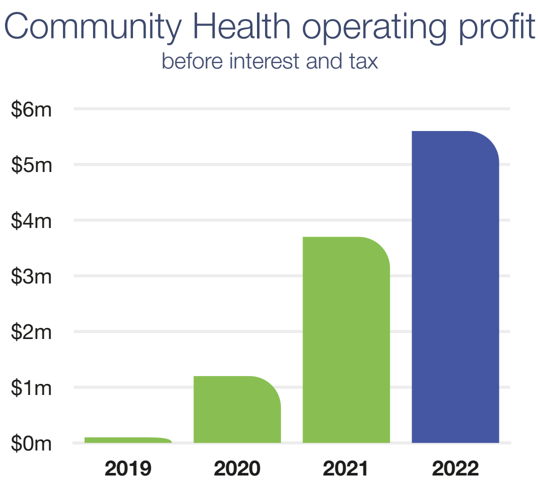
A health equity focus has seen the division weave te reo Māori and tikanga Māori into operations and strategy. This year saw the launch of Tā Tātou Rautaki (our strategy) that supports kaupapa and te ara whakamua (pathway forward).

The Company expects the transition to Health New Zealand and the Māori Health Authority will allow for a consistent approach nationally, with a localities-based approach to meet regional needs and support equity of access. The COVID-19 pandemic response has again highlighted the value of the Home and Community sector to the Government; a sector that needs to see improved funding to counter escalating wage costs and to safeguard the sustainability of the valuable services provided.

Community Health division

(continued)





Highlights

- Revenue up 12% to $192.2m
- Operating Profit increased $1.9m to $5.6m
- 3.8 million client visits in FY22
- Revenue growth in higher clinical care of 13%
- A finalist in the 2022 New Zealand HR Awards.

Future focus

- Continued focus on higher clinical care needs segment, including regional expansion of Total Care Health services
- Systems enhancement to support greater efficiency and improved information for decision making
- Use of digital technology to support operational efficiencies and client experience
- Ongoing advocacy for sector sustainability.

Green Cross Health Future focus

Whist acknowledging there is still some COVID-19 uncertainty ahead, the Board is pleased with how the Company has responded to the pandemic, noting the significant investment and tremendous effort that has gone into the past year's performance whilst performing a critical primary healthcare role for the community.

Green Cross Health is committed to meeting patient and customer expectations, providing to all New Zealanders accessible, quality primary healthcare. As part of this commitment, the Company is seeking opportunities to work more closely with Health New Zealand, the Māori Health Authority and locality partners to improve how care is delivered more equitability to communities.

The Board has declared a final FY22 dividend of 3.5 cents per share. The expectation is for FY23 to return to pre COVID-19 profitability levels, adjusted for acquisitions.

Thank you to our team

As an essential service, we remained open throughout all COVID-19 alert levels to deliver vital primary healthcare. We also played a lead role in protecting our communities by adapting and scaling up to deliver essential services over a time of extreme uncertainty across New Zealand. Every member of the Green Cross Health team played their part, and their efforts are widely appreciated not just here at Green Cross Health, but by New Zealand communities nationwide.

Directors’ declaration

For the year ended 31 March 2022

In the opinion of the Directors of Green Cross Health Limited, the financial statements and notes, on pages 23 to 50:

- 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 2022 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 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 2022.

For and on behalf of the Board of Directors:

Kim Ellis
Chair
26 May 2022

C. Steele

Carolyn Steele
Director
26 May 2022

Independent auditor’s report

KPMG

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 23 to 50:

i. Present fairly in all material respects the Group’s financial position as at 31 March 2022 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 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 2022;
- 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 support services and cybersecurity testing. 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 $1.65m 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.

Independent auditor's report

(continued)

Key audit matters

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

The key audit matter: Impairment of goodwill ($156.8 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 $85.8 million, $52.0 million and $19.0 million, respectively.

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.

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 judgement about the future performance of the business units.

How the matter was addressed in our audit

Our audit procedures included:

- Ensuring the allocation of goodwill to the Group's business units is appropriate;
- Evaluating the methodology, mathematical accuracy and assumptions applied in the discounted cash flow models. We used our own valuation specialists to assist us with the consideration of terminal growth and discount rates;

- Challenging management's cash flow assumptions over projected cash flows taking into consideration 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; and
- Reviewing the appropriateness of related disclosures in the consolidated financial statements.

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;
- 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

Independent auditor's report

(continued)

- 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 Jodi Newth.

For and on behalf of

KPMG

KPMG
Auckland
26 May 2022

Group financial statements

Consolidated statement of comprehensive income

For the year ended 31 March 2022

	Note	2022 $'000	2021 $'000
Operating revenue	4	670,327	570,402
Operating expenditure	6.2	(592,337)	(513,065)
Depreciation and amortisation expense	11,13	(7,461)	(8,060)
Depreciation - leases	12	(17,433)	(15,338)
Impairment	11,13	(841)	(242)
Share of equity accounted net earnings	15	1,893	1,405
Operating profit before interest and tax		**54,148**	**35,102**
Interest income		78	84
Interest expense		(701)	(1,094)
Interest expense - leases		(5,480)	(5,166)
Net interest expense		**(6,103)**	**(6,176)**
Profit before tax		**48,045**	**28,926**
Income tax expense	7	(14,292)	(7,890)
Profit after tax for the year		**33,753**	**21,036**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		**33,753**	**21,036**
Attributable to:			
Shareholders of the Parent		24,561	16,752
Non-controlling interest		9,192	4,284
		33,753	**21,036**
Earnings per share:			
Basic earnings per share (cents)	8	17.16	11.70
Diluted earnings per share (cents)	8	17.10	11.69

The accompanying Statement of Accounting Policies and notes to the Consolidated Financial Statements on pages 28 to 50 form part of the Financial Statements.

Consolidated statement of changes in equity

For the year ended 31 March 2022

	Note	Share capital $'000	Retained earnings $'000	Non-controlling interest $'000	Total equity $'000
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**
Distributions to non-controlling interests		-	-	(7,309)	(7,309)
Impacts of other transactions with non-controlling interest		-	31	1,170	1,201
Dividends to shareholders	9	-	-	-	-
Balance as at 31 March 2021		**90,610**	**50,585**	**8,452**	**149,647**
Balance as at 1 April 2021		90,610	50,585	8,452	149,647
Profit or loss for the year		-	24,561	9,192	33,753
Total comprehensive income for the year		**-**	**24,561**	**9,192**	**33,753**
Distributions to non-controlling interests		-	-	(3,013)	(3,013)
Impacts of other transactions with non-controlling interest		-	(1,971)	(146)	(2,117)
Dividends to shareholders	9	-	(4,314)	-	(4,314)
Balance as at 31 March 2022		**90,610**	**68,861**	**14,485**	**173,956**

The accompanying Statement of Accounting Policies and notes to the Consolidated Financial Statements on pages 28 to 50 form part of the Financial Statements.

Consolidated statement of financial position

As at 31 March 2022

ASSETS	Note	2022 $'000	2021 $'000
Current assets			
Cash and cash equivalents		45,154	37,302
Trade and other receivables	10	47,310	38,933
Inventories		32,165	30,388
Income taxes refundable	10	-	1,831
Total current assets		**124,629**	**108,454**
Non-current assets			
Other receivables	10	2,127	-
Property, plant and equipment	11	19,729	19,517
Right-of-use assets	12	84,045	76,355
Intangible assets	13	159,806	140,815
Deferred tax asset	14	13,719	12,018
Investments accounted for using the equity method	15	4,720	7,724
Total non-current assets		**284,146**	**256,429**
Total assets		**408,775**	**364,883**
LIABILITIES			
Current liabilities			
Trade payables and accruals	16	113,302	106,177
Income taxes payable	16	4,076	-
Borrowings	17	1,908	2,035
Lease liabilities	12	14,291	13,570
Total current liabilities		**133,577**	**121,782**
Non-current liabilities			
Borrowings	17	22,126	22,338
Lease liabilities	12	79,116	71,116
Total non-current liabilities		**101,242**	**93,454**
Total liabilities		**234,819**	**215,236**
Net assets		**173,956**	**149,647**
EQUITY			
Share capital		90,610	90,610
Retained earnings		68,861	50,585
Total equity attributable to shareholders of the Parent		**159,471**	**141,195**
Non-controlling interest		14,485	8,452
Total equity		**173,956**	**149,647**

The accompanying Statement of Accounting Policies and notes to the Consolidated Financial Statements on pages 28 to 50 form part of the Financial Statements.

Consolidated statement of cash flows

For the year ended 31 March 2022

	Note	2022 $'000	2021 $'000
Cash flows from operating activities			
Dividends received	15	1,983	797
Receipts from customers		661,950	574,576
Interest received		78	84
Payments to suppliers and employees		(588,090)	(497,800)
Income taxes paid		(10,086)	(6,720)
Net cash inflow from operating activities	18	**65,835**	**70,937**
Cash flows from investing activities			
Purchases of property, plant, equipment and software intangibles		(4,090)	(4,971)
Acquisition of interests in equity accounted investments	15	(725)	(128)
Acquisition of interests in subsidiaries and non-controlling interests	5	(17,947)	(7,980)
Investments and loans		(2,122)	-
Net cash outflow from investing activities		**(24,884)**	**(13,079)**
Cash flows from financing activities			
Proceeds from borrowings		5,314	2,712
Repayment of borrowings		(5,967)	(34,812)
Payment of lease liabilities		(16,108)	(14,498)
Interest expense		(701)	(1,094)
Interest expense - leases		(5,480)	(5,166)
Dividends to non-controlling interest		(2,035)	(1,475)
Dividend paid	9	(4,314)	-
Net cash outflow from financing activities		**(29,291)**	**(54,333)**
Net increase in cash and cash equivalents		**11,660**	**3,525**
Cash and cash equivalents at the beginning of the financial year		37,302	33,899
Cash acquired: business combinations	5	(3,808)	(122)
Cash and cash equivalents at end of year		**45,154**	**37,302**
Reconciliation of closing cash and cash equivalents to the consolidated statement of financial position:			
Cash and cash equivalents		45,154	37,302
Closing cash and cash equivalents		**45,154**	**37,302**

The accompanying Statement of Accounting Policies and notes to the Consolidated Financial Statements on pages 28 to 50 form part of the Financial Statements.

Notes to the consolidated financial statements

For the year ended 31 March 2022

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 26 May 2022.

(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.

The IFRS Interpretations Committee released a decision in April 2021 which clarified how implementation costs incurred in cloud computing arrangements should be treated and whether they should be expensed as incurred, or capitalised. The impact of the decision, and subsequent framework has been assessed and adopted by the Group and it is not material to this set of consolidated financial statements.

(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 judgements

The preparation of financial statements in conformity with NZ IFRS requires the Directors to make judgements, 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 judgements 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 2022, 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 judgement 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 judgements 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 judgements 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 17 August 2021, the New Zealand Government raised its Alert Level to 4 (full lockdown of non-essential services). 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 and erosion of consumer spending. 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.

2. Basis of preparation of financial statements (continued)

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% (2021: 25% to 100%). The Group consolidates 32 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.

(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 50 (2021: 45) 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 2022. 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 which was early adopted by the Group in the financial year ended 31 March 2020.

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.

4. Segment reporting (continued)

Operating segments

Information about reportable segments

March 2022	Note	Pharmacy Services $'000	Medical Services $'000	Community Health $'000	Corporate $'000	Total $'000
External revenues	6.1	364,477	110,551	191,600	-	666,628
Other income*		2,636	421	642	-	3,699
Total revenue		**367,113**	**110,972**	**192,242**	**-**	**670,327**
Cost of products sold		(209,995)	(169)	-	-	(210,164)
Employee benefit expense		(72,641)	(77,156)	(178,223)	-	(328,020)
Lease expenses		(77)	(313)	(174)	-	(564)
Other expenses**		(30,422)	(13,562)	(6,324)	(3,281)	(53,589)
Depreciation and amortisation		(5,599)	(1,471)	(391)	-	(7,461)
Depreciation - leases		(11,858)	(4,049)	(1,526)	-	(17,433)
Impairment		(841)	-	-	-	(841)
Share of equity accounted net earnings		174	1,719	-	-	1,893
Segment Profit		**35,854**	**15,971**	**5,604**	**(3,281)**	**54,148**
Interest income						78
Interest expense						(701)
Interest expense - leases						(5,480)
Profit before tax						**48,045**
Tax expense						(14,292)
Profit after tax						33,753
Non-controlling interest						(9,192)
Net profit attributable to the shareholders of the Parent						**24,561**
Reportable segment assets		280,405	90,066	49,382	(11,078)	408,775
Reportable segment liabilities		133,733	74,164	38,000	(11,078)***	234,819

**Other income includes:*

- *Government wage subsidies and resurgence support payments received of $1.9m within Pharmacy Services and $0.6m in Community Health.*
- *Gain on step acquisitions, $0.7m within Pharmacy Services and $0.4m within Medical Services.*

***Other expenses within Corporate includes one-off transaction costs of $1.4m associated with the process to acquire Tamaki Health. Green Cross Health along with its consortium partner formally withdrew from the process in November 2021.*

****Intersegmental elimination.*

March 2021	Note	Pharmacy Services $'000	Medical Services $'000	Community Health $'000	Corporate $'000	Total $'000
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.*

***Intersegmental elimination.*

5. Business combinations

Business combinations acquired during the year include; Apollo Medical Limited, Darfield Medical Centre Limited, Gain Health Centre Limited, Muritai Health Centre Limited, Mt Wellington Health Centre, Wakatipu Medical Centre, Onehunga Medical Pharmacy (2022) Limited, Katikati & Katikati Health Pharmacies, Whakatane Pharmacies 2021 Limited, The Doctors (Napier) Limited, Silverstream Health Centre Limited and Walls & Roche Royal Oak 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	13,461	13,461
Total liabilities	(9,815)	(9,815)
Identifiable net assets	**3,646**	**3,646**
Consideration transferred		
Satisfied by:		
Cash consideration		17,947
Deferred consideration		648
Effect of step acquisitions		3,816
Total consideration		**22,411**
Less cash acquired (included in assets above)		(3,808)
Net consideration		**18,603**
Goodwill		
Goodwill recognised as a result of the acquisitions is as follows:		
Total consideration		22,411
Identifiable net assets		(3,646)
Goodwill		**18,765**

The amount of revenue included in the consolidated statement of comprehensive income is $33.0 million with a net profit after tax of $3.2 million in respect of the entities acquired during the year.

If the acquisitions had occured on 1 April 2021, management estimates that consolidated operating revenue would have been $699.6m, and consolidated profit after tax for the year would have been $37.4m.

6. Operating performance

6.1 Revenue Revenue from contracts with customers	2022 $'000	2021 $'000
Pharmacy retail and dispensary	305,738	280,553
Other pharmacy services	58,739	27,190
Medical services	110,551	81,687
Community health	191,600	170,181
	666,628	**559,611**

Disaggregation of contract revenue	Reportable segments			
	Pharmacy Services $'000	Medical Services $'000	Community Health $'000	Total $'000
Year ended 31 March 2022				
Timing of revenue recognition				
Transferred at a point in time	349,274	44,438	130,782	524,494
Transferred over time	15,203	66,113	60,818	142,134
	364,477	**110,551**	**191,600**	**666,628**
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**

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.

6. Operating performance (continued)

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.

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 2022 $'000	31 Mar 2021 $'000
Trade receivables which are included in trade and other receivables	31,066	24,180
Contract assets	16,124	13,834
Contracts liabilities	(10,786)	(7,994)

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

	2022		2021	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities
Revenue recognised that was included in the contract liability balance at the beginning of the period	-	7,994	-	6,019
Transfer from contract assets recognised at the beginning of the period to receivables	13,834	-	14,273	-

As at 31 March 2022, the amount of revenue deferred and recognised as a contract liability for the loyalty programme is $7.5m (2021: $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	2022 $'000	2021 $'000
Cost of products sold	210,164	188,007
Employee benefit expense	328,020	277,293
Lease expenses	564	2,207
Other expenses	51,800	44,070
Audit fees	250	244
Other services provided by auditors	226	124
Directors' fees in respect of the Parent company	450	411
Directors' fees in respect of the subsidiary companies	224	224
Bad debts written off and movement in doubtful debt provision	639	485
	592,337	**513,065**
Auditor's remuneration to KPMG comprises:		
Annual audit of financial statements	250	229
Annual audit of financial statements – prior year	-	15
	250	**244**
Other services provided by auditors:		
Taxation services	224	124
Other services	2	-
	226	**124**

Taxation services relate to compliance and related services, and tax support associated with the Tamaki Health process. Other services relates to cyber security testing.

7. Income tax expense

	Note	2022 $'000	2021 $'000
Current tax expense		(15,993)	(3,853)
Deferred tax benefit/(expense)	14	1,701	(4,037)
Total current tax		**(14,292)**	**(7,890)**
Imputation credit account:			
Available for use in subsequent periods $24.9m (2021: $21.8m).			
Numerical reconciliation between tax expense and pre-tax accounting profit			
Profit before tax		48,045	28,926
Income tax expense at 28%		(13,453)	(8,099)
(Add)/Deduct the tax effect of adjustments:			
Other		(839)	209
		(14,292)	**(7,890)**

7. Income tax expense (continued)

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.

	2022 cents per share	2021 cents per share
Basic earnings per share 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 (2021: 143,152,759).	17.16	11.70
Diluted earnings per share 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 143,649,768 (2021: 143,302,759).	17.10	11.69
Net tangible assets/(liabilities) per share The calculation of net tangible assets/(liabilities) per share is based on net assets/(liabilities) 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.	0.30	(2.23)
Net assets per share 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.	121.52	104.54

9. Dividends

	2022 cents per share	2021 cents per share
Dividends per share	3.00	-

In December 2021, Green Cross Health Limited paid an interim dividend of 3.0 cents per qualifying ordinary share to shareholders, which was fully imputed to 28%. (2021: None).

10. Trade and other receivables and income taxes refundable

	2022 $'000	2021 $'000
Trade receivables	31,066	24,180
Provision for doubtful debts	(2,138)	(1,511)
Contract assets	16,124	13,834
Accrued income	496	534
Other receivables and prepayments	1,762	1,896
	47,310	**38,933**
Other receivable - non-current asset	**2,127**	**-**
Income taxes refundable	**-**	**1,831**

11. Property, plant and equipment

	2022 $'000	2021 $'000
Opening cost	82,516	79,319
Acquisitions through business combinations	3,456	275
Additions	4,135	4,204
Disposals	(498)	(1,282)
Assets written off	(3,585)	-
Closing cost	**86,024**	**82,516**
Opening accumulated depreciation	63,540	58,667
Depreciation for the period	6,319	5,921
Disposals	(494)	(1,048)
Assets written off	(2,880)	-
Closing accumulated depreciation	**66,485**	**63,540**
Closing book value	19,539	18,976
Work in progress	190	541
Total property, plant and equipment	**19,729**	**19,517**

11. Property, plant and equipment (continued)

Property, plant and 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
2022				
Balance as at 1 April 2021	75,283	626	446	76,355
Balance as at 31 March 2022	80,299	2,606	1,140	84,045
Depreciation	16,018	910	505	17,433
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

Additions to property of $21.4m (2021: $3.3m) have been made to right-of-use assets during the current year.

Lease liabilities	Property $'000	Motor Vehicles $'000	Equipment $'000	Total $'000
2022				
Balance at 1 April 2021	**83,513**	**686**	**487**	**84,686**
- Current liability	12,397	686	487	13,570
- Non-current liability	71,116	-	-	71,116
Balance as at 31 March 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
2021				
Balance at 1 April 2020	**91,093**	**1,408**	**1,079**	**93,580**
- Current liability	12,391	722	592	13,705
- Non-current liability	78,702	686	487	79,875
Balance as at 31 March 2021	**83,513**	**686**	**487**	**84,686**
- Current liability	12,397	686	487	13,570
- Non-current liability	71,116	-	-	71,116

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.

The Group negotiated rent concessions with its landlords for some of its property leases as a result of the 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 $0.6m (2021: $1.2m).

12. Leases (continued)

Maturity analysis of contractual undiscounted cash flows	2022 $'000	2021 $'000
Less than one year	18,633	16,862
Two to five years	50,117	43,331
More than five years	54,716	50,678
	123,466	**110,871**

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

	Note	2022 $'000	2021 $'000
Software and other intangible assets			
Opening cost		17,475	17,687
Acquisitions through business combinations		36	-
Additions		137	1,112
Disposals		(1,162)	(651)
Assets written-off/impairment		(878)	(673)
Closing cost		**15,608**	**17,475**
Opening accumulated amortisation		12,666	11,405
Amortisation for the period		1,279	2,139
Disposals		(567)	(447)
Assets written-off/impairment		(742)	(431)
Closing accumulated amortisation		**12,636**	**12,666**
Closing book value		**2,972**	**4,809**
Goodwill			
Opening costs		136,006	127,242
Other acquired goodwill		2,177	295
Additions	5	18,765	8,529
Disposals		(114)	(60)
Closing cost		**156,834**	**136,006**
Total intangible assets		**159,806**	**140,815**

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.

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 2023 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 based on the rate of 20-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.

	Pharmacy Services	Medical Services	Community Health
Impairment test assumptions 2022			
Discount rate – post tax	8.45%	10.30%	11.73%
Terminal growth rate	2.50%	2.50%	2.50%
Carrying amount of goodwill allocated to the unit ($000)	85,758	52,015	19,061
Carrying value of other intangible assets with indefinite useful lives ($000)	2,048	-	-

13. Intangible assets (continued)

	Pharmacy Services	Medical Services	Community Health
Impairment test assumptions 2021			
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	-	-

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 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 or loss $'000	Closing $'000
Group – 2022				
Property, plant and equipment	2,317	-	492	2,809
Provisions and accruals	6,922	-	1,350	8,272
Tax losses	446	-	(429)	17
Right-of-use assets	(21,379)	(7,035)	4,881	(23,533)
Lease liabilities	23,712	7,035	(4,593)	26,154
	12,018	**-**	**1,701**	**13,719**
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)	(1,569)	4,295	(21,379)
Lease liabilities	26,202	1,569	(4,059)	23,712
	16,055	**-**	**(4,037)**	**12,018**

15. Equity accounted group investments

	Note	2022 $'000	2021 $'000
The movement in equity accounted investments comprises:			
Opening carrying amount		7,724	6,988
Investment in associates and joint ventures		725	128
Disposal of associates and joint ventures		(3,639)	-
Share of net earnings		1,893	1,405
Dividends	22	(1,983)	(797)
		4,720	**7,724**
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
Disposal of associates and joint ventures		(2,037)	-
Closing carrying amount		**1,987**	**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 2022	13,473	6,688	34,762	4,539
As at and for the year ended 31 March 2021	16,352	9,305	51,708	4,326

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 a 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

Payables and accruals	2022 $'000	2021 $'000
Trade payables	34,399	38,228
Payable to non-controlling interest	7,399	7,875
Contract liabilities	10,786	7,994
Accrued expenses	31,187	25,228
Employee entitlements	29,531	26,852
	113,302	**106,177**
Income taxes payable	**4,076**	**-**

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

	2022 $'000	2021 $'000
Current	1,908	2,035
Non-current	22,126	22,338
	24,034	**24,373**

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 2.16% and 5.20% (2021: 2.25% - 3.96%). A 0.5% increase/decrease in the effective interest rate would result in a decrease/increase in after tax profit of $87,000.

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 $44m (2021: $41m). The maturity of the debt facility with BNZ is 31 August 2024.

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

	2022 $'000	2021 $'000
Profit for the year	33,753	21,036
Add/(deduct) non-cash items:		
Depreciation, amortisation and impairment	25,735	23,640
Other non-cash items	3,273	(3,946)
Add/(deduct) changes in working capital:		
Receivable and accruals movement	(8,377)	4,174
Inventory	(1,777)	4,332
Payables and accruals movements	7,125	15,525
Add/(deduct) items classified as cash flows from financing activities:		
Interest expense	623	1,010
Interest expense - leases	5,480	5,166
Net cash inflow from operating activities	**65,835**	**70,937**

19. Shares on issue

	2022 '000	2021 '000
Shares authorised and on issue		
Opening number of shares	143,303	143,303
Shares issued – fully paid	-	-
Shares issued – partly paid	-	-
Shares cancelled – partly paid	(150)	-
	143,153	**143,303**
Shares held as treasury stock	-	(150)
Performance share rights	497	-
	143,650	**143,153**

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.

20. 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 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.

The total expense recognised in the year to 31 March 2022 in relation to the PSRs was $90,000 (2021: $316,000). No rights were vested or exercised during the year.

PSRs granted are summarised as below:

Grant Date	PSR Period	PSRs granted	PSRs vested	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	-	188,679
Total		**497,009**	**-**	**497,009**

21. 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:

Trade and other receivables	Gross receivable 2022 $'000	Impairment 2022 $'000	Gross receivable 2021 $'000	Impairment 2021 $'000
Not past due	40,931	-	37,567	-
Past due 0 - 30 days	4,300	-	938	-
Past due 31-120 days	4,206	-	428	-
Past due more than 120 days	2,138	(2,138)	1,511	(1,511)
Total	**51,575**	**(2,138)**	**40,444**	**(1,511)**

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
2022					
Borrowings	24,034	25,986	1,956	1,500	22,530
Trade and other payables	72,985	72,985	72,985	-	-
Total non-derivative liabilities	**97,019**	**98,971**	**74,941**	**1,500**	**22,530**
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**

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 2022 and 31 March 2021. The assessment of fair value relating to borrowings was determined by reference to observable market data (level 2).

22. 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	
	2022 $'000	**2021 $'000**	**2022 $'000**	**2021 $'000**
Franchise fees and on-charged costs to equity accounted investments	62	117	8	19
Management service charges and on charged costs to equity accounted investments	305	618	121	75
Dividend income	1,983	797	-	-
Receivable from other related parties	-	-	2,464	586

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 performance share rights. Key management personnel (includes the Group CEO, the Group CFO, some senior executives and company Directors) compensation comprised:

	2022 $'000	**2021 $'000**
Remuneration and Directors fees	2,163	1,963
Short term employee benefits	433	303
Long term incentives	90	316
	2,686	**2,582**

23. Subsequent events

On 26 May 2022, Green Cross Health Limited declared a final dividend of 3.5 cents per qualifying ordinary share amounting to $5.0m, which will be fully imputed at 28%. The dividend record date is 10 June 2022 and payment will occur on 23 June 2022.

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

Group entities

For the year ended 31 March 2022

The current Green Cross Health Limited group structure comprises 146 companies.
The group entities are as follows:

Legal Parent	Holding	Activity
Green Cross Health Limited		Franchisor and investment
Controlled entities		
280 Queen Street (2005) Limited	43.9%	Pharmacy
Access Community Health Limited	100.0%	Community Care
Access Health Services Limited	100.0%	Non-trading
Albany Pharmacy Limited	49.0%	Pharmacy
Alexandra Pharmacy (2013) Limited	48.5%	Pharmacy
Amcal Chemists (N.Z.) Limited	100.0%	Non-trading
Apollo Medical Limited	100.0%	Medical Centre
Apollo Pharmacy (2014) Limited	49.6%	Pharmacy
Bay of Plenty Pharmacies Limited	100.0%	Non-trading
Bayfair Pharmacy (2010) Limited	48.8%	Pharmacy
Bayfair Pharmacy Limited	100.0%	Non-trading
Baymed Group (2013) Limited	100.0%	Medical Centre
Birkenhead Pharmacy (2011) Limited	48.5%	Pharmacy
Botany Downs Pharmacy Limited	25.0%	Pharmacy
Browns Bay Pharmacy (2018) Limited	48.5%	Pharmacy
Cambridge Pharmacies 2020 Limited	30.0%	Pharmacy
Care Chemist Limited	100.0%	Non-trading
Care Chemist Pakuranga (2008) Limited	49.0%	Pharmacy
Centre City Pharmacy (2004) Limited	46.4%	Pharmacy
Chemist Express Limited	49.0%	Pharmacy
Christchurch Pharmacy (2015) Limited	49.0%	Pharmacy
Coastlands Pharmacy (2018) Limited	49.0%	Non-trading
Darfield Medical Centre Limited	45.0%	Medical Centre
Davies Corner Pharmacy Limited	25.0%	Pharmacy
Discovery Pharmacy (2016) Limited	49.0%	Pharmacy
Dispensaryfirst Limited	100.0%	Non-trading
Drury Surgery Limited	60.0%	Medical Centre
Endeavour Pharmacy (2016) Limited	49.0%	Pharmacy
Fred Thomas Pharmacy (2015) Limited	49.0%	Pharmacy
Gain Health Centre Limited	50.0%	Medical Centre
Gascoigne Medical Services Limited	71.2%	Medical Centre
Glenfield Mall Pharmacy Limited	48.5%	Pharmacy
Green Cross Health Direct Limited	100.0%	Non-trading
Green Cross Health Distribution Limited	100.0%	Pharmacy
Green Cross Health Investments Limited	100.0%	Non-trading
Green Cross Health Medical Limited	100.0%	Investment
Green Cross Health Medical Solutions Limited	100.0%	Services to medical centres
Green Cross Health Primary Limited	100.0%	Medical Centre

Controlled entities	Holding	Activity
Green Cross Health Workplace Limited	100.0%	Non-trading
Guthries Pharmacy Limited	49.0%	Pharmacy
Harbour City Pharmacy (2011) Limited	48.7%	Pharmacy
Hastings Pharmacy (2013) Limited	49.5%	Pharmacy
Hawkes Bay Pharmacies Limited	49.0%	Pharmacy
Health Services Limited	100.0%	Investment
Helensville Pharmacy (2008) Limited	48.5%	Pharmacy
Highland Park Pharmacy (2009) Limited	48.5%	Pharmacy
Hurstmere Pharmacy (2008) Limited	49.0%	Pharmacy
Hutt Valley Pharmacies 2014 Limited	48.5%	Pharmacy
J-Mall Pharmacy Limited	49.0%	Pharmacy
Karori Pharmacies (2020) Limited	49.6%	Pharmacy
Knox Pharmacy 2010 Limited	48.5%	Pharmacy
Lake Taupo Pharmacy (2008) Limited	48.5%	Pharmacy
Levin Pharmacy (2005) Limited	100.0%	Non-trading
Levin Pharmacy 2021 Limited	49.0%	Pharmacy
Life Pharmacy Albany Limited	49.0%	Pharmacy
Life Pharmacy Centre Place (2009) Limited	100.0%	Pharmacy
Life Pharmacy Sylvia Park Limited	49.0%	Pharmacy
Life Pharmacy Trustee Company Limited	100.0%	Non-trading
Life Pharmacy Wall Street Dunedin Limited	49.1%	Pharmacy
Manawatu Pharmacies Limited	49.0%	Pharmacy
Manners Pharmacy (2016) Limited	49.0%	Pharmacy
Manukau Pharmacy (2011) Limited	49.1%	Pharmacy
Moorhouse Pharmacy 2003 Limited	25.0%	Pharmacy
Motueka Medical (2013) Limited	100.0%	Medical Centre
Napier X-Ray Limited	59.0%	Medical Centre
Neptune Pharmacy (2017) Limited	49.0%	Pharmacy
New Lynn Pharmacy (2015) Limited	48.8%	Pharmacy
New Plymouth Pharmacy (2015) Limited	49.1%	Pharmacy
Northlands Pharmacy (2003) Limited	49.6%	Pharmacy
Onehunga Medical 2012 Limited	100.0%	Medical Centre
Onehunga Medical Pharmacy (2022) Limited	49.6%	Pharmacy
Palms Pharmacy (2013) Limited	48.5%	Pharmacy
Parklands Pharmacy (2015) Limited	49.0%	Pharmacy
Peak Primary Limited	100.0%	Non-trading
Pharmacy 277 Limited	49.1%	Pharmacy
Pharmacy B102 Limited	48.5%	Pharmacy
Pharmacy G101 Limited	49.0%	Pharmacy
Pharmacy J104 Limited	49.0%	Non-trading

Group entities

(continued)

Controlled entities	Holding	Activity
Pharmacy L105 Limited	49.0%	Pharmacy
Pharmacy Management Limited	100.0%	Investment
Pharmacy N106 Limited	49.0%	Pharmacy
Pharmacy Store Holdings Limited	100.0%	Investment
Pharmacybrands Limited	100.0%	Non-trading
Pharmacybrands On-line Limited	100.0%	Non-trading
Plimmer Steps Pharmacy (2018) Limited	49.0%	Pharmacy
Queen Street Pharmacy (2015) Limited	49.0%	Non-trading
Radius Medical Limited	100.0%	Non-trading
Radius Medical Solutions Limited	100.0%	Non-trading
Radius Medical Whakatane Properties Limited	100.0%	Medical Centre Property
Radius Pharmacy Greenmeadows Limited	49.0%	Pharmacy
Radius Pharmacy Limited	100.0%	Franchisor and Investment
Radius Pharmacy Napier Limited	48.8%	Pharmacy
Radius Pharmacy Riccarton Limited	49.0%	Pharmacy
Radius Pharmacy Te Rapa Limited	48.8%	Pharmacy
Radius Pharmacy Upper Hutt Limited	49.5%	Pharmacy
Radius Pharmacy Waikanae Limited	48.5%	Pharmacy
Radius Pharmacy Wanganui Limited	49.1%	Pharmacy
Radius Ti Rakau Limited	100.0%	Medical Centre
Riccarton Mall Pharmacy 2000 Limited	49.0%	Pharmacy
Richmond Health Centre Limited	85.0%	Medical Centre
RPG Medicine Management Limited	25.0%	Pharmacy
Russell Street Pharmacy Hastings (2015) Limited	48.5%	Pharmacy
Shirley Pharmacy Limited	100.0%	Non-trading
Shore City Pharmacy (2010) Limited	48.5%	Pharmacy
Shore City Pharmacy Limited	100.0%	Non-trading
Silverstream Health Centre Limited	100.0%	Medical Centre
Smart Pharmacy Limited	100.0%	Non-trading
St Heliers Health Centre Limited	100.0%	Medical Centre
St James Pharmacy (2015) Limited	49.0%	Non-trading
St Lukes Pharmacy Holdings Limited	49.0%	Pharmacy
Stokes Valley Pharmacy (2009) Limited	48.5%	Pharmacy
The Doctors (Coastcare) Limited	100.0%	Medical Centre
The Doctors (DFM) Limited	100.0%	Non-trading
The Doctors (Hastings) Limited	71.2%	Medical Centre
The Doctors (Huapai) Limited	100.0%	Medical Centre
The Doctors T Limited (previously known as The Doctors (Mt Roskill) Limited)	100.0%	Non-trading
The Doctors (Napier) Limited	59.0%	Medical Centre
The Doctors (New Lynn) Limited	53.7%	Medical Centre

Controlled entities	Holding	Activity
The Doctors (Whangaparaoa) Limited	100.0%	Medical Centre
Timaru Pharmacy (2013) Limited	48.5%	Non-trading
Total Care Health Services Limited	100.0%	Health services
Total Health Doctors Limited	100.0%	Medical Centre
Tower Junction Pharmacy Limited	48.5%	Pharmacy
Trident Pharmacy (2017) Limited	49.0%	Pharmacy
Unichem Chemists (N.Z.) Limited	100.0%	Non-trading
Upper Hutt Health Centre Pharmacy Limited	25.0%	Pharmacy
Upper Riccarton Pharmacy Limited	25.0%	Non-trading
Waimauku Doctors Limited	100.0%	Medical Centre
Waiuku Medical Pharmacy (2010) Limited	49.0%	Pharmacy
Waiuku Pharmacy (2005) Limited	100.0%	Non-trading
Waiuku Pharmacy (2016) Limited	48.6%	Pharmacy
Walls & Roche Royal Oak Pharmacy Limited	49.7%	Pharmacy
Wellington Pharmacy (2016) Limited	49.0%	Pharmacy
West City Pharmacy (2010) Limited	48.5%	Pharmacy
Whakatane Pharmacies 2021 Limited	49.4%	Pharmacy
Willis Street Pharmacy Limited	25.0%	Pharmacy
Joint venture entities		
Pharmacies Instore Limited	50.0%	Non-trading
Associate entities		
Accident & Medical Centre Quaymed Limited	22.3%	Medical Centre
Albany Family Medical Centre Limited	50.0%	Medical Centre
Huapai Pharmacy (2017) Limited	25.1%	Pharmacy
Pilldrop Software Limited	25.0%	Pharmacy
The Doctors (Green Lane) Limited	30.0%	Medical Centre
Team Medical at Kapiti Limited	48.8%	Medical Centre
The Doctors (Mangere) Limited	27.6%	Medical Centre
The Doctors (Massey Medical) Limited	45.6%	Medical Centre
Investments		
Unichem Export Limited	1.0%	Wholesale

Board of Directors

As at 31 March 2022

Andrew Bagnall, Non-Executive Director

Andrew Bagnall holds a Commerce Degree from Otago University and a MBA from Michigan State University. Andrew was a significant investor in Life Pharmacy Limited and following the merger with Pharmacybrands Limited (later renamed Green Cross Health Limited) has continued to hold a significant shareholding in the merged entity.

In Andrew's earlier career, he was a leading figure in the New Zealand travel industry establishing and managing Gullivers Travel Group which became the major distributor of wholesale and retail travel services in New Zealand. Gullivers Travel Group was eventually listed on the New Zealand and Australian stock exchanges (ASX) and was subsequently sold to ASX listed S8. Andrew was also involved in co-developing one of New Zealand's first commercial retirement villages. Andrew now runs his own private investment company, Segoura, which manages investments in various businesses. Andrew is also a Director of PowerShield Limited and he maintains a keen interest in sports car racing.

Andrew was appointed as a Non-Executive Director of the Company in August 2009.

John Bolland, Non-Executive Director

John Bolland has more than 25 years experience in private equity, senior management and corporate finance. This includes 14 years with Ernst & Young, where he had Partner level responsibility in Corporate Finance and Audit & Business Advisory. John holds a Bachelor of Commerce from the University of Auckland and is a Member of the New Zealand Institute of Chartered Accountants. John is also a Director of PowerShield Limited.

John was appointed as a Non-Executive Director of the Company in August 2009.

Kim Ellis, Chair

During his business career Kim had wide Chief Executive experience and was best known for his 13 years at the helm of Waste Management NZ Ltd, culminating in the company's sale in 2006. During his tenure he led 40 acquisitions and built a successful business in Australia.

Earlier roles encompassed a number of market sectors including health, manufacturing, distribution, transport, property, agriculture and fashion. Since 2006 Kim has been active in governance and is currently Chair of NZ Social Infrastructure Fund; a Director of Port of Tauranga and FSF Management Company; and consultant to Envirowaste Services. Kim holds first class honours degrees in Chemical Engineering and Economics.

Kim was appointed as Independent Chair of the Company in December 2019.

Peter Merton, Non-Executive Director

Peter Merton, an Otago University Pharmacy graduate, has been involved in the pharmaceutical industry in New Zealand and overseas since the early 1980s.

His involvement with the company goes back to the late 1990s, and he played an active part in the initial industry consolidation when Amcal and Unichem brands merged to form Pharmacybrands Limited, later renamed Green Cross Health Limited.

Following the merger of Life Pharmacy Limited (LPL) with Pharmacybrands Limited in 2009 Peter assumed the role of Chair of the Group, a role he held until December 2019 when he became a Non-Executive Director. He is also a significant shareholder in the company through his interest in Cape Healthcare Limited. Peter has previously held the roles of Chief Executive of the Propharma/Healthcare Logistics businesses and Director of EBOS Group Limited.

Kenneth Orr, Independent Director

Kenneth Orr has had over 30 years as a community pharmacist and is currently a partner in a group of pharmacies in Northland. Kenneth was a former President of the NZ Pharmacy Guild, which represents the business interests of community pharmacies. Kenneth was a forming director of Manaia PHO and now serves on the Audit, Risk & Finance committee of Mahitahi Hauora that leads primary health care in Northland.

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

Carolyn Steele, Independent Director

Carolyn Steele is a director of WEL Networks Limited, Tuatahi First Fibre Limited, Oriens Capital GP 2 Limited, Vulcan Steel Limited and chair of The Halberg Foundation. Until 2016, Carolyn was a Portfolio Manager at Guardians of New Zealand Superannuation, the Crown entity managing the New Zealand Superannuation Fund. Prior to joining the Guardians in 2010, Carolyn spent ten years in investment banking at Forsyth Barr and Credit Suisse/First NZ Capital.

Carolyn was appointed as an Independent Director of the Company in June 2017.

Peter Williams, Independent Director

Peter Williams was appointed a Director of Green Cross Health in May 2017.

Peter is also a director of EBOS Group Ltd. Peter has over 20 years experience in healthcare being formerly an executive of The Zuellig Group which has extensive healthcare interests in Asia Pacific.

NB - Craig Brockliss was appointed as Non-Executive Director post balance date.


ACCESS
community health

Corporate governance

For the year ended 31 March 2022

Corporate governance and the role of the Board of Directors

The Board understands the importance of good corporate governance in maximising the value of the Company. Accordingly, the Board is working to ensure compliance with applicable regulatory requirements and best practice, including the NZX Corporate Governance Code.

The Board is responsible for the strategic direction and objectives of the Company and sets the policy framework within which Green Cross Health must operate. The Group CEO is appointed by the Board and has delegated authority for the day-to-day operations of Green Cross Health.

NZX corporate governance code

The Company has reviewed the 2020 NZX Corporate Governance Code and is in compliance with the majority of its recommendations. The Company is working to ensure that it complies with the Code where practicable.

Compliance with the Principles of the Code is as follows:

Principle 1: Code of ethical behaviour

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

The Company has adopted formal Code of Ethics, Protected Disclosure and Securities Trading Policies, which are available on the Company's intranet for employees to access and are included in employee induction.

Further detail on the Code of Ethics and Securities Trading Policy is provided later in this Annual Report.

The Company also has procedures in place to ensure that gifts received by employees and Directors do not result in inappropriate influence on decision making, and that conflicts of interest are disclosed and managed.

The Company did not make donations to any political party in the year.

Principle 2: Board composition and performance

To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.

Board charters and management responsibility

The Board operates under a written Charter and delegates authority to senior management, including the Group CEO to run the day-to-day operations of the Company.

Director terms of appointment

The Company has signed written terms of appointment for all Directors. New Directors are provided terms of appointment as they are appointed. Directors are not required to hold shares in the company as part of their appointment.

NZX corporate governance code (continued)

Principle 2: Board composition and performance (continued)

Diversity policy

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

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

The Board is proud of the wide-ranging ethnic, cultural and gender diversity across the Group that reflects the evolving makeup of New Zealand society. The Company believes that this diversity better enables the Group to meet the needs of its stakeholders, including customers, patients, clients, suppliers, funding agencies, employees and shareholders.

The Company's Diversity Policy is published on its website (www.greencrosshealth.co.nz/governance). At this point, the Company considers the objectives and measurement processes described within the policy are appropriate.

Disclosure of Board and key management gender diversity is provided later in this Annual Report.

Director, Board and Committee performance

Directors are expected to understand the Company's operations and determine the professional development that they require to undertake their duties. Senior management present to the Board on a regular basis on key matters affecting the Company, enabling Directors to ask for further information and explanation as required.

The Board, led by the Chair, reviews Board (including Nominations Committee) and Director performance biennially against the Board Charter in light of the Company's changing operating conditions and make improvements to Board processes and meetings when required changes in Board focus are identified. The last review was conducted in March 2022.

The Committees (other than the Nominations Committee) annually review their performance against the Committee Charters and report back to the Board.

Chair and CEO

The Company complies with the recommendation that the Chair is not the CEO.

Principle 3: Board committees

The Board should use Committees where this will enhance its effectiveness in key areas, while still retaining Board responsibility.

Board committees

For the year ended 31 March 2022, the Board had the following Committees:

- Audit and Risk Committee
- Nominations Committee
- Remuneration Committee
- Investment Committee.

These Committees operated under written Charters. Additional information on the role and makeup of these Committees is provided elsewhere in this Annual Report.

Directors who are not members of Committees are welcome to attend meetings if they wish. The Company complies with the recommendation that management only attends Committee meetings at the invitation of the Committee.

Charters for all Committees are reviewed annually and are available on the Company's website (www.greencrosshealth.co.nz/governance).

Takeover protocols

The Board has a Takeover Protocol to be followed if a takeover offer is made for the Company. In the event of a takeover proposal, the Board will immediately establish an appropriately constituted Committee to deal with matters arising from the proposal, including:

- Preparing the Company's response to the proposal
- Engaging an independent advisor to advise on the merits of the proposal
- Making a recommendation to shareholders.

Principle 4: Reporting and disclosure

The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.

The Board has a written continuous disclosure policy.

The Company complies with the recommendation that Board and Committee Charters, Code of Ethics and other key governance documents are available on the Company's website. The Interim and audited Annual Reports are also available on the website (www.greencrosshealth.co.nz/investors).

The Board has members with financial reporting knowledge and experience that enable the Board to be satisfied that financial matters are adequately disclosed in the Company's reporting. Some non-financial disclosures, such as the Company's approach to risk management including health and safety, are included within this Annual Report. The Board considers this level of disclosure appropriate at this time.

Principle 5: Remuneration

The remuneration of Directors and Executives should be transparent, fair and reasonable.

The Director fee pool was last approved in 2015 and is currently capped at $500,000. Directors' fees are informally benchmarked against market precedents. Retirement benefits and share options are not available for Directors. Further disclosure of the details of Directors' fees is included in the Other Annual Report Disclosures published in this Annual Report.

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

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

The Company operates a share-based incentive scheme for certain Senior Managers, which is disclosed further in Note 20 to the Financial Statements.

Principle 6: Risk management

Directors have a sound understanding of the material risks faced by the issuer and how to manage them. The Board regularly verifies that the issuer has appropriate processes that identify and manage potential and material risks.

The Board is responsible for risk management and internal control and has a framework for identifying, assessing, controlling, monitoring and reporting on the key risks to the Company's people, assets, reputation and business objectives.

NZX corporate governance code (continued)

Principle 6: Risk management (continued)

The Audit and Risk Committee has responsibility for ensuring that the Company's risk management framework, policies and procedures are effective and appropriate. The Company maintains a comprehensive Risk Register and management reports to the Board regularly on health and safety issues and progress on objectives. Risk reporting software is used to facilitate reporting by employees, capture risks, and escalate them within the Company as required. The nature of many of the Company's activities, including dispensing of drugs, operating retail stores, providing medical treatment, and caring for clients in their homes, makes managing health and safety risks a significant area of focus within the Group.

The Company is exposed to substantially the same economic, environmental, and social risks as similar businesses operating in the same sectors in New Zealand. These risks include:

- Competitive pressure from traditional and disruptive competitor business models
- Ongoing impacts from COVID-19
- Labour cost escalation through Government policy changes and labour shortages in particular areas
- Regulatory changes
- Changes to Government and wider health sector funding models.

Principle 7: Auditors

The Board ensures the quality and independence of the external audit process with the Audit Committee charter providing a framework for management of the relationship with the external auditor.

The Audit and Risk Committee is tasked with ensuring that the external audit process is independent and of high quality, including approving any non-audit services provided by the audit firm.

The Committee is also responsible for ensuring that the audit firm or lead audit partner is rotated at least every five years. The lead audit partner was rotated prior to the 2022 external audit.

The Company does not have an internal audit function but via the Audit and Risk Committee and the Company's external audit process, looks to maintain and improve risk management and internal controls.

The external auditor attends the Annual Meeting and is available to answer any questions from shareholders.

Principle 8: Shareholder rights and relations

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

The Company has a website to enable stakeholder access to financial and governance information. Announcements and Reports are currently available at www.greencrosshealth.co.nz/investors.

Communications from the Company are available electronically through the Company's share registrar, Computershare.

The Company fully complies with the following recommendations:

- Shareholders have the right to vote on major decisions
- One vote per share.

The Company issued its Notice of Annual Meeting 12 business days prior to the July 2021 Annual Shareholders' Meeting. The Company expects to comply with the recommendation of issuance 20 business days prior to the Annual Shareholders' meeting going forward.

Directors and Officers of the Company attend the Annual Meeting and are available to answer questions from shareholders.

Board composition and structure

As at 31 March 2022, the Company's Board structure consisted of three Directors associated with the two major shareholders (who collectively hold 64% of the Company) together with four independent Directors, including an independent Chair. The Company thereby had a majority of Independent Directors on the Board.

The non-independent Directors associated with the two major shareholders are John (Andrew) Bagnall, Peter Merton and John Bolland. As at 31 March 2022, the independent Directors were Kim Ellis, Kenneth Orr, Carolyn Steele and Peter Williams. The independent Directors are selected to ensure that the appropriate skills and experience required are available to the Company.

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

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

Board meetings

The following table outlines the number of Board meetings attended by Directors during the course of the 2022 financial year.

Directors	Meetings held	Meetings attended
John (Andrew) Bagnall	16	14
John Bolland	16	16
Kim Ellis	16	16
Peter Merton	16	14
Kenneth Orr	16	16
Carolyn Steele	16	14
Peter Williams	16	16

Code of ethics

The Company has established a Code of Ethics to govern its conduct. The code addresses ethical issues, establishes compliance standards and procedures, provides mechanisms to report unethical behaviour and provides for disciplinary actions. The Code of Ethics policy is available on the Company's website (www.greencrosshealth.co.nz/governance).

Shareholder relations

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

The Board will ensure that shareholders are informed of major developments affecting the Company.

Information is available through the Annual Reports and shareholders are able to participate at each Annual Meeting. Any material information affecting the Company during the intervening period is announced to the financial markets via the New Zealand Stock Exchange (NZX) and the Company website under the Board's policy for continuous disclosure.

NZX corporate governance code (continued)

Insider trading guidelines

The Board has issued guidelines to prevent insider trading to all Directors, deemed Directors, officers and other restricted persons of Green Cross Health. All Directors, deemed Directors, officers and other restricted persons of Green Cross Health must formally apply to the Group CFO for consent to trade the Company's securities before undertaking any sales or purchases.

The Board reviews all consents granted at each Board meeting. The Directors, deemed Directors, officers and other restricted persons of Green Cross Health are obliged to complete and submit disclosure notices to the NZX within five days of any trades being settled.

Board committees

For the year ended 31 March 2022, the Board operated four standing committees described as follows. The Committees (other than the Nominations committee) annually review their performance against written charters and report to the Board.

Nominations committee

This Committee comprises three non-independent Directors together with four independent Directors, who meet as required to:

- Advise the Board on Director appointments, giving attention to the mix of skills, experience and other qualities required.
- Facilitate ongoing Director training and development.
- Facilitate the regular evaluation of the board, its committees and the Directors.

Remuneration packages are reviewed annually. Market data is used as a basis for establishing competitive remuneration.

The Nominations Committee's performance is reviewed annually by the Board against its written charter, contemporaneously with the Board's self-review.

The composition of the Nominations Committee was Kim Ellis (Chair), Andrew Bagnall, John Bolland, Peter Merton, Kenneth Orr, Carolyn Steele and Peter Williams.

Remuneration committee

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

- Recommend to the Board the appointment and terms of employment of the Group CEO and Group CFO.
- Review and evaluate the performance of the Group CEO and Group CFO against KPIs including making remuneration recommendations to the Board.
- Approve the appointment, and the conditions and terms of employment of the Group CEO's direct reports (excluding the Group CFO).
- Review and advise the Board on succession plans for the Group CEO and direct reports.
- Make recommendations to the Board with respect to non-executive and independent Director remuneration.

Remuneration packages are reviewed annually. Market data is used as a basis for establishing competitive remuneration.

The composition of the Remuneration Committee was John Bolland (Chair), Kim Ellis and Peter Merton.

In response to recommendation 3.3 of the NZX Corporate Governance Code recommending the Remuneration Committee having a majority of independent Directors, and Green Cross Health not being compliant with this recommendation, the Board is of the view that the Remuneration Committee appropriately reflects the experience required to carry out its responsibilities.

Audit and Risk committee

The Committee comprises two independent Directors and one non-independent Director. The Audit and Risk Committee Chair is not the Chair of the Board. All other Directors are entitled to attend the meetings.

The Group CEO and the Group CFO attended as ex-officio members and external auditors by invitation of the Chair. The Audit and Risk Committee also meet privately with the external auditors, that is, without management in attendance. All Audit and Risk Committee members are financially literate, with at least one member having a financial background.

The Committee met four times during the year. Its responsibilities include:

- Reviewing the scope and outcome of the external audit.
- Reviewing the annual and half yearly financial statements prior to approval by the Board.
- Approving the public releases of financial information.
- Assessing the performance of financial management and monitoring of material corporate risk assessments and internal controls.
- Reporting the proceedings of each meeting to the Board.
- Making recommendations to the Board on the appointment of the external auditors, their independence and their fees.
- Monitoring of material corporate risk and the internal controls instituted.

The composition of the Committee was Carolyn Steele (Chair), John Bolland and Kim Ellis.

Directors	Meetings held	Meetings attended
John Bolland	4	4
Kim Ellis	4	4
Carolyn Steele	4	4

NZX corporate governance code (continued)

Investment committee

The Committee comprises three independent Directors and two non-independent Directors. The Investment Committee Chair is not the Chair of the Board. All other Directors are entitled to attend the meetings.

The Group CEO and the Group CFO attended as ex-officio members. All Investment Committee members are financially literate.

The Committee met three times during the year. Its responsibilities include:

- Reviewing potential acquisition proposals, approving small acquisitions and making recommendations to the Board for larger acquisitions.
- Reviewing and approving capital expenditure as needed.

The composition of the Committee was Kenneth Orr (Chair), John Bolland, Kim Ellis, Peter Merton, and Carolyn Steele.

Directors	Meetings held	Meetings attended
John Bolland	3	3
Kim Ellis	3	3
Peter Merton	3	2
Kenneth Orr	3	3
Carolyn Steele	3	3

Organisation structure and financial control

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

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

Gender and diversity

The following table set out a quantitative breakdown of the gender balance of the Directors and key personnel of the Group as at 31 March 2022:

	Directors		Key management personnel	
As at 31 March 2022				
Female	1	14%	3	60%
Male	6	86%	2	40%
Total	**7**		**5**	
As at 31 March 2021				
Female	1	14%	2	50%
Male	6	86%	2	50%
Total	**7**		**4**	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thedoctors
whakatipu


life
Pharmacy
YOUR GIFT
YOUR GIFT
YOUR GIFT
YOUR CHOICE

Other annual report disclosures

For the year ended 31 March 2022

The total annual Directors' remuneration approved for each financial year is capped at $500,000 (last approved in 2015). The Directors holding office during the year ended 31 March 2022 and the remuneration paid or payable to the Directors is as follows:

Directors	**Total Fees $**
John (Andrew) Bagnall	35,000
John Bolland *+#	67,500
Kim Ellis*+#	120,000
Peter Merton+#	35,000
Kenneth Orr#	65,000
Carolyn Steele*#	67,500
Peter Williams	60,000
Total	**450,000**
Payment allocations	
Independent Chair	120,000
Non-Executive Directors	35,000
Independent Directors	60,000
Chair of Audit & Risk Committee	5,000
Chair of Investment Committee	5,000
Independent Directors on Audit & Risk Committee and Investment Committee	2,500

* = *Audit & Risk Committee member*
+ = *Remuneration Committee member*
# = *Investment Committee member*

Group CEO remuneration

The Group CEO's package consists of a base salary, a Short Term Incentive (STI) and a Long Term Incentive (LTI). The STI is a maximum of 25% of current base salary and is based on quantitative criteria set annually for each financial year. The LTI is a maximum of 23% of current base salary and is structured as a performance share rights scheme. Rights vest based on achievement of an earnings per share target over a three year period, provided the Group CEO remains employed on the vesting date.

Employee remuneration

The number of employees or former employees of the Group, not being Directors of Green Cross Health Limited, who received remuneration and other benefits in their capacity as employees, the value of which exceeded $100,000 for the year ended 31 March 2022 is set out below:

Employee annual remuneration bands	2022	2021
$100,000 - $109,999	72	58
$110,000 - $119,999	47	33
$120,000 - $129,999	45	35
$130,000 - $139,999	36	27
$140,000 - $149,999	21	13
$150,000 - $159,999	14	15
$160,000 - $169,999	26	21
$170,000 - $179,999	20	12
$180,000 - $189,999	15	15
$190,000 - $199,999	16	13
$200,000 - $209,999	8	13
$210,000 - $219,999	5	9
$220,000 - $229,999	9	11
$230,000 - $239,999	6	4
$240,000 - $249,999	6	8
$250,000 - $259,999	8	5
$260,000 - $269,999	6	5
$270,000 - $279,999	5	6
$280,000 - $289,999	1	2
$290,000 - $299,999	2	2
$300,000 - $309,999	2	0
$310,000 - $319,999	2	3
$320,000 - $329,999	1	0
$330,000 - $339,999	3	0
$340,000 - $349,999	0	1
$350,000 - $359,999	1	3
$360,000 - $369,999	1	2
$370,000 - $379,999	0	2
$390,000 - $399,999	0	1
$400,000 - $409,999	1	1
$420,000 - $429,999	1	0
$430,000 - $439,999	1	0
$450,000 - $459,999	1	0
$470,000 - $479,999	1	1
$600,000 - $609,999	0	1
$780,000 - $789,999	0	1
$810,000 - $819,999	1	0
Former employees included in the above bands	28	22

Donations

The Group made donations to the value of $12,760.

Directors' shareholding and trades

The following table summarises:

(a) the number of shares in the Company held by Directors at 31 March 2022; and

(b) disclosures made by Directors, in accordance with section 148(2) of the Companies Act 1993, of acquisitions and dispositions of relevant interests in shares in the Company during the year.

Directors	Holding 1 Apr 2021	Cancelled	Issued	Net trades in the period	Interest ceased	Holding 31 Mar 2022
J A Bagnall (i)	45,935,821	-	-	-	-	45,935,821
P M Merton (ii)	45,840,983	-	-	-	-	45,840,983
K A Orr (iii)	600,083	-	-	-	-	600,083
C M Steele (iv)	50,000	-	-	-	-	50,000
P J Williams (v)	45,840,983	-	-	-	45,840,983	-

(i) J A Bagnall is a Director of LPL Trustee Limited and therefore holds a relevant interest of 45,935,821 fully paid ordinary shares in the company (shares are legally owned by LPL Trustee Limited).

(ii) P M Merton is a Director of Cape Healthcare Limited and a trustee of the Pentz Trust which is a 49% shareholder of Cape Healthcare Limited. P M Merton has a relevant interest in the 45,840,983 fully paid ordinary shares in the Company owned by Cape Healthcare Limited.

(iii) K A Orr holds a beneficial interest of 600,083 fully paid ordinary shares in the Company (shares are legally owned by Orrs Kaipara Pharmacies Limited and Orrs Pharmacies Limited).

(iv) C M Steele has a relevant interest in 50,000 fully paid ordinary shares in the Company.

(v) P J Williams ceased to be a Director of Cape Healthcare Limited during the year, thereby ceasing his relevant interest in 45,840,983 fully paid ordinary shares owned by Cape Healthcare Limited.

Directors' insurance

Green Cross Health Limited has insured all its Directors against liabilities to other parties that may arise from their positions as Directors. The insurance does not cover liabilities arising from criminal actions.

General disclosure of interest by Directors

(section 140(2) of the Companies Act 1993)

The Directors of the Company named below have made a general disclosure of interest by a general notice disclosed to the Board and entered in the Company's interest register. General notices of interest were given by these Directors during the financial year ended 31 March 2022:

John (Andrew) Bagnall – LPL Trustee Limited (Director and Shareholder), Segoura Limited (Director and Shareholder), Plan B Limited (Shareholder), Waiaro Investments Limited (Director and Shareholder), Stellar Electronic Board reporting system (Director and Shareholder), Powershield Limited (Director), major Shareholder or Director of various unlisted or privately controlled companies.

John Bolland – Segoura Limited (Consultant), Stellar Electronic Board Reporting System (Director), Powershield Limited (Director). Shareholder or Director of various unlisted or privately controlled companies.

Kim Ellis – Chair of NZ Social Infrastructure Fund; a Director of Port of Tauranga, FSF Management Company; and consultant to Envirowaste Services.

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

Kenneth Orr – Orrs Pharmacies Limited (Director and Shareholder), Orrs Kaipara Pharmacies Limited (Director and Shareholder), Orrs Maungaturoto Pharmacy Limited (Director and Shareholder), Orrs Rust Ave Pharmacy Limited (Director and Shareholder), Orrs Cameron Pharmacy Limited (Director and Shareholder), Orrs Ruakaka Pharmacy (Limited (Director and Shareholder), Orrs Tui Pharmacy Limited (Director and Shareholder), Orrs Kaikohe Pharmacies Limited (Director and Shareholder).

Carolyn Steele – Chair of Halberg Foundation, Director of WEL Networks Limited, Oriens Capital GP 2 Limited, Tuatahi First Fibre Limited and Vulcan Steel Limited.

Peter Williams – EBOS Group Limited.


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Shareholder information

Shares and shareholding

The Company's ordinary shares are listed on the NZX using the ticker code, GXH. As at 31 March 2022 the Company had on issue 143,152,759 equity securities (as defined by the Financial Markets Conduct Act 2013) being 143,152,759 fully paid ordinary shares.

The 20 largest registered holders of quoted equity securities as at 31 May 2022 were as follows:

Name	Holding	%
LPL TRUSTEE LIMITED	45,935,821	32.09
CAPE HEALTHCARE LIMITED	45,840,983	32.02
JBWERE (NZ) NOMINEES LIMITED <NZ RESIDENT A/C>	12,041,766	8.41
FNZ CUSTODIANS LIMITED	4,686,264	3.27
CUSTODIAL SERVICES LIMITED <A/C 4>	2,124,148	1.48
NEW ZEALAND DEPOSITORY NOMINEE LIMITED <A/C 1 CASH ACCOUNT>	1,729,260	1.21
GANET INVESTMENTS LIMITED	1,627,979	1.14
CITIBANK NOMINEES (NEW ZEALAND) LIMITED - NZCSD <CNOM90>	1,025,571	0.72
BNP PARIBAS NOMINEES (NZ) LIMITED - NZCSD	1,018,119	0.71
THOMAS LAI & CAROLYN PAMELA LAI & KATHLEEN YEE <THOMAS & CAROLYN LAI FAMILY A/C>	994,985	0.70
FRANCES ANN VUKSICH	850,000	0.59
ELIZABETH ANN MCAULAY	687,022	0.48
PIERRE GORDON PIERCE COTTER	537,050	0.38
JAMES STEVE BEGOVIC & KERRY ELLWYN BEGOVIC & KATHERINE MARINA PALIN <BEGOVIC FAMILY A/C>	500,000	0.35
JANE STEWART DUNN	500,000	0.35
FNZ CUSTODIANS LIMITED <DRP NZ A/C>	467,201	0.33
ARTHUR HECTOR MCAULAY	437,060	0.31
FORSYTH BARR CUSTODIANS LIMITED <1-CUSTODY>	408,869	0.29
ORRS KAIPARA PHARMACIES LIMITED	372,037	0.26
SEAJAY SECURITIES LIMITED	314,496	0.22

Shares and shareholding (continued)

Substantial product holders

The following persons are deemed to be substantial product holders in accordance with section 274 (1) of the Financial Markets Authority Act 2013:

Name	Holding	%
LPL TRUSTEE LIMITED	45,935,821	32.09
CAPE HEALTHCARE LIMITED	45,840,983	32.02
WILTON ASSET MANAGEMENT LTD	11,674,942	8.16

Shareholding spread

Green Cross Health Limited's shareholding spread as at 31 May 2022 is as follows:

Size of holding	Holders	%	Securities	%
1 - 999	354	20.79	158,822	0.11
1,000 - 9,999	876	51.47	2,905,169	2.04
10,000 - 99,999	413	24.27	11,926,722	8.33
100,000 - 499,999	44	2.59	8,063,078	5.63
500,000 - 999,999	6	0.35	4,069,057	2.84
1,000,000 and over	9	0.53	116,029,911	81.05
Total	**1,702**	**100.00**	**143,152,759**	**100.00**

Company directory

Registered office

Green Cross Health Limited
Millennium Centre
Ground Floor, Building B
602 Great South Road
Ellerslie, Auckland 1051
Telephone: +64 9 571 9080

Board

J A Bagnall
Non-Executive Director

J B Bolland
Non-Executive Director

C M Brockliss
Non-Executive Director

K R Ellis
Independent Chair

P M Merton
Non-Executive Director

K A Orr
Independent Director

C M Steele
Independent Director

P J Williams
Independent Director

Officers

Rachael Newfield Group CEO

Ben Doshi Group CFO /
Company Secretary

Auditor

KPMG
KPMG Centre
18 Viaduct Harbour Avenue
Auckland Central
Auckland 1010

Bankers

Bank of New Zealand
80 Queen Street
Auckland Central
Auckland 1010

Websites

www.greencrosshealth.co.nz
www.access.org.nz
www.housecall.co.nz
www.lifepharmacy.co.nz
www.livingrewards.co.nz
www.pilldrop.co.nz
www.thedoctors.co.nz
www.unichem.co.nz

Investor relations

For investor relations enquiries:
Phone: 09 571 9088
Email: investor.relations@gxh.co.nz

Share registrar

Computershare Investor
Services Limited
Private Bag 92119
Auckland 1142
Level 2, 159 Hurstmere Road
Takapuna, Auckland 0622

Managing your
shareholding online:

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

General enquiries can be
directed to:

enquiry@computershare.co.nz
Telephone: +64 9 488 8700
Facsimile: + 64 9 488 8787

Please assist our registrar by
quoting your CSN
or shareholder number.

207899

Green Cross Health Ltd
Millennium Centre
Ground Floor, Building B
602 Great South Road
Ellerslie, Auckland 1051

Private Bag 11906
Ellerslie, Auckland 1542

www.greencrosshealth.co.nz

Working together to support healthier communities