

# Half Year Report 2017



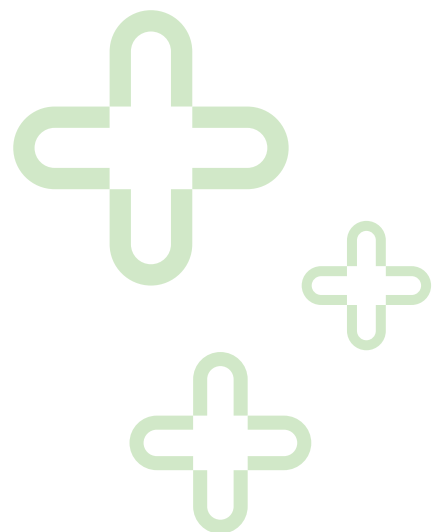
# We are passionately committed to the health and wellness of New Zealand, and to providing the best support, care and advice to our communities.

This is our promise.



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# Business summary

For the six months ended 30 September 2017



**13.5%**

increase to underlying shareholder earnings

**11.6%**

increase in pharmacy operating profit to \$13.75m

The Green Cross Health Group recorded a net profit after tax attributable to our shareholders of \$8.8m. This was an increase of 13.5% on a like for like basis versus the \$7.7m for the same prior period last year when excluding a \$2.8m one-off fair value gain in that period.

## Business Highlights

- The Group's net cash inflow from operating activities was \$17.3m versus \$6.8m for the same six-month period last year driven by increased profit and improved working capital management
- Pharmacy revenues were \$166.3m up \$8.5m (5.4%) on the same period last year
- Pharmacy operating profit before interest and tax was \$13.75m up \$1.43m (11.6%)
- Medical patient numbers increased by 6.4% to 220,200 with operating profit before interest and tax of \$1.45m versus \$1.40m last year
- Two new Medical Centres joined the Green Cross Health Medical Division
- Community Health won 50% of the Nelson Marlborough DHB home and community services contract that commenced in September 2017

- Community Health operating profit before interest and tax was \$1.3m up 11.2%
- Earnings per share increased 11.2% to 6.25 cents on underlying earnings (excluding 2016 fair value gain)

## Pharmacy Division

Pharmacy revenues of \$166.3m, up 5.4% on the same period last year, were driven by strong dispensary and franchise revenues while retail sales remain consistent with the prior year. EBIT margin has increased from 7.8% to 8.3% due to tight cost control, which together with an increase in sales, has resulted in an increase in the Pharmacy division operating profit before interest and tax from \$12.32m to \$13.75m (11.6%).

## Medical Division

Revenue for the Medical division at \$25m is up \$0.2m on last year. Patient numbers increased by 5.4% to 220,200 at the end of September 2017 which will contribute to future revenue growth.

Albany Medical joined the group in July 2017 adding 7,800 patients and Quaymed Accident & Medical joined in October 2017 adding a further 6,750 patients. This brings the equity network to 33 sites. With the opening of



# 6.4%

growth in medical  
centre patient  
numbers to 220,200

# 11.2%

increase in underlying  
earnings per share to  
6.25 cents

The Doctors Quaymed Wynyard and the pending opening of a new site in Huapai, The Doctors network continues to grow in line with the primary care growth strategy.

Operational efficiency improvements saw medical centre operating earnings increase 36% on the prior period. This was partially reinvested in people and systems to position the division for growth, which saw net operating profit before interest and tax of \$1.45m up 3.6% on last year.

## Community Health Division

The Community Health division continued to deliver revenue growth at \$62.9m up 14.2%. Client growth of 4.5% means the division now has 20,900 clients nationally, and this is the primary driver of the revenue growth, reflecting contract wins and increases in ACC and Nursing Services revenue.

Work continues bedding in Pay Equity along with other staff retention strategies which has seen support worker staff turnover reduce from 29% to 21%.

Total Care Health has expanded its Nursing Services to the New Plymouth and Hawkes Bay regions.

Net operating profit before interest and tax of \$1.30m was up 11.2% from \$1.16m last year.

## Future Focus

The group remains on track for continued growth and with implementing the strategic direction we have outlined - to be a leading primary health care organisation delivering sustainable care in our communities. Priorities for the coming period include:

- Continue growth through acquisition with full year investment projected to be in the range of \$8-\$10m. This includes further medical acquisitions in key geographical areas, co-located with pharmacies where feasible
- Working with our supply partners and members to strengthen our core retail disciplines and compliance across our diverse pharmacy network
- Continue progress in providing improved patient access to health care, embracing new models of care and digitally enabled customer

communications. These strategies are becoming well established with initiatives such as:

- The Neighbourhood Healthcare Homes contract in our Northland practices, where digital and phone triage and nurse led services are creating more timely and appropriate patient access to clinicians
- The rollout of a prescription reminder service in pharmacy and medical
- Enhancements to the consumer offering including ecommerce and the further development of the Living Rewards programme, now with 1.4 million members, to increase our data driven marketing capability
- The Community Health division maintaining its focus on competing for government tendered services, increases in ACC and Nursing Services and operational efficiency

Across the Green Cross Health Group, we recognise that whilst the provision of health care can be augmented by technology, it is our people who deliver it. We are proud that our Green Cross Health Academy online learning platform, TeachMe, has been recognised with several awards during this period, most recently at the international Brandon Hall Group HCM Excellence Awards. Thank you to all our staff for their ongoing commitment to providing the best support, care and advice in almost every New Zealand community.

## Dividend

The Directors have resolved to pay a fully imputed interim dividend of 3.5 cents per share to shareholders on the register as at 5pm on 11 December 2017. The dividend will be paid on 22 December 2017. The dividend reinvestment plan is available to shareholders.

For and on behalf of the Board

**Peter Merton**  
Chairman

Consolidated

# Interim statement of comprehensive income

For the six months ended 30 September 2017

	Note	Six months ended 30 Sep 2017 (Unaudited) \$'000	Six months ended 30 Sep 2016 (Unaudited) \$'000
<b>Operating revenue</b>		<b>254,151</b>	<b>237,676</b>
<b>Operating expenditure</b>	5	<b>(234,765)</b>	<b>(217,051)</b>
Depreciation and amortisation		(3,349)	(3,310)
Share of profit of equity accounted investees		457	331

	Six months ended 30 Sep 2017 (Unaudited) \$'000	Six months ended 30 Sep 2016 (Unaudited) \$'000
<b>Operating profit before interest and tax</b>	<b>16,494</b>	<b>17,646</b>
Net interest	(1,063)	(958)
<b>Profit before tax</b>	<b>15,431</b>	<b>16,688</b>
Tax expense	(4,310)	(3,874)
<b>Profit and total comprehensive income for the period</b>	<b>11,121</b>	<b>12,814</b>
<b>Profit after tax and total comprehensive income for the period attributable to:</b>		
Shareholders of the Parent	8,768	10,490 <sup>^</sup>
Non-controlling interest	2,353	2,324
<b>Earnings per share:</b>		
Basic earnings per share (cents)	6.25	7.63
Diluted earnings per share (cents)	6.23	7.60
Net tangible liabilities per share (cents)	(8.20)	(12.02)
Net assets per share (cents)	85.36	75.45

<sup>^</sup> Includes fair value gain of \$2.764m

The consolidated interim financial statements should be read in conjunction with the accompanying notes

Consolidated

# Interim statement of changes in equity

For the six months ended 30 September 2017

September 2017	Note	Share capital \$'000	Retained earnings \$'000	Non-controlling interest \$'000	Total equity \$'000
As at 1 April 2017		83,887	23,488	4,855	112,230
<b>Profit and total comprehensive income for the period</b>			<b>8,768</b>	<b>2,353</b>	<b>11,121</b>
<b>Transactions with owners, recorded directly in equity</b>					
Issue of shares	6	3,297			3,297
Dividends to shareholders	7		(4,883)		(4,883)
Distributions to non-controlling interests				(1,251)	(1,251)
Impact of other transactions with non-controlling interests			(106)		(106)
Share scheme amortisation		11			11
<b>As at 30 September 2017</b>		<b>87,195</b>	<b>27,267</b>	<b>5,957</b>	<b>120,419</b>





September 2016	Note	Share capital \$'000	Retained earnings \$'000	Non- controlling interest \$'000	Total equity \$'000
As at 1 April 2016		76,577	13,835	3,728	94,140
<b>Profit and total comprehensive income for the period</b>			<b>10,490</b>	<b>2,324</b>	<b>12,814</b>
<b>Transactions with owners, recorded directly in equity</b>					
Issue of shares	6	3,865			3,865
Dividends to shareholders			(4,788)		(4,788)
Distributions to non-controlling interests				(1,435)	(1,435)
Impact of other transactions with non-controlling interests			(253)	(224)	(477)
Share scheme amortisation		42			42
<b>As at 30 September 2016</b>		<b>80,484</b>	<b>19,284</b>	<b>4,393</b>	<b>104,161</b>

The consolidated interim financial statements should be read in conjunction with the accompanying notes

Consolidated

# Interim statement of financial position

As at 30 September 2017

	As at 30 Sep 2017 (Unaudited) \$'000	As at 31 Mar 2017 (Audited) \$'000	As at 30 Sep 2016 (Unaudited) \$'000
<b>Current assets</b>			
Cash and cash equivalents	14,704	18,195	14,505
Trade and other receivables	36,978	33,859	39,402
Inventories	35,316	33,713	37,366
<b>Total current assets</b>	<b>86,998</b>	<b>85,767</b>	<b>91,273</b>
<b>Non-current assets</b>			
Property, plant and equipment	23,053	21,966	20,347
Intangible assets	124,157	124,381	114,489
Deferred tax asset	7,832	7,970	6,259
Equity accounted group investments	5,691	5,127	4,771
<b>Total non-current assets</b>	<b>160,733</b>	<b>159,444</b>	<b>145,866</b>
<b>Total assets</b>	<b>247,731</b>	<b>245,211</b>	<b>237,139</b>

	Note	As at 30 Sep 2017 (Unaudited) \$'000	As at 31 Mar 2017 (Audited) \$'000	As at 30 Sep 2016 (Unaudited) \$'000
<b>Current liabilities</b>				
Payables and accruals		72,936	62,410	65,713
Income taxes payable		836	3,872	289
Borrowings		6,337	28,586	25,294
<b>Total current liabilities</b>		<b>80,109</b>	<b>94,868</b>	<b>91,296</b>
<b>Non-current liabilities</b>				
Payables and accruals		1,120	1,162	1,272
Borrowings		46,083	36,951	40,410
<b>Total non-current liabilities</b>		<b>47,203</b>	<b>38,113</b>	<b>41,682</b>
<b>Total liabilities</b>		<b>127,312</b>	<b>132,981</b>	<b>132,978</b>
<b>Net assets</b>		<b>120,419</b>	<b>112,230</b>	<b>104,161</b>
<b>Equity</b>				
Share capital	6	87,195	83,887	80,484
Retained earnings		27,267	23,488	19,284
Total equity attributable to shareholders of the Parent		114,462	107,375	99,768
Non-controlling interest		5,957	4,855	4,393
<b>Total equity</b>		<b>120,419</b>	<b>112,230</b>	<b>104,161</b>

Consolidated

# Interim statement of cash flows

For the six months ended 30 September 2017

	Note	Six months ended 30 Sep 2017 (Unaudited) \$'000	Six months ended 30 Sep 2016 (Unaudited) \$'000
<b>Cash flows from operating activities</b>			
Equity accounted investee dividend received		233	327
Receipts from customers		251,032	232,537
Payments to suppliers and employees		(225,677)	(220,045)
Net interest paid		(1,063)	(958)
Income taxes paid		(7,208)	(5,034)
<b>Net cash inflow from operating activities</b>	8	<b>17,317</b>	<b>6,827</b>

	Note	Six months ended 30 Sep 2017 (Unaudited) \$'000	Six months ended 30 Sep 2016 (Unaudited) \$'000
<b>Cash flows from investing activities</b>			
Purchases of property, plant, equipment and software intangibles		(4,514)	(5,430)
Acquisition of interests in subsidiaries and associates		(365)	(2,555)
Proceeds from sale of shares in subsidiary		25	-
<b>Net cash outflow from investing activities</b>		<b>(4,854)</b>	<b>(7,985)</b>
<b>Cash flows from financing activities</b>			
Proceeds from new borrowings		51,813	3,763
Repayment of borrowings		(64,930)	(5,244)
Shares issued for cash	6	-	149
Dividends paid - shareholders		(1,586)	(1,472)
Net distributions to non-controlling interests		(1,251)	(1,451)
<b>Net cash outflow from financing activities</b>		<b>(15,954)</b>	<b>(4,255)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(3,491)</b>	<b>(5,413)</b>
<b>Cash acquired: business combinations</b>		<b>-</b>	<b>-</b>
Add opening cash and cash equivalents		18,195	19,918
<b>Closing cash and cash equivalents as per consolidated interim statement of financial position</b>		<b>14,704</b>	<b>14,505</b>
Reconciliation of closing cash and cash equivalents to the balance sheet:			
Cash and cash equivalents		14,704	14,505
<b>Closing cash and cash equivalents</b>		<b>14,704</b>	<b>14,505</b>





# Notes to the financial statements

For the six months ended 30 September 2017

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## 1. Reporting entity

Green Cross Health Limited (the “Parent”) is a New Zealand company registered under the Companies Act 1993 and listed on the NZX Main Board (“NZX”). The Parent is a FMC Reporting Entity for the purposes of the Financial Markets Conduct Act 2013.

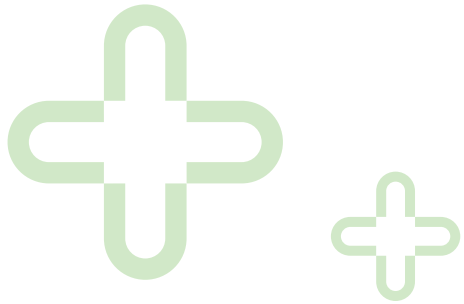
The consolidated interim financial statements of Green Cross Health Limited comprise the Parent, its subsidiaries, and its interest in associates and joint ventures (together referred to as the “Group”).

## 2. Basis of preparation of financial statements

### (a) Statement of compliance

These consolidated interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP), NZ IAS 34 Interim Financial Reporting, and other applicable Financial Reporting Standards as appropriate for profit oriented entities. These consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 March 2017.

The consolidated interim financial statements for the six months ended 30 September 2017 and the comparative information for the six months ended 30 September 2016 are unaudited.



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

### **(b) Basis of measurement**

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

### **(c) Changes in accounting policies**

The accounting policies applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 March 2017. The Group has not applied any standards, amendments to standards and interpretations that are not yet effective.

### **(d) Comparatives**

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

## 3. Accounting estimates and judgments

In authorising the consolidated interim financial statements for the six months ended 30 September 2017, the Directors have ensured that the specific accounting policies necessary for the proper understanding of the financial statements have been disclosed, and that all accounting policies adopted are appropriate for the Group's circumstances and have been consistently applied throughout the period for all Group entities for the purposes of preparing the consolidated interim financial statements.

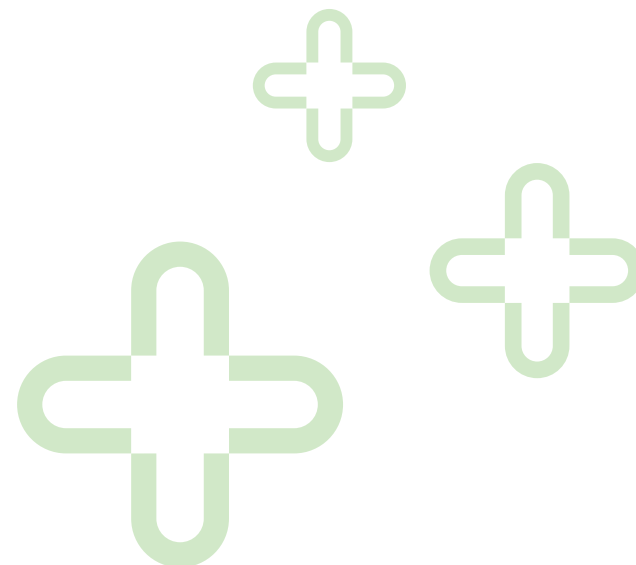
Inherent in the application of certain accounting policies, judgments and estimates are required. The Directors note that the actual results may differ from the judgments and estimates made.



## 4. Segment reporting

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

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



## 4. Segment reporting (continued)

<b>September 2017</b>	<b>Pharmacy services \$'000</b>	<b>Medical services \$'000</b>	<b>Community Health \$'000</b>	<b>Other<sup>1</sup> \$'000</b>	<b>Total \$'000</b>
Total revenue	166,306	24,951	62,894	-	254,151
Cost of products sold	(95,839)	-	-	-	(95,839)
Employee benefit expense	(30,709)	(18,306)	(58,134)	-	(107,149)
Lease expense	(8,218)	(1,438)	(564)	-	(10,221)
Other expenses	(15,381)	(3,795)	(2,380)	-	(21,556)
Depreciation and amortisation	(2,546)	(282)	(522)	-	(3,349)
Share of profit of equity accounted investees	135	322	-	-	457
<b>Operating profit before interest and tax</b>	<b>13,748</b>	<b>1,452</b>	<b>1,295</b>	<b>-</b>	<b>16,494</b>
Net interest expense / (expense)					(1,063)
Profit before tax					15,431
Tax expense					(4,310)
<b>Profit after tax</b>					<b>11,121</b>
<b>Segment assets</b>	<b>184,912</b>	<b>34,803</b>	<b>40,528</b>	<b>(12,511)</b>	<b>247,731</b>
<b>Segment liabilities</b>	<b>96,368</b>	<b>20,892</b>	<b>22,564</b>	<b>(12,511)</b>	<b>127,312</b>

## 4. Segment reporting (continued)

<b>September 2016</b>	<b>Pharmacy services \$'000</b>	<b>Medical services \$'000</b>	<b>Community Health \$'000</b>	<b>Other<sup>1</sup> \$'000</b>	<b>Total \$'000</b>
Total revenue	157,840	24,758	55,078	-	237,676
Cost of products sold	(90,743)	-	-	-	(90,743)
Employee benefit expense	(28,796)	(18,605)	(50,712)	-	(98,113)
Lease expense	(7,876)	(1,446)	(579)	-	(9,901)
Other expenses	(15,514)	(3,287)	(2,257)	-	(21,058)
Gain on settlement of vendor put option	-	-	-	2,764	2,764
Depreciation and amortisation	(2,646)	(300)	(364)	-	(3,310)
Share of profit of equity accounted investees	50	281	-	-	331
<b>Operating profit before interest and tax</b>	<b>12,315</b>	<b>1,401</b>	<b>1,166</b>	<b>2,764</b>	<b>17,646</b>
Net interest expense					(958)
Profit before tax					16,688
Tax expense					(3,874)
<b>Profit after tax</b>					<b>12,814</b>
<b>Segment assets</b>	<b>197,602</b>	<b>31,222</b>	<b>30,551</b>	<b>(22,236)</b>	<b>237,139</b>
<b>Segment liabilities</b>	<b>105,343</b>	<b>22,582</b>	<b>27,289</b>	<b>(22,236)</b>	<b>132,978</b>

<sup>1</sup> Other includes intersegment eliminations and one off items



## 5. Operating expenses

	As at 30 Sep 2017 (Unaudited) \$'000	As at 30 Sep 2016 (Unaudited) \$'000
<b>Operating expenses</b>		
Cost of products sold	95,839	90,743
Employee benefit expense	107,149	98,113
Lease expense	10,221	9,901
Gain on settlement of vendor put option	-	(2,764)
Other expenses	21,556	21,058
	<b>234,765</b>	<b>217,051</b>

## 6. Shares on issue

	As at 30 Sep 2017 (Unaudited) '000	As at 31 Mar 2017 (Audited) '000	As at 30 Sep 2016 (Unaudited) '000
<b>Shares authorised and on issue</b>			
Opening number of shares	139,835	137,284	137,284
Shares issued - fully paid	1,578	2,701	1,384
Shares cancelled - partly paid	-	(150)	(150)
Shares issued - partly paid	-	-	-
	141,413	139,835	138,518
Shares held as treasury stock	(333)	(333)	(467)
<b>Closing number of shares</b>	<b>141,080</b>	<b>139,502</b>	<b>138,051</b>

## 7. Distribution to owners

On 23 June 2017 Green Cross Health Limited paid a final dividend for the March 2017 year of 3.5 cents per qualifying ordinary share to shareholders, which was fully imputed to 28%.

## 8. Operating cash flows reconciliation

	<b>Six months ended 30 Sep 2017 (Unaudited) \$'000</b>	<b>Six months ended 30 Sep 2016 (Unaudited) \$'000</b>
Profit after tax for the period	11,121	12,814
<b>Add/(deduct) non-cash items:</b>		
Depreciation & asset write-off	3,349	3,390
Gain on settlement of vendor put option	-	(2,764)
Other non-cash items	28	(63)
<b>Add/(deduct) changes in working capital items:</b>		
Receivables and accruals	(3,116)	(5,139)
Inventory	(1,603)	(6,013)
Payables and accruals	7,538	4,602
<b>Net cash inflow from operating activities</b>	<b>17,317</b>	<b>6,827</b>

## 9. Subsequent events

On 27 November 2017 Green Cross Health Limited declared dividends of 3.5 cents per qualifying ordinary share, which will be fully imputed to 28%. No adjustments are required to these consolidated interim financial statements in respect to this event.

# Company directory

As at 30 September 2017



## Registered office

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

## Board

**P M Merton**, Chairman

**J A Bagnall**, Non-Executive Director

**J B Bolland**, Non-Executive Director

**P J Williams**, Non-Executive Director

**A W Edwards**, Independent Director

**M M Millard**, Independent Director

**K A Orr**, Independent Director

**C M Steele**, Independent Director

## Officers

SJ Browning COO/CFO

## Auditor

KPMG  
KPMG Centre  
18 Viaduct Harbour Avenue  
Auckland

## Websites

[www.greencrosshealth.co.nz](http://www.greencrosshealth.co.nz)

## Bankers

Bank of New Zealand  
80 Queen Street  
Auckland 1010

## Share registrar

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

Managing your  
shareholding online:

To change your address, update  
your payment instructions and  
to view your registered details  
including transactions, please visit;  
[www.investorcentre.com/nz](http://www.investorcentre.com/nz)

General enquiries can be  
directed to;

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

Please assist our registrar by  
quoting your CSN or  
shareholder number

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

Private Bag 11906  
Ellerslie, Auckland 1542

[www.greencrosshealth.co.nz](http://www.greencrosshealth.co.nz)

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**Because of  
what we do,  
everyone is  
healthier**