



Pharmacybrands

Pharmacybrands Limited

Condensed Interim Financial Statements

For the six months ended 30 September 2011

Pharmacybrands Limited is New Zealand's only listed retail pharmacy group and comprises the Unichem, Amcal, Life Pharmacy, Care Chemist, Radius Pharmacy and Radius Medical franchise brands. In total the company represents 306 retail pharmacy outlets operating throughout New Zealand including 139 Unichem Pharmacies, 80 Amcal Pharmacies, 26 Life Pharmacies, 2 Life Outlet stores, 26 Care Chemist Pharmacies and 33 Radius Pharmacies. Of the 306 retail outlets the company has an ownership interest in 69 pharmacies and 2 outlet stores. The company also has an ownership interest in 6 Radius Medical Centres.



Consolidated interim statement of comprehensive income

For the six months ended 30 September 2011

		Half year ended 30 Sep 2011 (Unaudited) \$'000	Half year ended 30 Sep 2010 (Unaudited) \$'000	Year ended 31 Mar 2011 (Audited) \$'000
	Note			
Revenue	5	52,226	9,430	19,065
Cost of Sales		27,625	2,887	5,357
Gross Margin		24,601	6,543	13,708
Associate earnings		1,949	1,076	2,602
Operating expenditure	5			
Governance and accountability		408	334	596
Depreciation and amortisation		1,003	148	282
Employee benefit expense		11,812	2,460	5,087
Other expenditure		7,436	2,339	4,846
		20,659	5,281	10,811
Operating profit before interest and tax		5,891	2,338	5,499
Interest income		223	349	792
Interest expense		(1,005)	(82)	(120)
Net interest income		(782)	267	672
Profit before tax		5,109	2,605	6,171
Tax expense		(1,008)	(425)	(1,010)
Profit after tax		4,101	2,180	5,161
Other comprehensive income for for the half year, net of tax		-	-	-
Total comprehensive income for the year attributable to shareholders		4,101	2,180	5,161
Basic earnings per share (cents)		3.85	2.18	5.17
Diluted earnings per share (cents)		3.85	2.18	5.17

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 5 to 10 form part of the financial statements.

Consolidated interim statement of changes in equity

For the six months ended 30 September 2011

	Note	Share Capital \$'000	Retained Earnings \$'000	Total Equity \$'000
September 2011				
Balance at 1 April 2011		42,066	1,260	43,326
Profit for the period			4,101	4,101
Total other comprehensive income			-	-
Total comprehensive income for the period			4,101	4,101
Transactions with owners, recorded directly in equity				
Issue of shares	6	9,116		9,116
Share scheme amortisation		24		24
Balance at 30 September 2011		51,206	5,361	56,567

March 2011				
Balance at 1 April 2010		33,051	5,082	38,133
Profit for the period			5,161	5,161
Total other comprehensive income			-	-
Total comprehensive income for the period			5,161	5,161
Transactions with owners, recorded directly in equity				
Parent company equity changes		8,983	(8,983)	
Issue of shares	6	5		5
Share scheme amortisation		27		27
Balance at 31 March 2011		42,066	1,260	43,326

September 2010				
Balance at 1 April 2010		33,051	5,082	38,133
Profit for the period			2,180	2,180
Total other comprehensive income			-	-
Total comprehensive income for the period			2,180	2,180
Transactions with owners, recorded directly in equity				
Issue of shares	6	5		5
Share scheme amortisation		3		3
Balance at 30 September 2010		33,059	7,262	40,321

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 5 to 10 form part of the financial statements.

Consolidated interim statement of financial position

As at 30 September 2011

	Note	Half year ended 30 Sep 2011 (Unaudited) \$'000	Half year ended 30 Sep 2010 (Unaudited) \$'000	Year ended 31 Mar 2011 (Audited) \$'000
Equity				
Share capital	6	51,206	33,059	42,066
Retained earnings		5,361	7,262	1,260
Total equity		56,567	40,321	43,326
Current assets				
Cash and bank balances		12,191	11,087	15,654
Trade and other receivables		8,916	4,620	4,430
Inventories		6,410	83	36
Advances to associates		1,182	3,155	953
Total current assets		28,699	18,945	21,073
Non-current assets				
Fixed assets		3,039	351	297
Intangible assets		24,584	1,156	1,146
Deferred tax asset		1,328	545	217
Advances to associates		464	-	1,116
Trade and other receivables		-	-	405
Equity accounted group investments	8	29,446	24,605	25,069
Total non-current assets		58,861	26,657	28,250
Total assets		87,560	45,602	49,323
Current liabilities				
Payables and accruals		14,987	3,276	4,780
Borrowings	9	353	1,894	1,124
Total current liabilities		15,340	5,170	5,904
Non-current liabilities				
Unamortised future income		76	111	93
Borrowings	9	15,577	-	-
Total non-current liabilities		15,653	111	93
Total liabilities		30,993	5,281	5,997
Net assets		56,567	40,321	43,326

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 5 to 10 form part of the financial statements.

Consolidated interim statement of cash flows

For the six months ended 30 September 2011

	Half year ended 30 Sep 2011 (Unaudited) \$'000	Half year ended 30 Sep 2010 (Unaudited) \$'000	Year ended 31 Mar 2011 (Audited) \$'000
Cash flows from operating activities			
Associate dividend received	1,314	862	1,800
Receipts from customers	51,569	9,025	17,909
Interest received	223	349	792
Payments to suppliers and employees	(46,661)	(9,474)	(16,350)
Interest paid	(1,006)	(82)	(120)
Income taxes paid	(1,047)	(230)	(7)
Net cash inflow from operating activities	4,392	450	4,024
Cash flows from investing activities			
Fixed asset purchases	(204)	(87)	(154)
Investment in associates and subsidiaries	(36,759)	(575)	(1,181)
Cash acquired on business acquisition	3,541	-	-
Sale of shares in associate	-	-	1,350
Decrease in loans to associates	1,645	1,764	2,850
Net cash inflow from investing activities	(31,777)	1,102	2,865
Cash flows from financing activities			
Increase in new borrowings	24,326	-	-
Decrease in borrowings	(9,520)	(770)	(1,540)
Shares issued for cash	9,116	5	5
Dividends paid	-	-	-
Net cash outflow from financing activities	23,922	(765)	(1,535)
Net increase in cash equivalents	(3,463)	787	5,354
Add opening cash equivalents	15,654	10,300	10,300
Closing cash and bank balance equivalents	12,191	11,087	15,654
<i>Reconciliation of closing cash equivalents to the balance sheet:</i>			
Cash and bank balances	12,191	11,087	15,654
Closing cash equivalents	12,191	11,087	15,654

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 5 to 10 form part of the financial statements.

Notes to the financial statements

For the six months ended 30 September 2011

1. Reporting Entity

Pharmacybrands Limited (the "Parent") is a New Zealand company registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange ("NZX"). The Parent is an Issuer in terms of the Financial Reporting Act 1993.

The consolidated interim financial statements of Pharmacybrands Limited comprise the Parent, its subsidiaries, and its interest in associates and jointly controlled entities (together referred to as the "Group").

The Group operates the Life Pharmacy, Unichem, Amcal, Care Chemist, Radius Pharmacy and Radius Medical franchise brands comprising 306 pharmacy stores and 6 Medical Centres within New Zealand.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with NZ IAS 34 Interim Financial Reporting. The 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 annual financial statements of the Group as at and for the year ended 31 March 2011.

The consolidated interim financial statements for the six months ended 30 September 2011 and the comparative information for the six months ended 30 September 2010 are unaudited.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) 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 2011. The Group has not applied any standards, amendments to standards and interpretations that are not yet effective.

(e) Comparatives

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

3. Accounting estimates and judgements

In authorising the financial statements for the half year ended 30 September 2011, 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 interim financial statements.

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

Notes to the financial statements

For the six months ended 30 September 2011

4. Controlling Entity

On 30 September 2009 Pharmacybrands Limited (PHB) acquired Pharmacy Transition Limited (PTL) through the issue of 39,783 fully paid shares in PHB for every PTL share.

From a legal perspective the business combination was an acquisition by PHB of 100% of the issued share capital of PTL. After reviewing the specifics of the transaction, the business combination was treated as a reverse acquisition for financial reporting purposes. The business combination was therefore accounted for and reported as if PTL has acquired 100% of PHB.

In order to simplify the Pharmacybrands group structure the accounting parent PTL was liquidated in March 2011. The result of this is that PHB is now the legal and accounting parent of the group.

This has resulted in the transfer of \$8,983,000 from retained earnings to share capital in the group financial statements which aligns the share capital of the group with that of its parent.

Business combination of Pharmacybrands Limited and Radius Pharmacy Limited

On 1 April 2011, Pharmacybrands Limited's wholly owned subsidiary Pharmacy Store Holdings Limited acquired 100% of the issued shares of Radius Pharmacy Limited (RPL), a pharmacy retail group, for \$15.3 million in cash. The Group assumed \$18.0 million of debt due to Radius Health Group Limited ('RHGL'), the previous owners of RPL, and other vendors, as part of the transaction, and this was refinanced using a new bank facility from National Bank.

As a result of the acquisition, the Group's portfolio of stores in which an equity ownership interest is held increased from 34 to 68. The Group expects to benefit from economies of scale.

Identifiable assets acquired and liabilities assumed

	\$m
Cash	3.0
Receivables and prepayments	4.3
Inventories	6.0
Fixed assets	3.5
Investment in associates	1.7
Other long term investments	0.2
Deferred tax	1.1
Employee entitlements	(0.9)
Trade and other payables	(6.7)
Net tangible assets	12.2
Less debt due to RHGL and others assumed on acquisition (as set out in the sale and purchase agreement)	(18.0)
Total identifiable net liabilities	(5.8)

Consideration to be transferred

Satisfied by:	
Cash	15.3
Total consideration transferred	15.3

Goodwill

Goodwill recognised as a result of the acquisition is as follows:

Total consideration to be transferred	15.3
Total identifiable net liabilities	5.8
Goodwill	21.1

The goodwill is attributable to the maintainable profits and assembled network of pharmacies and workforce.

Notes to the financial statements

For the six months ended 30 September 2011

Business combination of Pharmacybrands Limited and Radius Medical Limited and Radius Medical Solutions Limited

On 11 May 2011, Pharmacybrands Limited entered into an agreement to acquire 100% of the issued shares of Radius Medical Limited and Radius Medical Solutions Limited from Radius Health Group Limited for \$2.7 million. This was financed using a bank facility from National Bank. The purchase was effective from 1 June 2011.

Identifiable assets acquired and liabilities assumed

	\$m
Cash	0.5
Receivables and prepayments	0.5
Fixed assets	0.2
Investment in associates	0.6
Trade and other payables	(1.1)
Total identifiable net tangible assets	0.7

Consideration to be transferred

Satisfied by:	
Cash	2.7
Total consideration to be transferred	2.7

Goodwill

Goodwill recognised as a result of the acquisition would be as follows:

Total consideration to be transferred	2.7
Total identifiable net tangible assets	0.7
Goodwill	2.0

The goodwill is attributable to the maintainable profits and assembled network of medical centres and workforce.

5. Revenue and Operating Expenditure

Revenue

Store sales
Services provided to stores

Half year ended 30 Sep 2011 (Unaudited) \$'000	Half year ended 30 Sep 2010 (Unaudited) \$'000	Year ended 31 Mar 2011 (Audited) \$'000
38,835	-	-
13,391	9,430	19,065
52,226	9,430	19,065

Operating Expenditure

Operating Expenditure includes transaction costs associated with the Radius acquisitions of \$587,000 and doubtful debts provision of \$768,000 relating to associates.

6. Share capital

Opening balance
Share capital issued
Parent company equity changes
Share scheme amortisation

(a)

Half year ended 30 Sep 2011 (Unaudited) \$'000	Half year ended 30 Sep 2010 (Unaudited) \$'000	Year ended 31 Mar 2011 (Audited) \$'000
42,066	33,051	33,051
9,116	5	5
-	-	8,983
24	3	27
51,206	33,059	42,066

Notes to the financial statements

For the six months ended 30 September 2011

Share Capital (continued)

Shares issued

(a) On 25 July 2011 Pharmacybrands Limited allotted 8,888,889 fully paid ordinary shares at \$0.45 per share to Cape Healthcare Limited and 8,888,889 fully paid ordinary shares at \$0.45 per share to LPL Trustee Limited, (the Allotment). On 16 August 2011 Pharmacybrands Limited issued 2,480,035 fully paid ordinary shares at \$0.45 per share to shareholders under the Company's Share Purchase Plan. Proceeds from the Allotment and the Share Purchase Plan were applied towards reducing the Company's loans from ANZ National Bank Limited which funded the Company's acquisition of Radius Pharmacy Limited, Radius Medical Limited and Radius Medical Solutions Limited earlier this year.

7. Distribution to owners comprises

There were no distributions to owners during the six months ended 30 September 2011.

8. Group investments

Equity accounted associates
and joint ventures

Half year ended 30 Sep 2011 (Unaudited) \$'000	Half year ended 30 Sep 2010 (Unaudited) \$'000	Year ended 31 Mar 2011 (Audited) \$'000
29,446	24,605	25,069

The movement in equity accounted entities comprises:

Brought forward	25,069	23,853	23,853
Investment in associates (a)	1,328	575	1,855
Associates purchased (b)	2,311		
Disposal of associates	-	-	(1,247)
Capital reductions and loan repayments	(665)		
Share of net earnings	1,949	1,076	2,602
Less associate dividend	(546)	(899)	(1,994)
	29,446	24,605	25,069

Equity accounted associates include goodwill as follows:

Gross goodwill brought forward	18,638	17,823	17,823
Associates acquired (a)	799	752	1,966
Disposal of associates	-	-	(1,151)
	19,437	18,575	18,638

a) *Investments in Associates during the six month period to 30 September 2011*
\$305,000 was invested in Harbour City Pharmacy (2011) Ltd, \$957,000 was invested in A H McAulay Limited and \$66,000 was invested in Life Pharmacy Wall Street Dunedin Limited.

b) *Associates purchased during the six month period to 30 September 2011.*
The Group acquired an interest in the following pharmacy entities on 1 April 2011 as a result of the business combination of PHB and Radius Pharmacy Limited; Radius Pharmacy Greenmeadows Ltd, Radius Pharmacy Riccarton Ltd, Radius Pharmacy Te Rapa Ltd, Radius Pharmacy Upper Hutt Ltd, Radius Pharmacy Waikanae Ltd and Radius Pharmacy Wanganui Ltd, . The Group also acquired an interest in the following Medical Centre entities on 1 June 2011 as a result of the business combination of PHB and Radius Medical Limited and Radius Medical Solutions Limited; Team Medical At Kapiti Limited, The Doctors (New Lynn) Limited, Total Health Doctors Limited, Radius Medical Whakatane Properties Limited and Silversteam Health Centre Limited.

Notes to the financial statements

For the six months ended 30 September 2011

Group investments (continued)

Associate accounting policies

The accounting policies adopted by the associates are generally consistent with those of the Parent. Adjustments are made to align the accounting policies where needed – including adjustments to adopt NZ IFRS. The associates are qualifying reporting entities under the framework for differential reporting and the financial statements for the associates are prepared on the basis of the permitted differential reporting concessions.

Summary associate financial information

The aggregate results of the associates financial position and operations for the reporting period are as follows:

	Assets \$'000	Liabilities \$'000	Revenue \$'000	Net Profit after Tax \$'000
As at and for the half year ended 30 September 2011	56,278	28,693	71,402	3,641
As at and for the half year ended 30 September 2010	46,324	23,280	65,488	2,060
As at and for the year ended 31 March 2011	45,879	22,377	124,436	4,855

Under the shareholders' agreement executed with each associate, dividend distributions are capped at the current year's profit after tax subject to each associate company complying with any applicable banking covenants and being solvent in accordance with the solvency test requirements under the Companies Act 1993.

Reporting dates

The controlled entities, the joint venture and all associates have a 31 March annual reporting date.

9. Borrowings

Current
Non-current

	Half year ended 30 Sep 2011 (Unaudited) \$'000	Half year ended 30 Sep 2010 (Unaudited) \$'000	Year ended 31 Mar 2011 (Audited) \$'000
Current	353	1,894	1,124
Non-current	15,577	-	-
	15,930	1,894	1,124

Borrowings and loans to associates

Bank borrowings of \$24.3 million were obtained by Pharmacybrands Limited and were used to finance the acquisitions of Radius Pharmacy Limited, Radius Medical Limited and Radius Medical Solutions Limited. These loans were initially for a 5 year term with quarterly repayment terms of \$750,000. On 30 June 2011 \$750,000 was repaid. Proceeds from the Share Allotment (\$8 million) were applied towards reducing the loan balance and no further amortisation was required. Subsequent to 30 September 2011 the loan balance was reduced by \$10 million and was sourced from cash reserves.

In October 2011 the loan was restructured to a 5 year revolving term loan of \$8 million and a flexible working capital facility of \$4 million.

Notes to the financial statements

For the six months ended 30 September 2011

Borrowings (continued)

Separate bank borrowings of \$353,000 (2011: \$1,894,000) obtained by Pharmacybrands Limited from ANZ National Bank Limited (ANZNB) are on-lent to individual associates under a group borrowing facility comprising a \$0.4 million revolving credit facility allocated directly to the associates. Interest is payable monthly on all borrowings at an effective interest rate of 6.13% on call. Overdraft facilities are arranged directly with the bank.

The associate advances and borrowings are secured pursuant to back-to-back general security agreements over the assets of Pharmacybrands Limited and each associate. The security provided by the associates is several. Pharmacybrands Limited has provided guarantees in favour of ANZNB, with back-to-back guarantees received from each pharmacist shareholding limiting the Company's ultimate exposure to match Pharmacybrands Limited's 49% shareholding in each associate.

While back-to-back loan and guarantee agreements have been executed between ANZNB, Pharmacybrands Limited and each associate, the Company does not have a legal right of set-off and accordingly both the associate advances and borrowings are separately recognised in the balance sheet.

Pharmacybrands Limited and its subsidiaries have signed a General Security Agreement with ANZNB and have given cross guarantees for each other.

10. Operating cash flows reconciliation

Profit/(loss) for the period	4,101	2,180	5,161
Less gain on sale of investments in associates	-	-	(778)
Operating profit	4,101	2,180	4,383
<i>Add/(deduct) non-cash items:</i>			
Equity accounted profits	(1,273)	(177)	(608)
Depreciation & asset write-off	1,003	151	282
Amortisation of lease incentive	(18)	21	4
Bad and doubtful debts	778	(44)	(17)
Deferred tax	2	635	964
Share/option scheme costs	24	3	27
<i>Add/(deduct) changes in working capital items:</i>			
Receivables and accruals	(20)	(441)	(572)
Inventory	(367)	(35)	12
Payables and accruals	162	(1,843)	(451)
Net cash inflow/(outflow) from operating activities	4,392	450	4,024

	Half year ended 30 Sep 2011 (Unaudited) \$'000	Half year ended 30 Sep 2010 (Unaudited) \$'000	Year ended 31 Mar 2011 (Audited) \$'000
Profit/(loss) for the period	4,101	2,180	5,161
Less gain on sale of investments in associates	-	-	(778)
Operating profit	4,101	2,180	4,383
<i>Add/(deduct) non-cash items:</i>			
Equity accounted profits	(1,273)	(177)	(608)
Depreciation & asset write-off	1,003	151	282
Amortisation of lease incentive	(18)	21	4
Bad and doubtful debts	778	(44)	(17)
Deferred tax	2	635	964
Share/option scheme costs	24	3	27
<i>Add/(deduct) changes in working capital items:</i>			
Receivables and accruals	(20)	(441)	(572)
Inventory	(367)	(35)	12
Payables and accruals	162	(1,843)	(451)
Net cash inflow/(outflow) from operating activities	4,392	450	4,024

11. Subsequent events

On 31 October 2011 \$10 million was paid to ANZ National Bank to reduce the loan used to finance the company's acquisitions. This was sourced from cash reserves and on 31 October 2011 the remaining balance of the loan was restructured to a 5 year revolving term loan of \$8million and a flexible working capital facility of \$4 million.

Company Directory

As at 31 October 2011

Registered Office

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Board

P M Merton
Chairman

A J Davidson
Independent Director

J A Bagnall
Non-Executive Director

J B Bolland
Non-Executive Director

M S Vuksich
Non-Executive Director

I G S Sharp
Independent Director

K R Rushbrook
Independent Director

W Meaney
Non-Executive Director

K Orr
Alternate Director for W Meaney

Board Secretary

J H Greenwood BCom, FCA
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Auditor

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www.amcal.co.nz
www.carechemist.co.nz
www.radiuspharmacy.co.nz
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Managing your shareholding online:
To change your address, update your
payment instructions and to view your
registered details including transactions,
please visit;

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Please assist our registrar by quoting your CSN
or shareholder number