

Consolidated interim statement of comprehensive income

For the six months ended 30 September 2018

		Six months ended 30 Sep 2018 (Unaudited) \$'000	Six months ended 30 Sep 2017 (Unaudited) \$'000
	Note		
Operating revenue	5.1	282,375	258,954
Operating expenditure	5.2	(263,988)	(239,568)
Depreciation and amortisation		(3,890)	(3,349)
Share of equity accounted net earnings		438	457
Operating profit before interest and tax		14,935	16,494
Interest income		38	116
Interest expense		(1,110)	(1,179)
Profit before tax		13,863	15,431
Tax expense		(3,788)	(4,310)
Profit and total comprehensive income for the period		10,075	11,121
Profit after tax and total comprehensive income for the period attributable to:			
Shareholders of the Parent		8,147	8,768
Non-controlling interest		1,928	2,353
Earnings per share:			
Basic earnings per share (cents)		5.69	6.25
Diluted earnings per share (cents)		5.68	6.23

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 2018

	Note	Share Capital \$'000	Retained Earnings \$'000	Non-Controlling Interest \$'000	Total Equity \$'000
September 2018					
As at 1 April 2018		90,609	30,346	7,108	128,063
Profit and total comprehensive income for the period			8,147	1,928	10,075
Transactions with owners, recorded directly in equity					
Issue of shares	6				
Dividends to shareholders	7		(5,010)		(5,010)
Distributions to non-controlling interests				(1,046)	(1,046)
Impact of other transactions with non-controlling interests			(243)	383	140
Share scheme amortisation		1			1
As at 30 September 2018		90,610	33,240	8,373	132,223

September 2017					
As at 1 April 2017		83,887	23,488	4,855	112,230
Profit and total comprehensive income for the period			8,768	2,353	11,121
Transactions with owners, recorded directly in equity					
Issue of shares	6	3,297			3,297
Dividends to shareholders			(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
As at 30 September 2017		87,195	27,267	5,957	120,419

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

Consolidated interim statement of financial position

As at 30 September 2018

	Note	As at 30 Sep 2018 (Unaudited) \$'000	As at 31 Mar 2018 (Audited) \$'000	As at 30 Sep 2017 (Unaudited) \$'000
Current assets				
Cash and cash equivalents		9,688	10,754	14,704
Trade and other receivables		25,783	23,075	24,582
Contract assets	2	12,071	13,656	12,396
Inventories		36,753	34,199	35,316
Total current assets		84,295	81,684	86,998
Non-current assets				
Property, plant and equipment		19,927	20,916	23,053
Intangible assets		141,781	134,948	123,659
Contract assets	2	793	879	498
Deferred tax asset		10,409	10,393	7,832
Equity accounted group investments		6,308	6,264	5,691
Total non-current assets		179,218	173,400	160,733
Total assets		263,513	255,084	247,731
Current liabilities				
Payables and accruals		71,224	65,125	64,659
Contract liabilities	2	5,478	7,376	8,277
Income taxes payable		252	4,101	836
Borrowings		10,758	16,310	6,337
Total current liabilities		87,712	92,912	80,109
Non-current liabilities				
Payables and accruals		552	1,195	1,120
Borrowings		43,026	32,914	46,083
Total non-current liabilities		43,578	34,109	47,203
Total liabilities		131,290	127,021	127,312
Net assets		132,223	128,063	120,419
Equity				
Share capital	6	90,610	90,609	87,195
Retained earnings		33,240	30,346	27,267
Total equity attributable to shareholders of the Parent		123,850	120,955	114,462
Non-controlling interest		8,373	7,108	5,957
Total equity		132,223	128,063	120,419

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

Consolidated interim statement of cash flows

For the six months ended 30 September 2018

	Six months ended 30 Sep 2018 (Unaudited) \$'000	Six months ended 30 Sep 2017 (Unaudited) \$'000
Note		
Cash flows from operating activities		
Equity accounted investee dividend received	394	233
Receipts from customers	281,887	255,835
Interest received	38	116
Payments to suppliers and employees	(264,766)	(230,480)
Interest paid	(1,109)	(1,179)
Income taxes paid	(7,653)	(7,208)
Net cash inflow from operating activities	8,791	17,317
8		
Cash flows from investing activities		
Purchases of property, plant, equipment and software intangibles	(5,387)	(4,514)
Acquisition of interests in subsidiaries and associates	(3,637)	(365)
Proceeds from sale of shares in subsidiary	688	25
Net cash outflow from investing activities	(8,336)	(4,854)
Cash flows from financing activities		
Proceeds from new borrowings	19,000	51,813
Repayment of borrowings	(14,439)	(64,930)
Shares issued for cash	-	-
Dividends paid - shareholders	(5,035)	(1,586)
Net distributions to non-controlling interests	(1,046)	(1,251)
Net cash outflow from financing activities	(1,520)	(15,954)
6		
Net decrease in cash and cash equivalents	(1,066)	(3,491)
Cash acquired: business combinations	-	-
Add opening cash and cash equivalents	10,754	18,195
Closing cash and cash equivalents as per consolidated interim statement of financial position	9,688	14,704
<i>Reconciliation of closing cash and cash equivalents to the balance sheet:</i>		
Cash and cash equivalents	9,688	14,704
Closing cash and cash equivalents	9,688	14,704

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

Notes to the financial statements

For the six months ended 30 September 2018

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 an 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 2018.

This is the first set of the Group's financial statements where NZ IFRS 15 Revenue from Contracts with Customers and NZ IFRS 9 Financial Instruments have been applied. Changes to significant accounting policies are described in note 2(c).

The consolidated interim financial statements for the six months ended 30 September 2018 and the comparative information for the six months ended 30 September 2017 are unaudited.

These interim financial statements were approved for issue by the Board of Directors on 26 November 2018.

(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

Other than as disclosed below, 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 2018. The Group has not applied any standards, amendments to standards and interpretations that are not yet effective.

The Group receives funding from customers to reflect increased costs incurred in the provision of services by the Community Health division. In prior periods this additional funding was offset against personnel costs incurred. This funding is now recognised as revenue rather than an offset against personnel costs. The September 2017 comparative figures have been restated to reflect this change, resulting in an increase in revenue of \$4.803m and a corresponding increase in operating expenses of \$4.803m. The overall net effect on reported September 2017 net profit and operating cash flows is nil.

The changes in accounting policies are expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 March 2019.

The Group has initially adopted NZ IFRS 15 Revenue from Contracts with Customers and NZ IFRS 9 Financial Instruments from 1 April 2018. There has been no material effect on the Group's financial statements from the adoption of these standards.

NZ IFRS 15 Revenue from Customers

NZ IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced NZ IAS 18 Revenue, NZ IAS 11 Construction Contracts and related interpretations.

The Group has adopted NZ IFRS 15 using the retrospective effect method (with practical expedients), with the effect of initially applying this standard recognised at the date of initial application being 1 April 2018.

All available practical expedients have been utilised where applicable and the estimated effect on the financial statements of applying the expedients has been nil other than the restatement described above and the reclassification of contract assets and contract liabilities in the Statement of Financial Position.

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. Non current contract assets represent capitalised contract acquisition costs. 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.

(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 2018, 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. The significant judgements made by management in applying the Group's accounting policies were the same as those described in the last annual financial statements, except for new judgements related to the application of NZ IFRS 15 and NZ IFRS 9.

Notes to the financial statements

For the six months ended 30 September 2018

4. Segment reporting

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

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.

	Note	Pharmacy services \$'000	Medical services \$'000	Community Health \$'000	Corporate \$'000	Total \$'000
September 2018						
Total revenue		169,994	34,302	78,080	-	282,375
Cost of products sold		(99,244)	-	-	-	(99,244)
Employee benefit expense		(30,536)	(25,399)	(74,665)	-	(130,600)
Lease expense		(7,949)	(1,959)	(586)	-	(10,494)
Other expenses		(15,824)	(4,778)	(1,809)	(836)	(23,247)
Depreciation and amortisation		(2,633)	(506)	(751)	-	(3,890)
Share of equity accounted net earnings		93	345	-	-	438
Segment Profit		13,901	2,005	269	(836)	15,339
Increase in unfunded leave liability due to pay equity legislation	5.2					(404)
Interest income						38
Interest expense						(1,110)
Profit before tax						13,863
Tax expense						(3,788)
Profit after tax						10,075
Non-controlling interest						(1,928)
Net Profit attributable to the shareholders of the parent						8,147
Reportable segment assets		197,021	38,260	41,392	(13,160)	263,513
Reportable segment liabilities		96,268	24,949	23,233	(13,160)*	131,290
September 2017						
Total revenue		166,306	24,951	67,697	-	258,954
Cost of products sold		(95,839)	-	-	-	(95,839)
Employee benefit expense		(30,709)	(18,306)	(62,937)	-	(111,952)
Lease expense		(8,218)	(1,438)	(564)	-	(10,221)
Other expenses		(14,678)	(3,732)	(2,309)	(837)	(21,556)
Depreciation and amortisation		(2,546)	(282)	(522)	-	(3,349)
Share of equity accounted net earnings		135	322	-	-	457
Segment Profit		14,450	1,515	1,366	(837)	16,494
Interest income						116
Interest expense						(1,179)
Profit before tax						15,431
Tax expense						(4,310)
Profit after tax						11,121
Non-controlling interest						(2,353)
Net Profit attributable to the shareholders of the parent						8,768
Reportable segment assets		184,912	34,803	40,528	(12,511)	247,731
Reportable segment liabilities		96,368	20,892	22,564	(12,511)*	127,312

*Intersegmental eliminations

Notes to the financial statements

For the six months ended 30 September 2018

5. Operating Performance

5.1 Revenue

The Group's operations and revenue streams are those described in the last annual financial statements. The Group's revenue is derived from contracts with customers, except for retail sales, patient co-payment fees, rent received and other non-contracted services provided to customers and suppliers.

The nature and effect of initially applying NZ IFRS 15 on the Group's interim financial statements is disclosed in Note 2.

Revenue from contracts with customers

	Six months ended 30 Sep 2018 (Unaudited) \$'000	Six months ended 30 Sep 2017 (Unaudited) \$'000
Revenue from contracts with customers	181,789	159,304
Revenue from other sources	100,586	99,650
	282,375	258,954

Disaggregation of Revenue

Six months ended 30 September 2018	Reportable segments			
	Pharmacy Services \$'000	Medical Services \$'000	Community Health \$'000	Total \$'000
Timing of revenue recognition				
Transferred at a point in time	66,217	6,455	54,924	127,596
Transferred over time	15,774	15,344	23,075	54,193
	81,991	21,799	77,999	181,789
Six months ended 30 September 2017	Pharmacy Services \$'000	Medical Services \$'000	Community Health \$'000	Total \$'000
Timing of revenue recognition				
Transferred at a point in time	63,218	4,284	47,581	115,083
Transferred over time	13,266	10,965	19,990	44,221
	76,485	15,248	67,571	159,304

5.2 Operating expenses

	Six months ended 30 Sep 2018 (Unaudited) \$'000	Six months ended 30 Sep 2017 (Unaudited) \$'000
Cost of products sold	99,244	95,839
Employee benefit expense	130,600	111,952
Lease expense	10,494	10,221
Other expenses	23,651	21,556
	263,988	239,568

Employee benefit expense includes \$0.404m cost as a result of the pay equity implementation within the Community Health business not being fully funded by the Ministry of Health (Sept 2017: nil, March 2018: \$1.94m)

Notes to the financial statements

For the six months ended 30 September 2018

6. Shares on issue

	As at 30 Sep 2018 (Unaudited) \$'000	As at 31 Mar 2018 (Audited) \$'000	As at 30 Sep 2017 (Unaudited) \$'000
Shares authorised and on issue			
Opening number of shares	143,486	139,835	139,835
Shares issued - fully paid	-	3,651	1,578
	143,486	143,486	141,413
Shares held as treasury stock	(333)	(333)	(333)
Closing number of shares	143,153	143,153	141,080
Net tangible assets per share (cents)	(14.50)	(12.68)	(8.20)
Net assets per share (cents)	92.37	89.46	85.36

7. Distribution to owners

On 29 June 2018 Green Cross Health Limited paid a final dividend for the March 2018 year of 3.5 cents per qualifying ordinary share to shareholders, which was fully imputed to 28%.

8. Operating cash flows reconciliation

	Six months ended 30 Sep 2018 (Unaudited) \$'000	Six months ended 30 Sep 2017 (Unaudited) \$'000
Profit for the period	10,075	11,121
<i>Add/(deduct) non-cash items:</i>		
Depreciation and asset write-off	3,890	3,349
Other non-cash items	(703)	28
<i>Add/(deduct) changes in working capital items:</i>		
Receivables and accruals	(1,123)	(3,116)
Inventory	(2,554)	(1,603)
Payables and accruals	(794)	7,538
Net cash inflow from operating activities	8,791	17,317

9. Subsequent events

On 26 November 2018 Green Cross Health Limited declared an interim dividend 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

Registered Office

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Board

P M Merton
Chair

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

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To change your address, update your
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registered details including transactions,
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Please assist our registrar by quoting your CSN
or shareholder number

Websites

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