



Pharmacybrands

Pharmacybrands Limited

Condensed Interim Financial Statements

For the six months ended 30 September 2012

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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 group represents 300 retail pharmacy outlets operating throughout New Zealand including 139 Unichem Pharmacies, 75 Amcal Pharmacies, 26 Life Pharmacies, 27 Care Chemist Pharmacies and 33 Radius Pharmacies. Of the 300 retail outlets the group has an ownership interest in 68 pharmacies. The group also provides Radius Medical franchise branding and management services to 19 entities of which the group has an ownership interest in 10 Radius Medical Centres.



Directors' Report

For the six months ended 30 September 2012

The trading results for the six months to 30 September 2012 show a 51.8% improvement in profitability achieved on relatively flat revenues during what is generally recognised as a difficult retail environment.

The differential timing of acquisitions means that, while the results include full half year comparison for Radius Pharmacy Ltd, the comparison for Radius Medical covers only the four month period from 1 June 2011 to 30 September 2011.

Financial highlights for the six months to 30 September 2012:

- Net profit after tax (NPAT) of \$6.2 million, an increase of 51.8% on the \$4.1 million reported for the same period last year. Included in last year's NPAT was \$1.1 million of one off costs.
- Cash flow from operating activities was \$6.3 million, up 43.8% from the \$4.4 million reported for the same period in 2011.
- Earnings per share for the period were 5.16 cents, up 33.8% from 3.85 cents in the comparative period.
- A 2012 final dividend of 3.5 cents per share was paid on 5 September 2012 fully imputed to 30%. \$1.4 million was paid in cash to shareholders.
- At the Annual Meeting shareholders approved an optional dividend re-investment plan, under which the company issued 2.35 million shares at \$1.2119 on 5 September 2012.
- The Directors declared a dividend of 2 cents per share for the six months ending 30 September 2012, of which 1.7 cents per share is fully imputed to 30% and the balance fully imputed to 28%. The record date for dividend is 11 December 2012 and the payment date is 21 December 2012.

Business Highlights

The company continued its expansion plans, investing in four medical centres and three pharmacies during the period. Many of these acquisitions were settled late in the period so the earnings impact has therefore been minimal.

In the current six months we have seen cost savings due to central office consolidation following last year's Radius acquisition.

The strength of our pharmacy franchise group remains a big focus and we have developed further services to assist franchisee pharmacy revenue growth.

The company has continued to introduce new professional services within pharmacy, taking advantage of the rescheduling of an antibiotic so as to allow prescribing by trained pharmacists. In addition an additional 160 pharmacists have been trained to administer flu vaccinations, ready for next winter.

We have further invested in our IT infrastructure through consolidating our e-commerce platforms and, most importantly, developing our customer relationship management to extend our loyalty capability and reach. We intend to use this technology through our network to target consumers based on their purchase history. This will allow it to increase the electronic component of the marketing mix over time.

Total pharmacy and medical centre revenue for the period (including revenues of associates) was \$122.6 million, up \$7.9 million from the corresponding period last year. However, this increase was largely driven by the additional two months of Medical and a small contribution due to the timing of acquisitions rather than organic growth.

Same store revenues for our equity interest pharmacies, including retail and dispensary, were down 1.2%. Retail remained challenging throughout the period with retail revenue of these pharmacies down 2%. The same store gross profit for the period was down \$0.4 million. Same store costs were flat for the period. We expect to see the focus placed on cost control to flow through in the form of savings in the second half.



For and on behalf of the Board
Peter Merton
Chairman

Consolidated interim statement of comprehensive income

For the six months ended 30 September 2012

	Note	Six months ended 30 Sep 2012 (Unaudited) \$'000	Six months ended 30 Sep 2011 (Unaudited) \$'000	Year ended 31 Mar 2012 (Audited) \$'000
Operating revenue				
Revenue	6	52,469	52,226	105,541
Cost of sales		26,554	27,625	55,578
Gross margin		25,915	24,601	49,963
Other revenue				
Share of profit of equity accounted investees		1,766	1,949	3,803
Operating expenditure				
Governance and accountability	6	404	408	794
Depreciation and amortisation		680	1,003	1,871
Employee benefit expense		12,497	11,812	24,643
Other expenditure		6,125	7,436	13,182
		19,706	20,659	40,490
Operating profit before interest and tax				
		7,975	5,891	13,276
Interest income		255	223	367
Interest expense		(229)	(1,005)	(1,181)
		26	(782)	(814)
Profit before tax				
		8,001	5,109	12,462
Tax expense		(1,754)	(1,008)	(2,523)
Profit after tax for the period				
		6,247	4,101	9,939
Other comprehensive income for for the period, net of tax		-	-	-
Total comprehensive income for the period				
		6,247	4,101	9,939
Attributable to:				
Shareholders of the Parent		6,225	4,101	9,939
Non-controlling interest		22	-	-
Earnings per share:				
Basic earnings per share (cents)		5.16	3.85	8.76
Diluted earnings per share (cents)		5.11	3.85	8.72

The accompanying statement of accounting policies and notes to the financial statements on pages 6 to 9 form part of the condensed interim financial statements.

Consolidated interim statement of changes in equity

For the six months ended 30 September 2012

	Note	Share Capital \$'000	Retained Earnings \$'000	Non-Controlling Interest \$'000	Total Equity \$'000
September 2012					
As at 1 April 2012		51,227	11,199	-	62,426
Profit for the period			6,225	22	6,247
Total other comprehensive income			-	-	-
Total comprehensive income for the period			6,225	22	6,247
Transactions with owners, recorded directly in equity					
Issue of shares	7	3,074	-	-	3,074
Dividends to shareholders	8		(4,219)	-	(4,219)
Share scheme amortisation	7	54	-	-	54
As at 30 September 2012		54,355	13,205	22	67,582

March 2012

As at 1 April 2011		42,066	1,260	-	43,326
Profit for the period			9,939	-	9,939
Total other comprehensive income			-	-	-
Total comprehensive income for the period			9,939	-	9,939
Transactions with owners, recorded directly in equity					
Issue of shares	7	9,116	-	-	9,116
Share scheme amortisation	7	45	-	-	45
As at 31 March 2012		51,227	11,199	-	62,426

September 2011

As 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	7	9,116	-	-	9,116
Share scheme amortisation	7	24	-	-	24
As at 30 September 2011		51,206	5,361	-	56,567

The accompanying statement of accounting policies and notes to the financial statements on pages 6 to 9 form part of the condensed interim financial statements.

Consolidated interim statement of financial position

As at 30 September 2012

	Note	As at 30 Sep 2012 (Unaudited) \$'000	As at 30 Sep 2011 (Unaudited) \$'000	As at 31 Mar 2012 (Audited) \$'000
Equity				
Share capital	7	54,355	51,206	51,227
Retained earnings		13,205	5,361	11,199
Total equity attributable to shareholders of the parent		67,560	56,567	62,426
Non-controlling interest		22	-	-
Total equity		67,582	56,567	62,426
Current assets				
Cash and cash equivalents		7,233	12,191	8,717
Trade and other receivables		6,087	8,421	7,985
Inventories		7,663	6,410	6,508
Advances to equity accounted investments		2,369	1,677	1,580
Total current assets		23,352	28,699	24,790
Non-current assets				
Property, plant and equipment		2,539	3,039	2,617
Intangible assets		25,115	24,584	21,283
Deferred tax asset		1,623	1,328	1,548
Advances to equity accounted investments		1,153	464	823
Equity accounted investments		35,715	29,446	32,081
Total non-current assets		66,145	58,861	58,352
Total assets		89,497	87,560	83,142
Current liabilities				
Payables and accruals		14,187	14,987	14,605
Income taxes payable		687	-	1,053
Borrowings	9	-	353	-
Total current liabilities		14,874	15,340	15,658
Non-current liabilities				
Unamortised future income		41	76	58
Borrowings	9	7,000	15,577	5,000
Total non-current liabilities		7,041	15,653	5,058
Total liabilities		21,915	30,993	20,716
Net assets		67,582	56,567	62,426

The accompanying statement of accounting policies and notes to the financial statements on pages 6 to 9 form part of the condensed interim financial statements.

Consolidated interim statement of cash flows

For the six months ended 30 September 2012

	Six months ended 30 Sep 2012 (Unaudited) \$'000	Six months ended 30 Sep 2011 (Unaudited) \$'000	Year ended 31 Mar 2012 (Audited) \$'000
Cash flows from operating activities			
Equity accounted investee dividend received	1,410	1,314	2,846
Receipts from customers	54,481	51,569	105,268
Interest received	255	223	367
Payments to suppliers and employees	(47,405)	(46,661)	(92,189)
Interest paid	(230)	(1,006)	(1,181)
Income taxes paid	(2,195)	(1,047)	(2,167)
Net cash inflow from operating activities	6,316	4,392	12,944
Cash flows from investing activities			
Purchases of property, plant, equipment and software intangibles	(502)	(204)	(567)
Acquisition of subsidiaries	(4,000)	(17,431)	(18,360)
Acquisition of subsidiaries, cash	-	3,541	3,541
Acquisition of subsidiaries, debt acquired	-	(18,000)	(18,000)
Acquisition of interests in associates	(3,373)	(1,328)	(2,399)
Proceeds from sale of property, plant, equipment and software intangibles	137	-	-
Proceeds from sale of shares in subsidiary	240	-	-
Proceeds from sale of interests in equity accounted investments	95	-	2,668
(Increase)/decrease in advances to equity accounted investments	(1,118)	1,645	244
Net cash outflow from investing activities	(8,522)	(31,777)	(32,873)
Cash flows from financing activities			
Proceeds from new borrowings	2,000	24,326	24,326
Repayment of borrowings	-	(9,520)	(20,450)
Shares issued for cash	88	9,116	9,116
Dividends paid	(1,366)	-	-
Net cash inflow from financing activities	722	23,922	12,992
Net increase in cash and cash equivalents	(1,484)	(3,463)	(6,937)
Add opening cash and cash equivalents	8,717	15,654	15,654
Closing cash and cash equivalents as per consolidated interim statement of financial position	7,233	12,191	8,717

The accompanying statement of accounting policies and notes to the financial statements on pages 6 to 9 form part of the condensed interim financial statements.

Notes to the financial statements

For the six months ended 30 September 2012

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 300 pharmacy stores and provides Radius Medical franchise branding and management services to 19 entities within New Zealand.

2. Basis of preparation of financial statements

(a) Statement of compliance

These interim consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP), NZ IAS 34 and 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 2012.

The consolidated interim financial statements for the six months ended 30 September 2012 and the comparative information for the six months ended 30 September 2011 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 2012. 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 to conform to the current period's presentation.

3. Accounting estimates and judgements

In authorising the condensed interim financial statements for the six months ended 30 September 2012, 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 condensed interim financial statements.

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

4. Segment reporting

The Group has two reportable segments as described below.

The Group's main operations are in the pharmacy industry providing pharmacy retail services through consolidated stores, equity accounted partnership stores and franchise stores. The medical services segment includes fully owned and equity accounted partnership medical centres, and support services provided to these medical centres, as well as medical centres outside the group.

Notes to the financial statements

For the six months ended 30 September 2012

Segments reporting (continued)

	Pharmacy Retail		
	Services	Medical Services	Total
	\$'000	\$'000	\$'000
September 2012			
External revenues	49,169	3,300	52,469
Interest income	234	21	255
Interest expense	(206)	(23)	(229)
Depreciation and amortisation	(650)	(30)	(680)
Segment profit before income tax	7,255	746	8,001
Tax expense	(1,632)	(122)	(1,754)
Profit after tax	5,623	624	6,247
Share of profit of equity method investees	1,553	213	1,766
Segment asset	79,747	9,750	89,497
Investment in associates	34,287	1,428	35,715
Purchases of property, plant, equipment and software intangibles	222	280	502
Segment liabilities	18,753	3,162	21,915

	Pharmacy Retail		
	Services	Medical Services	Total
	\$'000	\$'000	\$'000
March 2012			
External revenues	100,771	4,770	105,541
Interest income	340	27	367
Interest expense	(1,178)	(3)	(1,181)
Depreciation and amortisation	(1,816)	(55)	(1,871)
Segment profit before income tax	11,763	699	12,462
Tax expense	(2,354)	(169)	(2,523)
Profit after tax	9,409	530	9,939
Share of profit of equity method investees	3,601	202	3,803
Segment asset	80,305	2,837	83,142
Investment in associates	31,055	1,026	32,081
Purchases of property, plant, equipment and software intangibles	523	44	567
Segment liabilities	19,618	1,098	20,716

	Pharmacy Retail		
	Services	Medical Services	Total
	\$'000	\$'000	\$'000
September 2011			
External revenues	50,229	1,997	52,226
Interest income	215	8	223
Interest expense	(1,004)	(1)	(1,005)
Depreciation and amortisation	(982)	(21)	(1,003)
Segment profit before income tax	4,890	219	5,109
Tax expense	(942)	(66)	(1,008)
Profit after tax	3,948	153	4,101
Share of profit of equity method investees	1,893	56	1,949
Segment asset	85,494	2,066	87,560
Investment in associates	28,829	617	29,446
Purchases of property, plant, equipment and software intangibles	183	21	204
Segment liabilities	29,899	1,094	30,993

Notes to the financial statements

For the six months ended 30 September 2012

5. 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 transaction resulted in additional goodwill of \$18.1m. 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 ANZ National Bank.

No material acquisitions have been made for the six months ended 30 September 2012.

6. Operating revenue and expenditure

Operating revenue

Store/medical centre sales
Services provided to stores/medical centres

Six months ended 30 Sep 2012 (Unaudited) \$'000	Six months ended 30 Sep 2011 (Unaudited) \$'000	Year ended 31 Mar 2012 (Audited) \$'000
39,553	39,999	81,392
12,916	12,227	24,149
52,469	52,226	105,541

Operating expenditure

Operating expenditure includes transaction costs associated with the Radius acquisitions of \$0 (2011: \$587,000) and doubtful debts provision of \$0 (2011: \$768,000) relating to associates.

7. Share capital

Opening balance
Share capital issued
Share scheme amortisation

(a)

As at 30 Sep 2012 (Unaudited) \$'000	As at 30 Sep 2011 (Unaudited) \$'000	As at 31 Mar 2012 (Audited) \$'000
51,227	42,066	42,066
3,074	9,116	9,116
54	24	45
54,355	51,206	51,227

Shares issued

(a) (i) On 24 April 2012 Pharmacybrands Limited issued 20,000 ordinary shares at \$0.75 per share under the Employee Share Ownership Plan. On 24 April 2012 Pharmacybrands Limited issued 800,000 redeemable ordinary shares to Life Pharmacy Trustee Company Limited as a trustee of a trust that holds the shares on behalf of senior management under the Employee Share Ownership Plan. The shares were issued at \$0.70 per shares, initially paid up to \$0.01 per share. On 22 May 2012 Pharmacybrands Limited allotted 178,800 fully paid ordinary shares at \$0.75 per share to staff. On 24 July 2012 166,666 redeemable ordinary shares were converted into 166,666 ordinary shares at \$0.39 per share. On 5 September 2012 Pharmacybrands Limited allotted 2,353,639 fully paid ordinary shares at \$1.2119 per share on reinvestment of dividend under the Dividend Reinvestment Plan.

(a) (ii) 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.

8. Distribution to owners

On the 5 September 2012 Pharmacybrands Limited paid a dividend of 3.5 cents per qualifying ordinary share to shareholders fully imputed to 30%.

Notes to the financial statements

For the six months ended 30 September 2012

9. Borrowings

Current
Non-current

As at 30 Sep 2012 (Unaudited) \$'000	As at 30 Sep 2011 (Unaudited) \$'000	As at 31 Mar 2012 (Audited) \$'000
-	353	-
7,000	15,577	5,000
7,000	15,930	5,000

Borrowings and loans to associates

In September 2012 \$2 million was borrowed from the bank to fund the purchase of a subsidiary.

In the six months ended 30 September 2011 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 bank borrowings were restructured to a 5 year revolving term loan of \$8 million and a flexible working capital facility of \$4 million.

10. Operating cash flows reconciliation

Profit for the period
Less gain on disposal of fixed assets and
software intangibles
Operating profit

Add/(deduct) non-cash items:

Equity accounted profits
Depreciation & asset write-off
Amortisation of lease incentive
Bad and doubtful debts
Deferred tax
Share/option scheme costs

Add/(deduct) changes in working capital items:

Receivables and accruals
Inventory
Payables and accruals

Net cash inflow from operating activities

Six months ended 30 Sep 2012 (Unaudited) \$'000	Six months ended 30 Sep 2011 (Unaudited) \$'000	Year ended 31 Mar 2012 (Audited) \$'000
6,247	4,101	9,939
(68)	-	-
6,179	4,101	9,939
(356)	(1,273)	(1,595)
680	1,003	1,871
(18)	(18)	(35)
-	778	863
(75)	2	(218)
54	24	45
1,898	(20)	365
(1,156)	(367)	(465)
(890)	162	2,174
6,316	4,392	12,944

11. Related parties

The Group enters into transactions with Related Parties. Details of Related Parties and types of transactions entered into during the six months ended 30 September 2012 are consistent with those disclosed in the audited consolidated financial statements for the year ended 31 March 2012.

12. Subsequent events

On the 27 November 2012 Pharmacybrands Limited declared dividends of 2.0 cents per qualifying ordinary share, of which 1.7 cents per share is fully imputed to 30% and the balance fully imputed to 28%.

No adjustments are required to these condensed interim financial statements in respect of these events.

Company Directory

As at 31 October 2012

Registered Office

Pharmacybrands Ltd
Level 2, Building C
600 Great South Road
Greenlane
Auckland

Telephone: +64 9 571 9080

Board

P M Merton
Chairman

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

K Orr
Independent Director

P Davies
Non-Executive Director

M-E Tuck
Non-Executive Director (alternate to J A Bagnall)

Board Secretary

J H Greenwood BCom, FCA
Pharmacybrands Ltd
Private Bag 11 906
Ellerslie
Auckland

Auditor

KPMG
KPMG Centre
18 Viaduct Harbour Avenue
Auckland City
Auckland

Websites

www.pharmacybrands.co.nz
www.lifepharmacy.co.nz
www.unichem.co.nz
www.amcal.co.nz
www.carechemist.co.nz
www.radiuspharmacy.co.nz

Management

A Wham
Chief Executive Officer

V Singh
Chief Financial Officer

A Isbister
Chief Executive Officer - Radius Medical

J Reeves
National Operations Manager

J Fogarty
Executive - Acquisitions

M Seymour
Executive - Pharmacy

Bankers

ANZ National Bank Limited
The National Bank Tower
209 Queen Street
Auckland City
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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/nz

General enquiries can be directed to;
enquiry@computershare.co.nz

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Please assist our registrar by quoting your CSN
or shareholder number

