

Dedicated to
member pharmacies

Annual Report 2014

ANNUAL REPORT FOR PHARMACY GUILD
OF NEW ZEALAND (INC) FOR THE YEAR
ENDED 31 DECEMBER 2014



PHARMACY GUILD
OF NEW ZEALAND

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PRESIDENT'S *Report* 2014

2014 was another significant year of learning for community pharmacy.

The year offered the opportunity to integrate new services into mainstream community pharmacy practice and we are now seeing many members providing innovative services to their patients. The Guild has continued to support members through all aspects of their business and changes relating to the Community Pharmacy Services Agreement (CPSA).

Acknowledgement of past President

My Presidency began in June 2014. Prior to this Karen Crisp was doing an exemplary job of leading the Guild and representing our members in the wider health sector. Becoming Vice President of the Pharmacy Guild in June 2010 and then President in June 2011, Karen has been an exceptional ambassador for community pharmacy and led the community pharmacy sector through a journey of unprecedented change.

Karen has always been, and continues to be, a great representative and advocate for community pharmacy. She has dedicated a huge amount of time to our members and to the sector, always going above and beyond what was expected of her.

Karen has always had a unique ability to understand the issues facing community pharmacy and represent these comprehensively on the many groups she is involved with. The past few years for community pharmacy have been turbulent, but Guild members have enjoyed strong leadership through huge change. I have learnt a vast amount from working alongside Karen and sincerely thank her for her work as President.

Acknowledgement of past board members

During 2014 we farewelled Graeme Platt and Mark Webster from the Guild's Board. Their contribution to the Board has been longstanding and extremely valuable. Both brought years of experience and a passion for pharmacy to the table and I thank them for their time and dedication to the Guild and to our members.

Acknowledgment of new Vice President and new board members

In June we also welcomed new Vice President, David Bullen. Again, he is a Guild representative with vast experience and knowledge of the sector. He has shown great leadership and drive in his support to members throughout the developments of the CPSA.

David has been a board member since 2013. He holds other leadership roles in the sector and owns pharmacies in Te Aroha and Paeroa. His pharmacy career has included working as a pharmaceutical representative and a software consultant.

New board member Anthony Roberts and co-opted board member Kathy Maxwell were also welcomed to the Board during 2014.

Guild leadership

The Guild is governed by an extremely knowledgeable team who are passionate about the pharmacy sector and supporting Guild members. Our board members come from a variety of pharmacy types and each brings their own valuable knowledge and experience to the Board.

The Guild Board, by providing leadership on all issues facing the community pharmacy sector, is dedicated to providing support and services to our members. We are committed to ensuring members realise their professional and financial potential in today's challenging business environment.



KEN ORR
PRESIDENT



Contribution to the pharmacy sector and the CPSA

The CPSA has continued to move pharmacists from transactional prescription funding to patient service based funding and the change has been immensely challenging for all involved. The Guild's objective has always been to keep patient services linked with medicine dispensing and in community pharmacy to ensure coordinated care and easy access for patients.

We have worked on our members behalf to bring some stability to community pharmacy and in October 2014 the DHBs agreed to extend the current contract for another year. This aimed to allow the necessary time to achieve the best outcomes for community pharmacy in the next CPSA, and to ensure that pharmacies had the resources and infrastructure to implement new and innovative services to their communities.

The Guild has continued to commit immense levels of staff and board member time and invest in resources to secure the best outcomes from the CPSA process for our members. The team at Guild HQ has been structured to best meet the needs of our members and all staff are exceptionally well equipped to support members in their various business needs.

The Guild's purpose is to ensure that pharmacy businesses remain sustainable, as members adapt and invest in the ever changing health care environment, and we have worked hard throughout the year to ensure this. It is essential that community pharmacy's contribution to primary care continues to grow and that there is appropriate funding to deliver these services.

Balancing the needs of the pharmacy profession, government policy makers, and patient service delivery, in an environment of population growth, increasing burdens of chronic illness and funding constraints, are continuous challenges we face each year. However the work done by community pharmacy significantly contributes to the wider health sector and this needs to be recognised and funded accordingly.

The Guild has continued to work incredibly hard to ensure the CPSA will support community pharmacy to step up and contribute more to primary health care. New patient services require pharmacy to invest in their delivery and this is the environment the CPSA needs to create. Our focus is on ensuring sufficient funding is provided to support services to patients and ensure the viability of pharmacy does not come under pressure.

With the correct policies, model of care and funding to support service delivery, pharmacy and pharmacists can assist DHBs and the Ministry of Health to make great contributions to patients, communities, and the primary care sector. All parties need to work together to unlock the value that pharmacy can deliver and the Guild is keen to collaborate with all parties to achieve this.

The Guild is focused on developing the CPSA in a way that will work for community pharmacy now and in the future. It is imperative that community pharmacy has the resources to work at the top of scope and that there is room to grow as services continue to evolve. We as a Board have both immediate and longer term strategies in place to lead pharmacy forward to achieve this goal.

The Guild is well informed of where our members want to be and the level of service they want to provide, along with the costs of service delivery. The Guild Board continue to play active roles in the community pharmacy sector, advocating on behalf of members, and connecting effectively with Guild HQ to provide a comprehensive support network for our members.

Finally I wish to offer my personal thanks to the entire Guild Board for their time and effort in supporting community pharmacy over the past 12 months.

CHIEF EXECUTIVE'S *Report* 2014

2014 was another inspiring year for me as the Guild's Chief Executive.

The community pharmacy sector continued to adjust to unprecedented change while unwaveringly providing patients with highly professional, accessible and affordable health care.

The work you, our members, do in your communities for the health and wellbeing of your patients never fails to amaze me. There is no question that the community pharmacy sector is facing many challenges and is working hard to ensure fair and sustainable funding. Yet patient care remains a top priority for all of you throughout these tribulations. You provide service first and worry about the question of reimbursement later.

I am extremely proud to be a representative of this outstanding profession and of the work that the Guild has done throughout the year to support members to achieve their full potential in this challenging environment.

Year in review

Throughout the year the Guild has actively represented members on various pharmacy groups, strengthening and forming effective and positive relationships throughout the sector. Our representatives have tirelessly advocated on behalf of members to ensure your views are heard.

It has been essential for us to educate stakeholders about the huge potential pharmacy has in providing health care services to our communities. A large part of this has been educating DHBs about the true cost of providing top of scope pharmacy services and that historically this has been hindered by underfunding.

In 2014 we welcomed our new Commercial Manager and I am particularly pleased that the renewed focus of PSL is serving the needs of members. Teamwork within Guild HQ has become more and more apparent as we work on new initiatives to support members. I am confident that we are providing a comprehensive and vast variety of services, resources, and products that assist you in achieving your full business potential.

Across the country many pharmacies are doing an exceptional job of showcasing the valuable services that community pharmacy can provide. Pharmacies are becoming increasingly diverse as they strive to meet the

needs of patients, specialising in services that suit their pharmacy's population needs, or filling gaps in the health care system.

Pharmacists have also been working closely with general practice teams and are having conversations with patients about what they want and need. This demonstrates integration in real terms and shows a true commitment to put the patient first.

At the Guild we are well aware of the wonderful work pharmacy is doing within the community and every day we work towards supporting members so you are able to continue providing and implementing these new and innovative services. In order to maintain and enhance this service to members we are looking to focus on growing and strengthening our membership base in the coming year.

Supporting members

In order to provide members with comprehensive and valuable support, we have worked hard throughout the year to ensure the team at Guild HQ is well equipped to deal with all our members' business needs. We have developed a strong stable team that has the best interests of community pharmacy and patients at heart.

Our Professional Services and Support Team now includes a Business Advisor, along with two pharmacists and a pharmacy technician, and our pharmacy staff all maintain an active practice in community pharmacy.

We have also continued to update and produce new tools and resources to assist with the day to day running of your businesses. New member benefits introduced in 2014 include a performance review template, updated and new helping health cards, an audit helpdesk, a debt collection letter template, a business plan template, and updated medication cards.

Our team has a very robust understanding of the pharmacy sector and the issues facing community pharmacy, and they are well prepared to provide individualised advice and support. That support is only a phone call away so please ensure you are making the most of this valuable service.



LEE HOHAIA
CHIEF EXECUTIVE



Member events

Again another highlight of the year was meeting and engaging with members across the country at the various sector events that took place throughout the year. These meetings offer the valuable opportunity to capture your input and views. In 2014 the Guild held four member-only 'Understanding your finances' meetings, and 13 member-only meetings to gather members' input for CPSA 2015.

A new feature of the 2014 meetings was the interactive polling app. This allowed members to respond to questions in real time using their smartphones and allowed us to collate feedback from members accurately and generate reports based on feedback. Members who attended the meetings told us they found the sessions worthwhile and said that the smart phone survey tool ensured everyone not only had their say, but felt visibly represented.

Advocacy at a national and regional level

Guild representatives have advocated for community pharmacy on a number of forums including the rural health conference, Health Informatics New Zealand, Community Pharmacy Services operations and working groups, and the checking technicians pilot steering group. Throughout the year Guild representatives regularly met with PHARMAC and the Ministry of Health, including the group working on the New Zealand e-prescribing service.

Regionally the Guild has attended PHO and DHB meetings to represent members in discussions regarding new or changed services. We have made submissions on issues affecting specific areas like the ear piercing by-laws in Auckland. On this particular issue our intervention resulted in an amendment to the by-law that removed the requirement for pharmacy to have a separate licence from Auckland Council to undertake ear piercing.

Community Pharmacy Services Agreement (CPSA)

Throughout 2014 the Guild worked hard to ensure the implementation of stage four of the CPSA went as smoothly as possible and worked for members.

Guild staff and board members attended the DHB road shows to get a sense of members' views on the stage four model. Generally members told us they supported the model and we responded to DHBSS on their behalf.

The DHB Collective decided to move ahead with stage four which took effect on 1 August 2014. The Guild produced a range of resources to ensure members understood how and what they were being paid under stage four.

Medicine margin

Community pharmacy had been signalling for many years that funding for the cost of getting medicines on to pharmacy shelves was insufficient. It is unacceptable, and threatens the sustainability of community pharmacy services that every day pharmacies face situations where they lose money by providing medicine to their patients. It was with some positivity that in 2014 community pharmacy went into a sector wide workshop to share our concerns with the funder and with PHARMAC. This resulted in the formation of a taskforce to look at the issue, although we are still yet to see any real traction made.

The Guild works exclusively for our members and we are open to feedback on how you feel we are performing, along with your ideas and suggestions on the additional services you would like to see the Guild provide. The Guild Board, the team at Guild HQ, and I are always available to talk so please don't hesitate to get in touch with us.

Finally I'd like to thank the Board and Guild HQ staff for their ongoing support and hard work throughout the year. I also extend my thanks to Karen Crisp who stepped down in June 2014 from three years in the role of President, and to Ken Orr who took up the role from July. The input, guidance and wisdom from these two leaders in our profession has been invaluable. I thank them for not only their advice, but the willingness with which they have made themselves available to support and mentor me.

financial ACCOUNTS & **auditor's** REPORT **2014**

Statement of Responsibility

✚ for the year ended 31 December 2014

The Board of Directors is responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The independent external auditors, CST Nexia Audit, have audited the annual financial statements and their report appears on page 7.

The Board of Directors is also responsible for the systems of internal control. These are designed to provide reasonable but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability for assets, and to prevent and detect material misstatements. Appropriate systems of internal control have been employed to ensure that all transactions have been executed in accordance with authority and correctly processed and accounted for in the financial statements. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the Board to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements are prepared on a going concern basis. Nothing has come to the attention of the Board of Directors to indicate that the Guild will not remain a going concern in the foreseeable future.

In the opinion of the Board Members:

- > the statement of financial performance is drawn up so as to give a true and fair view of the surplus of the Guild for the financial year ended 31 December 2014;
- > the statement of cash flow is drawn up so as to give a true and fair view of the cash flows of the Guild for the financial year ended 31 December 2014;
- > the statement of financial position is drawn up so as to give a true and fair view of the state of affairs of the Guild as at 31 December 2014;
- > there are reasonable grounds to believe that the Guild will be able to pay its debts as and when they fall due.



KEN ORR
PRESIDENT
FOR THE BOARD ON 19 MAY 2015

INDEPENDENT AUDITOR'S REPORT

To the Members of the Pharmacy Guild of New Zealand (Inc)

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of the Pharmacy Guild of New Zealand (Inc) on pages 8 to 21 and its subsidiary, which comprise the statement of financial position of the Pharmacy Guild of New Zealand (Inc) and the consolidated statement of financial position as at 31 December 2014, and their statement of financial performance, statement of movements in members' funds and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board Members' Responsibility for the Consolidated Financial Statements

The Board Members are responsible for the preparation of consolidated financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Pharmacy Guild of New Zealand (Inc) or its subsidiary.

Opinion

In our opinion, the consolidated financial statements on pages 8 to 21:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of the Pharmacy Guild of New Zealand (Inc) and the group as at 31 December 2014 and their financial performance and cash flows for the year then ended.

19/ Nexia Audit

CST Nexia Audit
Chartered Accountants
Manukau City
19 May 2015

CST Nexia Audit

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Statement of Financial Performance

✚ for the year ended 31 December 2014

	NOTE	PHARMACY GUILD		CONSOLIDATED	
		2014	2013	2014	2013
		\$	\$	\$	\$
INCOME					
Members' Subscriptions		2,044,340	2,094,557	2,044,340	2,094,557
Interest		21,918	21,711	74,267	61,725
Rent	2a	86,900	43,753	86,900	43,753
Dividend from PSL	9b	—	125,000	—	—
Other Income	2	643,746	457,955	2,283,667	2,160,294
		2,796,904	2,742,976	4,489,174	4,360,329
EXPENDITURE	3				
Cost of Goods Sold		—	—	(1,196,990)	(1,237,275)
Advocacy and Negotiation		(651,552)	(843,413)	(651,552)	(843,413)
Board		(194,603)	(203,189)	(194,603)	(203,189)
Promotion		(314,346)	(281,765)	(314,346)	(281,765)
Training		(45,100)	(21,913)	(45,100)	(21,913)
Administration		(1,310,435)	(1,132,273)	(1,639,604)	(1,459,480)
Pharmacy Awards		(19,056)	—	(19,056)	—
		(2,535,092)	(2,482,553)	(4,061,251)	(4,047,035)
SURPLUS/(DEFICIT) BEFORE TAX		261,812	260,423	427,923	313,294
Income Tax	4	(10,434)	(946)	(56,664)	(52,710)
SURPLUS/(DEFICIT) AFTER TAX		251,378	259,477	371,259	260,584

The notes attached form part of these accounts.

Statement of Movements in Members' Funds

✚ for the year ended 31 December 2014

	PHARMACY GUILD		CONSOLIDATED	
	2014 \$	2013 \$	2014 \$	2013 \$
Balance from prior year	3,673,396	3,413,919	3,567,211	3,306,627
<i>Net Surplus/(Deficit) for the year attributed to:</i>				
Guild Operational Fund	251,378	259,477	251,378	134,477
Subsidiary Operational Fund	–	–	119,881	126,107
Total recognised Income and Expenditure	251,378	259,477	371,259	260,584
MEMBERS' FUNDS	3,924,774	3,673,396	3,938,471	3,567,211

The notes attached form part of these accounts.

Statement of Financial Position

✚ as at 31 December 2014

	NOTE	PHARMACY GUILD		CONSOLIDATED	
		2014	2013	2014	2013
		\$	\$	\$	\$
MEMBERS' FUNDS					
Guild Operational Fund		2,656,857	2,439,889	2,550,673	2,207,597
Subsidiary Operational Fund	5	–	–	119,881	126,107
Divisional Fund	5	496,837	462,427	496,837	462,427
Guild Special Funds	5	771,080	771,080	771,080	771,080
		3,924,774	3,673,396	3,938,471	3,567,211
CURRENT ASSETS					
Cash and Deposits		1,079,861	563,654	2,482,891	2,076,985
Accounts Receivable		106,463	154,008	329,840	416,511
Sundry Debtors		29,014	16,303	55,196	7,009
Inventories		–	–	74,237	96,962
Goods and Services Tax		(13,801)	28,963	(20,490)	32,709
Guild Current Accounts	9c	566,130	592,357	–	–
		1,767,667	1,355,285	2,921,674	2,630,176
CURRENT LIABILITIES					
Accounts Payable		(256,745)	(249,821)	(462,968)	(417,678)
Provision for Tax	4	(14,938)	(355)	(17,789)	14,473
Lease Liability	3a	(3,508)	(2,890)	(3,508)	(2,890)
Unclaimed Gift Vouchers	8	–	–	(580,830)	(798,575)
		(275,191)	(253,066)	(1,065,095)	(1,204,670)
NET CURRENT ASSETS		1,492,476	1,102,219	1,856,579	1,425,506
NON CURRENT ASSETS					
Property Plant & Equipment	6	2,437,938	2,580,325	2,087,532	2,150,853
NON CURRENT LIABILITIES					
Term Liability	3a	(5,640)	(9,148)	(5,640)	(9,148)
NET ASSETS		3,924,774	3,673,396	3,938,471	3,567,211

The notes attached form part of these accounts.

FOR THE BOARD ON 19 MAY 2015



PRESIDENT



VICE PRESIDENT

Statement of Cash Flow

✚ for the year ended 31 December 2014

	PHARMACY GUILD		CONSOLIDATED	
	2014	2013	2014	2013
	\$	\$	\$	\$
FROM OPERATING ACTIVITIES				
<i>Cash was provided from :</i>				
Subscriptions, ownership levy & other income	2,836,047	2,596,068	4,275,603	4,312,669
Interest received	21,918	21,711	74,267	61,725
Dividend from Pharmaceutical Services Ltd	–	125,000	–	–
<i>Cash was applied to :</i>				
Taxation	4,149	(17,210)	(24,402)	(77,210)
Suppliers and employees	(2,307,979)	(2,351,653)	(3,783,605)	(3,708,067)
Net Cash from Operating Activities	554,135	373,916	541,863	589,117
FROM INVESTING ACTIVITIES				
<i>Cash was provided from :</i>				
Sale of equipment	–	–	–	–
<i>Cash was applied to :</i>				
Purchase of equipment, software & building alterations	(35,038)	(656,064)	(133,069)	(673,398)
Net Cash from Investing Activities	(35,038)	(656,064)	(133,069)	(673,398)
FINANCING ACTIVITY				
<i>Cash was applied to :</i>				
Equipment lease	(2,890)	(2,270)	(2,890)	(2,270)
Net Cash from Investing Activities	(2,890)	(2,270)	(2,890)	(2,270)
Net Increase/(Decrease) in cash held	516,207	(284,418)	405,904	(86,551)
Cash balance from last year	563,654	848,072	2,076,985	2,163,536
CURRENT CASH BALANCE	1,079,861	563,654	2,482,891	2,076,985

The notes attached form part of these accounts.

Reconciliation of Net Surplus (Deficit) to Net Cash Inflow (Outflow) from Operating Activities

✚ for the year ended 31 December 2014

	PHARMACY GUILD		CONSOLIDATED	
	2014	2013	2014	2013
	\$	\$	\$	\$
Surplus/(Deficit) after Tax	251,378	259,477	371,259	260,584
<i>Adjust for:</i>				
Depreciation	177,425	151,745	196,390	185,745
NET WORKING CAPITAL MOVEMENTS				
Accounts receivable & sundry debtors	34,834	381,248	38,483	448,894
Guild current accounts	26,227	(256,945)	–	–
Inventories	–	–	22,725	7,347
Goods & Services Tax	42,764	(47,899)	53,199	(67,629)
Accounts payable	6,924	27,054	45,290	(38,244)
Unclaimed Gift Vouchers	–	–	(217,745)	(58,580)
Provision for Tax	14,583	(16,264)	32,262	(24,500)
Fund held on behalf of divisions	–	(124,500)	–	(124,500)
NET CASH FROM OPERATING ACTIVITIES	554,135	373,916	541,863	589,117

The notes attached form part of these accounts.

Notes to the financial statements

✚ for the year ending 31 December 2014

1. STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

The Pharmacy Guild of New Zealand (Inc) is a voluntary organisation representing the interests of community pharmacies in New Zealand. It is constituted under the Incorporated Societies Act 1908.

The consolidated financial statements comprise the Pharmacy Guild and its wholly owned company, Pharmaceutical Services Ltd (PSL).

Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of financial performance, cash flows and financial position on an historic cost basis are followed in the preparation of the financial statements.

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP).

Reporting Framework

These financial statements have been prepared in accordance with "Old GAAP" in New Zealand. Old GAAP comprises New Zealand Financial Reporting Standards and Statements of Standard Accounting Practice that existed prior to the introduction of New Zealand Equivalents to International Financial Reporting Standards. Pharmacy Guild of New Zealand has chosen to apply Old GAAP because it meets the criteria for doing so; that is, it was applying Old GAAP at 30 June 2011, and it is neither publicly accountable nor large as defined in the External Reporting Board's Standard A1: Application of Accounting Standards.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, Pharmacy Guild of New Zealand is classified as a Tier 2 reporting entity and will be required to apply Public Benefit Entities Standards Reduced Dis-closure Regime (PBE Standards RDR). These standards are being developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for not for profit entities is for reporting periods beginning on or after 1 April 2015. This means Pharmacy Guild of New Zealand expects to transition to the new standards in preparing its 31 December 2016 financial statements.

Accounting Policies

Basis of Consolidation

Using the purchase method corresponding assets, liabilities, revenues and expenses are added together on a line by line basis. All significant transactions between the Pharmacy Guild and Pharmaceutical Services Ltd are eliminated upon consolidation.

Income Recognition

Revenue from member subscriptions is recognised when invoiced. Income from investment in unit trusts is recognised when received.

Revenue from trading is recognised when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods. Revenue is thus recognised once the goods have been dispatched to the customer.

Taxation

Income tax expense is based on the net surplus for the year after allowance for permanent differences. The Group uses the liability method of accounting for income tax expense. No provision has been made to deferred taxation due to there being no material timing differences.

Accounts Receivable

Accounts receivable are recorded at their estimated realisable value after providing for doubtful and uncollectable debts.

Goods & Services Tax

The statement of financial performance has been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of the receivables and payables, which include GST invoiced.

Inventories

Inventory held for sale is valued at the lower of cost, determined on a first in first out basis, or net realisable value.

Leased Assets

Finance Leases

Assets under finance leases are recognised as non-current assets in the statement of financial position. Leased assets are recognised at the lower of the present value of the minimum lease payment or their fair value. A corresponding liability is established and each lease payment allocated between the liability and interest expense. Leased assets are depreciated on the same basis as equivalent property, plant and equipment.

Operating leases

Leases that are not finance leases are classified as operating leases. Operating lease payments are recognised as an expense in the period the amounts are payable.

Property Plant & Equipment

Assets are stated at cost less accumulated depreciation.

Depreciation is not charged on land. All other assets are depreciated at rates that will write off the cost, less estimated residual value, over the life of the asset. The rates in use are:

- > **Building & building refurbishments**
2.0% – 7.5% straight line
- > **Office alterations** 12.5% straight line
- > **Furniture** 20.0% straight line
- > **Computers, software** 20.0% – 40.0% straight line

Investments

Investments are recorded at cost.

Differential Reporting

The Pharmacy Guild qualifies for differential reporting as it is small and not publicly accountable. Accordingly, it has taken advantage of all differential reporting exemptions allowed under the Framework for Differential Reporting, except for FRS 19 Accounting for Goods & Services Tax, FRS 10 Statement of Cash Flows and SSAP 22 Related Party Disclosures with which it has complied fully.

Statement of Cash Flow

The following are the definitions of the terms used in the statement of cash flows:

- a) Operating activities include all transactions and other events that are not investing or financing activities.
- b) Investing activities are those relating to the acquisition, holding and disposal of assets and investments. Investments can include securities not falling within the definition of cash.
- c) Financing activities are those that result in changes in the size and composition of the capital structure. This includes both equity and debt not falling within the definition of cash.

Donated Services

The work of the Guild is dependent on the voluntary service of many members the value of which is not recognised in these statements.

Changes in Accounting Policies

There are no changes in accounting policies.

2. OTHER INCOME

	PHARMACY GUILD		CONSOLIDATED	
	2014	2013	2014	2013
	\$	\$	\$	\$
Advertising	10,240	550	10,240	550
Sponsorship	41,000	36,000	41,000	36,000
Management fees	396,405	238,714	–	–
Pharmacode	–	–	311,400	301,400
Miscellaneous income	192,501	179,941	192,523	179,963
Publications	3,600	2,750	3,600	2,750
Trading Sales	–	–	1,513,510	1,584,708
Other subsidiary income	–	–	211,394	54,923
	643,746	457,955	2,283,667	2,160,294

2a. RENT

The increase in rental income for 2014 was due to vacancies on the ground and second floors being filled following the building refurbishment.

3. EXPENDITURE

	PHARMACY GUILD		CONSOLIDATED	
	2014	2013	2014	2013
	\$	\$	\$	\$
<i>Includes the following items:</i>				
Audit fees – CST Nexia	9,000	9,000	14,000	14,000
Bad debts	18,681	(20,005)	23,774	(30,777)
Board fees	76,835	124,005	76,835	124,005
Board support costs	117,768	79,184	117,768	79,184
Depreciation	177,425	151,745	196,390	185,745
Operating leases	7,987	9,855	7,987	9,855
Staff costs	1,128,797	1,093,115	1,128,797	1,093,115

Included in total expenditure of \$2,535,092 (2013: \$2,482,553) is expenditure of \$111,081 (2013: \$181,160) paid to external consultants including Board members to support the PSA.

Future commitments for operating leases are:

	2014	2013
	\$	\$
Current	5,060	8,212
Non Current	2,952	–
	8,012	8,212

3a. FINANCE LEASE LIABILITIES

	PHARMACY GUILD		CONSOLIDATED	
	2014	2013	2014	2013
	\$	\$	\$	\$
Current portion	3,508	2,890	3,508	2,890
Non – current portion	5,640	9,148	5,640	9,148
	9,148	12,038	9,148	12,038

The phone system lease is repayable over 60 months terminating on 4 May 2017.
The minimum monthly payment is \$447.35.

4. TAXATION

	PHARMACY GUILD		CONSOLIDATED	
	2014	2013	2014	2013
	\$	\$	\$	\$
INCOME TAX EXPENSE				
Net surplus before tax	261,812	260,423	427,923	313,294
Less non-taxable income	(2,519,374)	(2,276,498)	(2,519,374)	(2,276,498)
Add expenses relating to non-taxable income	2,288,823	2,155,222	2,288,823	2,155,222
Less dividend (fully imputed)	–	(125,000)	–	–
Less exemption	(1,000)	(1,000)	(1,000)	(1,000)
	30,261	13,147	196,372	191,018
Tax at 28%	8,473	3,681	54,984	53,485
Adjust for permanent difference	–	–	–	–
Adjust for timing difference	1,961	(2,993)	1,681	(1,033)
Prior year	–	258	–	258
TOTAL TAX EXPENSE	10,434	946	56,664	52,710
CURRENT TAX				
Opening balance	355	16,619	(14,473)	10,027
Charge for the year	10,434	946	56,664	52,710
Net payments made	4,149	(17,210)	(24,402)	(77,210)
CLOSING BALANCE	14,938	355	17,789	(14,473)

Dividend income and income tax expense are both stated at net of imputation credits.

5. SPECIAL FUNDS

Subsidiary Operational Fund \$119,881 (2013: \$126,107)

The reserve is the Pharmacy Guild's equity in Pharmaceutical Services Ltd.

Divisional Fund \$496,837 (2013: \$462,427)

The reserve represents divisional funds held in the Guild's bank account during the financial year.

The funds are available for divisional activity.

The closing funds of the divisions are allocated as follows.

	2014 \$	2013 \$
Division Funds – Northern	160,492	148,642
Division Funds – Central	133,351	130,382
Division Funds – Midland	79,022	70,799
Division Funds – Otago	38,362	34,829
Division Funds – Canterbury	85,610	77,775
	496,837	462,427

Pharmacy Information Fund \$73,627

The Guild received \$262,500 in settlement as a result of a dispute that went to mediation in 1997. In 2002, with the ownership of pharmacies under threat by proposed legislation, part of the fund was used in a campaign to preserve the current status.

The balance of the fund is now held for special projects.

Pharmacycare Sale Fund \$210,791

The fund arises from the sale of the Pharmacycare brand in 1998 to concentrate on the generic promotion of community pharmacy.

Pharmacy Xpo Sale Fund \$486,662

In 2001 the Guild sold the rights to Pharmacy Xpo for the sum of \$400,000. This fund is held to cover contingency and special projects.

6. PROPERTY PLANT AND EQUIPMENT

	2014 COST \$	2014 DEPN CHARGE \$	2014 ACCUM DEPN \$	2014 BOOK VALUE \$	2013 COST \$	2013 DEPN CHARGE \$	2013 ACCUM DEPN \$	2013 BOOK VALUE \$
PHARMACY GUILD								
Land	245,871	–	–	245,871	245,871	–	–	245,871
Building & Building Refurbishments	2,608,287	111,319	560,869	2,047,418	2,598,769	74,369	449,550	2,149,219
Office Alterations	440,823	24,281	372,027	68,796	440,823	24,834	347,746	93,077
Furniture	361,684	22,805	309,291	52,393	341,136	23,884	286,485	54,651
Computers	424,930	19,020	401,472	23,458	420,263	28,658	382,756	37,507
	4,081,595	177,425	1,643,659	2,437,938	4,046,862	151,745	1,466,537	2,580,325
CONSOLIDATION								
Land	165,871	–	–	165,871	165,871	–	–	165,871
Building & Building Refurbishments	2,240,215	111,319	560,869	1,679,346	2,230,697	74,369	449,550	1,781,148
Office Alterations	438,506	24,281	372,027	66,479	438,506	24,834	347,746	90,760
Furniture	361,684	22,805	309,291	52,393	341,136	23,884	286,485	54,651
Computers	726,303	37,985	602,862	123,441	623,604	62,658	565,180	58,423
	3,932,579	196,390	1,845,049	2,087,532	3,799,814	185,745	1,648,961	2,150,853

7. SUBSIDIARY COMPANY

PHARMACEUTICAL SERVICES LTD	2014 \$	2013 \$
Sales	1,513,510	1,584,708
Profit before taxation	166,111	177,873
Tax expense	(46,230)	(51,764)
Profit after tax	119,881	126,109
Equity from prior year	344,206	343,097
Dividend paid	–	(125,000)
SHAREHOLDER EQUITY	464,087	344,206
WORKING CAPITAL		
Cash & deposits	1,403,033	1,513,331
Accounts Receivable	249,559	253,210
Inventory	74,237	96,962
Creditors	(781,895)	(741,639)
Unclaimed gift vouchers	(580,830)	(798,575)
	364,104	323,289
Property & Equipment	99,983	20,917
NET ASSETS	464,087	344,206

The company is a niche marketer of goods and services to pharmacies.

8. UNCLAIMED GIFT VOUCHERS

	2014 \$	2013 \$
Opening Balance	798,575	857,155
Additional/Reduced Provision	(13,730)	(5,195)
	784,845	851,960
Gift Voucher Write Off	(204,015)	(53,385)
CLOSING BALANCE	580,830	798,575

The introduction of a 4-year write-off policy following the addition of a 2-year expiry timeframe on Pharmaceutical Services Limited gift vouchers has led to an increased gift voucher write-off for 2014.

9. RELATED PARTY TRANSACTIONS

- a) The Pharmacy Guild of New Zealand (Inc), as sole shareholder of the company, provides management services to Pharmaceutical Services Ltd. All transactions between the parties were conducted at arms length. The following charges were made during the year:

	2014 \$	2013 \$
Management Fee Charges	396,405	238,714
General Office Charges	92,520	92,462
Occupancy Charges	34,380	33,363

- b) No dividend was declared to be paid or credited to The Pharmacy Guild of New Zealand for the year ended 31 December 2014 (2013: \$125,000).
- c) As at 31 December 2014, the intercompany account balance between the Pharmacy Guild of New Zealand and Pharmaceutical Services Ltd was \$566,130 (2013: \$592,357).
- d) *Disclosure of Interests by PSL Directors*

RELATED PARTY	RELATIONSHIP		TYPE OF TRANSACTIONS
Manaia Health PHO Ltd	K A Orr	Director	Sales (PSL)
Green Cross Health Ltd	K A Orr	Director & Shareholder	Sales (PSL)
Community Pharmacy Interests*	K A Orr	Director & Shareholder	Sales (PSL)
Community Pharmacy Interests*	M K Webster	Director & Shareholder	Sales (PSL)
Community Pharmacy Interests*	G Waterhouse-Perry	Director & Shareholder	Sales (PSL)

*Community Pharmacy interests – represents individuals with shareholding in a company(s) that owns and operates one or more community pharmacy business.

10. BOARD REMUNERATIONS

		REMUNERATIONS (HONORARIUMS/FEES/ LOCUMS)	
		2014	2013
		\$	\$
T Adams		4,553	11,470
G Blanchard		6,783	9,143
D Bullen**	Vice President (from June 2014)	44,109	5,318
K Crisp**	President (to June 2014)	78,557	143,061
P Larson		9,547	9,806
K Maxwell		2,389	–
K Orr**	President (from June 2014), Vice President (to June 2014), PSL Director	87,659	44,275
G Platt	Board Member (to June 2014)	2,185	10,422
G Short**	PSL Director/PSA	–	12,273
A Roberts		5,152	–
G Waterhouse-Perry**	PSL Director	15,288	7,492
M Webster	Board Member (to June 2014), PSL Director	7,847	6,839
		264,069	260,099

**Includes fees for work and meetings attended in relation to the Pharmacy Services Agreement and other project work, and as such are in addition to the remuneration of Board activities.

Travel expenses relating to Board members are included in Board expenses on the Statement of Financial Performance.

10a. EXECUTIVE CHAIR

In 2014, no Executive Chair fee (2013: \$13,823) was paid to the President as Executive Chair as the Chief Executive was filled for the entire year.

11. CAPITAL COMMITMENTS

As at 31 December 2014 there were no capital commitments (2013: \$Nil).

12. POST BALANCE DATE EVENTS

There have been no significant post balance date events (2013: Nil).

ANNUAL GENERAL *meeting minutes* 2014

Held at Waikato Museum, Hamilton.

Tuesday 17 June 2014 at 7pm

PRESENT:

Anthony Roberts	Gemma Waterhouse-Perry	Karen Crisp (President)	Paul Vester
Bryan Hopkins	Graeme Blanchard	Ken Orr (Vice President)	Phil Crisp
Cam Brinsdon	Graeme Platt	Lee Hohaia (Chief Executive)	Richard Heslop
Campbell Jull	Graeme Smith	Mark Webster	Susan Heslop
Cliff Comins	Grant Bai	Maureen Horan	
David Bullen	Ian McMichael	Nicole Rickman (Minute taker)	

1. WELCOME

Guild President Karen Crisp welcomed everyone to the 2014 AGM and thanked them for their attendance.

Karen called for items of general business.
There were none.

2. APOLOGIES

Ann Privett	Marie Bennett
Dale Griffiths	Paul Larson
Des Bailey	Steven Thompson
Isaac Niemand	Sunil Kumar
Lyn Goddard	Tania Adams

That the apologies be accepted.

Karen Crisp / Cliff Comins
CARRIED

3. TIME TO REMEMBER DECEASED MEMBERS

Those present observed a moment of silence as a mark of respect to members of the Guild who had passed away during the year.

4. MINUTES OF THE PREVIOUS ANNUAL GENERAL MEETING

The minutes of the 2013 annual general meeting were taken as read.

That the minutes of the annual general meeting held on 18 June 2013 be accepted as a true and correct record of the meeting.

Karen Crisp / Mark Webster
CARRIED

5. MATTERS ARISING

There were no matters arising that were not covered elsewhere on the agenda.

6. PRESIDENTS ADDRESS

The President spoke to her written report, as follows:

As everyone is well aware, the new PSA began in July 2012. The new contract was implemented with the goal of rewarding pharmacists for patient contact and clinical input, rather than solely for the number of items dispensed. The three-year transitional contract has continued to move pharmacists from transactional funding to patient based funding. The change is immensely challenging for pharmacy owners as they cope with both funding and service model changes.

Throughout the implementation of the PSA I have been thoughtful about the high price paid for instigating change. Moving the mind-set of a profession and taking members on this journey takes huge resources.

The Guild has committed unprecedented levels of staff time and invested in external resources to secure the best outcomes from the PSA process. The challenge the Guild has faced again this year, is that all pharmacy owners benefit from the Guild's work, but not all owners belong to the Guild. As the cost of representing our members in this collaborative process becomes increasingly significant, the issue of 'free loaders' needs to be raised. All members should be encouraging non member colleagues to support the Guild. In the long term under PSA 2015, the Guild will look to advocate for a solution which ensures all contract holders contribute to the sector engagement costs.

Balancing the needs of the pharmacy profession, government policy makers, and patient service delivery, in an environment of population growth, increasing burdens of chronic illness and funding constraints, has been and will always be a difficult process.

Throughout 2013 the Guild has had significant engagement with stakeholders from the Ministry of Health and the DHBs. This has led to a new level of appreciation for working with people who have the skills that enable extremely challenging discussions while keeping the focus on what is best for patients.

We are in agreement that an accessible network of community pharmacies remains, and will always be, the best vehicle to deliver nationally consistent medicine management support within communities. The Guild works to ensure that pharmacy businesses remain viable, sustainable, and profitable as pharmacy owners adapt and invest in the ever changing health care environment.

One of the biggest wins for the Guild in 2013 was having Lee Hohaia on board as our Chief Executive. Her experience, skills and vision has provided us with strong and capable leadership throughout this period of significant change. Lee supported the Guild through a staff re-structure in late 2013 to align the operational team more closely to the changing needs of members and the increasing PSA workload.

Her experience in pharmacy practice and change management has been an exceptional advantage during PSA consultations. The success she has had throughout the year has benefited Guild members and the wider pharmacy community. It has been my pleasure to work alongside her.

2013 had a strong focus on external stakeholder engagement. As the Guild promotes, protects and improves the collective interests of members and their profession, we have provided sector leadership and representation on work groups that influence decisions affecting community pharmacy.

Throughout 2013 I sat on the Clinical Partnership Working Group as the Executive Chair. This group supports engagement with prescribers and the wider health care team, and defines what the PSA means for them. The group also provides expertise and recommendations to enable the successful implementation of the PSA.

Our aim is to keep patients at the centre of service delivery and look for solutions to the impact changes to community pharmacy services will have on patients, what opportunities there are for stakeholders to interact differently with their community pharmacies to improve patient health outcomes, and what the best ways are to communicate this information to stakeholders.

It has been a privilege to represent the Guild as the lead pharmacy organisation on this group. This is an extremely important and valuable role in working towards building positive working relationships with health providers nationwide.

In 2013 it was decided that the Guild Board would take a step back from decision making at an operational level and would shift their focus to high level governance. As a result the Carver Governance Model was implemented. The model separates issues of organisational purpose (ENDS) from all other organisational issues (MEANS), placing primary importance on those ENDS.

From this transition a number of policies were developed to ensure this idea was consistent throughout all Guild related activities and ENDS principles were adhered to. The ENDS principles agreed to by the Board reflect the objectives of the Guild as stated in the Constitution.

As members' businesses and the regulatory and legislative environment become increasingly complex, the Guild needs to continue to grow its operational team. Funding is the biggest challenge we face. Members who we have helped support individually throughout the year will testify to the value of Guild support. The DHB and Ministry value and appreciate our considerable input. But while the benefit of our consultation role on the PSA applies to both members and non members, we have a funding gap which needs to be addressed.

I appreciate the work and commitment of our operational team this year as they have adapted admirably to internal changes as well as supported Lee in her first year as our Chief Executive.

Lastly I extend my heartfelt thanks to the Guild Board who have been thoroughly involved in the oversight of the PSA consultation, embraced a change of governance and supported me throughout the year.

That the President's Report be accepted.

Karen Crisp / Graeme Smith
CARRIED

7. ANNUAL ACCOUNTS

That the Audited Accounts for the Pharmacy Guild of New Zealand (Inc) and Pharmaceutical Services Limited for the year ended 31 December 2013 be accepted.

Karen Crisp / Mark Webster
CARRIED

8. APPOINTMENT OF AUDITORS

That CST Nexia be reappointed as auditors for the coming year.

Karen Crisp / Graeme Blanchard
CARRIED

9. SETTING OF GUILD FEES FOR THE COMING YEAR

That there be no change in fees for the coming year.

Karen Crisp / Maureen Horan
CARRIED

10. APPOINTMENT OF REPRESENTATIVES

In accordance with Rule 15.1, the following representatives, as advised from the Electorates, were noted:

- Ken Orr and Tania Adams representing the Northern Electorate.
- David Bullen and Gemma Waterhouse-Perry representing the Midland Electorate.
- Anthony Roberts was welcomed to the Board along with Graeme Blanchard representing the Central Electorate.
- Karen Crisp and Paul Larson representing the Southern Electorate.

The appointment of Grant Bai as a co-opted Board member was noted as ongoing. We say goodbye to Mark Webster and Graeme Platt.

Graeme Platt and Mark Webster addressed the meeting, reflected fondly on their time on the board and thanking Karen Crisp and Lee Hohaia. Mark also encouraged members to get involved.

11. ELECTION OF PRESIDENT AND VICE PRESIDENT

In accordance with Rule 17.1, the President announced that the Board of Directors had elected Ken Orr as the new President and David Bullen as the new Vice President.

12. GENERAL BUSINESS

Karen Crisp addressed the meeting:

- Really proud to have served you for the last three years. Still really excited about pharmacy and looking forward to spending more time in my own pharmacy.
- Thanked her husband Phil and children for their total support.
- Thanked Grant Short and Ken Orr – they did not have to work as hard as they did. I am forever indebted. Thanked entire Guild Board for their support and commitment to our members. I believe we have done the right thing.
- Thanked Lee Hohaia and Guild staff for their commitment and patience.
- Thanked members from the bottom of her heart – our members are doing the right thing belonging to the Guild.

Lee Hohaia addressed Karen Crisp:

- Karen is a great representative for community pharmacy and a wonderful President.
- Karen gave up a huge amount of time to help me when I joined the Guild.
- Shared stories of Karen's ability to understand the issues and cut through at meetings.
- Reiterated thanks to Phil for his support of Karen.

Ken Orr and Lee Hohaia read farewell messages from: Shane Hunter, Andi Shirtcliffe, Helen Morgan-Banda, Androulla Kotrotsos, Fiona Thompson, Andrew Gaudin, Cathy O'Malley and Rachel Mackay.

Ian McMichael presented Karen with flowers on behalf of the Pharmaceutical Society.

Ken Orr addresses Karen Crisp:

- Thanked Karen, who went above and beyond what was expected of her.
- Represented community pharmacy well – effective and collaborative, kept members needs top of mind, lead huge change, sees big picture, referenced the PSA journey.
- Also thanked Phil for his support.

Karen was presented with a gift; Ken then proposed a toast to Karen and Phil.

- Richard Heslop thanked Karen.
- Paul Vester mentioned the great respect the profession internationally had for Karen.
- Graeme Smith mentioned Karen's hard work, effectiveness and caring nature.
- Phil Crisp thanked the meeting for giving Karen the recognition she deserves.

14. CLOSE OF MEETING

The meeting concluded at 8.06pm.



KEN ORR
PRESIDENT
MAY 2015

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