

Dedicated to
member pharmacies



Annual Report 2016

ANNUAL REPORT FOR PHARMACY GUILD
OF NEW ZEALAND (INC) FOR THE YEAR
ENDED 31 DECEMBER 2016

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PRESIDENT'S *report*



Graeme Blanchard – President

2016 was another action-packed year for community pharmacy and also saw a number of changes take place at the Guild.

I was extremely grateful to be offered the opportunity to provide leadership and make a real difference for members and for our sector through the role of Guild President.

I feel extremely privileged to be in this position. I strongly believe that if you have ideas and opinions about how things could be done differently and better, the best thing you can do is take some initiative and do something about it. If you are involved in an industry then you must commit to having input into the direction in which it is heading.

I have genuine pride in our profession and what we do for people and I hope members also feel proud. I know that patients value the work we do for them, whether it is offering advice, listening to a problem, sorting medicine issues, or delivering medicine to someone's home. I am also proud to be associated with an organisation such as the Guild, that works extremely hard to support its members in all aspects of business and service provision.

Acknowledgement of new and past board members

In June 2016 we had a number of changes within the Guild's Board of Directors. Ken Orr stood down from his role as President and I was elected into this role. Ken was elected as President in 2014 and provided dedicated and uncompromised leadership to the Guild throughout his presidency. His ability to look at the bigger picture and plan for the future has been invaluable. His expertise and leadership throughout this time was greatly appreciated by the Board, Guild staff, and by members. Ken continued to have a role on the Board as one of our Northern Electorate board members.

Cameron Monteith was elected as Vice President. Cameron joined the board in June 2015 and has experience in the Australian and UK pharmacy market. Cameron has keenly advocated for Guild members and pharmacy during his time with the Guild so far and we look forward to what can be achieved with Cameron as one of our leaders.

New to the Board in 2016 was Catherine Keenan, owner of Vivian Pharmacy in New Plymouth, representing the Guild's Midland Electorate, and Jason Wright, a partner in Prices Pharmacies in Nelson and Blenheim, representing the Guild's Southern Electorate.

The Guild farewelled Paul Larson who left the Guild Board in 2016. I extend my thanks to Paul for his dedication and contribution to the Guild throughout his time on the Board. His effort was much appreciated.

June 2016 was an exciting time to step into the role of Guild President and I believe the work we completed over the following six months will be pivotal to our sector's future. Coming into the role of President I was very aware of the responsibility of the position and the expectations of our members to deliver a sustainable future while also providing good value for our funders.

Sector leadership and engagement

The Community Pharmacy Leaders Forum (CPLF) continued to build on its success of working collaboratively on issues of common interest and sharing ideas and resources.

CPLF representatives find the forum's regular meetings a positive and proactive way of ensuring alignment between sector representatives on the key issues facing community pharmacy and to maximise pharmacy's contribution to primary and secondary health care. This is an incredibly important forum, guiding and supporting the sector into the future together.

In 2016 the Expert Advisory Group (EAG) was established to oversee the development of the community pharmacy contract and support alignment with the 2-5 year vision for Integrated Pharmacist Services in the Community. The Group began by reviewing the current level of community pharmacy services being provided throughout the 20 DHB regions.

The Group aims to eliminate post code health care and ensure all New Zealanders have equal access to valuable community pharmacy services regardless of where they live. Once we have more consistent service delivery nationwide we hope that community pharmacy teams will be able to look forward to feeding more innovative service ideas into the EAG.

During 2016 the Guild gave significant consideration to the Pharmacy Action Plan and what this means for our sector's future. The Pharmacy Action Plan, combined with the New Zealand Health Strategy offers community pharmacy a range of opportunities and challenges.

The Action Plan provides an exciting prospect of being able to develop and provide a greater level of care for our patients via funded community pharmacy services. We offer our patients instant access to a trained health professional, and it is important that this is valued by our funders.

To fulfil the desired outcome of the Pharmacy Action Plan, and to be able to bring the sector along on this journey of change, we need research, support, time, and a long-term commitment to policy and funding by DHBs. Our ability to provide accessible, affordable, and appointment-free health care services is very dependent on community pharmacies being viable through our core activities.

Like any business, without a sustainable financial base, we simply won't be there when we are needed. Community pharmacy funding needs to be sufficient for each of the services we provide to ensure we can deliver additional services when needed, to meet the ever-increasing and evolving health care needs of our population.

Aligned with this, towards the end of 2016, work towards developing the next Community Pharmacy Services Agreement began ramping up with the development of the Contract Group. Developing a robust, and fit-for-purpose contract that will ensure the delivery of valuable community pharmacy services sustainably into the future is essential and we look forward to the outcome of this very important work.

Guild operations

In July 2016 Andrew Gaudin joined the Guild as Chief Executive, following the farewell of our previous Chief Executive Lee Hohaia. Andrew joined us at a time of significant and complex change and he really hit the ground running.

I am very proud to say that in his first six months Andrew has done an outstanding job representing and advocating for our members' interests and he continues to do so. I extend my thanks to both him and his high-performing team at Guild HQ for their continued commitment to members throughout the year, and also to supporting the Board. I have the upmost confidence in the significant value the Guild offers members through their knowledge of community pharmacy and their hard work.

I also thank my fellow board members for all of the hours that could have been spent elsewhere, but that they have chosen to dedicate to the Guild, and to guiding the future of our profession.



GRAEME BLANCHARD

PRESIDENT

PHARMACY GUILD OF NEW ZEALAND

CHIEF EXECUTIVE'S *report*



Andrew Gaudin – Chief Executive

The six months I was with the Guild during 2016 was an extremely exciting time and an eye-opening experience. I feel extremely privileged to have been given the opportunity to contribute to advancing the community pharmacy sector for the benefit of members and patients.

During my time with the Guild so far I have been struck by the importance and the effectiveness of positive and constructive engagement and by what can be achieved through working together. Again and again I have seen this contribute to the success of so many aspects within our sector. I've seen it in our dealings with DHBs, Ministry of Health representatives and other sector agents to progress the medicine margin offer, and in the support I have received coming into this role from members of the Community Pharmacy Leaders Forum and DHB leaders.

This has underpinned my approach to all opportunities and challenges we faced throughout 2016, and combined with the dedication and hard work from our team at Guild HQ, our Board, and the work our members are doing for their communities, I believe that we can consider 2016 a very successful year.

Year in review

My first six months as Chief Executive was largely spent getting us into a good position to deliver on major priorities.

I believe the updated New Zealand Health Strategy and five-year Pharmacy Action Plan raise a number of key opportunities and challenges for our sector. For community pharmacy, opportunities include further developing public health services to support people in self-management, ensuring accessible, sustainable and efficient dispensing and supply services, enhancing medicine management services and expanding the range of minor ailment services.

The team at Guild HQ developed a vision and a set of strategic priorities for focused action on how community pharmacy moves forward. This involved assessing the expectations contained in the Health Strategy, along with the expectations on DHBs, the Ministry of Health and other sector stakeholders to ensure we could work collaboratively to implement the Pharmacy Action Plan. This also involved considering how the Guild could deliver maximum value to members and make the biggest possible difference within available resources.

It was vital that the vision and strategic priorities we developed had members' support so we planned and delivered a series of road shows to foster this engagement.

Our top strategic priorities include leadership across the community pharmacy sector. This has been reinforced with the rejuvenation of the Community Pharmacy Leaders Forum and our collaborative approach towards common issues to ensure we are getting maximum leverage within sector resources.

Leadership has also tied into enhanced relationships with general practice and we will be seeking greater representation across all primary care settings. We will continue to look at new ways of working together for the benefit of patients without compromising the sustainability of either community pharmacy or general practice.

Providing significant input into the next CPSA, which the DHBs were already in the early stages of developing, was also identified as a key priority. It was determined that it was essential that the development of the CPSA needed to include addressing the true cost of the supply chain and explore opportunities for more services as a result of the Pharmacy Action Plan.

Progressing our response on the proposed changes to pharmacy ownership regulation was also high on the agenda. Our goal was to form a position on this following consultation with members. A key aspect of this involved looking at international practice and what has worked well and what has not worked well under other jurisdictions.

We established that it was important to develop a common understanding of what is meant by integration of services for patients. It was our view that the language used was creating a barrier to establishing a common approach across health services and this needs to be overcome to maximise health outcomes for patients.

Sharpening our focus on our strategic priorities helped us to harness our available resources, alongside our ongoing effort to provide members with valuable core membership services.

Integration and relationships

A key focus for me, and something that I am passionate about, is the importance of positive relationships and the way in which we need to work with external stakeholders to progress key issues.

Having positive and constructive relationships, and working in good faith with stakeholders is fundamental to meeting the opportunities and challenges presented in the Pharmacy Action Plan. Change is coming and we need to be able to work together to manage this in a logical way.

At the Guild we always assess the impact of any change for community pharmacy and keep this top-of-mind in everything we do to ensure benefits are maximised and adverse impacts are minimised.

There is only space for positive behaviour in relationships and the way we work together if we wish to achieve a viable and sustainable community pharmacy sector. As our members' representative, this requires us to be able to effectively work with a range of stakeholders, including community pharmacy and primary care groups, as well as funders and policy makers.

The Guild already has a range of useful relationships in place and we will continue to develop and strengthen these. These relationships, and having the right discussions, in the right way, allow us to further progress the interests of our members and community pharmacy. I look forward to finding out the true potential of what we can achieve together.

Development of the next Community Pharmacy Services Agreement began towards the end of the year and the outcome of this process will be a true indicator as to what extent stakeholders and funders are willing to work together for the health and wellbeing of populations.

Guild operations

Throughout the year I was extremely impressed and grateful for the support I received from Guild HQ, and our Board. Members can rest assured that they have a very strong, knowledgeable, and skilled team working on their behalf.

The team is passionate about supporting our members to work at the top of scope to deliver highly professional and accessible services to their patients and communities and they are achieving fantastic outcomes for our members.

Our Board bring to the table a vast variety of experience and knowledge and continue to successfully represent the Guild and our members across an array of essential forums and work groups.

I am incredibly pleased with what we have achieved together in 2016 and look forward to adding to this in the coming year.



ANDREW GAUDIN
CHIEF EXECUTIVE
PHARMACY GUILD OF NEW ZEALAND

Guild

HIGHLIGHTS
2016



102 *new or updated resources*

WERE MADE AVAILABLE TO MEMBERS
ON OUR WEBSITE OR AS A HARD COPY



\$352,800

— WORTH OF —
gift vouchers

WERE SOLD AND **\$335,270** WAS REDEEMED



68 newsletters

WERE DISTRIBUTED INCLUDING

Guild InTouch, Contact magazine and T&A Topics

OUR PROFESSIONAL SERVICES AND
SUPPORT TEAM RESPONDED TO OVER

920

professional services and support queries in 2016



\$131,019
in rental income

28 ***Guild member-only***
EVENTS WERE HELD AROUND THE COUNTRY



Guild membership
AVERAGED AT
66.28%
THROUGHOUT 2016



OUR MEMBERS MADE OVER



100

HR queries via our 0800

HR ADVICE LINE



Pharmacode

INCOME OF

\$317,325

36

submissions

***were prepared
on behalf of
members in 2016***

18 OF THESE WERE TO PHARMAC

AUDITOR'S **report** & FINANCIAL **accounts**

Statement of Responsibility

✚ for the year ended 31 December 2016

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, RSM Hayes Audit, have audited the annual financial statements and their report appears on page 9.

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 2016;
- > 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 2016;
- > 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 2016;
- > there are reasonable grounds to believe that the Guild will be able to pay its debts as and when they fall due.



GRAEME BLANCHARD
PRESIDENT
PHARMACY GUILD OF NEW ZEALAND

Independent Auditor's Report

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

Opinion

We have audited the consolidated and separate financial statements of Pharmacy Guild of New Zealand (Inc) and its subsidiary (the group), which comprise:

- the consolidated and separate statement of financial position as at 31 December 2016;
- the consolidated and separate statement of comprehensive revenue and expense for the year then ended;
- consolidated and separate statement of changes in equity;
- consolidated and separate statement of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements, which include significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements on pages 11 to 35 present fairly, in all material respects, the financial position of the group and Pharmacy Guild of New Zealand (Inc) as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

We are independent of the Pharmacy Guild of New Zealand group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

Other information

The board members are responsible for the other information. The other information comprises the President's and Chief Executive's reports and statement of responsibility on pages 1 to 8 (but does not include the consolidated and separate financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report. Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of board members for the consolidated and separate financial statements

The board members are responsible, on behalf of the society, for the preparation and fair presentation of the consolidated and separate financial statements in accordance with Public Benefit Entity Standards Reduced Disclosure Regime, and for such internal control as the board members determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the board members are responsible, on behalf of the Pharmacy Guild of New Zealand (Inc) and group, for assessing the society's and group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless those charged with governance either intend to liquidate the entity and group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these consolidated and separate financial statements. A further description of the auditor's responsibilities for the audit of the consolidated and separate financial statements is located at the XRB's website at:

https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page7.aspx

Who we report to

This report is made solely to the members, as a body. Our audit has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Pharmacy Guild of New Zealand group and the board members as a body, for our work, for this report, or for the opinions we have formed.



Statement of Comprehensive Revenue and Expenses

✚ for the year ended 31 December 2016

| | NOTE | CONSOLIDATED 2016 \$ | 2015 \$ | PHARMACY GUILD 2016 \$ | 2015 \$ |
|----------------------------------------------------------------------------------------------|------|----------------------------|------------------|------------------------------|------------------|
| REVENUE FROM EXCHANGE TRANSACTIONS | | | | | |
| Members' subscriptions | | 1,875,454 | 1,999,134 | 1,875,454 | 1,999,134 |
| Interest | | 56,423 | 75,248 | 33,715 | 37,555 |
| Rent | | 131,019 | 114,881 | 131,019 | 114,881 |
| Dividend from PSL | | — | — | — | — |
| Other income | 5 | 2,404,128 | 2,155,015 | 595,792 | 624,629 |
| Total revenue | | 4,467,024 | 4,344,278 | 2,635,980 | 2,776,199 |
| EXPENSES | | | | | |
| | 6 | | | | |
| Cost of goods sold | | 1,477,797 | 1,257,346 | — | — |
| Advocacy and negotiation | | 874,715 | 714,404 | 874,715 | 714,404 |
| Board | | 196,386 | 180,762 | 196,386 | 180,762 |
| Promotion | | 362,348 | 425,157 | 362,348 | 425,157 |
| Training | | 34,626 | 36,528 | 34,626 | 36,528 |
| Administration | | 1,675,146 | 1,684,512 | 1,333,954 | 1,321,018 |
| Total expenses | | 4,621,018 | 4,298,709 | 2,802,029 | 2,677,869 |
| Total surplus / (deficit) for the period | | (153,994) | 45,569 | (166,049) | 98,330 |
| Other comprehensive revenue and expenses | | — | — | — | — |
| Total other comprehensive revenue and expenses | | — | — | — | — |
| Total comprehensive revenue and expense before income tax | | (153,994) | 45,569 | (166,049) | 98,330 |
| Income tax expense / (benefit) | 8 | 37,325 | (17,080) | 33,950 | (2,307) |
| TOTAL COMPREHENSIVE REVENUE AND EXPENSE AFTER INCOME TAX | | (191,319) | 62,649 | (199,999) | 100,637 |
| Surplus or deficit attributable to the owners of the controlling entity | | (191,319) | 62,649 | (199,999) | 100,637 |
| Total comprehensive revenue and expense attributable to the owners of the controlling entity | | (191,319) | 62,649 | (199,999) | 100,637 |

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

✚ for the year ended 31 December 2016

| | NOTE | ACCUMULATED REVENUE AND EXPENSE \$ | SUBSIDIARY OPERATIONAL FUND \$ | DIVISIONAL FUND \$ | GUILD SPECIAL FUNDS \$ | PROPERTY, PLANT & EQUIPMENT RESERVE | TOTAL |
|---------------------------------------|------|---------------------------------------------|-----------------------------------------|--------------------------|---------------------------------|----------------------------------------------|------------------|
| CONSOLIDATED | | | | | | | |
| Equity at 1 January 2015 | | 2,555,177 | 119,881 | 496,837 | 771,080 | – | 3,942,975 |
| Profit / (loss) for the year | | 60,798 | (37,988) | 39,839 | – | – | 62,649 |
| Other comprehensive income | | – | – | – | – | – | – |
| Total comprehensive income | | 60,798 | (37,988) | 39,839 | – | – | 62,649 |
| EQUITY AT 31 DECEMBER 2015 | | 2,615,975 | 81,893 | 536,676 | 771,080 | – | 4,005,624 |
| Profit / (loss) for the year | | (222,200) | 8,680 | 22,201 | – | – | (191,319) |
| Other comprehensive income | | – | – | – | – | – | – |
| Use of special purpose funds | 19 | 112,687 | – | – | (112,687) | – | – |
| Total comprehensive income | | (109,513) | 8,680 | 22,201 | (112,687) | – | (191,319) |
| EQUITY AT 31 DECEMBER 2016 | | 2,506,462 | 90,573 | 558,877 | 658,393 | – | 3,814,303 |
| PHARMACY GUILD | | | | | | | |
| Equity at 1 January 2015 | | 2,659,681 | – | 496,837 | 771,080 | – | 3,927,598 |
| Profit / (loss) for the year | | 60,798 | – | 39,839 | – | – | 100,637 |
| Other comprehensive income | | – | – | – | – | – | – |
| Total comprehensive income | | 60,798 | – | 39,839 | – | – | 100,637 |
| EQUITY AT 31 DECEMBER 2015 | | 2,720,479 | – | 536,676 | 771,080 | – | 4,028,235 |
| Profit / (loss) for the year | | (222,200) | – | 22,201 | – | – | (199,999) |
| Other comprehensive income | | – | – | – | – | – | – |
| Transfers to / from reserves | 19 | 112,687 | – | – | (112,687) | – | – |
| Total comprehensive income | | (109,513) | – | 22,201 | (112,687) | – | (199,999) |
| EQUITY AT 31 DECEMBER 2016 | | 2,610,965 | – | 558,877 | 658,393 | – | 3,828,235 |

The accompanying notes form part of these financial statements.

Statement of Financial Position

as at 31 December 2016

| | NOTE | CONSOLIDATED 2016 \$ | 2015 \$ | PHARMACY GUILD 2016 \$ | 2015 \$ |
|--------------------------------------|------|----------------------------|------------------|------------------------------|------------------|
| ASSETS | | | | | |
| Cash and deposits | 9 | 1,992,756 | 2,393,150 | 924,602 | 1,416,365 |
| Trade and other receivables | | 468,261 | 373,466 | 130,909 | 123,064 |
| Sundry debtors and prepayments | | 55,678 | 88,349 | 40,941 | 71,163 |
| Inventories | 10 | 492,195 | 92,118 | – | – |
| GST receivable | | 33,138 | 37,958 | 28,402 | 42,088 |
| Guild current accounts | 11 | – | – | 835,086 | 385,133 |
| Deferred tax | 14 | 15,971 | 21,584 | 2,893 | 5,131 |
| Total current assets | | 3,057,999 | 3,006,625 | 1,962,833 | 2,042,944 |
| Property, plant and equipment | 12 | 1,749,584 | 1,873,604 | 2,180,287 | 2,298,833 |
| Intangible assets | 13 | 7,691 | 58,237 | – | 4,400 |
| Total non-current assets | | 1,757,275 | 1,931,841 | 2,180,287 | 2,303,233 |
| Total assets | | 4,815,274 | 4,938,466 | 4,143,120 | 4,346,177 |
| LIABILITIES | | | | | |
| Trade and other payables | | 417,829 | 338,131 | 226,555 | 217,989 |
| Employee entitlements | 15 | 21,979 | 72,410 | 21,979 | 72,410 |
| Provision for tax | 8 | 54,902 | (22,824) | 64,840 | 21,903 |
| Lease liability | 23 | 1,513 | 4,127 | 1,513 | 4,127 |
| Unclaimed gift vouchers | 17 | 504,750 | 539,485 | – | – |
| Total current liabilities | | 1,000,973 | 931,329 | 314,887 | 316,429 |
| Term liability | 23 | – | 1,513 | – | 1,513 |
| Total non-current liabilities | | – | 1,513 | – | 1,513 |
| Total liabilities | | 1,000,973 | 932,842 | 314,887 | 317,942 |
| NET ASSETS | | 3,814,303 | 4,005,624 | 3,828,235 | 4,028,235 |
| EQUITY | | | | | |
| Retained surplus | | 2,506,462 | 2,615,975 | 2,610,965 | 2,720,479 |
| Subsidiary operational fund | 19 | 90,573 | 81,893 | – | – |
| Divisional fund | 19 | 558,877 | 536,676 | 558,877 | 536,676 |
| Guild special funds | 19 | 658,393 | 771,080 | 658,393 | 771,080 |
| TOTAL EQUITY | | 3,814,303 | 4,005,624 | 3,828,235 | 4,028,235 |

The accompanying notes form part of these financial statements.

For and on behalf of the
board on 16 May 2017:



PRESIDENT



VICE PRESIDENT

Statement of Cash Flows

✚ for the year ended 31 December 2016

| | NOTE | CONSOLIDATED | | PHARMACY GUILD | |
|-------------------------------------------------------------|----------|--------------------|--------------------|--------------------|--------------------|
| | | 2016 | 2015 | 2016 | 2015 |
| | | \$ | \$ | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Receipts | | | | | |
| Subscriptions, ownership levy & other income | | 4,296,212 | 4,134,851 | 2,174,688 | 2,953,090 |
| Interest received | | 56,423 | 75,248 | 33,715 | 37,555 |
| Dividend from Pharmaceutical Services Limited | | — | — | — | — |
| Income tax refunded | | 46,014 | — | 11,225 | 6,965 |
| | | 4,398,649 | 4,210,099 | 2,219,628 | 2,997,610 |
| Payments | | | | | |
| Payments to suppliers and employees | | (4,747,887) | (4,200,445) | (2,660,234) | (2,628,398) |
| Income tax paid | | — | (40,613) | — | — |
| | | (4,747,887) | (4,241,058) | (2,660,234) | (2,628,398) |
| Net cash from / (used in) operating activities | 22 | (349,238) | (30,959) | (440,606) | 369,212 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Payments | | | | | |
| Purchase of plant & equipment | | (47,028) | (55,274) | (47,028) | (29,200) |
| Net cash flows from / (used in) investing activities | | (47,028) | (55,274) | (47,028) | (29,200) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Payments | | | | | |
| Equipment lease | | (4,127) | (3,508) | (4,127) | (3,508) |
| Net cash flows from / (used in) financing activities | | (4,127) | (3,508) | (4,127) | (3,508) |
| Net increase (decrease) in cash and cash equivalents | | (400,393) | (89,741) | (491,761) | 336,504 |
| Cash & cash equivalents at the beginning of the period | | 2,393,150 | 2,482,891 | 1,416,365 | 1,079,861 |
| CASH & CASH EQUIVALENTS AT THE END OF THE PERIOD | 9 | 1,992,756 | 2,393,150 | 924,602 | 1,416,365 |

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

✚ for the year ending 31 December 2016

1. REPORTING ENTITY

Pharmacy Guild of New Zealand Inc is a public benefit entity for the purposes of financial reporting in accordance with the Financial Reporting Act (2013).

Pharmacy Guild of New Zealand Inc is constituted under the Incorporated Societies Act 1908.

The financial statements presented here are for the entity Pharmacy Guild of New Zealand Inc (the Society) and its 100% owned subsidiary, Pharmaceutical Services Limited, (together the Group) for the year to 31 December 2016.

The Society is a voluntary organisation representing the interests of community pharmacies in New Zealand.

2. STATEMENT OF COMPLIANCE

The Group financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with Public Benefit Entity International Public Sector Accounting Standards ("PBE IPSAS") and other applicable financial reporting standards as appropriate that have been authorised for use by the External Reporting Board for Not-For-Profit entities. For the purposes of complying with NZ GAAP, the Group is a public benefit not-for-profit entity and is eligible to apply Tier 2 Not-For-Profit PBE IPSAS on the basis that it does not have public accountability and is not defined as large.

The Board of Directors has elected to report in accordance with Tier 2 Not-For-Profit PBE Accounting Standards and in doing so has taken advantage of all applicable Reduced Disclosure Regime ("RDR") disclosure concessions. This decision results in the Group not preparing a Statement of Service Performance for both reporting periods.

3. CHANGES IN ACCOUNTING POLICIES

For the year ended 31 December 2015, the Group prepared its consolidated financial statements using the New Zealand Financial Reporting Standards ("NZ FRS"). These have now been restated to Not-For-Profit PBE IPSAS – RDR. An explanation of how the transition to Tier 2 Not-For-Profit PBE Accounting Standards has affected the reporting Statement of Financial Position and Statement of Comprehensive Revenue and Expenses is provided in Note 26 of the financial statements.

4. SUMMARY OF ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements as set out below have been applied consistently to both years presented in these financial statements.

4.1 Basis of measurement

These consolidated financial statements have been prepared on the basis of historical cost, as modified by the fair value measurement of investment properties, non-derivative financial instruments and land and buildings which are measured at fair value.

4.2 Functional and presentational currency

The consolidated 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 dollars.

4.3 Basis of consolidation

Controlled entities are all those entities over which the controlling entity has the power to govern the financial and operating policies so as to benefit from its activities. The controlled entities are consolidated from the date on which control is transferred and are de-consolidated from the date that control ceases. In preparing the consolidated financial statements, all inter entity balances and transactions, and unrealised gains and losses arising within the consolidated entity are eliminated in full. The accounting policies of the controlled entity are consistent with the policies adopted by the Group and have a 31 December reporting date.

4.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The following specific recognition criteria must be met before revenue is recognised.

Revenue from exchange transactions

Membership fees and subscriptions

Revenue is recognised over the period of the membership or subscription (usually 12 months). Amounts received in advance for memberships or subscriptions relating to future periods are recognised as a liability until such time that the period covering the membership or subscription occurs.

Rental revenue

Rental revenue arising from the operating leases on investment properties is accounted for on a straight line basis over the lease terms and is included in revenue in the Statement of Comprehensive Revenue and Expenses due to its operating nature.

Trading

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to Pharmaceutical Services Limited.

Interest revenue

Interest revenue is recognised as it accrues, using the effective interest method.

4.5 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

The Group derecognises a financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets when the rights to receive cash flows from the asset have expired or are waived, or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either:

- the Group has transferred substantially all the risks and rewards of the asset; or
- the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial asset

Financial assets within the scope of NFP PBE IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets. The classifications of the financial assets are determined at initial recognition.

The category determines subsequent measurement and whether any resulting income and expense is recognised in surplus or deficit or in other comprehensive revenue and expenses. The Group's financial assets are classified as financial assets at fair value through surplus or deficit, loans and receivables or as available for sale financial assets. The Group's financial assets include cash & deposits, trade & other receivables and sundry debtors.

All financial assets except for those at fair value through surplus or deficit are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less any allowance for impairment. The Group's cash and cash equivalents, receivables from exchange transactions and receivables from non-exchange transactions fall into this category of financial instruments.

Impairment of financial assets

The Group assesses at the end of reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortised cost, if there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the surplus or deficit for the reporting period.

In determining whether there are any objective evidence of impairment, the Group first assesses whether there are objective evidence of impairment for financial assets that are individually significant, and individually or collectively significant for financial assets that are not individually significant. If the Group determines that there is no objective evidence of impairment for an individually assessed financial asset, it includes the asset in a group of financial asset with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment for impairment.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. If the reversal results in the carrying amount exceeding its amortised cost, the amount of the reversal is recognised in surplus or deficit.

(With the exception of trade receivables – see note 4.96 – there was no impairment of financial assets in 2016.)

Financial liabilities

The Group's financial liabilities include trade and other creditors, employee entitlements and provision for tax.

All financial liabilities are initially recognised at fair value (plus transaction cost for financial liabilities not at fair value through surplus or deficit) and are measured subsequently at amortised cost using the effective interest method except for financial liabilities at fair value through surplus or deficit.

4.6 Cash and cash equivalents

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

4.7 Short term investments

Short term investments comprise term deposits which have a term of greater than three months and therefore do not fall into the category of cash and cash equivalents.

4.8 Inventories

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

4.9 Nature and purpose of reserves

The Group creates and maintains reserves in terms of specific requirements.

Special Purpose Reserve (SPR)

The Group has three special purpose reserves as a result of various past transactions. These are generally held for special projects. Further details are found in Note 18 of the financial statements.

4.91 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Where an asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Depreciation is charged on a straight line basis over the useful life of the asset, except for land. Land is not depreciated. Depreciation is charged at rates calculated to allocate the cost or valuation of the asset less any estimated residual value over its remaining useful life:

- **Building and 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
- **Motor vehicles** 21.0% straight line

Depreciation methods, useful lives and residual values are reviewed at each reporting date and are adjusted if there is a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset.

4.92 Intangible assets

Intangible assets are initially measured at cost. Subsequently, intangible assets are measured in accordance with the cost model, being cost less accumulated amortisation and impairment.

Amortisation is recognised in the surplus or deficit on a straight line basis over the estimated useful lives of each amortisable intangible asset.

The diminishing amortisation rates are:

- **Website** 33.3% – 40% straight line / 3-4 years (2015: 33.3% – 40% straight line / 3-4 years)

4.93 Leases

Payments on operating lease agreements, where the lessor retains substantially the risk and rewards of ownership of an asset, are recognised as an expense on a straight-line basis over the lease term.

4.94 Significant judgments and estimates

In preparing the financial statements, the Board is required to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The uncertainty from these assumptions and estimates could result in outcomes that may result in a material adjustment to the carrying amount of the asset or liability.

The Group base its assumptions and estimates on parameters available when the financial statements are prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur. The key significant judgements and estimates used in the preparation of these financial statements are as follows:

Gift Vouchers

In valuing unredeemed gift vouchers in the Statement of Financial Position, several key assumptions and estimates have been used in arriving at the value. These are listed as follows:

- Gift vouchers are presented within 4 years of purchase (by Pharmacy).
- 2-year expiry timeframe introduced in 2014 adhered to. This timeframe begins when sold by Pharmacy to customer.
- Gift vouchers not presented within 4 years of purchase by Pharmacy, are deemed unlikely to be presented and income recognised accordingly.

4.95 Income Tax

The income tax expense recognised for the period is based on the accounting profit, adjusted for non-taxable and non-deductible differences. Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in New Zealand.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements as per NZ IAS 12 Income Tax. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable, profit or loss.

Deferred income tax uses tax rates, and is substantively based on tax laws, that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

4.96 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

4.97 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

4.98 Employee entitlements

(i) Short-term obligations

Liabilities for wages and salaries that are expected to be settled wholly within year after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

There are no long term employee entitlements recorded at reporting date.

Contributions to defined contribution schemes are charged to profit or loss in the year to which they relate.

4.99 Goods and Services Tax

All amounts are shown exclusive of Goods and Services Tax (GST) except for receivables and payables which are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of assets or liabilities in the Statement of Financial Position.

5. OTHER INCOME

| | NOTE | CONSOLIDATED | | PHARMACY GUILD | |
|---------------------------|------|------------------|------------------|----------------|----------------|
| | | 2016 | 2015 | 2016 | 2015 |
| | | \$ | \$ | \$ | \$ |
| Advertising | | 2,675 | 5,250 | 2,675 | 5,250 |
| Sponsorship | | 63,150 | 51,800 | 63,150 | 51,800 |
| Management fees | | – | – | 383,410 | 436,224 |
| Pharmacode | | 317,325 | 292,775 | – | – |
| Miscellaneous income | | 152,003 | 128,255 | 133,088 | 128,255 |
| Publications | | 13,469 | 3,100 | 13,469 | 3,100 |
| Trading sales | | 1,796,784 | 1,596,880 | – | – |
| Other subsidiary income | | 58,722 | 76,955 | – | – |
| TOTAL OTHER INCOME | | 2,404,128 | 2,155,015 | 595,792 | 624,629 |

6. EXPENSES

| | NOTE | CONSOLIDATED | | PHARMACY GUILD | |
|--------------------------------|--------|--------------|-----------|----------------|-----------|
| | | 2016 | 2015 | 2016 | 2015 |
| | | \$ | \$ | \$ | \$ |
| <i>Includes the following:</i> | | | | | |
| Audit fees | 7 | 14,000 | 14,000 | 9,000 | 9,000 |
| Bad debts | | 4,000 | 3,750 | (2,000) | 2,980 |
| Board fees | | 25,450 | 77,800 | 25,450 | 77,800 |
| Board support costs | | 170,936 | 102,962 | 170,936 | 102,962 |
| Depreciation and amortisation | 12, 13 | 221,595 | 210,965 | 169,973 | 163,906 |
| Operating leases | | 16,002 | 5,099 | 16,002 | 5,099 |
| Staff costs | | 1,309,217 | 1,198,121 | 1,309,217 | 1,198,121 |

Included in total parent expenditure of \$2,802,029 (2015: \$2,677,869) is expenditure of \$144,631 (\$244,874) paid to external consultants including board members to support the PSA.

Also included in total expenditure (within promotion) is the Guild's half share of expenses incurred in the co-hosting of the Pharmacy Awards with The Health Media from 2015.

7. AUDITOR'S REMUNERATION

| | CONSOLIDATED | | PHARMACY GUILD | |
|-------------------------------------------------------------|---------------|---------------|----------------|--------------|
| | 2016 | 2015 | 2016 | 2015 |
| | \$ | \$ | \$ | \$ |
| <i>Amounts paid or due and payable to the auditors for:</i> | | | | |
| RSM Hayes Audit | | | | |
| Auditing the financial statements | 14,000 | 14,000 | 9,000 | 9,000 |
| TOTAL AUDITOR'S REMUNERATION | 14,000 | 14,000 | 9,000 | 9,000 |

8. INCOME TAX

| | CONSOLIDATED | | PHARMACY GUILD | |
|-----------------------------------------------------------|----------------|-----------------|----------------|----------------|
| | 2016 | 2015 | 2016 | 2015 |
| | \$ | \$ | \$ | \$ |
| Operating surplus (deficit) before taxation | (153,994) | 45,569 | (166,049) | 98,330 |
| Non-assessable income | (1,790,064) | (2,018,088) | (1,790,064) | (2,018,088) |
| Non-deductible expenses | 2,078,364 | 1,911,518 | 2,078,364 | 1,911,518 |
| Assessable surplus (deficit) | 134,306 | (61,001) | 122,251 | (8,240) |
| Tax on assessable surplus (deficit) | 37,605 | (17,080) | 34,230 | (2,307) |
| Exemption | (280) | – | (280) | – |
| Tax on other comprehensive income | – | – | – | – |
| Income tax (credit) expense | 37,325 | (17,080) | 33,950 | (2,307) |
| <i>The income tax (credit) expense is represented by:</i> | | | | |
| CURRENT TAX | | | | |
| Current tax | 31,712 | (18,330) | 31,712 | (2,717) |
| Adjustments for prior years | – | – | – | – |
| | 31,712 | (18,330) | 31,712 | (2,717) |
| DEFERRED TAX | | | | |
| Origination and reversal of temporary differences | (3,558) | 1,250 | (478) | 410 |
| Benefit of tax losses recognised | 9,172 | – | 2,717 | – |
| | 5,614 | 1,250 | 2,238 | 410 |
| INCOME TAX EXPENSE / (CREDIT) | 37,325 | (17,080) | 33,950 | (2,307) |

The company tax rate and incorporated society tax rate are 28%.

The Pharmacy Guild of New Zealand (Inc) is engaged in both taxable and non-taxable activities.

Member subscription fees are non-taxable. Revenue from other activities is taxable.

Only expenses directly associated with taxable revenue are deductible for income tax purposes.

Temporary differences are timing differences arising from differences between recognition timing for income tax purposes and recognition timing per the financial reporting standards.

Tax losses recognised are tax losses brought forward from prior years permitted to be recognised in the current year.

9. CASH & CASH EQUIVALENTS

| | CONSOLIDATED | | PHARMACY GUILD | |
|---------------------|------------------|------------------|----------------|------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | \$ | \$ | \$ | \$ |
| Cash at bank | 742,756 | 743,150 | 324,602 | 416,365 |
| Short term deposits | 1,250,000 | 1,650,000 | 600,000 | 1,000,000 |
| | 1,992,756 | 2,393,150 | 924,602 | 1,416,365 |

10. INVENTORIES

| | CONSOLIDATED 2016 \$ | CONSOLIDATED 2015 \$ |
|-------------------------------------|----------------------------|----------------------------|
| Finished goods and goods for resale | 492,195 | 92,118 |
| | 492,195 | 92,118 |

Write-downs of inventories to net realisable value amounted to \$33,307.20 (2015: \$1,489.74). These were recognised as an expense during the year ended 31 December 2016 and included in 'cost of goods sold' in the statement of revenue and expenses.

11. RELATED PARTIES

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

| | 2016 \$ | 2015 \$ |
|------------------------|------------|------------|
| Management Fee Charges | 383,410 | 436,224 |
| General Office Charges | 98,573 | 104,004 |
| Occupancy Charges | 46,003 | 49,236 |

- b) No dividend was declared to be paid or credit to The Pharmacy Guild of New Zealand for the year ended 31 December 2016 (2015: Nil).
- c) As at 31 December 2016, the intercompany account balance between the Pharmacy Guild of New Zealand and Pharmaceutical Services Limited was \$835,086 (2015: \$385,133).
- d) Disclosure of Interests by Pharmaceutical Services Limited's Directors:

| RELATED PARTY | RELATIONSHIP | | TYPE OF TRANSACTIONS |
|-------------------------------|-------------------------------|------------------------|-------------------------|
| Community Pharmacy Interests* | M L Webster (Resigned) | Director & Shareholder | Sales (PSL) |
| Community Pharmacy Interests* | G Waterhouse-Perry (Resigned) | Director & Shareholder | Sales (PSL) |
| Community Pharmacy Interests* | P Larson (Resigned) | Director & Shareholder | Sales (PSL) |
| Community Pharmacy Interests* | A Roberts | Director & Shareholder | Sales (PSL) |
| Community Pharmacy Interests* | J Wright | 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.

12. PROPERTY, PLANT AND EQUIPMENT

| | LAND | BUILDINGS & BUILDING REFURBISHMENTS \$ | OFFICE ALTERATIONS \$ | FURNITURE \$ | COMPUTERS \$ | VEHICLES | TOTAL |
|--------------------------------------------|----------------|-------------------------------------------------|-----------------------------|-----------------|-----------------|---------------|------------------|
| CONSOLIDATED | | | | | | | |
| COST | | | | | | | |
| Balance at 1 January 2016 | 165,871 | 2,260,067 | 438,506 | 363,151 | 542,443 | 26,074 | 3,796,112 |
| Additions | – | – | – | 764 | 46,265 | – | 47,029 |
| Balance at 31 December 2016 | 165,871 | 2,260,067 | 438,506 | 363,915 | 588,708 | 26,074 | 3,843,141 |
| DEPRECIATION | | | | | | | |
| Balance at 1 January 2016 | – | 672,914 | 395,754 | 323,177 | 529,750 | 913 | 1,922,508 |
| Depreciation | – | 113,319 | 23,727 | 12,526 | 16,002 | 5,475 | 171,049 |
| Balance at 31 December 2016 | – | 786,233 | 419,481 | 335,703 | 545,752 | 6,388 | 2,093,557 |
| CARRYING AMOUNT AT 31 DECEMBER 2016 | 165,871 | 1,473,834 | 19,025 | 28,212 | 42,956 | 19,686 | 1,749,584 |
| COST | | | | | | | |
| Balance at 1 January 2015 | 165,871 | 2,240,217 | 438,506 | 361,684 | 534,561 | 26,074 | 3,766,913 |
| Additions | – | 19,850 | – | 1,467 | 7,882 | – | 29,199 |
| Disposals | – | – | – | – | – | – | – |
| Balance at 31 December 2015 | 165,871 | 2,260,067 | 438,506 | 363,151 | 542,443 | 26,074 | 3,796,112 |
| DEPRECIATION | | | | | | | |
| Balance at 1 January 2015 | – | 560,869 | 372,026 | 309,291 | 521,370 | – | 1,763,556 |
| Depreciation | – | 112,045 | 23,728 | 13,886 | 8,380 | 913 | 158,952 |
| Balance at 31 December 2015 | – | 672,914 | 395,754 | 323,177 | 529,750 | 913 | 1,922,508 |
| CARRYING AMOUNT AT 31 DECEMBER 2015 | 165,871 | 1,587,153 | 42,752 | 39,974 | 12,693 | 25,161 | 1,873,604 |

| | LAND | BUILDINGS & BUILDING REFURBISHMENTS \$ | OFFICE ALTERATIONS \$ | FURNITURE \$ | COMPUTERS \$ | VEHICLES | TOTAL |
|------------------------------------------------|----------------|-------------------------------------------------|-----------------------------|-----------------|-----------------|----------|------------------|
| PHARMACY GUILD | | | | | | | |
| COST | | | | | | | |
| Balance at 1 January 2016 | 245,871 | 2,628,139 | 440,823 | 363,151 | 379,645 | – | 4,057,629 |
| Additions | – | – | – | 764 | 46,265 | – | 47,029 |
| Disposals | – | – | – | – | – | – | – |
| Balance at 31 December 2016 | 245,871 | 2,628,139 | 440,823 | 363,915 | 425,910 | – | 4,104,658 |
| DEPRECIATION | | | | | | | |
| Balance at 1 January 2016 | – | 672,914 | 395,754 | 323,177 | 366,952 | – | 1,758,797 |
| Depreciation | – | 113,319 | 23,727 | 12,526 | 16,002 | – | 165,574 |
| Balance at 31 December 2016 | – | 786,233 | 419,481 | 335,703 | 382,954 | – | 1,924,371 |
| CARRYING AMOUNT AT 31 DECEMBER 2016 | 245,871 | 1,841,906 | 21,342 | 28,212 | 42,956 | – | 2,180,287 |
| COST | | | | | | | |
| Balance at 1 January 2015 | 245,871 | 2,608,289 | 440,823 | 361,684 | 371,763 | – | 4,028,430 |
| Additions | – | 19,850 | – | 1,467 | 7,882 | – | 29,199 |
| Balance at 31 December 2015 | 245,871 | 2,628,139 | 440,823 | 363,151 | 379,645 | – | 4,057,629 |
| DEPRECIATION | | | | | | | |
| Balance at 1 January 2015 | – | 560,869 | 372,026 | 309,291 | 358,572 | – | 1,600,758 |
| Depreciation | – | 112,045 | 23,728 | 13,886 | 8,380 | – | 158,039 |
| Balance at 31 December 2015 | – | 672,914 | 395,754 | 323,177 | 366,952 | – | 1,758,797 |
| CARRYING AMOUNT AT 31 DECEMBER 2015 | 245,871 | 1,955,225 | 45,069 | 39,974 | 12,693 | – | 2,298,833 |

13. INTANGIBLE ASSETS

| | WEBSITE \$ | TOTAL \$ |
|--------------------------------------------|----------------|----------------|
| CONSOLIDATED | | |
| COST | | |
| Balance at 1 January 2016 | 191,742 | 191,742 |
| Balance at 31 December 2016 | 191,742 | 191,742 |
| AMORTISATION | | |
| Balance at 1 January 2016 | 133,505 | 133,505 |
| Amortisation | 50,546 | 50,546 |
| Balance at 31 December 2016 | 184,051 | 184,051 |
| CARRYING AMOUNT AT 31 DECEMBER 2016 | 7,691 | 7,691 |
| COST | | |
| Balance at 1 January 2015 | 191,742 | 191,742 |
| Additions | — | — |
| Balance at 31 December 2015 | 191,742 | 191,742 |
| AMORTISATION | | |
| Balance at 1 January 2015 | 81,492 | 81,492 |
| Amortisation | 52,013 | 52,013 |
| Balance at 31 December 2015 | 133,505 | 133,505 |
| CARRYING AMOUNT AT 31 DECEMBER 2015 | 58,237 | 58,237 |

| | WEBSITE \$ | TOTAL \$ |
|--------------------------------------------|---------------|---------------|
| PHARMACY GUILD | | |
| COST | | |
| Balance at 1 January 2016 | 53,167 | 53,167 |
| Balance at 31 December 2016 | 53,167 | 53,167 |
| AMORTISATION | | |
| Balance at 1 January 2016 | 48,767 | 48,767 |
| Amortisation | 4,400 | 4,400 |
| Balance at 31 December 2016 | 53,167 | 53,167 |
| CARRYING AMOUNT AT 31 DECEMBER 2016 | – | – |
| COST | | |
| Balance at 1 January 2015 | 53,167 | 53,167 |
| Balance at 31 December 2015 | 53,167 | 53,167 |
| AMORTISATION | | |
| Balance at 1 January 2015 | 42,900 | 42,900 |
| Amortisation | 5,867 | 5,867 |
| Balance at 31 December 2015 | 48,767 | 48,767 |
| CARRYING AMOUNT AT 31 DECEMBER 2015 | 4,400 | 4,400 |

Amortisation of intangible assets is recognised within depreciation and amortisation in the statement of comprehensive revenue and expenses.

There was no impairment of intangible assets during 2016.

14. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

| | 2016 \$ | ASSETS 2015 \$ | 2016 \$ | LIABILITIES 2015 \$ | 2016 | NET 2015 |
|---------------------------------------------|-----------------|----------------------|------------|---------------------------|-----------------|-----------------|
| CONSOLIDATED | | | | | | |
| Employee benefits | (1,651) | (2,415) | – | – | (1,651) | (2,415) |
| Trade and other payables | (5,162) | (840) | – | – | (5,162) | (840) |
| Tax value of loss carry-forwards recognised | (9,158) | (18,330) | – | – | (9,158) | (18,330) |
| Tax (assets) / liabilities | (15,971) | (21,584) | – | – | (15,971) | (21,584) |
| Set off of tax | | | | | | |
| NET TAX (ASSETS) / LIABILITIES | (15,971) | (21,584) | – | – | (15,971) | (21,584) |
| PHARMACY GUILD | | | | | | |
| Employee benefits | (1,651) | (2,415) | – | – | (1,651) | (2,415) |
| Trade and other payables | (1,242) | – | – | – | (1,242) | – |
| Tax value of loss carry-forwards recognised | – | (2,717) | – | – | – | (2,717) |
| Tax (assets) / liabilities | (2,893) | (5,131) | – | – | (2,893) | (5,131) |
| Set off of tax | | | | | | |
| NET TAX (ASSETS) / LIABILITIES | (2,893) | (5,131) | – | – | (2,893) | (5,131) |

Movement in temporary differences during the year

| | BALANCE 1 JANUARY 2015 \$ | RECOGNISED IN INCOME \$ | RECOGNISED IN EQUITY \$ | BALANCE 31 DECEMBER 2015 \$ |
|-------------------------------------------|------------------------------------|-------------------------------|-------------------------------|--------------------------------------|
| CONSOLIDATED | | | | |
| Employee benefits | 2,824 | (410) | – | 2,415 |
| Trade and other payables | 1,680 | (840) | – | 840 |
| Tax value of loss carry-forwards utilised | – | 18,330 | – | 18,330 |
| | 4,504 | 17,080 | – | 21,584 |

| | | | | |
|-------------------------------------------|--------------|--------------|----------|--------------|
| PHARMACY GUILD | | | | |
| Employee benefits | 2,824 | (410) | – | 2,415 |
| Trade and other payables | – | – | – | – |
| Tax value of loss carry-forwards utilised | – | 2,717 | – | 2,717 |
| | 2,824 | 2,307 | – | 5,131 |

| | BALANCE 1 JANUARY 2016 \$ | RECOGNISED IN INCOME \$ | RECOGNISED IN EQUITY \$ | BALANCE 31 DECEMBER 2016 \$ |
|-------------------------------------------|------------------------------------|-------------------------------|-------------------------------|--------------------------------------|
| CONSOLIDATED | | | | |
| Employee benefits | 2,415 | (763) | – | 1,651 |
| Trade and other payables | 840 | 4,322 | – | 5,162 |
| Tax value of loss carry-forwards utilised | 18,330 | (9,172) | – | 9,158 |
| | 21,585 | (5,614) | – | 15,971 |

| | | | | |
|-------------------------------------------|--------------|----------------|----------|--------------|
| PHARMACY GUILD | | | | |
| Employee benefits | 2,415 | (763) | | 1,651 |
| Trade and other payables | – | 1,242 | | 1,242 |
| Tax value of loss carry-forwards utilised | 2,717 | (2,717) | – | – |
| | 5,131 | (2,238) | – | 2,893 |

15. EMPLOYEE ENTITLEMENTS

| | CONSOLIDATED | | PHARMACY GUILD | |
|-------------------------------|---------------|---------------|----------------|---------------|
| | 2016 | 2015 | 2016 | 2015 |
| | \$ | \$ | \$ | \$ |
| Accrued wages | (29,759) | 19,535 | (29,759) | 19,535 |
| Holiday pay accrual | 51,737 | 52,875 | 51,737 | 52,875 |
| BALANCE AT END OF YEAR | 21,979 | 72,410 | 21,979 | 72,410 |

16. LEASES

As at the reporting date, the Group has entered into the following operating lease commitments:

| | CONSOLIDATED | | PHARMACY GUILD | |
|----------------------------|--------------|--------------|----------------|--------------|
| | 2016 | 2015 | 2016 | 2015 |
| | \$ | \$ | \$ | \$ |
| Less than one year | – | 2,952 | – | 2,952 |
| Between one and five years | – | – | – | – |
| Greater than five years | – | – | – | – |
| | – | 2,952 | – | 2,952 |

17. GIFT VOUCHERS

| | CONSOLIDATED 2016 \$ | CONSOLIDATED 2015 \$ |
|--------------------------------|----------------------------|----------------------------|
| Opening balance | 539,485 | 580,830 |
| Additional / reduced provision | 17,530 | 16,055 |
| | 557,015 | 596,885 |
| Gift voucher write-off | (52,265) | (57,400) |
| CLOSING BALANCE | 504,750 | 539,485 |

A 4-year write-off policy was introduced in 2014 (previously 7-years), following the addition of a 2-year expiry timeframe on Pharmaceutical Services Limited gift vouchers.

18. SUBSIDIARY COMPANY

Pharmaceutical Services Limited

| | 2016 \$ | 2015 \$ |
|----------------------------|----------------|----------------|
| Sales | 1,796,784 | 1,596,880 |
| Profit before taxation | 12,055 | (52,761) |
| Tax expense | — | — |
| Profit after tax | 12,055 | (52,761) |
| Equity from prior year | 411,326 | 464,087 |
| Dividend paid | — | — |
| Shareholder equity | 423,381 | 411,326 |
| WORKING CAPITAL | | |
| Cash & deposits | 1,068,158 | 976,787 |
| Accounts receivable | 351,844 | 267,919 |
| Inventory | 492,195 | 92,118 |
| Income tax receivable | 9,938 | 44,727 |
| GST receivable / (payable) | 4,736 | (4,130) |
| Creditors | (1,026,116) | (505,608) |
| Unclaimed gift vouchers | (504,750) | (539,485) |
| | 396,005 | 332,328 |
| Intangibles | 7,691 | 53,837 |
| Property & equipment | 19,686 | 25,161 |
| NET ASSETS | 423,381 | 411,326 |

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

The above details are exclusive of deferred tax adjustments recognised upon consolidation.

19. SPECIAL FUNDS

Subsidiary operational fund \$(90,573) (2015: \$81,893)

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

Divisional fund \$558,877 (2015: \$536,676)

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:

| | 2016 \$ | 2015 \$ |
|-----------------------------|----------------|----------------|
| Division Funds – Northern | 190,637 | 175,247 |
| Division Funds – Central | 136,530 | 135,548 |
| Division Funds – Midland | 89,769 | 88,567 |
| Division Funds – Otago | 97,601 | 43,329 |
| Division Funds – Canterbury | 44,340 | 93,985 |
| | 558,877 | 536,676 |

Pharmacy information fund \$19,427 (2015: \$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 campaign to preserve the current status.

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

During 2016, \$54,200 of this fund was spent on issues around medicine margin surcharging funding policy and practice (2015: Nil).

Pharmacycare sale fund \$181,253 (2015: \$210,791)

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

During 2016, \$29,538 of this fund was spent towards promotion of community pharmacy, on advice relating to proposed pharmacy ownership policy, legislative, and regulatory changes (2015: Nil).

Pharmacy Xpo sale fund \$457,713 (2015: \$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.

During 2016, \$28,949 of this fund was spent on development of policy and funding strategies for services integration (2015: Nil).

20. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of financial instruments presented in the statement of financial position relate to the following categories of assets and liabilities:

| | CONSOLIDATED | | PHARMACY GUILD | |
|----------------------------------------|------------------|------------------|------------------|------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | \$ | \$ | \$ | \$ |
| FINANCIAL ASSETS | | | | |
| Loans and receivables | | | | |
| Cash and cash equivalents | 1,992,756 | 2,393,150 | 924,602 | 1,416,365 |
| Receivables from exchange transactions | 468,261 | 373,466 | 130,909 | 123,064 |
| | 2,461,017 | 2,766,616 | 1,055,511 | 1,539,429 |
| FINANCIAL LIABILITIES | | | | |
| At amortised cost | | | | |
| Trade and other creditors | 417,829 | 338,131 | 226,555 | 217,989 |
| Employee entitlements | 21,979 | 72,410 | 21,979 | 72,410 |
| Provision for tax | 54,902 | (22,824) | 64,840 | 21,903 |
| | 494,710 | 387,717 | 313,374 | 312,302 |

21. BOARD REMUNERATIONS

| | | REMUNERATION (HONORARIUMS / FEES / LOCUMS) | |
|----------------------|------------------------------------------------------------------------------|-----------------------------------------------|----------------|
| | | 2016 | 2015 |
| | | \$ | \$ |
| T Adams | Board Member (to October 2015) | – | 8,374 |
| G Blanchard** | Vice President (from October 2015 to June 2016), President from June 2016 | 74,360 | 11,754 |
| D Bullen** | Vice President (from June 2014 to October 2015) | – | 38,571 |
| K Crisp** | President (to June 2014) | 12,002 | 11,899 |
| P Larson | PSL Director (to June 2016) | 4,024 | 10,412 |
| K Maxwell | Board Member (from November 2014) | 7,001 | 8,824 |
| K Orr** | President (from June 2014 to June 2016), PSL Director (to September 2015) | 56,426 | 129,779 |
| A Roberts** | Board Member (from June 2014), PSL Director | 11,243 | 9,256 |
| G Waterhouse-Perry** | Board Member (to June 2015), PSL Director (to February 2016) | – | 4,732 |
| M Webster | Board Member (to June 2014), PSL Director (to September 2016) | – | 3,761 |
| C Monteith** | Board Member (from June 2015), Vice President from June 2016) | 19,940 | 12,105 |
| G Bai | Board Member (from August 2013) | 1,622 | 1,765 |
| J Wright | Board Member (from June 2016), PSL Director (from September 2016) | 5,847 | – |
| C Keenan | Board Member (from June 2016) | 3,000 | – |
| | | 195,465 | 251,232 |

**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 comprehensive revenue and expenses.

22. CASH FLOW INFORMATION

| | CONSOLIDATED | | PHARMACY GUILD | |
|----------------------------------------------------------------------------------|------------------|-----------------|------------------|----------------|
| | 2016 | 2015 | 2016 | 2015 |
| | \$ | \$ | \$ | \$ |
| Reconciliation of net profit (loss) to net cash from operating activities | | | | |
| Net profit / (loss) | (191,319) | 62,649 | (199,999) | 100,637 |
| Non-cash flows in operating profit | | | | |
| Depreciation | 221,594 | 210,965 | 169,973 | 163,906 |
| Movement in income taxes payable | 77,726 | (40,613) | 42,937 | 6,965 |
| Movement in deferred taxes | 5,613 | (17,080) | 2,238 | (2,307) |
| Changes in assets and liabilities | | | | |
| (Increase) / decrease in trade debtors, receivables and accrued income | (62,125) | (76,780) | 22,377 | (58,750) |
| (Increase) / decrease in goods and services tax | 4,820 | (58,448) | 13,686 | (55,889) |
| (Increase) / decrease in stock | (400,077) | (17,881) | – | – |
| (Increase) / decrease in interentity current accounts | – | – | (449,953) | 180,997 |
| Increase / (decrease) in payables and provisions | 29,268 | (52,426) | (41,865) | 33,653 |
| Increase / (decrease) in gift vouchers | (34,735) | (41,345) | – | – |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | (349,238) | (30,959) | (440,606) | 369,212 |

23. COMMITMENTS

Capital commitments

Neither the Group or the Parent had any capital commitments as at 31 December 2016. (2015: Nil)

Finance lease commitments

As at the reporting date, the Parent had the following finance lease commitments:

| | CONSOLIDATED | | PHARMACY GUILD | |
|----------------------------|--------------|--------------|----------------|--------------|
| | 2016 | 2015 | 2016 | 2015 |
| | \$ | \$ | \$ | \$ |
| Less than one year | 1,513 | 4,127 | 1,513 | 4,127 |
| Between one and five years | – | 1,513 | – | 1,513 |
| Greater than five years | – | – | – | – |
| | 1,513 | 5,640 | 1,513 | 5,640 |

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

24. CONTINGENCIES

The Company and Group have no contingent liabilities or contingent assets at reporting date (2015: Nil).

25. EVENTS AFTER THE REPORTING DATE

The Board of Directors and management is not aware of any other matters or circumstances since the end of the reporting period, not otherwise dealt with in these financial statements that have significantly or may significantly affect the operations of Pharmacy Guild of New Zealand (Inc).

26. EXPLANATION OF THE TRANSITION TO PBE IPSAS

The Group financial statements for the year ended 31 December 2016 are the first annual financial statements prepared in accordance with PBE IPSAS. The Group has applied PBE FRS47 *"First time adoption of PBE standards by entities other than those previously applying NZ IFRS's"* in preparing these financial statements.

The Group's transition date is 1 January 2015 and it has prepared its opening PBE IPSAS Group Statement of Financial Position as at that date.

| | CONSOLIDATED | | PHARMACY GUILD | |
|-----------------------------------------------------|------------------|------------------|------------------|------------------|
| | 31 DECEMBER | 1 JANUARY | 31 DECEMBER | 1 JANUARY |
| | 2015 | 2015 | 2015 | 2015 |
| | \$ | \$ | \$ | \$ |
| Reconciliation of net assets | | | | |
| Balance as at 31 December under previous NZ FRS | 3,984,040 | 3,938,471 | 4,023,104 | 3,924,774 |
| Recognition of deferred tax | 21,584 | 4,504 | 5,131 | 2,824 |
| NET ASSETS AS AT 31 DECEMBER UNDER PBE IPSAS | 4,005,624 | 3,942,975 | 4,028,235 | 3,927,598 |

ANNUAL GENERAL *meeting minutes*

Held at Rydges Hotel, Rotorua

Tuesday 14 June 2016 at 7pm

PRESENT:

| | | | |
|------------------|------------------------------|----------------------|---------------|
| Ken Orr | Ian McMichael | Cliff Comins | Sue Heslop |
| Graeme Blanchard | Paul Larson | Colin French | Trevor Horan |
| Karen Crisp | Linda Caddick (minute taker) | Charlotte Schimanski | Jo Judge |
| Anthony Roberts | Owen Roberts | Mark Schimanski | Paul Vester |
| Cameron Monteith | Richard Heslop | Ian Edward | Jean Maritz |
| Kathy Maxwell | Maureen Horan | Wallace Bain | Andy Drysdale |
| Catherine Keenan | David Honore | Juliet Bain | |
| Jason Wright | Matthew Sherwin | Lee Hohaia | |

Proxy's

| | |
|--------------|-----------------------------------|
| Craig Hercus | <i>Khandallah Pharmacy</i> |
| Sunil Kumar | <i>Unichem Grey Lynn Pharmacy</i> |
| Doug Stanton | <i>Stantons Pharmacy</i> |

Quorum

A required quorum of a minimum of twenty members was achieved.

1. WELCOME

Guild President Ken Orr welcomed everyone to the 2016 AGM and thanked them for their attendance.

Ken called for items of general business.

2. APOLOGIES

| | | |
|--------------|------------|---------------|
| Graeme Smith | Des Bailey | Marie Bennett |
|--------------|------------|---------------|

That the apologies be accepted.

KEN ORR / KAREN CRISP
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 2015 annual general meeting were taken as read.

That the minutes of the annual general meeting held on 16 June 2015 be accepted as a true and correct record of the meeting.

**KEN ORR / CAMERON MONTEITH
CARRIED**

5. MATTERS ARISING

Ken Orr called for matters arising that were not covered elsewhere on the agenda.

6. PRESIDENT'S ADDRESS

The President spoke to his written report, as follows:

Good evening and thank you for attending the Pharmacy Guild's 2016 AGM. The AGM offers an important opportunity to reflect on what we have achieved to date and how we plan to proceed going forward.

Acknowledgement of past Board members

During 2015 we farewelled Tania Adams and David Bullen, and this year we will be farewelling Paul Larson from the Guild's Board. Their contribution to the Board was significant and extremely valuable. All three brought unique experience and a passion for pharmacy to the table. I thank them for their time and dedication to the Guild and to our members.

Acknowledgment of new Vice President and new Board members

Last year in June we welcomed Cameron Monteith to the Board. Cameron has joined Graeme Blanchard and Anthony Roberts as a key member on the CPSA strategy team and we value his input here.

In October Graeme Blanchard stepped into the role of Vice President, taking over from David Bullen. Graeme has been a long standing Guild member and is well positioned to represent the Guild in the role of Vice President.

Following December's board meeting we were very pleased to have Kathy Maxwell transition from a co-opted board member to an official Northern electorate board member. Kathy brings a valuable perspective from her position as a Board member with Counties Manukau DHB. Her elected position was confirmed this June during the election process.

Year in review

2015 was another busy year advocating for pharmacy, our communities and our patients. The year had a strong focus on engaging with our many stakeholders, and most importantly with our patients. With a number of significant plans, proposals, and consultation documents in the pipeline, it was of particular importance to understand our members' views and individual business needs, along with what our patients valued most about their community pharmacy, in order to accurately represent our members during these discussions.

A number of highlights for the year are detailed in the 2015 accounts. Included was the increase in rent that Pharmacy House received during 2015. The increase in rental income was due to vacancies on the ground and second floors being filled following the building refurbishment. This is a great outcome for the Guild given past challenges in securing tenants and we look forward to securing a tenant for the first floor.

Future focus

As we look to the future of pharmacy, there are currently three key challenges I perceive to be crucial to the sector in order for us to progress as a profession and expand the range of service we deliver to our patients and communities.

Firstly community pharmacy needs to secure a CPSA that delivers appropriate funding for nationally consistent pharmacy services.

In 2015 it was important for us to firstly understand what our patients valued about the current pharmacy services they access and how they would like to see community pharmacy evolve.

Our patients made it clear that they valued and trusted their community pharmacy health care team and we will be looking to ensure they continue to have access to these services through developing a robust pharmacy service that is fairly reimbursed.

We would like to see DHBs identify and consider the service need in their communities and issue appropriate contracts to pharmacies to ensure delivery of the agreed intentions and directions of the CPSA through quality service providers.

Guild HQ staff and our Board subcommittees have been essential in driving this work and developing a formal proposal to inform upcoming discussion around the next CPSA and I thank them for this valuable work.

Secondly we need to understand the intentions of the Government in their plan to open up pharmacy ownership regulations and ensure that we are participating and being heard in conversations regarding this.

During an initial briefing with Ministry of Health officials about the Cabinet Papers and Regulatory Impact Statements relating to the Therapeutic Products Bill, it was confirmed that Cabinet supports the Ministry's preference to open pharmacy ownership up to any 'fit and proper person'.

Heading in this direction is not the preference of the majority of Guild members – with 94% of members surveyed at our most recent road shows saying they want ownership rules to stay as they are.

We hope the views of the sector, and more importantly the people they provide health care services to, have significant influence on how discussions proceed around pharmacy ownership.

New Zealand has an enviable standard of professional pharmacy services and this is in part due to the current legislation and regulations in place to ensure our patients' safety is at the centre of what we do.

The best interests of our patients and communities must be at the core of all the decisions we make and the Guild is already working alongside other sector and patient advocacy groups to ensure this remains the primary focus.

Last, but certainly not least, is margin, and it is essential that this is addressed immediately.

Margin has now become a distraction and we need a solution so that we can start having the right conversations with DHBs. We should be discussing the many ways in which pharmacy can further help improve the health and wellbeing of patients and provide valuable input into public health initiatives and how we can strengthen the integration of our primary health care services.

Without appropriate and sustainable funding, pharmacies are unable to participate in these bigger picture, forward thinking, initiatives because our own future is threatened by funding shortfalls. Pharmacies cannot invest in a future when they currently lose money by providing medicine to patients.

A shortfall in margin funding was identified in 2009. Seven years later there is still no solution. We have said any margin proposal needs additional funding for the 'base' medicine procurement and stockholding shortfalls, not just additional funding for increasing medicine volume and value.

The DHBs came out to you in March this year with a margin proposal that was simply unacceptable. With our input, the margin proposal that will come out to you shortly is an improvement, but still does not address the underlying issue of underfunding.

We have provided DHB's with a funding proposal that will be adequate in the interim while a long term solution is finalised.

We need DHBs to realise enough is enough and listen to the sector the issue affects.

Guild leadership

The Guild is governed and operated by an extremely knowledgeable team of people who are passionate about the pharmacy sector and supporting Guild members.

I offer my personal thanks to the entire Guild board for their consistent support and input throughout the year. The unique experience and expertise from each and every board member contributes to the overall strength of the Guild and enables us to better support and advocate for our members and their patients.

I also extend my thanks to the staff at Guild HQ who continue to grow and deepen their understanding of pharmacy so that they are better able to support our members in achieving their true potential financially and in providing pharmacy services to their patients.

Last month Lee left her position as Guild Chief Executive and has relocated back to Auckland to be with her family. Lee has been a champion for community pharmacy during her time with the Guild, and her passion and dedication will be sorely missed by the sector. I sincerely thank Lee for her contribution to the Guild, and to community pharmacy, and wish her all the best in her future endeavours.

Next month we will be welcoming Andrew Gaudin as our new Chief Executive. Andrew has significant health sector experience, spanning over 20 years across a variety of leadership and advisory roles in the health sector. Andrew brings considerable knowledge and experience of the current CPSA, where he was integrally involved in establishing this agreement in 2012, as well as the policy decision made to expand the provision of the CPAMS pilot across the community pharmacy sector. We are extremely pleased to have Andrew on board and look forward to working with him going forward. Indeed, today we had Andrew join us at our Guild board meeting to begin the process of coming to grips with the challenges facing the sector. We are grateful to him for giving freely of his time today.

Again thank you all for attending and I trust that you will enjoy the rest of your evening.

That the President's Report be accepted.

KEN ORR / PAUL VESTER
CARRIED

The President acknowledged the departing CE Lee Hohaia for her contribution to the Pharmacy Guild.

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 2015 be accepted.

KEN ORR / GRAEME BLANCHARD
CARRIED

8. APPOINTMENT OF AUDITORS

That RSM Hayes be reappointed as auditors for the coming year.

KEN ORR / ANTHONY ROBERTS
CARRIED

9. SETTING OF GUILD FEES FOR THE COMING YEAR

Proposed Guild membership fee structure

Under this proposal fees remain comprised of three components:

- Proprietor fee of \$1,800 (waived for owners of 20+ pharmacies)
- Variable premise fee (dependent on the number of pharmacies owned)
- Divisional fee of \$60.

MEMBERSHIP FEES:

| Number of pharmacies | Proprietor fee (paid once) | Premise fee (per pharmacy) |
|----------------------|----------------------------|----------------------------|
| 1 pharmacy | \$1,800 | \$1,800 |
| 2-5 pharmacies | \$1,800 | \$1,650 |
| 6-20 pharmacies | \$1,800 | \$1,500 |
| 20+ pharmacies | \$0 | \$1,500 |

DIVISIONAL FEES:

| Electorate | DHB's included in electorate | Fee |
|-----------------------|-----------------------------------------------------------------------|------|
| Northern | Northland, Waitemata, Auckland, Counties Manukau | \$60 |
| Midland | Waikato, Bay of Plenty, Lakes, Tairāwhiti, Taranaki | \$60 |
| Central | Hawkes Bay, Whanganui, MidCentral, Wairarapa, Hutt, Capital and Coast | \$60 |
| Southern (Canterbury) | Nelson Marlborough, Canterbury, South Canterbury, West Coast | \$60 |
| Southern (Otago) | Southern | \$60 |

Under this proposed structure all electorates will pay the same \$60 divisional fee. This is an increase of \$20 for the Central electorate and a decrease of between \$20 and \$50 for all other electorates.

Divisional fees will also be paid at the same frequency as the other membership fees (monthly or quarterly) under this proposal, this is to make it easier for members preferring to pay by automatic payment.

The impact of this proposal, when compared with the current structure (exclusive of savings from the divisional fees), is:

- No change for owners of one pharmacy
- A \$750 saving for owners of two pharmacies
- A \$2,550 saving for owners of five pharmacies.

That the proposed changes to the Guild membership fees be accepted for the coming year.

**KEN ORR / CAMERON MONTEITH
CARRIED**

10. LIFE MEMBERSHIP APPOINTMENT

In accordance with the Guild's Constitution, the Guild's Board of Directors have appointed Maureen Horan a life member of the Guild.

Maureen accepted her appointment as a Life Member.

11. APPOINTMENT OF REPRESENTATIVES

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

- Northern Electorate: Ken Orr, Kathy Maxwell
- Midland Electorate: Cameron Monteith continuing on the board and Catherine Keenan is welcomed as a new board member.
- Central Electorate: Anthony Roberts and Graeme Blanchard
- Southern Electorate: Karen Crisp continuing on the board and Jason Wright is welcomed onto the Board

Ian McMichael has been newly appointed as a reciprocal representation board member with the Pharmaceutical Society. The appointment of Grant Bai as a co-opted Board member was noted as ongoing.

We say goodbye to Paul Larson.

12. ELECTION OF PRESIDENT AND VICE PRESIDENT

In accordance with Rule 17.1, the President announced that the Board of Directors had elected Graeme Blanchard as the new President and Cameron Monteith as the new Vice President.

Graeme Blanchard thanked Ken Orr for his time as President and Paul Larson for his services on the Board.

13. GENERAL BUSINESS

There was no general business.

14. CLOSE OF MEETING

Ken thanked the Board again for their support and leadership.

The meeting concluded at 7.45pm.

Confirmed:



**KEN ORR
PRESIDENT
JUNE 2016**

Pharmacy Guild Of New Zealand (Inc)

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