

Dedicated to
member pharmacies

Annual Report 2018

PHARMACY GUILD OF NEW ZEALAND (INC)
FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2018



PHARMACY GUILD
OF NEW ZEALAND

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PRESIDENT'S *report*



Graeme Blanchard – President

For many years we have been aware of the wide variability in the health outcomes of New Zealanders.

This is partly due to the variation in services available across New Zealand's 20 District Health Boards (DHBs). The need for consistency and availability of services across the country, dependent purely on need, has never been stronger. In my view, to offer a patient different services dependent on the street, suburb, or town they live in, fails to meet the Government's aspiration of health equity.

New Zealanders in need of health care deserve the same services wherever they live. To facilitate this, most of the community pharmacy services contract needs to be consistent across the country. We had this principle in mind during discussions with DHBs on the Integrated Community Pharmacy Services Agreement (ICPSA).

Contract discussions and sector advocacy

In early 2018 we called on pharmacists to reject the DHBs' first contract proposal which would have seen a split of the supply of medicines from pharmacist counselling and advice. Thank you for such an overwhelming response. I have no doubt that this response, combined with the Guild's work behind the scenes, made all the difference.

Research continues to confirm that the relationships built through providing medicines to patients offers a powerful gateway to helping patients understand how to use their medicine and when dealing with issues that may arise such as non-adherence.

As part of ICPSA contract discussions we achieved even greater community pharmacy representation on the Expert Advisory Group (EAG) by adding a second provider representative to the group. The EAG is the group tasked with service development, so it is important that provider representatives have the opportunity to participate fully and make recommendations on the services community pharmacy should be offering to patients.

The Therapeutic Products Bill consultation was released in December 2018 and is intended to replace the Medicines Act. Prior to its release, Guild staff had engaged with Ministry of Health officials to ensure the issues impacting community pharmacy ownership requirements were well understood. We will continue to advocate strongly on behalf of members to retain current majority pharmacist ownership requirements.

Stakeholder relationships

I am pleased to say that our relationships are on a sound footing with the Government, Ministry of Health officials, DHB representatives and other Crown parties. This builds on the long-standing strong relationships that we've consistently developed with our fellow community pharmacy leaders, the Pharmaceutical Society, Green Cross Health, local community pharmacy groups and wholesalers.

We continued to strengthen our level of collaboration with the Pharmaceutical Society in 2018. For many years, there has been an expectation that the Guild and the Society work together for the betterment of the profession. Our closer relationship is proving very valuable and I would like to thank all the Society's staff and Board for their commitment to the profession and their co-operation.

The Guild has also positively engaged with our sector's regulators to address key findings arising from new community pharmacy inspection audits. We are fully committed to lifting the sector's focus on continuous quality improvement, and this is a key priority for the Guild Board.

Acknowledgement of board members

I would like to thank the Board for putting aside their valuable time to guide our organisation to achieve as much as possible for the long-term future of community pharmacy. Throughout my years on the Board I have always been impressed with the calibre of those members who put themselves forward to represent the profession.

This year we welcomed Shun-Yu Wu to the Board. Shun-Yu is the owner of McNaughton's Pharmacy in Dunedin and is representing the Southern electorate.

Jason Wright has transitioned from an elected Board member to a co-opted member, and I am pleased that Jason will continue his involvement with the Board in this capacity.

Guild operations

It gives me great privilege to be able to thank our team at Guild HQ for their commitment to community pharmacy and to us as Guild members.

Our Chief Executive, Andrew Gaudin, has been a driving force behind the achievements with the ICPSA and has dedicated a great amount of time and effort to ensuring the best possible outcome for community pharmacy in every facet of his role.

Guild HQ staff have once again delivered exceptional work during a busy year, being accessible to members when they need advice and proactively developing resources to meet and exceed their needs. Their support of the Board and of our members is immeasurable.

As this is my final term as both a Board member and as President, I look back with a great sense of achievement for all that has been accomplished, and with a positive outlook for all that will be achieved in the coming years by community pharmacists, the dedicated team of Pharmacy Guild Board members and our staff.



Graeme Blanchard
PRESIDENT
PHARMACY GUILD OF NEW ZEALAND

CHIEF EXECUTIVE'S *report*



Andrew Gaudin – Chief Executive

As another year passes, the opportunity to advance community pharmacy has never been greater. By working closely with key stakeholders, our Board, Guild staff and our members across the country, we have several accomplishments to be proud of from this past year.

Contract discussions and sector advocacy

We spent countless hours at the contract table to secure a significantly improved contract for community pharmacy – the Integrated Community Pharmacy Services Agreement (ICPSA), which came into effect on 1 October 2018. By working together with Green Cross Health and Nirvana Pharmacy Group, we collectively represented 97% of the community pharmacy sector during months of discussions to ensure that we delivered the best possible outcome for the sector.

During the process, we called on the sector to submit their feedback about the DHBS' proposed contract. We subsequently reviewed all submission responses, which voiced an overwhelming rejection of the initial DHB proposal. We were extremely grateful for this large response, which helped lead to several improvements in the final ICPSA offer. Most notably, the ICPSA is a contract solely for community pharmacies and there will be no unbundling of services as part of the contract without a full review.

The ICPSA is unique in that it is evergreen, allowing for voluntary variation to occur. This means that there will be a real choice to only accept contract variations that positively move the profession forward. This will not only enable service innovations to best meet local community needs, but it will also enable ongoing community

pharmacy financial sustainability. The ICPSA also includes clarity on processes and a range of protection mechanisms for community pharmacy, clarity on sector representation to support future change and an annual review process.

As part of the ICPSA there has been an annual increase in funding to the sector of almost 5.9%, about \$27 million, covering allowance for new local services, cost pressures and increased service demand.

We are very pleased with the outcome for our members and how it will shape the future of the community pharmacy sector. We do, however, see that more needs to be invested and can now better advance that view locally, with a plan to further integrate services for patients across primary care.

Our sector advocacy work during the year also included influencing the Minister of Health to recommend his preference for a strengthened accountability model around majority pharmacist ownership and effective control for obtaining a community pharmacy license. This is now being considered as part of the proposed Therapeutics Products Bill, while the previous Government had recommended removing current community pharmacy ownership requirements.

Likewise, we commenced work in the latter part of 2018 to seek a change to the current prescription co-payment policy, as it creates significant barriers for those unable to afford their prescriptions.

Stakeholder relationships

I'm especially pleased to say that our relationships with Government, the Ministry, DHBs and other community pharmacy sector groups had moved to a more sound footing by the end of the year. We have also extended our positive relationship with stakeholders well into the wider primary care sector.

This year I was involved in the establishment of the Federation of Primary Health Aotearoa New Zealand and was elected to the ongoing governance Board in October. The Federation is a wonderful opportunity for developing a united primary care sector voice. It is also a great platform to advocate for broader issues including establishing improved funding for the primary care sector, which currently cross-subsidises hospital deficits. The Guild is a member of the Federation, which will help ensure that community pharmacy is well-represented in discussions surrounding primary health care.

We are also a member of the Primary Health Alliance, which offers a further opportunity to look at new ways of promoting primary care as the foundation of the health and disability system in New Zealand.

Additionally, the Guild is very supportive of a collaborative approach to improving audit outcomes and our work in the new year will continue to support our regulators and progressing a quality improvement focus.

Acknowledgement of board members

The Guild Board have helped us navigate through an eventful year of contract discussions, advocacy around the Therapeutics Products Bill and other priorities. Their guidance is immensely appreciated and has helped establish a well-founded strategic direction.

Graeme Blanchard will soon finish his final term as President, and I – along with the rest of the Board – wish him well on his future endeavours. Graeme was first appointed as President in 2016 after serving as Vice President and previously as a Board member. His contribution has greatly impacted the work we have done for our members.

It has been a pleasure to welcome Shun-Yu Wu to the Board this year, and to have Jason Wright remain with the Board in a co-opted position. Their knowledge and expertise will be a great asset to the Board.

Guild operations

The team at Guild HQ have continued to impress me with their proactive approach and deep understanding of our members' needs. Everyone has a special area of knowledge to offer and fully brings their energy to the role.

Looking to the year ahead, I have great confidence that our team will continue to deliver results that will benefit our members and the community pharmacy sector.



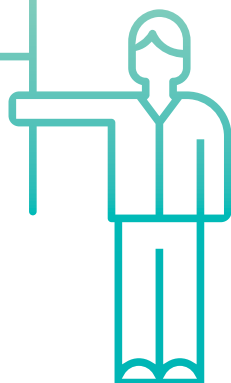
Andrew Gaudin
CHIEF EXECUTIVE
PHARMACY GUILD OF NEW ZEALAND

Guild

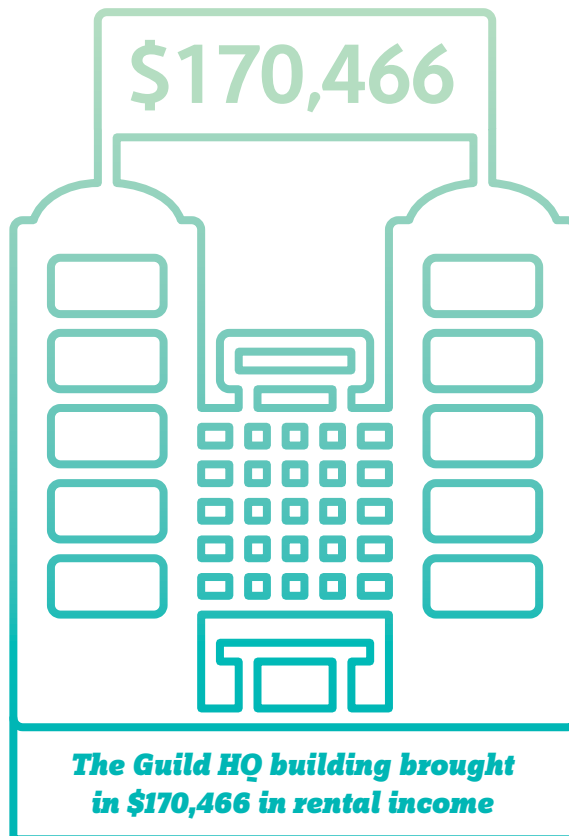
HIGHLIGHTS

2018

Guild membership averaged at 64.6% throughout 2018



\$170,466



The Guild HQ building brought in \$170,466 in rental income

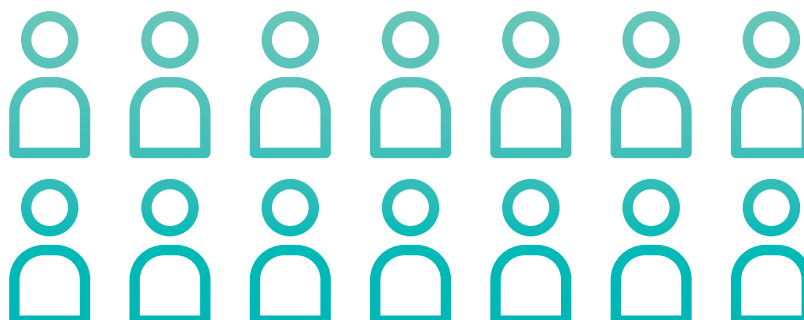
\$249,925



\$249,925 worth of gift vouchers were sold and \$252,395 was redeemed

41

member events or training courses were held across the country





67

newsletters were distributed including Guild InTouch, Contact magazine and T&A Topics



Our members made over 132 HR queries via our 0800 HR advice line



Our Professional Services team responded to over 450 member queries in 2018

36

submissions were prepared on behalf of members in 2018, 22 of these were to PHARMAC

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

Statement of Responsibility

✚ for the year ended 31 December 2018

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 comprehensive revenue and expenses 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 2018;
- 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 2018;
- 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 2018;
- 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)

RSM Hayes Audit

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Newmarket, Auckland 1149
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Newmarket, Auckland 1023

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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 2018;
- the consolidated and separate statement of comprehensive revenue and expense for the year then ended;
- consolidated and separate statement of changes in equity for the year then ended;
- 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 2018, 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 annual report 2018 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 Pharmacy Guild of New Zealand (Inc) and group, 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.

A handwritten signature in blue ink, appearing to read 'RSM', is located at the bottom left of the page.

Statement of Comprehensive Revenue and Expenses

✚ for the year ended 31 December 2018

	NOTE	CONSOLIDATED		PHARMACY GUILD	
		2018	2017	2018	2017
		\$	\$	\$	\$
REVENUE FROM EXCHANGE TRANSACTIONS					
Members' subscriptions		1,820,022	1,850,420	1,820,022	1,850,420
Interest		59,352	46,138	37,779	26,248
Rent		180,681	162,922	180,681	162,922
Other income	5	2,804,025	2,688,318	822,746	616,371
Total revenue		4,864,080	4,747,798	2,861,228	2,655,961
EXPENSES					
	6				
Cost of goods sold		1,750,424	1,693,432	–	–
Advocacy and negotiation		896,704	813,511	896,704	813,511
Board		233,319	184,591	233,319	184,591
Promotion		431,615	413,901	431,615	413,901
Training		20,380	26,020	20,380	26,020
Administration		1,408,386	1,344,156	1,288,921	1,113,109
Total expenses		4,740,828	4,475,611	2,870,939	2,551,132
Total surplus / (deficit) for the period		123,252	272,187	(9,711)	104,829
Total comprehensive revenue and expense before income tax		123,252	272,187	(9,711)	104,829
Income tax expense / (benefit)	8	31,642	92,448	13	45,588
TOTAL COMPREHENSIVE REVENUE AND EXPENSE AFTER INCOME TAX		91,610	179,739	(9,724)	59,241
Surplus or deficit attributable to the owners of the controlling entity		91,610	179,739	(9,724)	59,241
Total comprehensive revenue and expense attributable to the owners of the controlling entity		91,610	179,739	(9,724)	59,241

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

+ for the year ended 31 December 2018

	NOTE	ACCUMULATED REVENUE AND EXPENSE	SUBSIDIARY OPERATIONAL FUND	DIVISIONAL FUND	GUILD SPECIAL FUNDS	PROPERTY, PLANT & EQUIPMENT RESERVE	TOTAL
CONSOLIDATED		\$	\$	\$	\$	\$	\$
Equity at 1 January 2017		2,506,462	90,573	558,877	658,393	–	3,814,303
Profit/(Loss) for the year		31,932	120,498	27,309	–	–	179,739
Use of special purpose funds	19	5,210	–	–	(5,210)	–	–
Total comprehensive income		37,142	120,498	27,309	(5,210)	–	179,739
EQUITY AT 31 DECEMBER 2017		2,543,604	211,071	586,186	653,183	–	3,994,042
Profit/(Loss) for the year		(31,332)	101,334	21,608	–	–	91,610
Use of special purpose funds	19	–	–	–	–	–	–
Total comprehensive income		(31,332)	101,334	21,608	–	–	91,610
EQUITY AT 31 DECEMBER 2018		2,512,272	312,405	607,795	653,183	–	4,085,652

PHARMACY GUILD							
Equity at 1 January 2017		2,610,965	–	558,877	658,393	–	3,828,235
Profit/(Loss) for the year		31,932	–	27,309	–	–	59,241
Use of special purpose funds	19	5,210	–	–	(5,210)	–	–
Total comprehensive income		37,142	–	27,309	(5,210)	–	59,241
EQUITY AT 31 DECEMBER 2017		2,648,106	–	586,186	653,183	–	3,887,476
Profit/(Loss) for the year		(31,332)	–	21,608	–	–	(9,724)
Use of special purpose funds	19	–	–	–	–	–	–
Total comprehensive income		(31,332)	–	21,608	–	–	(9,724)
EQUITY AT 31 DECEMBER 2018		2,616,773	–	607,794	653,183	–	3,877,752

The accompanying notes form part of these financial statements.

Statement of Financial Position

as at 31 December 2018

	NOTE	CONSOLIDATED		PHARMACY GUILD	
		2018	2017	2018	2017
		\$	\$	\$	\$
ASSETS					
Cash and deposits	9	744,251	1,198,023	136,119	608,824
Trade and other receivables		435,663	424,829	143,203	127,179
Sundry debtors and prepayments		89,097	21,248	68,797	14,152
Inventories	10	437,607	536,736	–	–
Short term investments		1,650,000	1,050,000	1,200,000	600,000
Guild current accounts	11	–	–	540,200	686,200
Deferred tax	14	16,722	16,455	3,835	3,847
Total current assets		3,373,340	3,247,291	2,092,154	2,040,202
Property, plant and equipment	12	1,451,550	1,582,572	1,900,218	2,030,859
Intangible assets	13	30,001	25,987	4,236	6,543
Total non-current assets		1,481,551	1,608,559	1,904,454	2,037,402
Total Assets		4,854,891	4,855,850	3,996,608	4,077,604
LIABILITIES					
Trade and other payables		290,615	275,307	87,687	111,234
Income in advance		17,200	23,000	–	–
Employee entitlements	15	39,494	26,626	39,494	26,626
Provision for tax	8	(2,124)	49,577	550	57,461
GST payable		5,055	22,683	(8,879)	(5,193)
Unclaimed gift vouchers	17	419,000	464,615	–	–
Total current liabilities		769,240	861,808	118,852	190,128
Finance term liability	23	–	–	–	–
Total non-current liabilities		–	–	–	–
Total Liabilities		769,240	861,808	118,852	190,128
NET ASSETS		4,085,652	3,994,042	3,877,752	3,887,476
EQUITY					
Retained surplus		2,512,272	2,543,604	2,616,773	2,648,106
Subsidiary operational fund	19	312,405	211,071	–	–
Divisional fund	19	607,795	586,186	607,795	586,186
Guild special funds	19	653,183	653,183	653,183	653,183
TOTAL EQUITY		4,085,652	3,994,042	3,877,752	3,887,476

The accompanying notes form part of these financial statements.

For and on behalf of the
board on 15 May 2019:


PRESIDENT


VICE PRESIDENT

Statement of Cash Flows

✚ for the year ended 31 December 2018

	NOTE	CONSOLIDATED		PHARMACY GUILD	
		2018	2017	2018	2017
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts					
Subscriptions, ownership levy & other income		4,682,900	4,743,297	2,898,779	2,809,118
Interest received		59,352	46,138	37,779	26,248
		4,742,252	4,789,435	2,936,558	2,835,366
Payments					
Payments to suppliers and employees		(4,486,290)	(4,410,288)	(2,742,309)	(2,475,155)
Income tax paid		(83,610)	(98,257)	(56,912)	(53,921)
		(4,569,900)	(4,508,545)	(2,799,221)	(2,529,076)
Net cash from / (used in) operating activities	22	172,352	280,890	137,337	306,290
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts					
Sale of property, plant & equipment		–	18,139	–	–
Sale of short term investments		–	200,000	–	–
		–	218,139	–	–
Payments					
Purchase of plant & equipment		(26,126)	(42,251)	(10,047)	(20,556)
Purchase of short term investments		(600,000)	–	(600,000)	–
		(626,126)	(42,251)	(610,047)	(20,556)
Net cash flows from / (used in) investing activities		(626,126)	175,888	(610,047)	(20,556)
CASH FLOWS FROM FINANCING ACTIVITIES					
Payments					
Equipment lease		–	(1,513)	–	(1,513)
Net cash flows from / (used in) financing activities		–	(1,513)	–	(1,513)
Net increase (decrease) in cash and cash equivalents		(453,774)	455,265	(472,710)	284,221
Cash & cash equivalents at the beginning of the period		1,198,023	742,756	608,824	324,602
CASH & CASH EQUIVALENTS AT THE END OF THE PERIOD	9	744,251	1,198,023	136,119	608,824

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

✚ for the year ended 31 December 2018

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 2018.

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.

3. CHANGES IN ACCOUNTING POLICIES

There has been no changes in accounting policies. All accounting policies were applied consistently during the year.

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 dollar.

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 at a point in time when control over goods have been passed to the customer, 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.

Rendering of services

Revenue is derived from service availability and is recognised as an amount evenly spread over the contracted period. Where the contracted period spans two or more years, any prepayment for the remaining portion of the contract period at year end is recognised as a liability.

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 assets

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 is any objective evidence of impairment, the Group first assesses whether there is objective evidence of impairment for financial assets that are individually significant, and 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.

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 weighted average 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 19 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** 20.0% – 40.0% 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
- **Software** 25% straight line / 4 years
- **Trademarks** 10% straight line / 10 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 of Directors 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.

Classification of non-financial assets as cash generating assets or non-cash-generating assets

For the purposes of assessing impairment indicators and impairment testing, the Group classifies non-financial assets as either cash-generating or non-cash-generating assets. The Group classifies a non-financial asset as a cash-generating asset if the primary objective of the asset is to generate a commercial return. All other assets are classified as non-cash-generating assets.

All property, plant and equipment and intangible assets held by the Group are classified as non-cash-generating assets. This includes assets that generate fee revenue or other cash flows for the Group, as the cash flows generated as generally not sufficient to represent commercial return on the assets.

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.

4.97 Employee entitlements

(i) Short-term obligations

Liabilities for wages and salaries that are expected to be settled wholly within a 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 entitlements 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.

4.98 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	
		2018	2017	2018	2017
		\$	\$	\$	\$
Advertising		11,800	1,500	11,800	1,500
Management fees		–	–	598,692	402,960
Miscellaneous income		143,312	155,800	142,238	144,836
Other subsidiary income		51,166	48,445	–	–
Pharmacode		305,495	306,350	–	–
Publications		900	1,600	900	1,600
Rendering of services		54,547	53,062	–	–
Sponsorship		69,116	65,475	69,116	65,475
Sale of goods		2,074,799	1,994,716	–	–
Subscriptions		92,890	61,370	–	–
TOTAL OTHER INCOME		2,804,025	2,688,318	822,746	616,371

6. EXPENSES

	NOTE	CONSOLIDATED		PHARMACY GUILD	
		2018	2017	2018	2017
		\$	\$	\$	\$
<i>Includes the following</i>					
Audit fees	7	15,977	8,000	8,945	4,429
Bad debts		1,731	12,574	254	8,192
Board fees		63,307	65,882	63,307	65,882
Board support costs		170,012	118,709	170,012	118,709
Depreciation and amortisation	12, 13	153,080	172,368	142,941	163,441
Operating leases		6,519	3,600	6,519	3,600
Staff costs		1,386,262	1,303,882	1,386,262	1,303,882

Included in total parent expenditure of \$2,858,993 (2017: \$2,543,368) is expenditure of \$250,634 (2017: \$120,850) paid to external consultants including board members to support the Community Pharmacy Services Agreement.

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.

7. AUDITOR'S REMUNERATION

	CONSOLIDATED		PHARMACY GUILD	
	2018	2017	2018	2017
	\$	\$	\$	\$
<i>Amounts paid or due and payable to the auditors for:</i>				
RSM Hayes Audit				
Auditing the financial statements	15,977	8,000	8,945	4,429
TOTAL AUDITOR'S REMUNERATION	15,977	8,000	8,945	4,429

8. INCOME TAX

	CONSOLIDATED		PHARMACY GUILD	
	2018	2017	2018	2017
	\$	\$	\$	\$
Operating surplus (deficit) before taxation	123,252	272,187	(9,711)	104,829
Non-assessable income	(1,892,077)	(1,783,939)	(1,872,077)	(1,783,939)
Non-deductible expenses	1,881,834	1,842,924	1,881,834	1,842,924
Assessable surplus (deficit)	113,008	331,171	45	163,813
Tax on assessable surplus (deficit)	31,642	92,728	13	45,868
Exemption	–	(280)	–	(280)
Income tax expense / (credit)	31,642	92,448	13	45,588
<i>The income tax expense / (credit) is represented by:</i>				
CURRENT TAX				
Current tax	31,909	92,933	–	46,543
	31,909	92,933	–	46,543
DEFERRED TAX				
Origination and reversal of temporary differences	(267)	(485)	13	(954)
INCOME TAX EXPENSE / (CREDIT)	31,642	92,448	13	45,588

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.

9. CASH & DEPOSITS

	CONSOLIDATED		PHARMACY GUILD	
	2018	2017	2018	2017
	\$	\$	\$	\$
Cash at bank	83,310	798,023	2,252	208,824
Short term deposits	660,941	400,000	133,867	400,000
	744,251	1,198,023	136,119	608,824

10. INVENTORIES

	CONSOLIDATED	CONSOLIDATED
	2018	2017
	\$	\$
Finished goods and goods for resale	437,607	536,736
	437,607	536,736

Write-downs of inventories to net realisable value amounted to \$14,379 (2017: \$3,930). These were recognised as an expense during the year ended 31 December 2018 and included in 'cost of goods sold' in the statement of comprehensive revenue and expenses.

In addition to write-downs of inventories, a separate Provision for Obsolete Stock of \$31,027 (2017: 31,027) is maintained, being the portion not expected to sell of stock that will become obsolete.

Rapid Labels Limited (RLL) holds an ongoing PPSR entry over monies owed by Pharmaceutical Services Limited in the normal course of business. At 31 December 2018, the relevant Accounts Payable balance of monies owed to RLL was \$22,729 including GST. This liability was paid as per the usual terms of trade by 20 January 2019.

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:

	2018 \$	2017 \$
Management Fee Charges	473,263	402,960
General Office Charges	79,356	54,123
Occupancy Charges	32,916	41,584
Subvention Payment Charges	13,157	

- b) No dividend was declared to be paid or credit to The Pharmacy Guild of New Zealand for the year ended 31 December 2018 (2017: \$Nil).
- c) As at 31 December 2018, the intercompany account balance between the Pharmacy Guild of New Zealand and Pharmaceutical Services Limited was \$540,200 (2017: \$686,200). The loan is interest free, and repayable on demand.
- d) Disclosure of Interests by Pharmaceutical Services Limited's Directors

RELATED PARTY	RELATIONSHIP	TYPE OF TRANSACTIONS
Community Pharmacy Interests*	A Roberts	Director & Shareholder
Community Pharmacy Interests*	J Wright	Director & Shareholder

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

COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key management personnel of the Group include the Chief Executive, and Senior Management Team. The total remuneration of members of the Group and the number of individuals, on a full-time equivalent (FTE) basis, receiving remuneration from the Group are:

	2018 \$	2017 \$
Total remuneration (5.0 FTE, 2017: 5.2)	685,563	698,755

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

Key management personnel did not receive any remuneration or compensation other than in their capacity as key management personnel (2017: nil).

The Group did not provide any compensation at non-arm's length terms to close family members of key management personnel during the year (2017: nil).

The Group did not provide any loans to key management personnel or their close family members.

12. PROPERTY, PLANT AND EQUIPMENT

CONSOLIDATED	LAND	BUILDINGS AND BUILDING REFURBISHMENTS	OFFICE ALTERATIONS	FURNITURE	COMPUTERS	VEHICLES	TOTAL
COST	\$	\$	\$	\$	\$	\$	\$
Balance at 1 January 2018	165,871	2,260,067	438,506	363,677	439,588	–	3,667,709
Additions	–	4,207	–	–	6,518	–	10,725
Disposals	–	–	–	(102,391)	(181,652)	–	(284,043)
Balance at 31 December 2018	165,871	2,264,274	438,506	261,286	264,454	–	3,394,391
DEPRECIATION							
Balance at 1 January 2018	–	899,552	433,937	344,633	407,014	–	2,085,136
Disposals	–	–	–	(102,337)	(181,652)	–	(283,989)
Depreciation	–	113,650	3,545	2,048	22,449	–	141,693
Balance at 31 December 2018	–	1,013,202	437,482	244,344	247,811	–	1,942,839
CARRYING AMOUNT AT 31 DECEMBER 2018	165,871	1,251,072	1,024	16,942	16,643	–	1,451,550
COST							
Balance at 1 January 2017	165,871	2,260,067	438,506	363,915	425,910	26,074	3,680,343
Additions	–	–	–	842	13,678	–	14,520
Disposals	–	–	–	(1,080)	–	(26,074)	(27,154)
Balance at 31 December 2017	165,871	2,260,067	438,506	363,677	439,588	–	3,667,709
DEPRECIATION							
Balance at 1 January 2017	–	786,233	419,481	335,703	382,954	6,388	1,930,759
Disposals	–	–	–	(1,080)	–	(7,474)	(8,554)
Depreciation	–	113,319	14,456	10,010	24,060	1,086	162,931
Balance at 31 December 2017	–	899,552	433,937	344,633	407,014	–	2,085,136
CARRYING AMOUNT AT 31 DECEMBER 2017	165,871	1,360,515	4,569	19,044	32,574	–	1,582,572

PHARMACY GUILD	LAND	BUILDINGS AND BUILDING REFURBISHMENTS	OFFICE ALTERATIONS	FURNITURE	COMPUTERS	VEHICLES	TOTAL
COST	\$	\$	\$	\$	\$	\$	\$
Balance at 1 January 2018	245,871	2,628,139	440,823	363,677	437,336	–	4,115,846
Additions	–	4,207	–	–	5,840	–	10,047
Disposals	–	–	–	(102,391)	(181,652)	–	(284,043)
Balance at 31 December 2018	245,871	2,632,346	440,823	261,286	261,524	–	3,841,850
DEPRECIATION							
Balance at 1 January 2018	–	899,552	433,937	344,633	406,864	–	2,084,986
Disposals	–	–	–	(102,337)	(181,652)	–	(283,989)
Depreciation	–	113,650	3,545	2,048	21,390	–	140,634
Balance at 31 December 2018	–	1,013,202	437,482	244,344	246,602	–	1,941,630
CARRYING AMOUNT AT 31 DECEMBER 2018	245,871	1,619,144	3,341	16,942	14,922	–	1,900,218
COST							
Balance at 1 January 2017	245,871	2,628,139	440,823	363,915	425,910	–	4,104,658
Additions	–	–	–	842	11,426	–	12,268
Disposals	–	–	–	(1,080)	–	–	(1,080)
Balance at 31 December 2017	245,871	2,628,139	440,823	363,677	437,336	–	4,115,846
DEPRECIATION							
Balance at 1 January 2017	–	786,233	419,481	335,703	382,954	–	1,924,371
Disposals	–	–	–	(1,080)	–	–	(1,080)
Depreciation	–	113,319	14,456	10,010	23,910	–	161,695
Balance at 31 December 2017	–	899,552	433,937	344,633	406,864	–	2,084,986
CARRYING AMOUNT AT 31 DECEMBER 2017	245,871	1,728,587	6,886	19,044	30,472	–	2,030,859

13. INTANGIBLE ASSETS

	TRADEMARKS	SOFTWARE	WEBSITE	TOTAL
	\$	\$	\$	\$
CONSOLIDATED				
COST				
Balance at 1 January 2018	3,361	167,748	211,163	382,272
Additions – purchased	–	12,401	3,000	15,401
Disposals	–	–	(191,742)	(191,742)
Balance at 31 December 2018	3,361	180,149	22,421	205,931
AMORTISATION AND IMPAIRMENT				
Balance at 1 January 2018	268	162,798	193,220	356,285
Disposals	–	–	(191,742)	(191,742)
Amortisation	336	2,483	8,568	11,387
Balance at 31 December 2018	604	165,281	10,046	175,930
CARRYING AMOUNT AT 31 DECEMBER 2018	2,757	14,868	12,375	30,001
COST				
Balance at 1 January 2017	–	162,798	191,742	354,540
Additions	3,361	4,950	19,421	27,732
Balance at 31 December 2017	3,361	167,748	211,163	382,272
AMORTISATION AND IMPAIRMENT				
Balance at 1 January 2017	–	162,798	184,051	346,849
Amortisation	268	–	9,169	9,437
Balance at 31 December 2017	268	162,798	193,220	356,285
CARRYING AMOUNT AT 31 DECEMBER 2017	3,094	4,950	17,943	25,987

	TRADEMARKS	SOFTWARE	WEBSITE	TOTAL
	\$	\$	\$	\$
PHARMACY GUILD				
COST				
Balance at 1 January 2018	3,361	–	58,094	61,455
Disposals	–		(53,167)	(53,167)
Balance at 31 December 2018	3,361	–	4,927	8,288
AMORTISATION AND IMPAIRMENT				
Balance at 1 January 2018	268	–	54,645	54,912
Disposals	–		(53,167)	(53,167)
Amortisation	336	–	1,971	2,307
Balance at 31 December 2018	604	–	3,449	4,052
CARRYING AMOUNT AT 31 DECEMBER 2018	2,757	–	1,478	4,236
COST				
Balance at 1 January 2017	–	–	53,617	53,617
Additions	3,361	–	4,927	8,288
Balance at 31 December 2017	3,361	–	58,094	61,455
AMORTISATION AND IMPAIRMENT				
Balance at 1 January 2017	–	–	53,167	53,167
Amortisation	268	–	1,478	1,746
Balance at 31 December 2017	268	–	54,645	54,912
CARRYING AMOUNT AT 31 DECEMBER 2017	3,094	–	3,449	6,543

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

14. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	ASSETS		LIABILITIES		NET	
	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$
CONSOLIDATED						
Employee benefits	(2,656)	(2,761)	–	–	(2,656)	(2,761)
Trade and other payables	(5,378)	(5,006)	–	–	(5,378)	(5,006)
Inventory obsolescence	(8,688)	(8,688)			(8,688)	(8,688)
Tax value of loss carry-forwards recognised	–	–	–	–	–	–
Tax (assets) / liabilities	(16,722)	(16,455)	–	–	(16,722)	(16,455)
Set off of tax						
NET TAX (ASSETS) / LIABILITIES	(16,722)	(16,455)	–	–	(16,722)	(16,455)
PHARMACY GUILD						
Employee benefits	(2,656)	(2,761)	–	–	(2,656)	(2,761)
Trade and other payables	(1,179)	(1,086)	–	–	(1,179)	(1,086)
Tax value of loss carry-forwards recognised	–	–	–	–	–	–
Tax (assets) / liabilities	(3,835)	(3,847)	–	–	(3,835)	(3,847)
Set off of tax						
NET TAX (ASSETS) / LIABILITIES	(3,835)	(3,847)	–	–	(3,835)	(3,847)

Movement in temporary differences during the year

	BALANCE 1 JANUARY 2017	RECOGNISED IN INCOME	RECOGNISED IN EQUITY	BALANCE 31 DECEMBER 2017
CONSOLIDATED				
Employee benefits	1,651	1,110	–	2,761
Trade and other payables	5,162	(156)	–	5,006
Inventory obsolescence	–	8,688	–	8,688
Tax value of loss carry-forwards utilised	9,158	(9,158)	–	–
	15,971	485	–	16,455

PHARMACY GUILD				
Employee benefits	1,651	1,110	–	2,761
Trade and other payables	1,242	(156)	–	1,085
	2,893	954	–	3,847

	BALANCE 1 JANUARY 2018	RECOGNISED IN INCOME	RECOGNISED IN EQUITY	BALANCE 31 DECEMBER 2018
CONSOLIDATED				
Employee benefits	2,761	(105)	–	2,656
Trade and other payables	5,006	373	–	5,378
Inventory obsolescence	8,688	–	–	8,688
	16,455	267	–	16,722

PHARMACY GUILD				
Employee benefits	2,761	(105)	–	2,656
Trade and other payables	1,085	94	–	1,179
	3,847	(13)	–	3,835

15. EMPLOYEE ENTITLEMENTS

	CONSOLIDATED		PHARMACY GUILD	
	2018	2017	2018	2017
	\$	\$	\$	\$
Accrued wages	(19,486)	(25,296)	(19,486)	(25,296)
Holiday pay accrual	58,981	51,922	58,981	51,922
BALANCE AT END OF YEAR	39,494	26,626	39,494	26,626

16. LEASES

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

	CONSOLIDATED		PHARMACY GUILD	
	2018	2017	2018	2017
	\$	\$	\$	\$
Less than one year	–	–	–	–
Between one and five years	–	–	–	–
Greater than five years	–	–	–	–
	–	–	–	–

17. GIFT VOUCHERS

	CONSOLIDATED	CONSOLIDATED
	2018	2017
	\$	\$
Opening Balance	464,615	504,750
Additional / reduced provision	(2,470)	(4,645)
	462,145	500,105
Gift voucher write off	(43,145)	(35,490)
CLOSING BALANCE	419,000	464,615

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

	2018	2017
	\$	\$
Sales	2,074,799	1,994,716
Profit before taxation	132,963	167,358
Tax expense	(31,909)	(46,390)
Profit after tax	101,054	120,968
Equity from prior year	544,349	423,381
Dividend paid	—	—
SHAREHOLDER EQUITY	645,403	544,349
WORKING CAPITAL		
Cash & deposits	608,139	589,202
Accounts Receivable	312,760	305,382
Inventory	437,607	536,736
Income Tax Receivable	2,673	7,884
Investments	450,000	450,000
GST Receivable / (Payable)	(13,934)	(27,876)
Creditors	(760,328)	(873,910)
Unclaimed gift vouchers	(419,000)	(464,615)
	617,917	522,803
Intangibles	25,765	19,444
Property & Equipment	1,721	2,102
NET ASSETS	645,403	544,349

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 \$308,229 (2017: \$211,071)

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

Divisional fund \$607,795 (2017: \$586,186)

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:

	2018	2017
	\$	\$
Division funds – Northern	202,599	199,197
Division funds – Central	144,067	140,315
Division funds – Midland	100,676	95,480
Division funds – Canterbury	109,567	103,478
Division funds – Otago	50,886	47,716
	607,795	586,186

Pharmacy information fund \$35,217 (2017: \$35,217)

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 2018, no funds were spent. (2017: recovery \$15,790)

Pharmacycare sale fund \$160,253 (2017: \$160,253)

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

During 2018, no funds were spent. (2017: expenditure \$21,000)

Pharmacy Xpo sale fund \$457,713 (2017: \$457,713)

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 2018, no funds were spent. (2017: 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	
	2018	2017	2018	2017
	\$	\$	\$	\$
FINANCIAL ASSETS				
Loans and receivables				
Cash and deposits	744,251	1,198,023	136,119	608,824
Short term investments	1,650,000	1,050,000	1,200,000	600,000
Receivables from exchange transactions	435,663	424,829	143,203	127,179
	2,829,914	2,672,852	1,479,322	1,336,003
FINANCIAL LIABILITIES				
At amortised cost				
Trade and other creditors	290,615	275,307	87,687	111,234
Employee entitlements	39,494	26,626	39,494	26,626
Provision for tax	(2,124)	49,577	550	57,461
	327,985	351,510	127,731	195,321

21. BOARD REMUNERATIONS

		REMUNERATION (HONORARIUMS / FEES / LOCUMS)	
		2018	2017
		\$	\$
G Blanchard**	President (from June 2016)	97,593	113,084
K Crisp**	Board Member (to June 2017)	–	4,045
K Maxwell	Board Member (from November 2014)	6,420	7,884
K Orr**	Board Member (to June 2017)	–	2,250
A Roberts**	Board Member (from June 2014), PSL Director (from June 2016)	4,410	4,102
C Monteith**	Board Member (from June 2015), Vice President from June 2016	31,443	32,423
J Wright**	Board Member (from June 2016), PSL Director (from September 2016)	28,110	18,946
C Keenan	Board Member (from June 2016)	5,367	5,250
S Heswall	Board Member (from June 2017)	1,933	4,400
D Bailey	Board Member (from June 2017)	5,477	4,524
S Wu	Board Member (from June 2018)	3,114	–
		183,868	196,908

**Includes fees for work and meetings attended in relation to the Community 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	
	2018	2017	2018	2017
	\$	\$	\$	\$
Reconciliation of net profit (loss) to net cash from operating activities				
Net profit / (loss)	91,610	179,739	(9,724)	59,241
Non-cash flows in operating profit:				
Depreciation	153,134	173,563	142,995	163,441
Gain on disposal of assets	–	(735)	–	–
Movement in income taxes payable	(51,701)	(5,325)	(56,911)	(7,379)
Movement in deferred taxes	(267)	(484)	12	(954)
Changes in assets and liabilities:				
(Increase) / Decrease in trade debtors, receivables and accrued income	(78,686)	77,861	(70,670)	30,520
(Increase) / Decrease in goods and services tax	(17,628)	55,822	(3,686)	23,209
(Increase) / Decrease in stock	99,129	(44,541)	–	–
(Increase) / Decrease in interentity current accounts	–	–	146,000	148,886
Increase / (Decrease) in payables and provisions	22,376	(114,875)	(10,679)	(110,674)
Increase / (Decrease) in gift vouchers	(45,615)	(40,135)	–	–
NET CASH PROVIDED BY OPERATING ACTIVITIES	172,352	280,890	137,337	306,290

23. COMMITMENTS

Capital commitments

Neither the Group or the Parent had any capital commitments as at 31 December 2018 (2017: nil)

Finance lease commitments

Neither the Group or the Parent had any finance lease commitments as at 31 December 2018 (2017: nil)

24. CONTINGENCIES

The Company and Group have no contingent liabilities or contingent assets at reporting date. (2017: 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 the Group.

ANNUAL GENERAL *meeting minutes*

Held at the Ellerslie Racecourse, Auckland

Tuesday 12 June 2018

ATTENDEES

Anthony Roberts	Kathy Maxwell	Marie Bennet	Peter Cooke
Cameron Monteith	Ken Orr	Sunil Kumar	Shelley Lancaster
Graeme Blanchard	Shane Heswall	Linda Jones	
Grant Bai	Shun-Yu Wu	Andrew Gaudin	
Jason Wright	Des Bailey	Cam Brinsdon	

Proxy's

Ian McMichael	<i>Pharmacy 547, Huntly West Pharmacy, Anglesea Pharmacy</i>
Richard Kingsley Barley	<i>Unichem Taradale Pharmacy</i>

Quorum

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

1. WELCOME

Guild President Graeme Blanchard welcomed everyone to the 2018 AGM and thanked them for their attendance.

Graeme called for items of general business – there were no items of general business.

2. APOLOGIES

Ian McMichael	Catherine Keenan	Richard Kingsley Barley
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That the apologies be accepted.

Graeme Blanchard / Des Bailey

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 2017 annual general meeting were taken as read.

That the minutes of the annual general meeting held on 14 June 2017 be accepted as a true and correct record of the meeting.

Graeme Blanchard / Cam Monteith
CARRIED

5. MATTERS ARISING

Graeme Blanchard called for matters arising that were not covered elsewhere on the agenda. There were no matters arising.

Graeme Blanchard / Kathy Maxwell
CARRIED

6. PRESIDENTS ADDRESS

The President spoke to his written report, as follows:

Community pharmacy provides the most cost-effective and efficient public health service available. We have so much to be proud of.

We are open long hours, and patients can come in and speak with a trained health professional without the need for an appointment. That is very unique in health care.

Thanks to the expertise and commitment of our people, plus the support of our members, the extension of the CPSA in 2017 was a resounding success for the sector, securing around 5% more funding to help keep our community pharmacy businesses viable while providing care to our patients.

Sustainability of the sector is key to our ability to add value to patient care under the current health system. Through 2017 the Guild played the leading role in impressing this upon our funders and the rest of the health sector.

We faced many of the same challenges pharmacy was faced with last year. Postcode health, where New Zealanders have varying degrees of access to

pharmacy services depending on where they live, remained a significant issue needing to be addressed. Securing equal access to valuable pharmacy services across the country seems so logical and fair, but it appears we still have a lot of work to do to convince our funders that this is the best way to deliver health services to achieve optimal health outcomes for all New Zealanders.

I am proud to say that the pharmacy sector is more unified than it has been for many years. To continue to value the contribution each of the representative agencies brings to the table is critical going forward. With this in mind, we continue to work with our colleagues in the Community Pharmacy Leaders Forum (CPLF), the Pharmaceutical Society, and Green Cross Health, amongst others.

The Guild was invited to become a member of the Primary Health Alliance in 2017, an opportunity that we warmly welcomed. Being at the table so that we can work together with other primary care leaders in shaping the future is another step towards cementing our role in a more integrated approach to patient care.

In November we gained a new Minister of Health following a change of Government through the General Election. Hon. Dr David Clark is on record as valuing the work community pharmacy does and seeing no reason for us to be deregulated. These are important positions to understand when we are working with him in the future.

On a number of occasions throughout the year we offered useful and realistic strategies to the DHBs to help achieve the Pharmacy Action Plan. This included offering to help develop and trial new services.

In 2017 the direction the DHBs indicated they would like to head in with our contract has no evidence as to its likelihood of working, no surety of funding, and we were given no plan beyond the first year. This leaves us with a great deal of concern and will no doubt occupy a great deal of our time in the years to come.

This is a time, more than ever, for pharmacy to unite. To work together to secure our role in what is to become the future of patient care.

In May we welcomed new board members Des Bailey, owner of Selwyn Village Pharmacy in Christchurch, who represents the Guild's Southern Electorate, and Shane Heswall, owner of Maunu Pharmacy and Kensington Pharmacy in Whangarei, who represents the Guild's Northern Electorate.

Karen Crisp and Ken Orr stood down from the Board, after making a very significant contribution over many years. Ken's roles included Vice President and President. Throughout this time, he provided dedicated and uncompromised leadership to the Guild. His ability to look at the bigger picture and plan for the future has been invaluable.

Karen's roles included Vice President, President, and Executive Chair. Her optimism, energy, and passion for community pharmacy and our patients was immensely valuable to the Guild, community pharmacy and to the wider health sector. She played a key role in my early years on the Board and it was much appreciated.

I would like to thank Andrew Gaudin, our CE, for his skill, energy and commitment over the past year. He has given his time tirelessly and been immensely valuable to pharmacy. I would also like to thank his team at Guild HQ. He has assembled a very capable group of people that we can all be proud of for the talents they bring and the effort they put in for our members.

You will be pleased to know that our board members also made significant and valuable contribution to the Guild's work throughout the year. In particular, Cameron Monteith and Jason Wright, as members of the Contract Group, supported Andrew by providing a pharmacist's perspective to the many days of discussions. Giving up their family and personal time to help shape the future of community pharmacy is much appreciated and I have valued their input immensely.

That the President's Report be accepted.

Graeme Blanchard / Cam Monteith
CARRIED

7. ANNUAL ACCOUNTS

Graeme Blanchard moved that the Audited Accounts for the Pharmacy Guild of New Zealand (Inc) and Pharmaceutical Services Limited for the year ended 31 December 2017 be accepted.

Graeme Blanchard / Anthony Roberts
CARRIED

8. APPOINTMENT OF AUDITORS

Graeme Blanchard moved that RSM Hayes be reappointed as auditors for the coming year.

Graeme Blanchard / Cam Monteith
CARRIED

9. SETTING OF GUILD FEES FOR THE COMING YEAR

Graeme Blanchard moved that there be no changes to membership fees for the coming year.

Graeme Blanchard / Des Bailey
CARRIED

10. APPOINTMENT OF REPRESENTATIVES

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

- Northern Electorate: Kathy Maxwell and Shane Heswall
- Midland Electorate: Cameron Monteith and Catherine Keenan
- Central Electorate: Anthony Roberts and Graeme Blanchard
- Southern Electorate: Des Bailey continues on the Board and Shun-Yu Wu is welcomed as a new board member.

The appointments of Grant Bai and Jason Wright as co-opted Board members is noted as ongoing. Ian McMichael continues on the board as a non-voting reciprocal board member with the Pharmaceutical Society.

Graeme Blanchard / Cam Monteith
CARRIED

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 Cam Monteith as the new Vice President.

13. GENERAL BUSINESS

There was none.

14. CLOSE OF MEETING

The meeting concluded at 7.30pm. Graeme thanked the Board again for their support and leadership.

Confirmed:



Graeme Blanchard
PRESIDENT

June 2018

Pharmacy Guild Of New Zealand (Inc)

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