

Dedicated to  
member pharmacies



# Annual Report 2019

PHARMACY GUILD OF NEW ZEALAND (INC)  
FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 DECEMBER 2019

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# PRESIDENT'S *report*



**Cameron Monteith** – President

## ***We know community pharmacy has a role to play in addressing inequity and improving health and wellbeing outcomes.***

As the employer of approximately 77% of all pharmacists, the community pharmacy sector plays a crucial role in primary health, offering accessible, low cost health care in the community.

We are at a critical juncture for community pharmacy, and there is a growing recognition of pharmacists' expanded role in keeping people healthy, well and out of hospital. Key sector challenges include sustainability of community pharmacies and professional staff retention.

The Guild is eager to actively partner in crafting solutions, while also taking advantage of several promising opportunities, to help deliver a strengthened, well-resourced community pharmacy and primary health care sector. We also want to facilitate sustainable reforms addressing the ongoing viability of our profession.

### **Pharmacy services**

Community pharmacists working at full scope of practice, as outlined in the Pharmacy Action Plan, is a path we wish to follow toward delivering consistent, equitable access to medicines and expert community pharmacist advice for all New Zealanders, especially for Māori, Pasifika and other vulnerable population groups. Allowing community pharmacist vaccinators to administer the MMR vaccine in 2019 was encouraging, and we will push for more pharmacy services, particularly funded services, including common ailments, population health, personal health and complex medicine management services.

Our members agree. During a road show in late 2019, members not only agreed the Guild's top strategic priorities; but also supported an expanded range of professional services, along with practical tools being implemented to deal with competition, development of user-pays services, and more emphasis placed on workflow, IT and automation. Members' feedback will continue to shape our future activity.

A key goal for us is to firmly entrench a quality framework to set our members apart from other pharmacies, creating a benchmark for access to future services. To achieve this, we will constantly engage with our members and ensure this goal is well-embedded over time.

### **Celebrating innovation**

There is plenty of excellence and innovation in the sector, and this was celebrated nationally at the new Primary Healthcare Awards, which were held for the first time in February 2020.

The Primary Healthcare Awards replace the highly successful Pharmacy Awards and offer the chance to widen the focus of the awards and reward innovation across the entire primary care sector.

We are keen to recognise and reward the hard work that primary health care professionals do every day, keeping New Zealanders well and out of hospital.

We see the new awards as a chance to develop and enhance collaboration and teamwork between pharmacists, GPs, nurses, and practice managers, celebrating the collective work that is being done across the sector.

We look forward to continuing our promotion of these initiatives across the sector.

## Acknowledgement of Guild Board and staff

None of our work would be possible without our dedicated Board, and Guild HQ professional staff. I would like to thank the Board for setting aside their time to guide this organisation forward so we can achieve great outcomes for community pharmacy. Throughout my time on the board, I have been impressed by the variety of people who have come forward to represent community pharmacy.

I was elected as president in 2019 to replace Graeme Blanchard. I would like to acknowledge Graeme for his sound leadership from 2016 to 2019. I was privileged to serve alongside him as Vice President.

I have begun my term working with a great Vice President, Catherine Keenan, owner of Vivian Pharmacy in New Plymouth. She is a passionate advocate for Guild members and for community pharmacy.

We were delighted this year to welcome James Westbury, of Westbury Pharmacy in Waikanae, to the Board, as well as Glenn Mills from Green Cross Health in a co-opted role, and Rhiannon Braund, as a reciprocal non-voting board member from the Pharmaceutical Society. Their skills and talents will prove hugely beneficial for the Board.

Thank you also to the Guild HQ staff for their unwavering commitment to our members and our sector. Guild Chief Executive Andrew Gaudin has orchestrated many key achievements during 2019 and his commitment to community pharmacy is greatly appreciated.

Guild HQ staff have also worked hard to support members, developing resources to help members run their businesses. My fellow board members and I hugely appreciate the support from Guild HQ staff.

I am optimistic about the future of community pharmacy and in the Guild's direction to deliver well for our members. With the leadership, hard work and vision of our Board and our staff, we are well-placed to secure a bright future for our profession.



**Cameron Monteith**  
**PRESIDENT**  
**PHARMACY GUILD OF NEW ZEALAND**

# CHIEF EXECUTIVE'S *report*



**Andrew Gaudin** – Chief Executive

***This past year has presented numerous opportunities and challenges. Our core goal of advancing, promoting and future-proofing community pharmacy has however not wavered.***

We accomplish this by working positively with other key players in the sector and ensuring pressing issues for community pharmacy are very much on the agenda. We have accomplished a lot this year, and we are in good shape to face the challenges ahead.

## **Co-payment policy**

The removal, whether partially or in full, of the co-payment, has been and continues to be a key priority focus for us and our members. Our aim is to improve patient access, equity of health and wellbeing outcomes, create financial savings for the government through reduced hospital admissions by keeping people well and out of hospital, and to deliver a more stable and sustainable community pharmacy sector. Our advocacy during 2019 has seen much increased political awareness among the key decision-makers of the need for change and we hope to see this further recognised in 2020.

The co-payment is not affordable for all New Zealanders. In fact, around 257,000 New Zealanders could not afford this charge in 2017/18, and therefore they miss out on access to essential medicines and advice. This is worse for Māori, Pacific people, low-income earners and rural populations.

We also have concerns with the strategy of some large retail pharmacy chains who have begun waiving the charge in order to boost foot traffic into their stores and drive retail sales. Independent pharmacies are falling behind as they typically cannot afford to waive the charge without dropping their level of service.

In our advocacy efforts, we have been up-front about the fact that the charge acts as an access barrier, and, as we have seen, can be used to distort the market. Removing the co-payment would deliver improved, sustainable health care to all New Zealanders, regardless of where they live. It would also support a sustainable community pharmacy sector.

## **ICPSA discussions**

One of the Guild's key roles continues to be representing members in Integrated Community Pharmacy Services Agreement (ICPSA) national discussions. Our key ongoing concerns in this area are primarily about professional workforce sustainability cost pressures, which also adversely impact sector sustainability. We are eager to ensure these concerns are addressed in upcoming contract negotiation rounds.

In 2019, we secured \$19 million of additional funding as part of the first ICPSA voluntary variation. We know, however, that more is needed. We believed cost pressures were significantly above 2%, and we contested this with robust evidence. However, we also recognised the significant financial constraints DHBs were operating under, and we saw Variation 1A as the most we could have achieved from them at this time. Therefore, we advised our members to accept the variation, alongside reasonable contract term changes.

## Sector relationships

At the Guild, we pride ourselves on forming constructive relationships with key sector stakeholders, as this is the most reasonable way to deliver results for our members. We are pleased to report that these relationships are on a sound footing, and it is because of this that we were able to deliver positive results for our members and for community pharmacy.

This includes getting the co-payment issue placed firmly and securely on the political decision-making agenda, advocating for the final Therapeutic Products Bill to support pharmacist ownership and effective control, to the point that the Minister now supports this, and having our key strategic priorities for the sector reflected in the Health and Disability System Review interim report, among other things.

The Guild continues to be involved with the Federation of Primary Health Aotearoa New Zealand and the Primary Health Alliance, and the Guild continues its leadership role in coordinating the Community Pharmacy Leaders Forum. These collaborative forums allow us to speak with one voice on the issues that matter for community pharmacy, and our calls to action are amplified when we speak together in this unified way.

## Acknowledgement of Guild Board and staff

The Guild Board have provided measured and helpful advice and guidance throughout 2019, setting us some key objectives and helping us navigate our way towards achieving them. As always, we greatly appreciate their guidance and counsel as we strive to make a positive difference for the future of our community pharmacy members.

I also wish to especially acknowledge the staff at Guild HQ. They are consummate professionals who have a deep understanding of the sector and the needs of our members. Their knowledge and enthusiasm give me great confidence in our ability to deliver for members and to continuously work toward exceeding members' expectations.

Overall, I am optimistic about the year ahead and the results we will achieve together, to safeguard the future of community pharmacy.

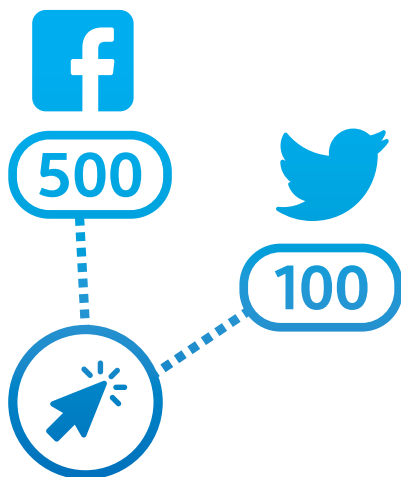


**Andrew Gaudin**  
**CHIEF EXECUTIVE**  
**PHARMACY GUILD OF NEW ZEALAND**

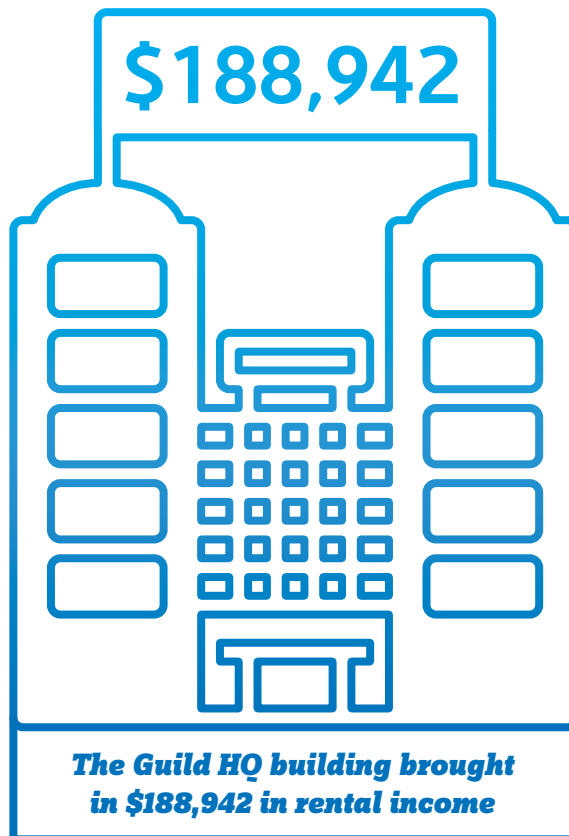
# ***Guild***

## HIGHLIGHTS

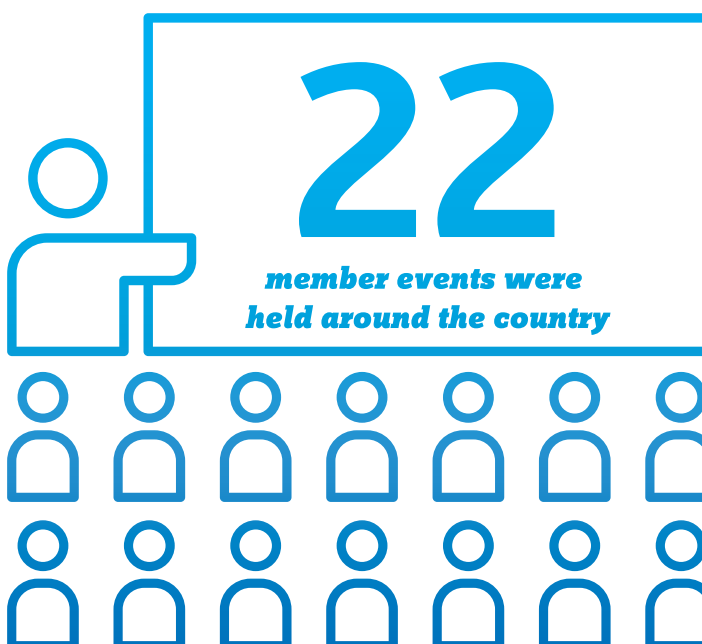
### ***2019***



***The Guild posted to Facebook 500 times, and to Twitter over 100 times***



***The Guild issued 7 media releases and responded to 46 media queries***





**68**

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



**Pharmacode income of  
\$296,550**



**Our members made over 150 HR queries via our 0800 HR advice line**



**Our Professional Services team responded to over 378 member queries in 2019**

**21**

**submissions were prepared on behalf of members, 12 of these were to PHARMAC**



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

## **Statement of Responsibility**

✚ for the year ended 31 December 2019

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 2019;
- 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 2019;
- 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 2019;
- there are reasonable grounds to believe that the Guild will be able to pay its debts as and when they fall due.



**Cameron Monteith**  
**PRESIDENT**  
**PHARMACY GUILD OF NEW ZEALAND**

RSM Hayes Audit

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## 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 2019;
- the consolidated and separate statement of comprehensive revenue and expenses 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 2019, 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 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 2019 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 the 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 the 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](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 (Inc) 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 that reads 'RSM'.

**RSM Hayes Audit**  
Auckland

21 May 2020

## Statement of Comprehensive Revenue and Expenses

✚ for the year ended 31 December 2019

	NOTE	CONSOLIDATED		PHARMACY GUILD	
		2019	2018	2019	2018
		\$	\$	\$	\$
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>					
Members' subscriptions		1,789,376	1,820,022	1,789,376	1,820,022
Interest		62,458	59,352	43,162	37,779
Rent		199,197	180,681	199,197	180,681
Other income	5	2,564,049	2,804,025	632,208	822,746
<b>Total revenue</b>		<b>4,615,080</b>	<b>4,864,080</b>	<b>2,663,943</b>	<b>2,861,228</b>
<b>EXPENSES</b>					
	6				
Cost of goods sold		1,617,224	1,750,424	-	-
Advocacy and negotiation		700,095	896,704	700,095	896,704
Board		172,842	233,319	172,842	233,319
Promotion		472,926	431,615	472,926	431,615
Training		8,556	20,380	8,556	20,380
Administration		1,277,553	1,408,386	1,164,483	1,288,921
<b>Total expenses</b>		<b>4,249,196</b>	<b>4,740,828</b>	<b>2,518,902</b>	<b>2,870,939</b>
<b>Total surplus / (deficit) for the period</b>		<b>365,883</b>	<b>123,252</b>	<b>145,041</b>	<b>(9,711)</b>
<b>Total comprehensive revenue and expense before income tax</b>		<b>365,883</b>	<b>123,252</b>	<b>145,041</b>	<b>(9,711)</b>
Income tax expense / (benefit)	8	88,240	31,642	26,164	13
<b>TOTAL COMPREHENSIVE REVENUE AND EXPENSE AFTER INCOME TAX</b>		<b>277,643</b>	<b>91,610</b>	<b>118,877</b>	<b>(9,724)</b>
Surplus or deficit attributable to the owners of the controlling entity		277,643	91,610	118,877	(9,724)
Total comprehensive revenue and expense attributable to the owners of the controlling entity		277,643	91,610	118,877	(9,724)

The accompanying notes form part of these financial statements.

## Statement of Changes in Equity

for the year ended 31 December 2019

	NOTE	ACCUMULATED REVENUE AND EXPENSE	SUBSIDIARY OPERATIONAL FUND	DIVISIONAL FUND	GUILD SPECIAL FUNDS	PROPERTY, PLANT AND EQUIPMENT RESERVE	TOTAL
CONSOLIDATED		\$	\$	\$	\$	\$	\$
Equity at 1 January 2018		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	–	–	–	–	–	–
<b>Total comprehensive income</b>		<b>(31,332)</b>	<b>101,334</b>	<b>21,608</b>	<b>–</b>	<b>–</b>	<b>91,610</b>
<b>EQUITY AT 31 DECEMBER 2018</b>		<b>2,512,272</b>	<b>312,405</b>	<b>607,794</b>	<b>653,183</b>	<b>–</b>	<b>4,085,652</b>
Profit / (Loss) for the year		114,813	158,766	4,064	–	–	277,643
Use of special purpose funds	19	–	–	–	–	–	–
<b>Total comprehensive income</b>		<b>114,813</b>	<b>158,766</b>	<b>4,064</b>	<b>–</b>	<b>–</b>	<b>277,643</b>
<b>EQUITY AT 31 DECEMBER 2019</b>		<b>2,627,085</b>	<b>471,171</b>	<b>611,858</b>	<b>653,183</b>	<b>–</b>	<b>4,363,295</b>

PHARMACY GUILD							
Equity at 1 January 2018		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	–	–	–	–	–	–
<b>Total comprehensive income</b>		<b>(31,332)</b>	<b>–</b>	<b>21,608</b>	<b>–</b>	<b>–</b>	<b>(9,724)</b>
<b>EQUITY AT 31 DECEMBER 2018</b>		<b>2,616,773</b>	<b>–</b>	<b>607,794</b>	<b>653,183</b>	<b>–</b>	<b>3,877,752</b>
Profit/(Loss) for the year		114,813	–	4,064	–	–	118,877
Use of special purpose funds	19	–	–	–	–	–	–
<b>Total comprehensive income</b>		<b>114,813</b>	<b>–</b>	<b>4,064</b>	<b>–</b>	<b>–</b>	<b>118,877</b>
<b>EQUITY AT 31 DECEMBER 2019</b>		<b>2,731,585</b>	<b>–</b>	<b>611,858</b>	<b>653,183</b>	<b>–</b>	<b>3,996,629</b>

The accompanying notes form part of these financial statements.

## Statement of Financial Position

as at 31 December 2019

	NOTE	CONSOLIDATED		PHARMACY GUILD	
		2019	2018	2019	2018
		\$	\$	\$	\$
<b>ASSETS</b>					
Cash and deposits	9	612,921	744,251	174,777	136,119
Trade and other receivables		416,731	435,663	173,335	143,203
Sundry debtors and prepayments		212,885	89,097	210,947	68,797
Inventories	10	445,439	437,607	6,312	–
Short term investments		2,050,000	1,650,000	1,600,000	1,200,000
Guild current accounts	11	–	–	286,788	540,200
Deferred tax	14	15,665	16,722	2,424	3,835
<b>Total current assets</b>		<b>3,753,642</b>	<b>3,373,340</b>	<b>2,454,582</b>	<b>2,092,154</b>
Property, plant and equipment	12	1,338,609	1,451,550	1,788,449	1,900,218
Intangible assets	13	61,694	30,001	26,840	4,236
<b>Total non-current assets</b>		<b>1,400,303</b>	<b>1,481,551</b>	<b>1,815,289</b>	<b>1,904,454</b>
<b>Total Assets</b>		<b>5,153,945</b>	<b>4,854,891</b>	<b>4,269,871</b>	<b>3,996,608</b>
<b>LIABILITIES</b>					
Trade and other payables		291,981	290,615	125,294	87,687
Income in advance		119,458	17,200	87,800	–
Employee entitlements	15	51,344	39,494	51,344	39,494
Provision for tax	8	55,943	(2,124)	25,718	550
GST payable		(3,168)	5,055	(16,916)	(8,879)
Unclaimed gift vouchers	17	275,095	419,000	–	–
<b>Total current liabilities</b>		<b>790,653</b>	<b>769,240</b>	<b>273,240</b>	<b>118,852</b>
Finance term liability	23	–	–	–	–
<b>Total non-current liabilities</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total Liabilities</b>		<b>790,653</b>	<b>769,240</b>	<b>273,240</b>	<b>118,852</b>
<b>NET ASSETS</b>		<b>4,363,295</b>	<b>4,085,652</b>	<b>3,996,629</b>	<b>3,877,752</b>
<b>EQUITY</b>					
Retained surplus		2,627,085	2,512,272	2,731,585	2,616,773
Subsidiary operational fund	19	471,171	312,405	–	–
Divisional fund	19	611,858	607,795	611,858	607,795
Guild special funds	19	653,183	653,183	653,183	653,183
<b>TOTAL EQUITY</b>		<b>4,363,295</b>	<b>4,085,652</b>	<b>3,996,629</b>	<b>3,877,752</b>

The accompanying notes form part of these financial statements.

For and on behalf of the  
board on 21 May 2020

  
**PRESIDENT**

  
**VICE PRESIDENT**

## Statement of Cash Flows

✚ for the year ended 31 December 2019

	NOTE	CONSOLIDATED		PHARMACY GUILD	
		2019	2018	2019	2018
		\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>Receipts</b>					
Subscriptions, ownership levy and other income		4,403,291	4,682,900	2,701,909	2,898,779
Interest received		62,458	59,352	43,162	37,779
		<b>4,465,749</b>	<b>4,742,252</b>	<b>2,745,071</b>	<b>2,936,558</b>
<b>Payments</b>					
Payments to suppliers and employees		(4,106,132)	(4,486,290)	(2,266,966)	(2,742,309)
Income tax paid		(29,116)	(83,610)	416	(56,912)
		<b>(4,135,249)</b>	<b>(4,569,900)</b>	<b>(2,266,550)</b>	<b>(2,799,221)</b>
<b>Net cash from / (used in) operating activities</b>	<b>22</b>	<b>330,500</b>	<b>172,352</b>	<b>478,521</b>	<b>137,337</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>Receipts</b>					
Sale of property, plant and equipment		–	–	–	–
Sale of short term investments		–	–	–	–
		–	–	–	–
<b>Payments</b>					
Purchase of plant and equipment		(61,830)	(26,126)	(39,863)	(10,047)
Purchase of short term investments		(400,000)	(600,000)	(400,000)	(600,000)
		<b>(461,830)</b>	<b>(626,126)</b>	<b>(439,863)</b>	<b>(610,047)</b>
<b>Net cash flows from / (used in) investing activities</b>		<b>(461,830)</b>	<b>(626,126)</b>	<b>(439,863)</b>	<b>(610,047)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<b>Payments</b>					
Equipment lease		–	–	–	–
<b>Net cash flows from / (used in) financing activities</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Net increase (decrease) in cash and cash equivalents		(131,330)	(453,774)	38,658	(472,710)
Cash and cash equivalents at the beginning of the period		744,251	1,198,023	136,119	608,824
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>9</b>	<b>612,921</b>	<b>744,251</b>	<b>174,777</b>	<b>136,119</b>

The accompanying notes form part of these financial statements.

# Notes to the Financial Statements

✚ for the year ended 31 December 2019

## 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 2019.

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 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.

### **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 and deposits, trade and 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.

### **4.10 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% – 13.5% straight line
- **Office alterations** 7% – 12.5% straight line
- **Furniture** 7% – 17.5% straight line
- **Computers** 17.5% – 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.

### **4.11 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** 40% straight line
- **Software** 40% straight line
- **Trademarks** 10% straight line

### **4.12 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.

#### 4.13 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.

#### 4.14 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.

#### 4.15 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.

#### **4.16 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.

#### **4.17 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.

#### **4.18 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	
		2019	2018	2019	2018
		\$	\$	\$	\$
Advertising		2,090	11,800	–	11,800
Management fees		–	–	464,113	598,692
Miscellaneous income		101,803	143,312	101,803	142,238
Other subsidiary income		78,133	51,166	–	–
Pharmacode		296,550	305,495	–	–
Publications		–	900	–	900
Rendering of services		65,550	54,547	–	–
Sponsorship		66,292	69,116	66,292	69,116
Sale of goods		1,879,543	2,074,799	–	–
Subscriptions		74,088	92,890	–	–
<b>TOTAL OTHER INCOME</b>		<b>2,564,049</b>	<b>2,804,025</b>	<b>632,208</b>	<b>822,746</b>

## 6. EXPENSES

	NOTE	CONSOLIDATED		PHARMACY GUILD	
		2019	2018	2019	2018
		\$	\$	\$	\$
<i>Includes the following</i>					
Audit fees	7	15,054	15,977	7,676	8,945
Bad debts		4,441	1,731	4,441	254
Board fees		29,818	63,307	29,818	63,307
Board support costs		143,025	170,012	143,025	170,012
Depreciation and amortisation	12, 13	143,078	153,080	129,027	142,941
Operating leases		5,440	6,519	5,440	6,519
Staff costs		1,270,840	1,386,262	1,270,840	1,386,262

## 7. AUDITOR'S REMUNERATION

	CONSOLIDATED		PHARMACY GUILD	
	2019	2018	2019	2018
	\$	\$	\$	\$
<i>Amounts paid or due and payable to the auditors for:</i>				
RSM Hayes Audit				
Auditing the financial statements	15,054	15,977	7,676	8,945
<b>TOTAL AUDITOR'S REMUNERATION</b>	<b>15,054</b>	<b>15,977</b>	<b>7,676</b>	<b>8,945</b>

## 8. INCOME TAX

	CONSOLIDATED		PHARMACY GUILD	
	2019	2018	2019	2018
	\$	\$	\$	\$
Operating surplus (deficit) before taxation	365,883	123,252	145,041	(9,711)
Non-assessable income	(1,853,505)	(1,892,077)	(1,854,366)	(1,872,077)
Non-deductible expenses	1,803,766	1,881,834	1,803,766	1,881,834
<b>Assessable surplus (deficit)</b>	<b>316,144</b>	<b>113,008</b>	<b>94,441</b>	<b>45</b>
Tax on assessable surplus (deficit)	88,520	31,642	26,444	13
Exemption	(280)	–	(280)	–
<b>Income tax expense / (credit)</b>	<b>88,240</b>	<b>31,642</b>	<b>26,164</b>	<b>13</b>
<i>The income tax expense / (credit) is represented by:</i>				
<b>CURRENT TAX</b>				
Current tax	87,182	31,909	24,753	–
	<b>87,182</b>	<b>31,909</b>	<b>24,753</b>	<b>–</b>
<b>DEFERRED TAX</b>				
Origination and reversal of temporary differences	1,058	(267)	1,411	13
<b>INCOME TAX EXPENSE / (CREDIT)</b>	<b>88,240</b>	<b>31,642</b>	<b>26,164</b>	<b>13</b>

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	
	2019	2018	2019	2018
	\$	\$	\$	\$
Cash at bank	93,209	83,310	38,080	2,252
Short term deposits	519,713	660,941	136,696	133,867
	<b>612,921</b>	<b>744,251</b>	<b>174,777</b>	<b>136,119</b>

## 10. INVENTORIES

	CONSOLIDATED	CONSOLIDATED
	2019	2018
	\$	\$
Finished goods and goods for resale	445,439	437,607
	<b>445,439</b>	<b>437,607</b>

Write-downs of inventories to net realisable value amounted to \$6,263 (2018: \$14,379). These were recognised as an expense during the year ended 31 December 2019 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 \$31,290 (2018: \$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 2019, the relevant Accounts Payable balance of monies owed to RLL was \$20,130 including GST. This liability was paid as per the usual terms of trade by 20 January 2020.

## 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:

	2019 \$	2018 \$
Management Fee Charges	357,877	473,263
General Office Charges	76,716	79,356
Occupancy Charges	29,520	32,916
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 2019 (2018: \$Nil).
- c) As at 31 December 2019, the intercompany account balance between the Pharmacy Guild of New Zealand and Pharmaceutical Services Limited was \$286,788 (2018: \$540,200). 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:

	2019 \$	2018 \$
Total remuneration (4.25 FTE, 2018: 5)	644,809	685,563

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 (2018: 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 (2018: nil).

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

## 12. PROPERTY, PLANT AND EQUIPMENT

	LAND	BUILDINGS AND BUILDING REFURBISHMENTS	OFFICE ALTERATIONS	FURNITURE	COMPUTERS	TOTAL
CONSOLIDATED						
COST	\$	\$	\$	\$	\$	\$
Balance at 1 January 2019	165,871	2,264,274	438,506	261,286	264,454	3,394,391
Additions	–	1,291	–	864	16,206	18,362
Disposals	–	–	–	–	(93,010)	(93,010)
<b>Balance at 31 December 2019</b>	<b>165,871</b>	<b>2,265,565</b>	<b>438,506</b>	<b>262,150</b>	<b>187,650</b>	<b>3,319,743</b>
<b>DEPRECIATION</b>						
Balance at 1 January 2019	–	1,013,202	437,482	244,344	247,811	1,942,839
Disposals	–	–	–	–	(88,720)	(88,720)
Depreciation	–	113,959	548	2,077	10,429	127,014
<b>Balance at 31 December 2019</b>	<b>–</b>	<b>1,127,161</b>	<b>438,030</b>	<b>246,421</b>	<b>169,520</b>	<b>1,981,133</b>
<b>CARRYING AMOUNT AT 31 DECEMBER 2019</b>	<b>165,871</b>	<b>1,138,404</b>	<b>476</b>	<b>15,729</b>	<b>18,130</b>	<b>1,338,609</b>
<b>COST</b>						
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)
<b>Balance at 31 December 2018</b>	<b>165,871</b>	<b>2,264,274</b>	<b>438,506</b>	<b>261,286</b>	<b>264,454</b>	<b>3,394,391</b>
<b>DEPRECIATION</b>						
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	141,692
<b>Balance at 31 December 2018</b>	<b>–</b>	<b>1,013,202</b>	<b>437,482</b>	<b>244,344</b>	<b>247,811</b>	<b>1,942,839</b>
<b>CARRYING AMOUNT AT 31 DECEMBER 2018</b>	<b>165,871</b>	<b>1,251,072</b>	<b>1,024</b>	<b>16,942</b>	<b>16,643</b>	<b>1,451,550</b>

	LAND	BUILDINGS AND BUILDING REFURBISHMENTS	OFFICE ALTERATIONS	FURNITURE	COMPUTERS	TOTAL
<b>PHARMACY GUILD</b>						
<b>COST</b>	\$	\$	\$	\$	\$	\$
Balance at 1 January 2019	245,871	2,632,346	440,823	261,286	261,524	3,841,850
Additions	–	1,291	–	864	16,206	18,362
Disposals	–	–	–	–	(93,010)	(93,010)
<b>Balance at 31 December 2019</b>	<b>245,871</b>	<b>2,633,637</b>	<b>440,823</b>	<b>262,150</b>	<b>184,720</b>	<b>3,767,202</b>
<b>DEPRECIATION</b>						
Balance at 1 January 2019	–	1,013,202	437,482	244,344	246,602	1,941,630
Disposals	–	–	–	–	(88,720)	(88,720)
Depreciation	–	113,959	548	2,077	9,257	125,842
<b>Balance at 31 December 2019</b>	<b>–</b>	<b>1,127,161</b>	<b>438,030</b>	<b>246,421</b>	<b>167,139</b>	<b>1,978,752</b>
<b>CARRYING AMOUNT AT 31 DECEMBER 2019</b>	<b>245,871</b>	<b>1,506,476</b>	<b>2,793</b>	<b>15,729</b>	<b>17,581</b>	<b>1,788,449</b>
<b>COST</b>						
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)
<b>Balance at 31 December 2018</b>	<b>245,871</b>	<b>2,632,346</b>	<b>440,823</b>	<b>261,286</b>	<b>261,524</b>	<b>3,841,850</b>
<b>DEPRECIATION</b>						
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	140,633
<b>Balance at 31 December 2018</b>	<b>–</b>	<b>1,013,202</b>	<b>437,482</b>	<b>244,344</b>	<b>246,602</b>	<b>1,941,630</b>
<b>CARRYING AMOUNT AT 31 DECEMBER 2018</b>	<b>245,871</b>	<b>1,619,144</b>	<b>3,341</b>	<b>16,942</b>	<b>14,922</b>	<b>1,900,218</b>

## 13. INTANGIBLE ASSETS

	TRADEMARKS	SOFTWARE	WEBSITE	TOTAL
	\$	\$	\$	\$
<b>CONSOLIDATED</b>				
<b>COST</b>				
Balance at 1 January 2019	3,361	180,149	22,421	205,931
Additions – purchased	15,775	28,581	3,403	47,758
Disposals	–	–	–	–
<b>Balance at 31 December 2019</b>	<b>19,136</b>	<b>208,730</b>	<b>25,824</b>	<b>253,689</b>
<b>AMORTISATION AND IMPAIRMENT</b>				
Balance at 1 January 2019	604	165,281	10,046	175,931
Disposals	–	–	–	–
Amortisation	599	6,235	9,230	16,064
<b>Balance at 31 December 2019</b>	<b>1,203</b>	<b>171,516</b>	<b>19,276</b>	<b>191,994</b>
<b>CARRYING AMOUNT AT 31 DECEMBER 2019</b>	<b>17,933</b>	<b>37,214</b>	<b>6,548</b>	<b>61,694</b>
<b>COST</b>				
Balance at 1 January 2018	3,361	167,748	211,163	382,272
Additions	–	12,401	3,000	15,401
Disposals	–	–	(191,742)	(191,742)
<b>Balance at 31 December 2018</b>	<b>3,361</b>	<b>180,149</b>	<b>22,421</b>	<b>205,931</b>
<b>AMORTISATION AND IMPAIRMENT</b>				
Balance at 1 January 2018	268	162,798	193,220	356,286
Disposals	–	–	(191,742)	(191,742)
Amortisation	336	2,483	8,568	11,387
<b>Balance at 31 December 2018</b>	<b>604</b>	<b>165,281</b>	<b>10,046</b>	<b>175,930</b>
<b>CARRYING AMOUNT AT 31 DECEMBER 2018</b>	<b>2,757</b>	<b>14,868</b>	<b>12,375</b>	<b>30,001</b>

	TRADEMARKS	SOFTWARE	WEBSITE	TOTAL
	\$	\$	\$	\$
<b>PHARMACY GUILD</b>				
<b>COST</b>				
Balance at 1 January 2019	3,361	–	4,927	8,288
Additions – purchased	9,465	16,325	–	25,790
Disposals	–	–	–	–
<b>Balance at 31 December 2019</b>	<b>12,826</b>	<b>16,325</b>	<b>4,927</b>	<b>34,078</b>
<b>AMORTISATION AND IMPAIRMENT</b>				
Balance at 1 January 2019	604	–	3,449	4,053
Disposals	–	–	–	–
Amortisation	494	1,213	1,478	3,185
<b>Balance at 31 December 2019</b>	<b>1,098</b>	<b>1,213</b>	<b>4,927</b>	<b>7,237</b>
<b>CARRYING AMOUNT AT 31 DECEMBER 2019</b>	<b>11,728</b>	<b>15,112</b>	<b>–</b>	<b>26,840</b>
<b>COST</b>				
Balance at 1 January 2018	3,361	–	58,094	61,455
Disposals	–	–	(53,167)	(53,167)
<b>Balance at 31 December 2018</b>	<b>3,361</b>	<b>–</b>	<b>4,927</b>	<b>8,288</b>
<b>AMORTISATION AND IMPAIRMENT</b>				
Balance at 1 January 2018	268	–	54,645	54,913
Disposals	–	–	(53,167)	(53,167)
Amortisation	336	–	1,971	2,307
<b>Balance at 31 December 2018</b>	<b>604</b>	<b>–</b>	<b>3,449</b>	<b>4,053</b>
<b>CARRYING AMOUNT AT 31 DECEMBER 2018</b>	<b>2,757</b>	<b>–</b>	<b>1,478</b>	<b>4,236</b>

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	
	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$
<b>CONSOLIDATED</b>						
Employee benefits	(1,430)	(2,656)	–	–	(1,430)	(2,656)
Trade and other payables	(5,474)	(5,378)	–	–	(5,474)	(5,378)
Inventory obsolescence	(8,761)	(8,688)			(8,761)	(8,688)
Tax value of loss carry-forwards recognised	–	–	–	–	–	–
<b>Tax (assets) / liabilities</b>	<b>(15,665)</b>	<b>(16,722)</b>	<b>–</b>	<b>–</b>	<b>(15,665)</b>	<b>(16,722)</b>
Set off of tax						
<b>NET TAX (ASSETS) / LIABILITIES</b>	<b>(15,665)</b>	<b>(16,722)</b>	<b>–</b>	<b>–</b>	<b>(15,665)</b>	<b>(16,722)</b>
<b>PHARMACY GUILD</b>						
Employee benefits	(1,430)	(2,656)	–	–	(1,430)	(2,656)
Trade and other payables	(994)	(1,179)	–	–	(994)	(1,179)
Tax value of loss carry-forwards recognised	–	–	–	–	–	–
<b>Tax (assets) / liabilities</b>	<b>(2,424)</b>	<b>(3,835)</b>	<b>–</b>	<b>–</b>	<b>(2,424)</b>	<b>(3,835)</b>
Set off of tax						
<b>NET TAX (ASSETS) / LIABILITIES</b>	<b>(2,424)</b>	<b>(3,835)</b>	<b>–</b>	<b>–</b>	<b>(2,424)</b>	<b>(3,835)</b>

## Movement in temporary differences during the year

	BALANCE 1 JANUARY 2019	RECOGNISED IN INCOME	RECOGNISED IN EQUITY	BALANCE 31 DECEMBER 2019
<b>CONSOLIDATED</b>				
Employee benefits	2,656	(1,226)	–	1,430
Trade and other payables	5,379	95	–	5,474
Inventory obsolescence	8,688	73	–	8,761
	<b>16,722</b>	<b>(1,058)</b>	<b>–</b>	<b>15,665</b>

<b>PHARMACY GUILD</b>				
Employee benefits	2,656	(1,226)	–	1,430
Trade and other payables	1,179	(185)	–	994
	<b>3,835</b>	<b>(1,411)</b>	<b>–</b>	<b>2,424</b>

	BALANCE 1 JANUARY 2018	RECOGNISED IN INCOME	RECOGNISED IN EQUITY	BALANCE 31 DECEMBER 2018
<b>CONSOLIDATED</b>				
Employee benefits	2,761	(105)	–	2,656
Trade and other payables	5,006	373	–	5,379
Inventory obsolescence	8,688	–	–	8,688
	<b>16,455</b>	<b>269</b>	<b>–</b>	<b>16,722</b>

<b>PHARMACY GUILD</b>				
Employee benefits	2,761	(105)	–	2,656
Trade and other payables	1,087	92	–	1,179
	<b>3,848</b>	<b>(13)</b>	<b>–</b>	<b>3,835</b>

## 15. EMPLOYEE ENTITLEMENTS

	CONSOLIDATED		PHARMACY GUILD	
	2019	2018	2019	2018
	\$	\$	\$	\$
Accrued wages	(9,923)	(19,486)	(9,923)	(19,486)
Holiday pay accrual	61,267	58,981	61,267	58,981
<b>BALANCE AT END OF YEAR</b>	<b>51,344</b>	<b>39,495</b>	<b>51,344</b>	<b>39,495</b>

## 16. LEASES

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

	CONSOLIDATED		PHARMACY GUILD	
	2019	2018	2019	2018
	\$	\$	\$	\$
Less than one year	–	–	–	–
Between one and five years	–	–	–	–
Greater than five years	–	–	–	–
	–	–	–	–

## 17. GIFT VOUCHERS

	CONSOLIDATED 2019 \$	CONSOLIDATED 2018 \$
Opening Balance	419,000	464,615
Additional / reduced provision	(99,430)	(2,470)
	<b>319,570</b>	<b>462,145</b>
Gift voucher write off	(44,475)	(43,145)
<b>CLOSING BALANCE</b>	<b>275,095</b>	<b>419,000</b>

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.

Pharmaceutical Services Limited has stopped issuing new gift vouchers in the year 2019.

## 18. SUBSIDIARY COMPANY

### Pharmaceutical Services Limited

	2019	2018
	\$	\$
Sales	1,879,543	2,074,799
Profit before taxation	220,843	132,963
Tax expense	(62,430)	(31,909)
<b>Profit after tax</b>	<b>158,406</b>	<b>101,054</b>
Equity from prior year	645,403	544,349
Dividend paid	—	—
<b>SHAREHOLDER EQUITY</b>	<b>803,809</b>	<b>645,403</b>
<b>WORKING CAPITAL</b>		
Cash and deposits	438,145	608,139
Accounts Receivable	245,334	312,760
Inventory	439,128	437,607
Income Tax Receivable (Payable)	(30,225)	2,673
Investments	450,000	450,000
GST Receivable / (Payable)	(13,748)	(13,934)
Creditors	(485,133)	(760,328)
Unclaimed gift vouchers	(275,095)	(419,000)
	<b>768,406</b>	<b>617,917</b>
Intangibles	34,854	25,765
Property and Equipment	549	1,721
<b>NET ASSETS</b>	<b>803,809</b>	<b>645,403</b>

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 \$471,171 (2018: \$312,405)

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

### Divisional fund \$611,859 (2018: \$607,795)

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:

	2019	2018
	\$	\$
Division funds – Northern	200,371	202,599
Division funds – Central	144,938	144,067
Division funds – Midland	102,950	100,676
Division funds – Canterbury	112,132	109,567
Division funds – Otago	51,468	50,886
	<b>611,859</b>	<b>607,795</b>

### Pharmacy information fund \$35,217 (2018: \$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 2019, no funds were spent. (2018: nil)

### Pharmacycare sale fund \$160,253 (2018: \$160,253)

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

During 2019, no funds were spent. (2018: nil)

### Pharmacy Xpo sale fund \$457,713 (2018: \$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 2019, no funds were spent. (2018: 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	
	2019	2018	2019	2018
	\$	\$	\$	\$
<b>FINANCIAL ASSETS</b>				
<b>Loans and receivables</b>				
Cash and deposits	612,921	744,251	174,777	136,119
Short term investments	2,050,000	1,650,000	1,600,000	1,200,000
Receivables from exchange transactions	416,731	435,663	173,335	143,203
	<b>3,079,652</b>	<b>2,829,914</b>	<b>1,948,111</b>	<b>1,479,322</b>
<b>FINANCIAL LIABILITIES</b>				
<b>At amortised cost</b>				
Trade and other creditors	323,639	290,615	125,294	87,687
Employee entitlements	51,344	39,494	51,344	39,494
Provision for tax	55,943	(2,124)	25,718	550
	<b>430,926</b>	<b>327,985</b>	<b>202,356</b>	<b>127,731</b>

## 21. BOARD REMUNERATIONS

		REMUNERATION (HONORARIUMS / FEES / LOCUMS)	
		2019	2018
		\$	\$
G Blanchard**	President to June 2019	40,390	97,593
K Maxwell	Board Member (from November 2014)	5,800	6,420
A Roberts**	Board Member (from June 2014), PSL Director (from June 2016)	6,373	4,410
C Monteith**	Board Member (from June 2015), Vice President from June 2016, President from June 2019	52,596	31,443
J Wright**	Board Member (from June 2016), PSL Director (from September 2016)	9,750	28,110
C Keenan	Board Member (from June 2016), Vice President (from June 2019)	11,029	5,368
S Heswall	Board Member (from June 2017)	4,200	1,933
D Bailey	Board Member (from June 2017)	3,373	5,477
J Westbury	Board member (from June 2019)	3,261	—
S Wu	Board Member (from June 2018)	5,111	3,114
		<b>141,883</b>	<b>183,868</b>

\*\*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	
	2019	2018	2019	2018
	\$	\$	\$	\$
Reconciliation of net profit (loss) to net cash from operating activities				
Net profit / (loss)	277,643	91,610	118,877	(9,724)
Non-cash flows in operating profit:				
Depreciation	143,078	153,134	129,027	142,995
Gain on disposal of assets	–	–	–	–
Movement in income taxes payable	58,067	(51,701)	25,168	(56,911)
Movement in deferred taxes	1,057	(267)	1,411	12
Changes in assets and liabilities:				
(Increase) / Decrease in trade debtors, receivables and accrued income	(104,856)	(78,686)	(172,282)	(70,670)
(Increase) / Decrease in goods and services tax	(8,223)	(17,628)	(8,037)	(3,686)
(Increase) / Decrease in stock	(7,835)	99,129	(6,312)	–
(Increase) / Decrease in interentity current accounts	–	–	253,412	146,000
Increase / (Decrease) in payables and provisions	115,474	22,376	137,257	(10,679)
Increase / (Decrease) in gift vouchers	(143,905)	(45,615)	–	–
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>330,500</b>	<b>172,352</b>	<b>478,521</b>	<b>137,337</b>

## 23. COMMITMENTS

### Capital commitments

Neither the Group or the Parent had any capital commitments as at 31 December 2019. (2018: nil)

### Finance lease commitments

Neither the Group or the Parent had any finance lease commitments as at 31 December 2019. (2018: nil)

## 24. CONTINGENCIES

The Company and Group have no contingent liabilities or contingent assets at reporting date. (2018: nil)

## 25. EVENTS AFTER THE REPORTING DATE

The Covid-19 pandemic is having an impact on the ongoing operations of the Guild and PSL. At the time of report completion, we see a potential for changes in membership levels and fee income, either an increase or decrease; and are anticipating a manageable decline in PSL revenue due to the lockdown restriction impacts on retail trade. On balance, the Board and management of the Guild and PSL are satisfied, at this time, that all necessary measures have been taken and will be taken to ensure that all Guild and PSL activities will enable the entities to practice as a viable ongoing concern.

# ANNUAL GENERAL *meeting minutes*

## ***Held at the Heritage Dunedin Leisure Lodge, Dunedin***

Tuesday 11 June 2019

### ATTENDEES

Anthony Roberts	Grant Bai	Jenny Flack	Rhiannon Braund
Cameron Monteith	James Westbury	Trevor Flack	Jason Wright
Catherine Keenan	Kathy Maxwell	Keith Newton	
Des Bailey	Shane Heswall	Andrew Gaudin	
Graeme Blanchard	Shun-Yu Wu	Shelley Lancaster	

### Proxy's

Paul Sanderson	<i>Pharmacy 81 on Heu Heu</i>
Henry Jasionowicz	<i>Newlands Pharmacy</i>
Sunil Kumar	<i>Unichem Grey Lynn Pharmacy, Unichem Surrey Pharmacy</i>
Andrea Coombes	<i>Nawton Pharmacy</i>

### Quorum

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

### 1. WELCOME

Guild President Graeme Blanchard welcomed everyone to the 2019 AGM and thanked them for their attendance.

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

### 2. APOLOGIES

Dale Griffiths	Phil Crisp	Paul Sanderson	Mark Webster
Karen Crisp	Sunil Kumar	Henry Jasionowicz	Andrea Coombes

*That the apologies be accepted.*

**Graeme Blanchard / Kathy Maxwell**

**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 2018 annual general meeting were taken as read.

*That the minutes of the annual general meeting held on 12 June 2018 be accepted as a true and correct record of the meeting.*

Graeme Blanchard / Shane Heswall  
CARRIED

### 5. MATTERS ARISING

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

### 6. PRESIDENTS ADDRESS

The President spoke to his written report

### 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 2018 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 James Westbury is welcomed as a new board member
- Southern Electorate: Des Bailey and Shun-Yu Wu.

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

Graeme Blanchard / Shane Heswall  
CARRIED

### 11. ELECTION OF PRESIDENT AND VICE PRESIDENT

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

### 12. FAREWELL TO GRAEME BLANCHARD

Cameron Monteith thanked Graeme Blanchard for his time on the board. Andrew Gaudin also thanked Graeme on behalf of the Guild.

### 13. GENERAL BUSINESS

There were no items of general business raised.

### 14. CLOSE OF MEETING

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



Graeme Blanchard  
PRESIDENT

June 2019

**Pharmacy Guild Of New Zealand (Inc)**

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