



## **PRODUCT DISCLOSURE STATEMENT**

### **Offer of Ordinary Shares**

### **Pharmacy Wholesalers (Bay of Plenty) Limited**

**Issued by Pharmacy Wholesalers (Bay of Plenty) Limited**  
**Dated 28 April 2017**

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose). Pharmacy Wholesalers (Bay of Plenty) Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you to make an investment decision.

## SECTION 1

## KEY INFORMATION SUMMARY

### **What is this?**

This is an offer of \$1.00 nominal value ordinary shares (**Ordinary Shares**) in Pharmacy Wholesalers (Bay of Plenty) Limited (**PWL**). Ordinary Shares give you a stake in the ownership of PWL.

You could receive returns reflecting the performance of PWL through product discounts, the payment of dividends or rebates, through the issue of Ordinary Shares derived from rebates, the redemption or surrender of those Ordinary Shares, or from any combination of one or more of the above returns.

If PWL runs into financial difficulties and is wound up, you will be paid only after all other creditors and holders of securities that rank ahead of Ordinary Shares on a liquidation have been paid. You may lose some or all of your investment.

### **About Pharmacy Wholesalers (Bay of Plenty) Limited**

PWL is a pharmaceutical wholesaler operating predominantly throughout the North Island but also operates in some parts of the South Island and in some island nations throughout the Pacific. PWL supplies a full range of pharmaceutical products and associated services to its transacting shareholders and other registered pharmacies or businesses.

PWL is a private limited company registered under the Companies Act 1993 (registered no. 197821). PWL is also a "Co-operative Company" (**Co-operative Companies Act**) with dual registration under the Co-operative Companies Act 1996 (**Co-operative Companies Act**).

Pursuant to PWL's constitution (**Constitution**), PWL may only offer and issue Ordinary Shares to a person who is a "transacting shareholder" (as that expression is defined in the Constitution) and who is a party to PWL's Membership Agreement.

### **Purpose of the Offer**

The purpose of the offer of Ordinary Shares is to:

- (a) Ensure that each transacting shareholder of the Co-operative holds a minimum of 1,000 Ordinary Shares at all times which entitles that transacting shareholder to receive the various benefits of being a member of the Co-operative;
- (b) Ensure each transacting shareholder has an equal right to vote at shareholder meetings; and
- (c) Facilitate timely contributions by transacting shareholders to the working capital and trading cashflow requirements of PWL.

### **Key terms of the Offer**

Key terms	Description
Brief description of Ordinary Shares	Nominal value Ordinary Shares in PWL.
Who this Offer applies to	<p>Ordinary Shares may only be offered to "transacting shareholders" of the Co-operative who transact with PWL for the wholesale purchase of pharmaceutical products and associated services.</p> <p>"<i>Transacting shareholders</i>" of PWL include persons who in the reasonable opinion of the board are, or who are likely to become, transacting shareholders of the Co-operative.</p>

	No Ordinary Shares may be issued to any person unless that person has first signed PWL's standard membership agreement, such membership agreement to be in PWL's current form as at the time of issue ( <b>Membership Agreement</b> ).
Issue price	The issue price for an Ordinary Share is its " <i>nominal value</i> " of \$1.00 as specified in the Constitution.
Rights attaching to Ordinary Shares	Each Ordinary Share confers on the holder: <ul style="list-style-type: none"> <li>(a) the right to one vote on a poll at a meeting of PWL on any shareholder resolution, provided that the maximum number of votes that any shareholder may exercise on any such resolution shall be 1000 notwithstanding the number of Ordinary Shares held;</li> <li>(b) the right to an equal per share dividend authorised by the board; and</li> <li>(c) the right to an equal per share distribution of the surplus assets on a liquidation or winding up of PWL.</li> </ul>
Returns	<p>Transacting shareholders may receive the following types of returns:</p> <ul style="list-style-type: none"> <li>• prompt payment and other pricing discounts;</li> <li>• rebates — a share of profits relating to the transacting shareholder's volume of qualifying purchase transactions with PWL;</li> <li>• dividends (and related imputation credits) — a pro rata share of profits relating to the number of Ordinary Shares held in PWL;</li> <li>• the issue and redemption of Ordinary Shares derived from rebates earned by a transacting shareholder; and /or</li> <li>• a pro rata share of the surplus assets relating to the number of Ordinary Shares held in PWL on a winding up or liquidation of PWL.</li> </ul> <p>Ordinary Shares are issued automatically to a transacting shareholder on an annual basis and paid for by way of deduction and set off from the rebates earned by that transacting shareholder in respect of the ethical rebateable purchases in the previous financial year.</p> <p>The timing and the amount of any issue of Ordinary Shares is at the discretion of the board, and depends on the financial and cashflow position of PWL at the time and is subject to PWL satisfying the solvency test as required by the Companies Act 1993.</p> <p>There are no fees or other charges payable by a transacting shareholder in relation to the issue or holding of Ordinary Shares in PWL.</p> <p>A minimum number of 1000 Ordinary Shares must be issued to each transacting shareholder on becoming a member of the Co-operative. There is no maximum number of Ordinary Shares which can be offered and held and therefore the percentage of Ordinary Shares held by</p>

	any transacting shareholder to the total number of Ordinary Shares of PWL on issue is not fixed and will fluctuate from time to time.
Offer opens	8 May 2017
Offer closes	This is a continuous offer of Ordinary Shares. The offer therefore has no closing date, but PWL is not obliged to accept any applications for membership and can suspend offering Ordinary Shares at any time.

### **How you can get your money out**

PWL does not intend to quote any Ordinary Shares on a sharemarket licensed in New Zealand and there is no other established open or public market for trading them.

### **Sale or transfer of Ordinary Shares**

Subject to the provisions of PWL's Constitution, Ordinary Shares may be sold or transferred in the ordinary course of business between transacting shareholders. Subject to the prior written consent of the board being given, Ordinary Shares may be transferred as part of the sale of a transacting shareholder's business upon the new owner becoming a "transacting shareholder" of PWL and upon execution of a new PWL Membership Agreement.

### **Redemption of Ordinary Shares**

In the ordinary course of business, Ordinary Shares are redeemed by PWL in the following manner:

- 20% (or such other proportion as determined at the discretion of the board) of the Ordinary Shares issued to a transacting shareholder in any financial year are required to be held by the transacting shareholder for a period of up to 4 years from the date of issue. These shares may be redeemed by PWL at any time during this period depending on the trading results of PWL and the availability of distributable profits but in the normal course of business, such shares will be redeemed in full in cash by PWL in the fourth year following issue in the month of January or at such other date as determined by the board.
- The other 80% (or such other proportion as determined at the discretion of the board) of the Ordinary Shares issued to a transacting shareholder in any financial year may be redeemed by PWL in the following 12 months from the date of issue, and in the normal course of business are redeemed by PWL in full in cash by three equal payments in the months of August, January and May following the date of issue or at such other dates as determined by the board.

A full description of "How you can get your money out" is set out in Section 4 – Terms of the Offer".

### **Key drivers of returns**

- PWL is actively working to expand its membership base in the pharmacy market within New Zealand – this is the main driver of PWL's financial performance at present and into the future.
- PWL's board and management team maintain a close working relationship with its suppliers, customers and transacting shareholders and have an experienced knowledge of the industry and its business.
- PWL has other business strategies which support an overall intent to continually improve and develop PWL's operations.

Further information regarding key drivers of current and future returns are discussed within Section 2 of this PDS ("PWL and what it does").

### **Key risks affecting this investment**

PWL considers that the most significant risk factors that could affect the returns received from holding these Ordinary Shares are:

- There is a risk of transacting shareholders electing to leave PWL and to transact with a competitor of PWL. There are no barriers for a transacting shareholder to switch from one pharmaceutical wholesaler to another.
- The New Zealand prescription drug market is governed by Pharmac, which determines the schedule price a pharmacy is reimbursed by the Ministry of Health. PWL has no influence on Pharmac's price setting mechanisms or on supply decisions.
- DHB's hold the current pharmacy contracts and that in turn sets pricing margins for reimbursement to pharmacies. PWL has no contractual arrangements with DHB's.
- Should PWL, as a wholesaler, increase its prices too far above the pharmacy reimbursement level, pharmacies could look to alternate wholesalers or to source themselves direct from the manufacturer.
- PWL maintains a close working relationship with its customers and suppliers. Board members and senior management also have a broad knowledge of the pharmacy and wholesale pharmaceutical industry. These are important ingredients in the risk management process to prevent a loss of transacting shareholders.

This summary does not cover all of the risks of investing in Ordinary Shares. You should also read Section 7 of the PDS ("Risks to PWL's Business and Plans"), to other places in this PDS that describe risk factors relating to the specific nature of PWL's business and PWL's financial information, a copy of which can be found on the Disclose Register at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose).

### **Where you can find PWL's financial information**

The financial position and performance of PWL are essential to an assessment of this offer. You should read Section 6 of the PDS ("PWL's Financial Information") and as contained on the Disclose Register at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose).

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## **SECTION 2      PWL AND WHAT IT DOES**

### **About PWL**

PHARMACY WHOLESALERS (BAY OF PLENTY) LIMITED is a company which was duly incorporated on 14 September 1978 under the Companies Act 1955.

PWL was simultaneously reregistered under the Companies Act 1993, and as a Co-operative Company under the Co-operative Companies Act 1996, on 14 April 1997.

The Companies Office registration no. is 197821.

The public file containing all incorporation documents registered after 1 January 2000 can be viewed on the Companies Office website at [www.business.govt.nz/companies](http://www.business.govt.nz/companies).

Where relevant documents are not available on the Companies Office website, a request for such documents can be made to PWL in writing to its registered office free of charge.

### **Overview**

PWL is a pharmaceutical wholesaler operating predominantly throughout the North Island but also operates in some parts of the South Island and in some island nations throughout the Pacific. PWL supplies a full range of pharmaceutical products and associated services to its transacting shareholders and other registered pharmacies or businesses.

.PWL was first established in 1978 and has been trading successfully for more than 38 years.

As a co-operative wholesaler of pharmaceutical products, PWL is actively working to expand its membership base in the pharmacy market within New Zealand. Sales to these pharmacy members are the main driver of PWL's financial performance at present and into the future.

PWL's board and management team maintain a close working relationship with its suppliers, customers and transacting shareholders and have an experienced knowledge of the industry and its business. This is an important ingredient in the risk management process.

PWL has other business strategies which support an overall intent to continually improve and develop PWL's operations, with a view to continuing the support provided to transacting shareholders and to broaden PWL's influence within the wider pharmacy wholesaling industry.

## Directors and Senior Management

The directors of PWL, at the date of this PDS, are:

- Robin John Blackett;
- Michael Murray Guy;
- Richard William Heslop;
- David Thomson Honore;
- Gary John Robertson;
- Phillip Graeme Rowe; and
- Benjamin William Frederick Van Den Borst.

Composition of the board of PWL will change from time to time. The current directors of PWL can be viewed on the Companies Office website at [www.business.govt.nz/companies](http://www.business.govt.nz/companies) on payment of any applicable fee.

The senior management team of PWL, at the date of this PDS, are:

- Mark Weaver – Chief Executive
- Alan McPherson – Accountant and Company Secretary

## Interests of directors and senior managers

### Directors Remuneration

The total remuneration and value of other benefits of directors of PWL received for the financial year of PWL ended 31 March 2016 are as follows:

Director	Total remuneration and value of benefits
Robin John Blackett	\$12,450
Michael Murray Guy	\$14,070
Richard William Heslop	\$26,238
David Thomson Honore	\$12,700
Gary John Robertson	\$12,340
Phillip Graeme Rowe	\$12,258
B A Findlayson	\$13,079

No services were provided to PWL by any director other than in their capacity of acting as a director of PWL.

### Employee Remuneration

The number of employees (or former employees) of PWL, who for the financial year ended 31 March 2016, received remuneration and other benefits in their capacity as employees of PWL in value or which exceeded \$100,000 are set out below:

Number of employee or former employees	Remuneration and value of benefits
1	\$170,000 - \$179,999 etc

### Transactions with Key Management Personnel

Directors of PWL may purchase goods from PWL. These purchases and all other benefits received from PWL are on the same terms and conditions as

those entered into with other transacting shareholders. During the year, the following transactions took place between PWL and directors or their related entities over which directors have control or significant influence:

- The aggregate of sales to directors or their associated entities for the year ended 31 March 2016 totalled \$14,998,267.
- As at 31 March 2016, amounts owing from the directors and their associated entities totalled \$1,256,733.
- Rebates paid to the same associated entities during the same year were \$386,708.

As at the date of this PDS, the following directors have an indirect material interest in PWL in that companies (owned directly or indirectly) by each director are transacting shareholders of PWL. The companies associated with each director, and the trading names of the pharmacies which they operate, are as below:

<b><u>Director</u></b>	<b><u>Company Name</u></b>	<b><u>Business Name</u></b>
Robin John Blackett	(Independent Director)	No material interest
Michael Murray Guy	Guys Pharmacy 2001 Ltd, Karaka Pharmacy Ltd, Takanini Pharmacy Ltd	Guys Life Pharmacy & Counties Care Pharmacy & Unichem Karaka Pharmacy & Takanini Urgent Pharmacy
Richard William Heslop	(Independent Director)	No material interest
David Thomson Honore	Central Pharmacy (2000) Ltd & Fairy Springs Medical Centre Pharmacy Ltd	Central Pharmacy (2000) Ltd & Fairy Springs Pharmacy
Gary John Robertson	(Independent Director)	No material interest
Phillip Graeme Rowe	Centralmed Pharmacy Ltd & Faulkners Pharmacy Te Puke Ltd	My Pharmacy.Centralmed & My Pharmacy.Te Puke
Benjamin William Frederick Van Den Borst	Johns at Palm Beach Plaza Pharmacy Ltd & Palm Springs Pharmacy Ltd	My Pharmacy.Papamoa Plaza & My Pharmacy.Palm Springs

The latest full financial statements of PWL from time to time, which include updated details of such interests, are available for viewing on the Disclose Register at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose)

### **Options to acquire securities of PWL**

No person holds an option to acquire Ordinary Shares or other securities in PWL.

### **Other equity securities of PWL**

Subject to PWL's Constitution and to the terms of any existing shares, the board may issue shares (and rights or options to acquire shares) of any class at any time to any person and in such numbers as the board may from time to time determine.

Subject to any rights previously conferred on the holders of existing shares, any share in PWL may be issued with such preferred, deferred or other special rights with such restrictions whether in regard to voting, distributions, returns of capital or otherwise as the board may from time to time determine.

Subject to PWL's Constitution, the board may issue shares ranking equally with or in priority to existing shares.

At the date of this PDS, no shares or securities other than Ordinary Shares have been issued or are in existence.

### **Other material governance disclosures**

Under the PWL Constitution, every shareholder is entitled to one vote for every Ordinary Share held up to a maximum of 1000 votes, irrespective of the number of Ordinary Shares held by that transacting shareholder. This is to prevent a single transacting shareholder from gaining undue influence over PWL's governance and management decisions.

## **SECTION 3 PURPOSE OF THE OFFER**

### **Purpose of the Offer**

The purpose of the offer of Ordinary Shares is to:

- (a) Ensure that each transacting shareholder of the Co-operative holds a minimum of 1,000 Ordinary Shares at all times which entitles that transacting shareholder to receive the various benefits of being a member of the Co-operative;
- (b) Ensure each transacting shareholder has an equal right to vote at shareholder meetings; and
- (c) Facilitate timely contributions by transacting shareholders to the working capital and trading cashflow requirements of PWL.

PWL uses the money raised under any offer of Ordinary Shares for general working capital purposes and to support PWL's business strategies (as outlined in Section 2 of this PDS ("PWL and what it does").

## **SECTION 4 TERMS OF THE OFFER**

<b>Key terms</b>	<b>Description</b>
Brief description of Ordinary Shares	Nominal value Ordinary Shares in PWL.

Who this offer applies to	<p>Ordinary Shares may only be offered to transacting shareholders of the Co-operative who transact with PWL for the wholesale purchase of pharmaceutical products and associated services.</p> <p>"<i>Transacting shareholders</i>" of PWL include persons who in the reasonable opinion of the board are, or who are likely to become, transacting shareholders of the Co-operative.</p> <p>No Ordinary Shares may be issued to any person unless that person has first signed PWL's standard Membership Agreement, such Membership Agreement to be in PWL's current form as at the time of issue.</p>
Issue price	<p>The issue price for an Ordinary Share is its "<i>nominal value</i>" of \$1.00 as specified in the Constitution.</p>
Rights attaching to Ordinary Shares	<p>An Ordinary Share confers on the holder:</p> <ul style="list-style-type: none"> <li>(a) the right to one vote on a poll at a meeting of PWL on any resolution (up to a maximum of 1000 votes notwithstanding the number of Ordinary Shares held), including any resolution to: <ul style="list-style-type: none"> <li>(i) appoint or remove a director or auditor;</li> <li>(ii) adopt a new constitution;</li> <li>(iii) alter PWL's Constitution;</li> <li>(iv) approve a major transaction;</li> <li>(v) approve an amalgamation of PWL under section 221 of the Companies Act 1993; and</li> <li>(vi) put PWL into liquidation;</li> </ul> </li> <li>(b) the right to an equal per share dividend authorised by the board of PWL; and</li> <li>(c) the right to an equal per share distribution of the surplus assets on a liquidation or winding up of PWL.</li> </ul>
When may Ordinary Shares be issued to Transacting Shareholders	<p>PWL may offer, and issue, Ordinary Shares to transacting shareholders in the following circumstances:</p> <ul style="list-style-type: none"> <li>(a) Upon becoming a member of the Co-operative and upon signing PWL's Membership Agreement, a new transacting shareholder is required to initially subscribe for a minimum of 1,000 Ordinary Shares for the sum of \$1,000, being a nominal subscription price of \$1.00 per Ordinary Share.</li> <li>(b) Additional Ordinary Shares may be issued to a transacting shareholder, with the number of Ordinary Shares to be issued in respect of any financial year being equal (rounded down to the nearest whole dollar) to the amount of the rebate earned by that transacting shareholder in that financial year. The amount of rebate earned by a transacting shareholder in respect of any financial year is calculated by multiplying PWL's total annual amount of rebate available for distribution (as determined by the board) by the ratio that the</li> </ul>

	<p>transacting shareholder's annual turnover of ethical rebateable purchases from PWL bears to PWL's total annual turnover of ethical rebateable sales to all transacting shareholders.</p> <p>(c) PWL's financial year runs from 1 April to 31 March in each calendar year.</p> <p>(d) Ordinary Shares are issued automatically to a transacting shareholder at the discretion of the board and paid for by way of deduction and set off from the rebate earned by that transacting shareholder in respect of the ethical rebateable purchases in the previous financial year.</p> <p>(e) 20% (or such other proportion as determined at the discretion of the board) of the Ordinary Shares issued to a transacting shareholder in any financial year are required to be held by the transacting shareholder for a period of up to 4 years from the date of issue. These Ordinary Shares may be redeemed by PWL at any time during this period depending on the trading results of PWL and the availability of distributable profits but in the normal course of business, such Ordinary Shares will be redeemed in full in cash by PWL in the fourth year following issue in the month of January or at such other date as determined by the board.</p> <p>(f) The other 80% (or such other proportion as determined at the discretion of the board) of the Ordinary Shares issued to a transacting shareholder in any financial year may be redeemed by PWL in the following 12 months from the date of issue, and in the normal course of business are redeemed by PWL in full in cash by three equal payments in the months of August, January and May following the date of issue or at such other date as determined by the board.</p> <p>(g) The redemption of Ordinary Shares is subject to PWL satisfying the solvency test as required by the Companies Act 1993 and, at the discretion of the board, after ensuring PWL has sufficient working capital for its operations.</p> <p>(h) Therefore the number of Ordinary Shares to be held by a transacting shareholder will fluctuate and be adjusted from year to year by the board depending on the amount of distributable rebates to be returned to transacting shareholders (which are capitalized through the issue of Ordinary Shares as set out above) and the redemptions of Ordinary Shares that occur throughout the financial year.</p> <p>(i) The Offer for Ordinary Shares is available to all transacting shareholders.</p>
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	<p>(j) There is no maximum amount of Ordinary Shares that can be held by a transacting shareholder.</p> <p>Ordinary Shares will continue to be issued to and redeemed from transacting shareholders in the normal course of business in accordance with the above provisions and PWL's Constitution.</p>
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Additional information regarding the terms of the offer of Ordinary Shares are set out in Section 1 of this PDS ("Key Information Summary").

The full terms of issue of Ordinary Shares and their rights and entitlements are set out in PWL's Constitution. PWL's Constitution can be viewed at [www.companiesoffice.govt.nz](http://www.companiesoffice.govt.nz)

## **SECTION 5 KEY FEATURES OF ORDINARY SHARES**

Inherent in PWL's intention to operate as a Co-operative, is that all transacting shareholders shall have equal voting rights irrespective of the number of Ordinary Shares held and that shareholding is in itself the entitlement to be part of the Co-operative and to participate in its member benefits. Under PWL's co-operative model, it is not intended for shares to be held by a member as a form of long term investment in equity securities.

### Restricted Shareholding

Ordinary Shares in PWL shall only be held by:

- transacting shareholders; and
- in the case of treasury stock, by PWL itself; and
- such other persons as the board may determine from time to time in accordance with PWL's Constitution.

The decision of the board as to whether or not a person is entitled to become a transacting shareholder shall be final, conclusive and binding on all shareholders.

### Ranking

On the return of surplus assets on a liquidation or winding up of PWL, any surplus assets shall be applied (to the extent they are sufficient):

- firstly, in paying transacting shareholders in respect of each Ordinary Share held by them which has a nominal value, the nominal value of that Ordinary Share which has been fully paid up; and
- secondly, in distributing the balance of any surplus assets, among transacting shareholders in proportion to the number of Ordinary Shares held by them at the time of such distribution.

"*Surplus assets*" mean the assets in the hand of the liquidator after the payment of all the debts and liabilities of PWL, including all the costs of the liquidation or winding up.

### Returns available from Ordinary Shares

Transacting shareholders may receive the following types of returns:

- prompt payment and other pricing discounts;
- rebates — a share of profits relating to the transacting shareholder's volume of qualifying purchase transactions with PWL;
- dividends (and related imputation credits) — a pro rata share of profits relating to the number of Ordinary Shares held in PWL;
- the issue and redemption of Ordinary Shares derived from rebates earned by a transacting shareholder; and /or
- a pro rata share of the surplus assets relating to the number of Ordinary Shares held in PWL on a winding up or liquidation of PWL.

The timing and the amount of any payment of rebates is at the discretion of the board, and depends on the financial and cashflow position of PWL at the time and is subject to PWL satisfying the solvency test as required by the Companies Act 1993.

The level of rebates, and the number of Ordinary Shares to be issued in any particular financial year, depends on the profitability of PWL. Profitability, in turn, is dependent upon volumes of sales, the sales margin able to be achieved, and costs and expenses incurred in PWL's operations.

The occurrence of the risks set out in Section 7 of this PDS ("Risks to PWL's Business and Plans") could impact on profitability.

The amount of rebate earned by a transacting shareholder in respect of any financial year is calculated by multiplying PWL's total annual amount of rebate available for distribution (as determined by the board) by the ratio that the transacting shareholder's annual turnover of ethical rebateable purchases from PWL bears to PWL's total annual turnover of ethical rebateable sales to all transacting shareholders.

Returns to transacting shareholders may also be affected by PWL's exercise of its discretion in setting off debts owed to PWL for goods or services purchased by transacting shareholders for which payment in whole or part remains outstanding.

No promises or guarantees are made as to the level of any returns. PWL can give no assurance about the level of future rebates or dividends, if any, or the level of imputation credits which might be attached to them. These levels will depend on a number of risk factors, including the matters discussed in this PDS under Section 7 ("Risks to PWL's business and plans").

Neither PWL nor any other person guarantees the return of capital or the amount of rebates, dividends or other returns in relation to PWL Ordinary Shares.

Taxes may affect returns to transacting shareholders. In particular, rebates (which are exempt for GST) and dividends will be subject to tax in the shareholders' hands. Transacting shareholders should consult their financial or tax advisers concerning the tax consequences of owning PWL's Ordinary Shares, in light of their particular situation.

### Surrender of Ordinary Shares

The full terms for the surrender of Ordinary Shares are set out in PWL's Constitution.

### Surrender of Ordinary Shares at request of a shareholder

- (a) A shareholder who has ceased to be a transacting shareholder may, by notice in writing, offer to surrender to PWL all Ordinary Shares held by that shareholder and, in any such case, but subject to PWL meeting the solvency test under the Companies Act 1993, the board may resolve to accept the surrender of such shares.
- (b) The personal representative of the estate of a deceased shareholder may, by notice in writing, require PWL to accept the surrender of all Ordinary Shares and, in any such case, but subject to PWL meeting the solvency test under the Companies Act 1993, the board must, within 60 working days after receiving the notice, resolve to accept the surrender.
- (c) Where a shareholder:
  - (i) has not been a transacting shareholder during the immediately preceding five years or such other period as may be determined by the board from time to time; or
  - (ii) has disposed of, or changed the use of, the shareholder's property and other assets with the result that the shareholder does not have the capacity to continue to be a transacting shareholder;

the shareholder may, by notice in writing, require PWL to accept the surrender of all Ordinary Shares held by that shareholder and, in any such case, but subject to PWL meeting the solvency test under the Companies Act 1993, the board must, within 60 working days after receiving the notice, resolve to accept the surrender.

The surrender of Ordinary Shares under these provisions takes effect on the date on which the board resolves to accept the surrender.

### Surrender of Ordinary Shares at request of PWL

Subject to PWL meeting the solvency test under the Companies Act 1993:

- (a) PWL may require any shareholder to surrender to PWL all Ordinary Shares held by that shareholder if:
  - (i) the shareholder has, in the reasonable opinion of the board, ceased to be a transacting shareholder; or
  - (ii) the volume of transactions between the shareholder and PWL fall below a trading level which is determined by the board from time to time to be the minimum acceptable trading level for members of the Co-operative to remain as transacting shareholders of PWL; or
  - (iii) the shareholder has, in the reasonable opinion of the board, failed to comply in any material respect with requirements relating to transactions with PWL contained in any contract or agreement between PWL and the shareholder including PWL's Membership Agreement or terms of trade; or

- (iv) the share capital of PWL represented by the Ordinary Shares, in the reasonable opinion of the board, is no longer required for the working capital purposes of PWL; or
  - (v) the shareholder, or any business in which the shareholder has a financial interest, is in competition with PWL or where the board in its reasonable opinion determines that the continued membership of the shareholder would be detrimental to, or not in the best interests of, PWL; or
  - (vi) the shareholder is in default of payment of any sum owing to PWL and such default is not remedied within 10 working days of the due date for payment;
- (b) the board may, at any time, require a shareholder who has not been a transacting shareholder throughout the immediately preceding period of 12 months to surrender to PWL all Ordinary Shares held by that shareholder; or
- (c) the board may, at any time, require a shareholder to surrender to PWL all Ordinary Shares held by that shareholder in excess of the number of shares that the shareholder is required or entitled to hold in PWL as determined by the board from time to time on the basis of transactions with PWL.

Any surrender of shares under these provisions takes effect at the expiration of 1 month after notice in writing requiring the surrender is given to the shareholder.

#### Sale or transfer of Ordinary Shares

Subject to the provisions of PWL's Constitution, Ordinary Shares may be sold or transferred in the ordinary course of business between transacting shareholders. Subject to the prior written consent of the board being given, Ordinary Shares may be transferred as part of the sale of a transacting shareholder's business upon the new owner becoming a "transacting shareholder" of PWL and upon execution of a new PWL Membership Agreement.

## **SECTION 6 PWL'S FINANCIAL INFORMATION**

The following table provides key financial information about PWL for the financial year ending 31 March 2016 which has been taken from audited financial statements of PWL.

The latest full financial statements of PWL from time to time are available for viewing on the Disclose Register at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose)

	31/03/2016	31/03/2015	31/03/2014
Revenues	\$142,740,835	\$132,902,109	\$127,487,306
Earnings before Interest, Tax, Depreciation, Amortisation and Rebates	\$3,163,631	\$3,275,096	\$3,231,827
Earnings before Interest, Tax, Depreciation and Net Amortisation	\$350,982	\$270,991	\$352,376

Net Profit After Tax	\$164,288	\$110,733	\$205,935
Total Dividends paid	\$122,366	\$122,226	\$135,231
Total Assets	\$24,268,230	\$22,387,626	\$20,903,617
Total Liabilities	\$16,279,480	\$14,311,567	\$12,717,508
Total Debt (interest bearing liabilities)	\$2,387,490	\$1,913,672	\$431,604
Net Cashflows from Operating Activities	\$2,771,639	\$1,618,131	\$3,855,002
Rebates paid	\$2,812,649	\$3,004,105	\$2,879,451

If you do not understand this financial information, you can seek advice from a financial adviser or an accountant.

## SECTION 7 RISKS TO PWL'S BUSINESS AND PLANS

Before making any investment in shares, you should consider the risks pertinent for that investment — particularly the likelihood that they will occur and the impact they will have on your investment if they do. Before accepting an offer of Ordinary Shares from PWL, you should consider the circumstances below, which exist or are likely to arise and which significantly increase the risk to PWL. Where possible, PWL has included its assessment of the significance of these risks and the likelihood of any impact arising from these circumstances, and any steps PWL has taken, or can take, to mitigate them.

- There is a risk of transacting shareholders electing to leave PWL and to transact with a competitor of PWL. There are no barriers for a transacting shareholder to switch from one pharmaceutical wholesaler to another.
- The New Zealand prescription drug market is governed by Pharmac, which determines the schedule price a pharmacy is reimbursed by the Ministry of Health. PWL has no influence on Pharmac's price setting mechanisms or on supply decisions. While the price charged for wholesaling can be set by the wholesalers, the effect of the existing reimbursement scheme to pharmacies provides constraint on the amount PWL, as a wholesaler, charges. Also, Pharmac price reduction initiatives on ethical products could result in pressure on PWL's gross margin.
- DHB's hold the current pharmacy contracts and that in turn sets pricing margins for reimbursement to pharmacies. PWL has no contractual arrangements with DHB's.
- Should PWL, as a wholesaler, increase its prices too far above the pharmacy reimbursement level, pharmacies could look to alternate wholesalers or to source themselves direct from the manufacturer.
- PWL maintains a close working relationship with its customers and suppliers. Board members and senior management also have a broad knowledge of the pharmacy and wholesale pharmaceutical industry. These are important ingredients in the risk management process to prevent a loss

of transacting shareholders. While these risks are particular to PWL, they are also risks to competitors of PWL. Providing PWL continues to operate efficiently and competitively, the significance of any such adverse risks occurring on PWL can be actively mitigated by management as all wholesalers operating within the industry would be subject to the same potential adverse effects.

## **SECTION 8      TAX**

Tax law is complex and changes frequently.

Taxation could have a significant consequence for investments, including returns payable in relation to the Ordinary Shares.

The information in this section is intended as general guidance only. PWL recommends that transacting shareholders should consider seeking professional tax advice regarding their individual circumstances prior to investing in Ordinary Shares.

### Dividends

Dividends are paid from prior years' retained earnings and as such are already tax paid to the extent that PWL has paid tax on such earnings at the rate of 28%. PWL can attach the value applicable to tax paid dividends as "imputation credits" which the transacting shareholder can claim back against their tax liability for that financial year. As dividends are also subject to withholding tax at the rate of 33%, there is a shortfall of tax paid of 5% which could become payable in the hands of the transacting shareholder. For the benefit of its shareholders, PWL pays that 5% shortfall to the IRD directly so any dividends are fully tax paid when received in the hands of transacting shareholders.

### Rebates

Rebateable sales are eligible for rebate which is estimated and determined by the board from the operating surplus available. When the accrued rebate is allocated to transacting shareholders on their rebateable turnover, it is converted to issued Ordinary Shares in the transacting shareholders name – see Section 4 of this PDS ("Terms of the Offer").

For financial reporting purposes, rebates are treated as a deduction from revenue in PWL's Statement of Income. The redemption of Ordinary Shares is then treated as a distribution to transacting shareholders in the Statement of Changes in Equity and is shown as a cash outflow from financing activities in the Statement of Cash Flows.

Rebates are a distribution of profit so are therefore not subject to GST.

Rebates are taxable in the hands of transacting shareholders in the financial year when earned.

## **SECTION 9      WHERE YOU CAN FIND MORE INFORMATION**

Further information relating to PWL and the issue of Ordinary Shares (including PWL's financial statements) is available free of charge on the Disclose Register at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose) and can be obtained by request to the Registrar of Financial Service Providers.

PWL's Constitution can also be viewed free of charge on the Companies Office website [www.business.govt.nz/companies](http://www.business.govt.nz/companies). Copies may also be obtained by contacting the Companies Office of the Ministry of Business, Innovation and Employment at [info@companies.govt.nz](mailto:info@companies.govt.nz) or 0508 266 726. A fee may apply for this.

Information can also be inspected without charge at the registered office of PWL, 5 -7 Tangmere Place, Tauranga, during normal business hours by any person who so requests. Requests for copies of documents such as PWL's financial statements should be made in writing to PWL at the address listed below in Section 11 of this PDS ("Contact Information"). If requested, this information will be provided free of charge.

## **SECTION 10      HOW TO APPLY**

### **New Shareholders**

Each new member of the Co-operative (not being an existing shareholder) must complete and sign a Membership Agreement and then return this to PWL. The Membership Agreement is available for download on PWL's website at [www.pwl.co.nz](http://www.pwl.co.nz).

New members of the Co-operative will only be issued Ordinary Shares or be permitted to have Ordinary Shares transferred to them once that member has been approved as a "transacting shareholder" of PWL.

### **Existing Holders**

There is no requirement for a transacting shareholder who holds Ordinary Shares previously issued by PWL (an "existing holder") to complete and return an application form to apply for additional Ordinary Shares. An existing holder is deemed to have accepted all the Ordinary Shares for which the existing holder is entitled to subscribe.

An existing holder will be deemed to have applied for Ordinary Shares automatically if the board of PWL determines to issue Ordinary Shares derived from rebates in accordance with PWL's Constitution.

## **SECTION 11      CONTACT INFORMATION**

If you require further information about PWL or this PDS, please contact the Company Secretary of Pharmacy Wholesalers (Bay of Plenty) Limited:

Postal address:

P O Box 104  
Tauranga 3140

Registered Office:

5 – 7 Tangmere Place  
Tauranga 3112

Contact details:

Telephone: +64 7 541 3756  
Facsimile: +64 7 541 3758  
Email: sales@pwl.co.nz

Contact information for the directors of PWL is provided on the Company's Office website at [www.business.govt.nz/companies](http://www.business.govt.nz/companies) and is updated from time to time as necessary.