ANNUAL REPORT

In compliance with the Companies Act 1993 the Directors have pleasure in presenting the eighty eighth report of the Company for the year ended 31 March 2015. This report is to be read together with the Chairman's Report on the year's operations.

PRINCIPAL ACTIVITY

The Company's principal activity during the year was the supply of pharmaceutical products to member pharmacies and hospitals. Although CDC Pharmaceuticals Limited amalgamated with PWL Central Limited on the 1st of October 2014, the nature of the Company's business has not changed during the year under review.

CO-OPERATIVE COMPANY STATUS

On the 16th of June 2015 the Directors of the Company signed the annual resolution stating that the Company has been a co-operative company within the meaning of the Co-operative Companies Act 1996 for the period under review. The resolution is based on the facts:

- The Company is a co-operative company as defined in the Co-operative Companies Act.
- Ordinary Shareholding held by members is the entitlement to be part of the co-operative and its principles and is not held as a form of investment.
- A shareholding conveys a right to earn rebates through trading with the Company, and
- Inherent in the Company's dealing as a co-operative, all voting shareholders have equal voting rights irrespective of the number of shares held by a shareholder.

GOVERNANCE

CDC Pharmaceuticals Ltd is a public, unlisted cooperative company. The Board of CDC Pharmaceuticals Ltd is committed to the highest standards of behaviour and accountability and has adopted the following procedures and policies.

Procedures:

1. The Board has statutory responsibility for the affairs and activities of the Company, which in practice is achieved through delegation to the Company's Chief Executive (CEO) who is charged with the day to day leadership and management of the Company. The CEO also has the special responsibility to manage and oversee the interfaces between the Company and its members to act as the principal representative of the Company.
2. The Board has the obligation to protect and enhance the value of the assets of the Company in the interests of the Company. It achieves this through the setting of and regular review of strategies and policies with particular regard to the unique requirements of the Company.
3. Although Directors are elected by the voting shareholders to bring special expertise or perspective to Board deliberations, the best interests of the Company are paramount at all times.
4. The Board supports the concept of the separation of the role of Chairman from that of CEO. The Chairman's role is to manage the Board effectively, to provide leadership to the Board and to interface with the CEO.
5. In consideration of the unique trading relationship between a cooperative and its members, Directors make an annual declaration of their interest in decisions revolving around payment of interest on retained rebates, rates of rebate, dividends on Ordinary shares, guarantees and other trading related issues.
6. The Board normally meets eleven times a year.
7. The Board evaluates the performance of the CEO annually. The evaluation is based on criteria which include the performance of the business, the accomplishment of the long term strategic objectives and other non quantitative objectives.
8. Every year the Board reviews, approves and actively monitors the operating and capital budgets for the company.

For and on behalf of the Board of Directors

	Director	16th June 2015
	Director	16th June 2015

PKF Goldsmith Fox Audit
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of CDC Pharmaceuticals Limited

Report on the Financial Statements

We have audited the financial statements of CDC Pharmaceuticals Limited on pages 7 to 28, which comprise the Statement of Financial Position as at 31 March 2015, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors Responsibility for the Financial Statements

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

Auditor's Responsibilities

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

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

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

Other than in our capacity as auditor we have no relationship with, or interests in, CDC Pharmaceuticals Limited.

Opinion

In our opinion, the financial statements on pages 7 to 28:

- comply with generally accepted accounting practice in New Zealand;
- comply with New Zealand equivalents to International Financial Reporting Standards;
- give a true and fair view of the financial position of CDC Pharmaceuticals Limited as at 31 March 2015 and its financial performance and its cash flows for the year ended on that date.

PKF Goldsmith Fox Audit
Chartered Accountants

Report on Other Legal and Regulatory Requirements
In accordance with section 16 of the Financial Reporting Act 1993, we report that:

- We have obtained all the information and explanations that we have required.
- In our opinion proper accounting records have been kept by CDC Pharmaceuticals Limited as far as appears from an examination of those records.

Other Matter
The financial statements of CDC Pharmaceuticals Limited for the year ended 31 March 2014 were audited by another auditor who expressed an unmodified opinion on those statements on 29 April 2014.

PKF Goldsmith Fox Audit

19 June 2015
Christchurch, New Zealand

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2015

	NOTES	2015 $'000	2014 $'000
Continuing operations			
Revenue		293,034	194,064
Cost of sales		(278,067)	(183,853)
Gross profit		14,967	10,211
Other operating income		373	453
Operating expenses	2	(9,798)	(6,493)
Operating Profit		5,542	4,171
Finance income		158	131
Finance expenses	3	(920)	(691)
Profit before rebate and income tax		4,780	3,611
Member rebate on purchases		(4,440)	(3,064)
Profit before income tax		340	547
Income taxation expense for the year	4	(179)	(172)
Net Operating Profit after tax for the year		**161**	**375**
Revaluation of land and buildings	14	-	57
Income tax on other comprehensive income	4	-	2
Total comprehensive income		**161**	**434**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2015

	NOTES	Share Capital $'000	Asset Revaluation $'000	Retained Earnings $'000	Total Equity $'000
Balance at 1 April 2013		3,711	31	6,193	9,935
Net profit after tax		-	-	375	375
Other comprehensive income		-	59	-	59
Shares issued		198	-	-	198
Dividends paid		-	-	(354)	(354)
Share repurchase		(375)	-	-	(375)
CDC Balance as at 1 April 2014		3,534	90	6,214	9,838
PWL Balance as at 1 April 2014		1,719	290	829	2,838
Net profit after tax		-	-	161	161
Other comprehensive income		-	-	-	-
Shares issued		285	-	-	285
Dividends paid		-	-	(319)	(319)
Share repurchase		(519)	-	-	(519)
Bonus Share Issue (Ordinary B Shares)		1,970	-	(1,970)	-
Balance as at 31 March 2015		6,989	380	4,915	12,284

The accompanying notes form part of these financial statements.

Goldsmith Fox PKF Audit

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2015

	NOTES	2015 $'000	2014 $'000
CURRENT ASSETS			
Receivables	7	31,062	20,327
Inventories	8	19,606	14,124
		50,668	34,451
NON CURRENT ASSETS			
Property plant & equipment	9	11,717	10,562
Non current receivables	7	991	756
Deferred tax asset	5	(47)	20
TOTAL ASSETS		63,329	45,789
CURRENT LIABILITIES			
Bank overdraft/borrowings	6	19,534	14,292
Payables & accruals	10	25,346	17,034
Rebate on purchases		4,232	2,897
Retained rebate	11	1,947	1,652
Taxation payable	4	(14)	76
		51,045	35,951
EQUITY			
Share capital	13	6,989	3,534
Retained earnings	14	4,915	6,214
Reserves	14	380	90
		12,284	9,838
TOTAL LIABILITIES & EQUITY		63,329	45,789

The accompanying notes form part of these financial statements.

Goldsmith Fox PKF Audit

STATEMENT OF CASH FLOWS
FOR THE YEAR END 31 MARCH 2015

	NOTES	2015 $'000	2014 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		276,811	194,998
Interest received		180	131
Insurance proceeds		-	240
Interest paid		(875)	(644)
Payments to suppliers		(266,458)	(189,059)
Payments to employees		(6,348)	(4,138)
Rebate paid to members		(3,918)	(2,750)
Income tax received/(paid)		(223)	30
Net cash flows from/ (used in) operating activities		(831)	(1,192)
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of property, plant & equipment		67	38
Repayment of loans		967	785
Loans advanced		(1,227)	(762)
Purchase of property, plant & equipment		(897)	(2,729)
Net cash flows from/ (used in) investing activities		(1,090)	(2,668)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of Ordinary shares		(517)	(255)
Issue of Ordinary shares		-	(1)
Monies placed on retained rebate		854	982
Repayment of monies on retained rebate		(1,318)	(5,040)
Dividends on Ordinary shares paid		(379)	(354)
Net cash flows from/(used in) financing activities		(1,360)	(4,668)
Net increase/(decrease) in cash		(3,281)	(8,528)
Cash at beginning of year		(14,292)	(5,764)
PWL Cash at beginning of year		(1,961)	-
Cash at end of year [1]		(19,534)	(14,292)

[1] Represented by bank overdraft/borrowings. All cash balances are available to the company without restriction.

The accompanying notes form part of these financial statements

Goldsmith Fox PKF Audit

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

CDC Pharmaceuticals Limited ('the Company') is a co-operative company incorporated in New Zealand and registered under the Companies Act 1993 and Co-operative Companies Act 1996.

The Company is an issuer and a reporting entity for the purposes of the Financial Reporting Act 1993.

The Company is designated as a profit oriented entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

Statement of Compliance

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and Companies Act 1993. The financial statements comply with New Zealand Generally Accepted Accounting Practice (NZGAAP), through compliance with NZIFRS. The financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis of Preparation

The financial statements have been prepared using the historical cost basis modified for the revaluation of land and buildings.

The financial statements are presented in New Zealand dollars which is the Company's functional and presentation currency and all values are rounded to the nearest thousand dollars ($'000).

The preparation of financial statements requires directors to make judgements, estimates and assumptions. It also requires directors to exercise judgement in the process of applying the Company's accounting policies that affect reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of financial performance and financial position have been applied.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Revenue Recognition

Revenue consists of sales through wholesale and distribution outlets and sales of services.

(i) Sales of wholesale goods are recognised when the products are delivered and invoiced to the recipient.

(ii) Interest income is recognised for the accounting period on an accrual basis.

b) Property, Plant and Equipment

Property, plant and equipment are recorded at historical cost less accumulated depreciation and any accumulated impairment losses with the exception of land and buildings. Land and buildings are measured at fair value as determined by an independent valuer with no individual asset being included at a valuation undertaken more than three years previously (buildings are carried at cost less accumulated depreciation until the valuation is undertaken at which point the buildings are then recorded at fair value).

Goldsmith Fox PKF Audit

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont.

b) Property, Plant and Equipment cont.

Any property and land revaluation increase is transferred to the asset revaluation reserve, except to the extent it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case it would be recognised in the income statement. A revaluation decrease in excess of the asset revaluation reserve balance for the asset is recognised as an expense in the income statement in the period it arises. No revaluations took place at 31 March 2015 (the Christchurch, Wellington & Wanganui Land and Buildings were revalued at 31 March 2014).

When an item of property, plant and equipment is disposed of, any gain or loss is recognised in the income statement and is calculated as the difference between the sale price and the carrying value of the item.

c) Depreciation

The Company depreciates property plant and equipment at the following rates. Land & buildings are revalued at a minimum, every 3 years. Buildings are depreciated on a 1-3% straight line basis.

Leasehold Improvements	16.6%	straight line
Plant and Machinery	3% - 40%	diminishing value
Motor Vehicles	10% - 30%	diminishing value
Office Equipment and Fittings	3% - 67%	diminishing value
Computer Equipment	10% - 60%	straight line & diminishing value

d) Impairment of Assets

At each reporting date the carrying amounts of the Company's assets are reviewed for impairment as far as events or changes in circumstances that may indicate the carrying amount may not be recoverable. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

If the recoverable amount of any asset (which is not revalued) is less than its carrying amount, the item is written down to its recoverable amount. An impairment loss is recognised as an expense in the income statement.

When a revalued item is written down to the recoverable amount, the write down is recognised as a downward revaluation to the extent of the corresponding revaluation reserve, and any remaining balance recognised in the income statement.

e) Trade and Other Receivables

Trade receivables are measured at fair value. An impairment of trade receivables is established when there is objective evidence that the Company may not be able to collect all amounts due according to the original terms of the receivables. The impairment is reviewed at year end and is based on factors such as past collection history, the age of receivables balances and other known commercial factors relating to the specific receivable. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. Loans and receivables are included in trade and other receivables in the balance sheet. They are included in current assets, except for maturities greater than 12 months after the balance sheet date at fair value: these are classified as non-current assets.

Goldsmith Fox Audit PKF

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont.

f) Inventories
Inventories which are predominantly finished goods, are stated at the lower of cost (determined on a standard cost basis) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business.

g) Income Tax
The income tax expense included in the income statement includes current and deferred tax.

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.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is recognised in the income statement, except when it relates to equity items in which case it is recognised in the balance sheet.

Deferred tax assets and liabilities are offset against each other when they relate to income taxes levied by the same tax jurisdiction and when the Company intends to settle its current tax assets and liabilities on a net basis.

h) Borrowings
Borrowings are recognised at fair value. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. All borrowing costs are recognised as an expense in the period they are incurred.

i) Provisions
The Company recognises a provision for future expenditure of an uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

j) Employee Benefits
Short term benefits
Employee benefits that the Company expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned, but not yet taken at balance date and long service leave entitlements expected to be settled within 12 months.

Long service leave
Long service leave that is payable beyond 12 months have been calculated on an actuarial basis. The calculations are based on the likely future entitlements accruing to staff, based on the years of service, years to entitlement and the likelihood that staff will reach the point of entitlement. The present value of the estimated future cash flows is used with an inflation factor of 2%. The inflation factor is based on the expected long–term increase in remuneration for employees.

Goldsmith Fox Audit PKF

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont.

k) Ordinary B Shares
Ordinary B Shares are classified as equity as the shares contain no contractual obligations and represent a residual interest in the Company.

l) Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Non-derivative financial instruments
Non-derivative financial instruments recognised in the balance sheet include cash balances, bank overdrafts, receivables, payables and monies held on deposit. All borrowing costs are recognised as an expense in the period they are incurred. No financial instruments are used for the purposes of hedging interest.

<u>Financial assets at fair value through profit and loss</u>

Cash and cash equivalents comprise cash balances, bank overdrafts, commercial bills and call deposits of original maturities of three months or less.

<u>Loans and Receivables</u>

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value plus any directly attributable transactions costs. They are included in current assets, except for those with maturities greater than 12 months after the statement of financial position date which are classified as non-current assets. Receivables are included in 'receivables' in the statement of financial position. Gains and losses are recognised in profit and loss when the loans and receivables are derecognised or impaired.

<u>Financial liabilities at fair value through profit and loss</u>

Trade and other payables are stated at cost and classified as non-derivative financial instruments.

m) Financial Guarantees
A financial guarantee contract is a contract that requires the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Guarantees are initially measured at fair value. A provision is recognised based on the probability that the Company will be required to reimburse a holder for a loss incurred. The portion of the guarantee that remains unrecognised is recognised as a contingent liability.

n) Cash Flow Statement
Cash is considered to be cash in bank net of bank overdrafts and commercial bills.

o) Operating Leases
Operating lease payments, where the lessors effectively retain substantially all the risks and responsibilities of ownership of the lease items, are included in the determination of the net surplus in equal instalments over the period of the lease.

Goldsmith Fox PKF Audit

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont.

p) Goods and Service Tax (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. The net amount of GST recoverable from, or payable to the Inland Revenue Department (IRD) is included as part of receivables or payables in the balance sheet. The net GST paid to, or received from the IRD: including the GST relating to investing and financing activities is classified as an operating cash flow in the statement of cash flows.

q) Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and return that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those segments operating in other economic environments. The Company operates predominately in the pharmaceutical industry supplying pharmaceutical products and associated services to pharmacies and hospitals throughout New Zealand. The Company also supplies, on a wholesale basis, a limited number of veterinary practices predominantly in the mid-lower South Island.

r) Fair Value Measurement

Financial instruments are measured at their fair value at each balance sheet date. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described in note 15, based on the lowest level input that is significant to their fair value measurement as a whole.

s) Prior Year Comparatives

Prior year comparative balances (2014) represent the performance and position of CDC Pharmaceuticals Limited only at that point in time (i.e. PWL Central Limited balances at 31 March 2014 are not included).

Where appropriate, specific opening balances have been restated to include the comparative PWL Central Limited position as at 1 April 2014. In these instances, the restatement and reconciliation of CDC Pharmaceuticals Limited & PWL Central Limited combined opening balances (1 April 2014) is clearly detailed within the relevant note disclosure. Note 12 to these financial statements provides further background on the specific restatements presented.

Changes in Accounting Policies

(i) Accounting standards and interpretations adopted in the current period.

There have been no changes in Accounting Policies other than the adoption of new standards described below. The previous accounting policies of PWL Central Limited, prior to amalgamation were considered and incorporated into the standards above.

(ii) Accounting standards and interpretations issued but not yet effective.

There are a number of standards and interpretations which are not yet effective and considered to have no impact on the company.

Goldsmith Fox Audit PKF

	NOTES	2015 $'000	2014 $'000
2 EXPENSES			
Operating Expenses			
Audit Expense			
- Audit of financial statements		34	22
Depreciation		450	330
Directors Fees		165	90
Employee benefit expenses	17	6,289	4,138
Loss on sale of property, plant & equipment		-	5
Operating lease rent		414	243
(Decrease)/Increase Stock Provision		(211)	-
Other Operating Expenses		2,657	1,664
		9,798	6,493
3 FINANCE EXPENSES			
Interest expense		920	691
		920	691
4 INCOME TAXATION			
Current Income Tax			
Income Statement Profit before taxation		340	547
Adjust for:			
Temporary Differences		(4)	178
Permanent Differences		1	6
Profit for taxation purposes		337	731
Prima Facie taxation (28%)		95	204

(Current Income Tax is the expected tax payable on the taxable income for the year)

		2015 $'000	2014 $'000
Deferred Income Tax			
Deferred income tax relating to origination and reversal of temporary differences		33	(32)
Prior period tax recalculated		51	-
Taxation charge		179	172
Deferred tax on tax treatment of land & buildings		-	(2)
Total Taxation Charge		179	170
Taxation Provision/ (Refund)			
Beginning balance		76	(158)
Beginning balance PWL Central Limited		21	-
Current year charge		95	204
Provisional tax (paid)/refunded		(205)	30
Taxation provision/(refund)		(13)	76

There are no income tax losses carried forward

Goldsmith Fox PKF Audit

4 INCOME TAXATION Cont.

	2015 $'000	2014 $'000
Imputation Credit Account		
The amount of imputation credits available for use in subsequent reporting periods	1,169	1,093

5 DEFERRED TAX

Deferred tax asset (liability)

	Differing Tax Depreciation	Revaluation of Property	Non-Deductible Provisions	Total
	$'000	$'000	$'000	$'000
Balance at 1 April 2013	(372)	(24)	383	(13)
Asset/ (Liability) for year	13	2	18	33
Balance at 1 April 2014	(359)	(22)	401	20
Asset/ (Liability) for year	(12)	-	(55)	(67)
Balance at 31 March 2015	(371)	(22)	346	(47)

The deferred tax asset represents temporary differences arising at balance date between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes. Tax assets and liabilities are offset if and only if there is a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

6 BANK OVERDRAFT/BORROWINGS

CDC has an overdraft and committed cash advance facility totalling $20.0 million with the Bank of New Zealand which is secured by a first ranking general security arrangement on all present and after acquired property of CDC Pharmaceuticals Limited and a registered first ranking mortgage security over the property at 26 Logistics Drive (Christchurch warehouse) with a priority sum of $12.25 million.

The balance outstanding at 31 March 2015 was $19.53 million (31 March 2014 $14.29 million). There have been no breaches of loan or repayment terms.

Goldsmith Fox Audit PKF

7 RECEIVABLES

	2015 $'000	2014 $'000
Trade receivables	28,897	18,673
Trade receivables - related parties	1,579	1,093
Loans receivable	586	561
Receivables	31,062	20,327
Non current portion		
Loans receivable	991	756
Total receivables	32,053	21,083

The above receivable balances are shown at fair value being net of a $0.75 million provision for doubtful debts (2014: $0.75 million). Loans receivables represent loans made to members of the Company and are secured over assets (registered mortgage or General Security Agreement over the business) and/or personal guarantees and the registering of the Company's security interest in inventory on the Personal Property Security Register.

The trade receivables balance includes some extended credit arrangements with members which are secured in the same manner used for loan receivables. None of the related party trade receivables are impaired.

8 INVENTORIES

	2015 $'000	2014 $'000
Finished goods at net realisable value	19,606	14,124

Inventory write downs recognised totalled $0.30 million (2014 $0.51 million) for the company.

The carrying amount of inventories pledged as security, via registration on the Personal Property Securities Register against CDC at 31 March 2015 totalled $5.21 million (2014 $5.70 million).

Goldsmith Fox PKF Audit

9 PROPERTY, PLANT & EQUIPMENT

2015	Land at Valuation	Buildings at Valuation	Leasehold Improvements	Plant and Machinery	Motor Vehicles	Office Equipment & Fittings	Computer Equipment	Totals
	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's
CDC Cost or valuation at 1 Apr 2014	2,907	6,659	436	551	406	351	748	12,058
PWL Cost or valuation at 1 Apr 2014	200	233		131	184	400	332	1,480
CDC Accumulated depreciation			(219)	(215)	(155)	(210)	(697)	(1,496)
PWL Accumulated depreciation		(6)		(87)	(129)	(224)	(261)	(707)
Carrying amount at 1 Apr 2014	**3,107**	**6,886**	**217**	**380**	**306**	**317**	**122**	**11,335**
Additions				176	220	41	462	899
Disposals and assets held for sale					(67)			(67)
Revaluations								
Depreciation		(66)	(73)	(102)	(101)	(43)	(65)	(450)
Carrying amount at 31 March 2015	**3,107**	**6,820**	**144**	**454**	**358**	**315**	**519**	**11,717**
Cost or valuation at 31 March 2015	3,107	6,892	436	802	753	891	1,496	14,377
Accumulated Depreciation		(72)	(292)	(348)	(395)	(576)	(977)	(2,660)
Carrying amount	**3,107**	**6,820**	**144**	**454**	**358**	**315**	**519**	**11,717**

The opening cost & accumulated depreciation balances for PWL Central Limited have been added to restate the opening carrying amount at 1 April 2014.

No valuations were completed for land & buildings at 31 March 2015. The Christchurch, Wellington & Wanganui and buildings were valued on 31 March 2014 using an independent registered Valuer. The properties were valued at fair value of $10.03 million at 31 March 2014. If the land and buildings had been carried at cost less accumulated depreciation, the carrying amount would have been $9.77 million at 31 March 2014.

Construction Contracts in the prior year represented land and buildings at Logistic Drive, Christchurch carried at cost using the stage of completion method.

Goldsmith Fox PKF Audit

9 PROPERTY, PLANT & EQUIPMENT Cont.

2014	Land at Valuation	Buildings at Valuation	Construction Contracts	Leasehold Improvements	Plant and Machinery	Motor Vehicles	Office Equipment & Fittings	Computer Equipment	Totals
	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's
Cost or valuation at 1 Apr 2013	737	803	5,925	436	206	360	277	714	9,458
Accumulated depreciation				(146)	(158)	(157)	(184)	(665)	(1,310)
Carrying amount at 1 Apr 2013	737	803	5,925	290	48	203	93	49	8,148
Additions		7	2,126		345	144	74	34	2,730
Transferred from Construction Contracts	2,170	5,881	(8,051)						-
Disposals and assets held for sale						(43)			(43)
Revaluations		57							57
Depreciation		(89)		(73)	(57)	(53)	(26)	(32)	(330)
Carrying amount at 31 March 2014	2,907	6,659	-	217	336	251	141	51	10,562
Cost or valuation at 31 March 2014	2,907	6,659		436	551	406	351	748	12,058
Accumulated Depreciation				(219)	(215)	(155)	(210)	(697)	(1,496)
Carrying amount	2,907	6,659	-	217	336	251	141	51	10,562

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10 PAYABLES AND ACCRUALS

	2015 $'000	2014 $'000
Comprises:		
Trade creditors	24,798	16,749
Accruals	191	55
Provision for employee benefits	357	230
	25,346	17,034

11 RETAINED REBATE

Members are given the option to retain, on deposit, rebates not yet paid by CDC from prior years. These rebates continue to be at call and interest bearing.

	2015 $'000	2014 $'000
Retained Rebate	1,947	1,652

12 AMALGAMATION WITH PWL CENTRAL LIMITED

On the 29th of July 2014 the shareholders of CDC Pharmaceuticals Limited & PWL Central Limited voted unanimously to amalgamate the two companies with effect 1 October 2014. CDC Pharmaceuticals Limited remains the legal entity.

The directors of both companies agreed that an amalgamation of the two companies was in the strategic long term interests of all shareholders, strengthening the position of co-operative pharmacy wholesaling in New Zealand.

The respective companies were valued by an independent third party, BDO Christchurch Limited immediately prior to amalgamation. These valuations considered the respective trading histories of the companies, current operating environments, forecast performance and respective financial positions. These valuations were conducted to ensure shareholders retained their relative share of the historical value built up in each co-op. As a result, a bonus issue of Ordinary B Shares was made to existing shareholders of CDC Pharmaceuticals at the time of the merger.

Prior year balances (2014) have not been restated to include the results of PWL Central Limited at 31 March 2014.

The opening position of the amalgamated company at 1 October 2014 is represented by:

Reconciliation of Opening Retained Earnings	$'000
Retained Earnings at 1 April 2014 – CDC Pharmaceuticals Limited	6,214
Retained Earnings at 1 April 2014 – PWL Central Limited	829
Restated Opening Retained Earnings – CDC Pharmaceuticals Limited	**7,043**

Issue of Shares on Amalgamation	$'000
Ordinary Shares at 30 September 2014 – CDC Pharmaceuticals Limited	7
Preference A Shares at 30 September 2014 – CDC Pharmaceuticals Limited	3,547
Ordinary Shares at 30 September 2014 – PWL Central Limited	1,558
Converted Ordinary Shares on Amalgamation	**5,112**

All previous shares held converted to Ordinary Shares in the Amalgamated Company on 1 October 2014.

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12 AMALGAMATION WITH PWL CENTRAL LIMITED cont.

Ordinary B Shares were issued to the holders of Ordinary Shares in CDC Pharmaceuticals Limited immediately prior to the amalgamation. These shares were issued from Retained Earnings in recognition of the respective valuations of the companies on amalgamation. The issue of 1,970,018 Ordinary B shares (of $1 nominal value each) was divided amongst these shareholders in equal parcels.

Consideration

No consideration was transferred by either party on amalgamation. The Assets, Liabilities and Equity of PWL Central Limited were amalgamated with CDC Pharmaceuticals Limited on 1 October 2014 at their respective fair values, in line with applicable accounting policies as presented in these accounts.

The fair value of PWL Central Limited as at 30 September 2014 amalgamated on 1 October 2014 was:

Assets	**$'000**
Bank	426
Prepayments	61
Trade Debtors	7,783
Stock	5,354
Fixed Assets	850
Total Assets	14,474
Liabilities	
Bank Borrowings	2,185
Trade Creditors & Accruals	7,971
Shareholder Loans	919
Deferred Tax	1
Equity	
Retained Earnings	1,547
Revaluation Reserves	290
Share Capital	1,561
Total Liabilities & Equity	14,474

Transaction Costs

Transactions costs specific to the amalgamation were $274,304 representing specific accounting, legal and staffing costs specific to completing the amalgamation transaction. These costs have been expensed in full through the Statement of Comprehensive Income during the financial year.

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13 SHARE CAPITAL

	2015 $'000	2014 $'000
Ordinary Shares	5,064	7
* Preference A Shares	-	3,527
** Ordinary B Shares	1,925	-
Total Share Capital	6,989	3,534

* Preference A Shares were converted into Ordinary Shares on 1 October 2014 in line with the amended constitution on amalgamation (refer Note 12).

** Ordinary B Shares were issued to incumbent CDC members who were Ordinary shareholders on amalgamation. These shares were issued evenly in equal parcels across all qualifying with the issue made out of retained earnings. These shares are redeemable only on sale of the pharmacy and/or retirement of the shareholder. Ordinary B shares are cancelled on repurchase.

The Company is registered as a co-operative company and as such the ordinary shares have a nominal value of $1.00 each (and therefore no par value). All ordinary shares have equal voting rights; share equally in any surplus on winding up and share equally in any dividend declared for this class of share. The Ordinary B Shares have a nominal value $1 each (and no par value). Holders of Ordinary B Shares share equally in dividends.

The Company holds 78,842 Ordinary Shares as treasury stock. Fully imputed dividends were paid on Ordinary Shares during the period at a net 3.6c per Ordinary Share held. Fully imputed dividends per paid on Ordinary B shares during the period at a net 2.88c per Ordinary B share held.

14 RESERVES

	2015 $'000	2014 $'000
Retained Earnings		
Balance as at 1 April 2014 *	7,043	6,193
Net Profit for the year	161	375
Dividends Paid	(319)	(354)
Recognition of Ordinary B Shares **	(1,970)	-
Balance as at 31 March 2015	4,915	6,214
Asset Revaluation Reserve		
Opening Balance	90	31
PWL balance at amalgamation	290	-
Revaluation of land and buildings	-	57
Deferred Tax	-	2
Balance at Year End	380	90
Total Reserves at Year End	5,295	6,304

* Opening balance restated as disclosed within Note 12 to these financial statements.

** Issue of Ordinary B Shares as disclosed within Note 12 to these financial statements.

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14 RESERVES cont.

There are no restrictions on the distribution to shareholders of any reserves. Transfers from Retained Earnings to Share Capital recognised the issue of Ordinary B Shares to qualifying members on 1 October 2014.

15 FINANCIAL INSTRUMENTS

Credit Risk

Financial instruments which potentially subject the Company to credit risk principally consist of bank balances, accounts receivable, advances, borrowings and financial guarantees.

The Company performs credit evaluations on all customers requiring credit and generally does not require collateral, although it does require the registering of CDC's security interest in inventory sold to customers on the Personal Property Securities Register.

	2015 $'000	2014 $'000
Maximum exposures to credit risk as at balance date are:		
Bank balances	-	-
Receivables: Note 7	31,062	20,327
Non-Current Receivables: Note 7	991	756

The above maximum exposures are net of any recognised provision for losses on these financial instruments. The Company holds Ordinary Shares, Ordinary B Shares and accrued rebate entitlements on behalf of its members which could be used to off-set the receivables exposure.

In some cases where the Company has entered into an extended credit arrangement or a loan arrangement with customers, further security in the form of a registered mortgage over property or a General Security Agreement over the business assets is held against the receivable exposure and/or personal guarantees and the registering of the Company's security interest in inventory on the Personal Property Securities Register are held against the receivables and any financial guarantees.

The Company predominantly operates in the pharmaceutical industry which creates an exposure to a concentration of credit risk. The Company further supplies pharmaceuticals to individual pharmacies & hospitals and groups of pharmacies & hospitals (groups being defined by multiple ownership). The supply to groups of pharmacies & hospitals increases the concentration of credit risk. This credit risk is managed in the manner outlined above. The Company has not renegotiated the terms of any financial assets which would result in the gross amount no longer being due. The Company does enter into extended credit arrangements or loan arrangements, from time to time, which extend the normal due date for the receivable. Gross receivables include those receivables for which extended credit or loan arrangements have been entered into.

At balance date 97.2% (2014: 98.4%) of gross receivables are not yet due. Gross receivables that are past due, after considering security held, are subject to adequate provisioning by the Company.

There are no individual receivables that the company considers to be impaired.

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15 FINANCIAL INSTRUMENTS cont.
Credit Risk cont.

Fair Values
The Company has financial instruments carried at fair value, with the fair value of all financial instruments equivalent to their carrying value except for Financial Guarantees where it is not practical to estimate the fair value with an acceptable level of reliability. The following hierarchy defines the valuation method used to value these instruments.

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

All Company financial instruments carried at fair value are defined as level 2 for valuation purposes for 2014 and 2015, except for Financial Guarantees carried at level 3 for valuation purposes for 2014 and 2015.

Liquidity Risk
Liquidity risk represents the Company's ability to meet its contractual obligations. The Company evaluates its liquidity requirements on an ongoing basis. In general, the Company generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover any potential shortfall.

Non-derivative Financial Liabilities

2015

	Carrying Value $'000	Contractual Cash Flows $'000	0-3 months $'000	3-12 months $'000	1-3 years $'000
Trade and Other Payables	$29,578	$29,578	$25,346	$4,232	-
Retained rebate	$1,947	$1,947	$1,947	-	-
Borrowings	$19,534	$19,534	$19,534	-	-
	$51,059	**$51,059**	**$46,827**	**$4,232**	-

2014

	Carrying Value $'000	Contractual Cash Flows $'000	0-3 months $'000	3-12 months $'000	1-3 years $'000
Trade and Other Payables	$19,931	$19,931	$16,865	$3,066	-
Retained rebate & deposits	$1,652	$1,652	$1,652	-	-
Borrowings	$14,292	$14,292	$14,292	-	-
	$35,875	**$35,875**	**$32,809**	**$3,066**	-

The Company has determined that for financial assets and liabilities that are settled within twelve months of balance date the contractual cash flows are represented by the value of the financial asset or liability reported in the Statement of Financial Position.

Interest Rate Risk

Liabilities
The Company utilised a commercial bill facility during the period as the need arose. Commercial bills outstanding at balance date were $19.85 million (2014: $14.55 million) and are included in $19.53 million outstanding bank balance (2014: $14.29 million). The interest rate range during the period was 4.78% to 5.45% (2014: 4.45% to 4.78%). The company pays interest on retained rebates. The rate was 4.00% to 4.15% (2014: 4.00% to 4.00%). The rate at 31 March 2015 was 4.15%.

Interest rate risk is the potential for a change in interest rates to change net interest earnings and funding cost to the Company.

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15 FINANCIAL INSTRUMENTS cont.

Interest rate risk sensitivity analysis on borrowings based on a 1% change to the interest rate.

	Carrying Amount $'000	Impact on Profit +1%	-1%
Loans receivable - current	586	6	(6)
Loans receivable – non current	991	10	(10)
Bank Borrowings	19,534	(195)	195
Monies held on deposit	1,947	(19)	19
Total increase/(decrease)		(198)	198

Assets
The Company can utilise an on call facility to invest surplus funds when the need arises. There were no funds on call at balance date (2014: nil).

The Company charges interest on loan receivables. The rate range during the period was 5.50% to 10.00% (2014: 5.50% to 10.00%).

16 RECONCILIATION OF NET PROFIT WITH CASH FLOW FROM OPERATING ACTIVITIES

	2015 $'000	2014 $'000
Net Profit for the year	161	375
Working Capital Movements		
(Increase)/ Decrease in debtors	(3,644)	1,148
Decrease/ (Increase) in inventory	542	(1,671)
(Decrease)/ Increase in tax provision	(111)	236
Decrease/ (Increase) in creditors	1,350	(1,996)
(Decrease)/ Increase in rebate provision	(65)	(33)
Non Cash and Non Operating Items		
Depreciation	450	330
(Gain)/Loss on disposal	-	5
Compound interest on retained rebate	44	47
Rebates retained and put on retained rebate	303	269
Rebates retained and added to Ordinary Shares	283	77
(Decrease)/ Increase in provision for inventory	(211)	55
Increase in deferred tax	67	(34)
Net cash (inflow/outflow) from operating activities	(831)	(1,192)

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17 RELATED PARTY TRANSACTIONS

The Directors individually or as Director shareholders of companies which are active trading members of the Company, all transact in the ordinary course of business with the Company. The transactions are on the same terms and conditions as other shareholder/members (refer note 21 for detail). No related party debts have been written off or forgiven during the period (2014: nil).

Dorian Properties Limited is the owner and lessor of the property at 207 Courtenay St, New Plymouth in which CDC Pharmaceuticals Limited is the current lessee. Warren Davis (General Manager – North Island) is a director of Dorian Properties Limited and has the capacity to significantly influence the decision making of that company. The operating lease has been entered into on a commercial basis at fair, arm's length, market terms. Lease payments made to Dorian Properties Limited for the year were $73,500.

Remuneration of Key Management Persons

Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including Directors.

	2015	2014
	$'000	$'000
Short term benefits	1,306	*985*

* Prior year figures reflect CDC Pharmaceuticals Limited pre-amalgamation only.

18 CONTINGENT LIABILITIES/CAPITAL COMMITMENTS/OPERATING LEASES

The Company has acted as guarantor for certain shareholders loans. The maximum exposure the Company has is $1.83 million (2014: $1.18 million). The Company has secured this exposure with personal guarantees and registration of security interest in inventory and the assets of the shareholders business on the Personal Property Securities Register.

The Company has no contingent liabilities (2014: nil).

The Company has no capital commitments at 31 March 2015 (2014: nil)

Operating lease commitments – CDC as lessee:

Following the earthquake on February 22 2011, CDC Christchurch entered into a six year operating lease (with two five year rights of renewal and the ability to assign or sub let the lease) at 33 Birmingham Drive, Christchurch, effective February 25, 2011.

CDC Southern Branch, Dunedin, has entered into a four year operating lease (with two three year rights of renewal and the ability to assign or sub let the lease) at 127 Vogel St, Dunedin, effective April 2, 2012.

CDC New Plymouth Branch, has entered into a four year operating lease (with two five year rights of renewal and the ability to assign or sub let the lease) at 207 Courtenay St, New Plymouth, effective 1 December 2013.

CDC Napier Branch, has entered into a ten year operating lease (with two five year rights of renewal and the ability to assign or sub let the lease) at 16 Severn St, Napier, effective 26 April 2011.

Future minimum rentals payable under non-cancellable operating leases at 31 March are, as follows:

	2015	2014
Payable	$'000	$'000
- within one year	412	243
- after one year and within two years	343	243
- after two years and within five years	341	174
- after five years	103	-

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18 CONTINGENT LIABILITIES/CAPITAL COMMITMENTS/OPERATING LEASES Cont.

Operating lease commitments – CDC as lessor:

CDC Christchurch has entered into a sub-lease agreement as the lessor for the premises at 33 Birmingham Drive. The lease commenced on the 10th of July 2013 and is for the same term as the operating lease in which CDC Pharmaceuticals Limited is the lessee.

CDC Pharmaceuticals Ltd has entered into a lease agreement as the lessor for a portion of the warehouse at 26 Logistics Drive. This lease commenced on the 1st of October 2013 for an initial three year term, with two three year rights of renewal.

Future minimum rentals receivable under non-cancellable operating leases at 31 March are, as follows

	2015	2014
Receivable	$'000	$'000
- within one year	318	318
- after one year and within two years	252	318
- after two years and within five years	-	261
- after five years	-	-

19 SEGMENTAL REPORTING

The Company operates in one industry as a wholesaler of pharmaceutical products. The Company also supplies, on a wholesale basis, a limited number of veterinary practices predominantly in the mid-lower South Island. All operations are carried out in New Zealand.

20 POST BALANCE DATE EVENTS

The Company has no Post Balance Date Events requiring disclosure (2014: nil).

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STATUTORY DECLARATIONS

Directors holding office during the period

Garry A Brown	Carolyn Oakley-Brown
Paul J Giles	Douglas A Stanton
R Gwynn H Thomson (Chairman)	Graeme S Platt (from 1 October 2014)
Mike P Riordan (from 1 October 2014)	Jeff C Lucas (from 1 October 2014)

Remuneration of directors and employees

Directors' remuneration received during the year is as follows:

	2015 $'000	2014 $'000
Garry A Brown	17	15
Paul J Giles	17	15
Carolyn Oakley-Brown	17	15
Douglas A Stanton	17	15
Graeme S Platt	13	-
Mike P Riordan	13	-
Jeff C Lucas	22	-
R Gwynn H Thomson (Chairman)	33	30

CDC Pharmaceuticals has employees, not including directors, who received total remuneration (salary, KiwiSaver and motor vehicles etc) greater than one hundred thousand dollars.

	2015	2014
$100,000 - $110,000	1	2
$110,000 - $120,000	1	-
$150,000 - $160,000	-	1
$160,000 - $170,000	1	1
$180,000 - $190,000	1	-
$190,000 - $200,000	1	-
$290,000 - $300,000	-	1
$320,000 - $330,000	1	-

Auditors Remuneration

Total audit fees payable to PKF Goldsmith Fox Audit as the Auditor of the Company for the 2015 financial statements totalled $34,500.

Directors' interest

The Directors individually or as Director Shareholders of companies which are active trading members of the Company transact in the ordinary course of business with the Company. The transactions are on the same terms and conditions as other shareholder/members. Transactions relating to the Directors for the year ended 31 March 2015 totalled $16.1 million (2014: $11.0 million). The receivables balance relating to Directors at 31 March 2015 was $1.58 million (2014: $1.09 million). The types of transactions are:

- Purchases of supplies from the Company. The purchases are subject to the same terms of trade as other members.
- The receipt of rebate from the Company. The rebate is paid on the same terms and conditions as to other members.
- Investment in the Company in the form of Ordinary Shares, Ordinary B Shares and "retained rebate". Dividends and interest are paid by the Company at the same rate as to other members. The retained rebate balance relating to Directors at 31 March 2015 was $0.51 million (2014: $0.57 million).

The Company has pursuant to the Company's Constitution and in accordance with the Companies Act 1993 directors and officer's liability and company reimbursement insurance in place covering the Directors, and Officers of the Company. The insurance indemnifies the Company in respect of costs which may be incurred in reimbursing a director or officer in the successful defence of any action and covers individual directors and officers for personal liability as permitted by the Act.

Share dealings

No director acquired or disposed of any interest in shares in the Company during the year. The directors, via their pharmacy businesses, participated in the annual adjustment to Ordinary Shares held on the same terms and conditions as all other shareholder/members.

COMPANY DIRECTORY

DIRECTORS

Gwynn Thomson (Chairman)
Garry Brown
Paul Giles
Jeff Lucas
Carolyn Oakley-Brown
Graeme Platt
Mike Riordan
Douglas Stanton

EXECUTIVE TEAM

Mike Rhodes	Chief Executive Officer
Murray Campbell	General Manager – Hospital & Inventory
Dean Chin	National Commercial Manager
Warren Davis	General Manager – North Island
Michael Washington	General Manager – Finance & Business Development

REGISTERED OFFICE

26 Logistics Drive
Christchurch

AUDITOR

PKF Goldsmith Fox Audit

BANKERS

Bank of New Zealand

SOLICITORS

Anthony Harper

WEBSITE

www.cdc.co.nz