



PHARMACEUTICALS LTD

ANNUAL REPORT

2014

DIRECTORY

CDC Pharmaceuticals Ltd is a 100% New Zealand owned co-operative founded in 1927. CDC Pharmaceuticals Ltd members consist of independent pharmacists who own and operate their own business and work together for their mutual benefit and the benefit of the co-operative.

DIRECTORS

Garry Brown

Carolyn Oakley-Brown

Paul Giles

Douglas Stanton

Gwynn Thomson (Chairman)

EXECUTIVE TEAM

Mike Rhodes

Chief Executive Officer

Murray Campbell

General Manager

Dean Chin

Wellington Branch & Commercial Manager

Michael Washington

Finance Manager

REGISTERED OFFICE

26 Logistics Drive

Christchurch

AUDITOR

Ashton Wheelans

BANKERS

Bank of New Zealand

SOLICITORS

Anthony Harper

ANNUAL REPORT

In compliance with the Companies Act 1993 the Directors have pleasure in presenting the eighty seventh report of the Company for the year ended 31 March 2014. 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. The nature of the Company's business has not changed during the year under review.

CO-OPERATIVE COMPANY STATUS

On the 29th of April 2014 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.

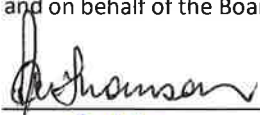

GOVERNANCE

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 for 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 at call monies, rates of rebate, dividends on Preference A 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 29th April 2014

Director 29th April 2014

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 6 to 25, which comprise the statement of financial position as at 31 March 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the statement of 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 controls as the directors determine is necessary to enable the preparation of the financial statements to be free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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). These 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 controls relevant to the company's preparation of financial statements that give a true and fair view of the matters to which they relate 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 company'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 statement on pages 6 to 25:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of CDC Pharmaceuticals Limited as at 31 March 2014 and its financial performance and its cash flow for the year ended on that date.

INDEPENDENT AUDITOR'S REPORT
CDC Pharmaceuticals Limited

Report on Other Legal and Regulatory Requirements

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.


dated: 29 April 2014
Ashton Wheelans
Level 2 83 Victoria Street
Christchurch
Ph + 64 3 3667154

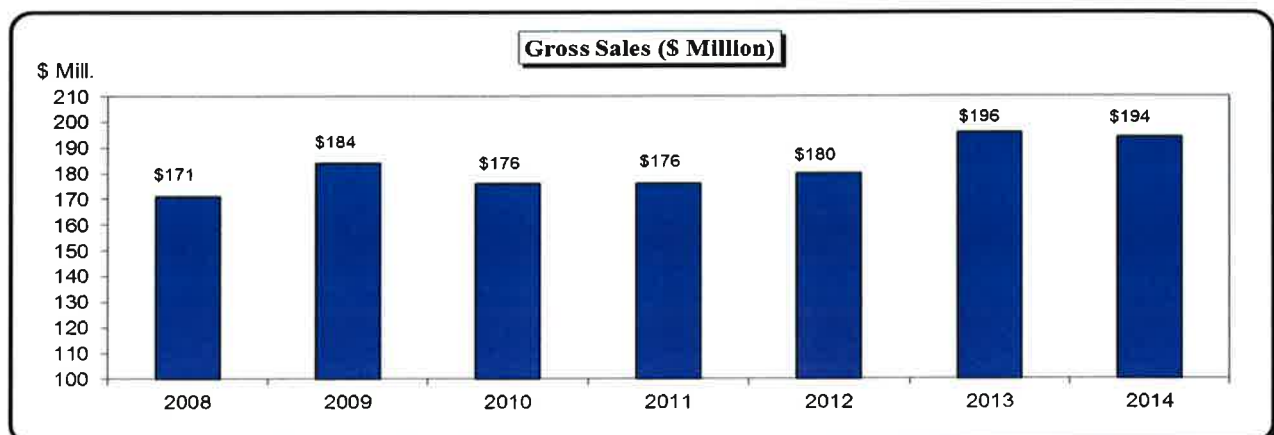
STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2014

	NOTES	2014 \$'000	2013 \$'000
Continuing operations			
Revenue		194,064	196,147
Cost of sales		(183,853)	(186,126)
Gross profit		10,211	10,021
Gain on sale / disposal of land & buildings		-	3,390
Other operating income	9, 18	453	143
Operating expenses	2, 9	(6,493)	(6,324)
Operating Profit		4,171	7,230
Finance income		131	168
Finance expenses	3	(691)	(542)
Profit before rebate and income tax		3,611	6,856
Member rebate on purchases		(3,064)	(3,090)
Profit before income tax		547	3,766
Income taxation expense for the year	4	(172)	(450)
Net Operating Profit after tax for the year		375	3,316
Revaluation of land and buildings	14	57	(35)
Income tax on other comprehensive income	4	2	(24)
Total comprehensive income		434	3,257

The accompanying notes form part of these financial statements.

ASHTON
WHEELANS

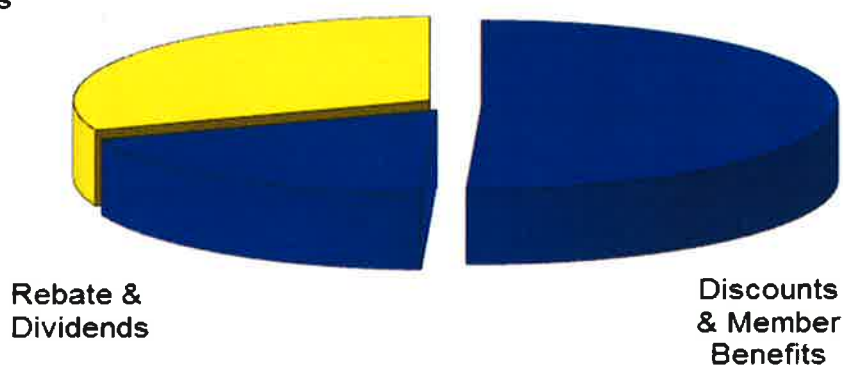


STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2014

NOTES	Share Capital \$'000	Asset Revaluation \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance at 1 April 2012	3,627	670	2,660	6,957
Net profit after tax	-	-	3,316	3,316
Other comprehensive income	-	(59)	-	(59)
Shares issued	310	-	-	310
Dividends paid	-	-	(363)	(363)
Share repurchase	(226)	-	-	(226)
Transfers on sale/disposal of fixed assets	-	(580)	580	-
Balance as 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)
Balance as at 31 March 2014	3,534	90	6,214	9,838

2014 Member Benefits
Distribution of Gross Profit before Discounts

Operating
Expenses



STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2014

	NOTES	2014 \$'000	2013 \$'000
CURRENT ASSETS			
Receivables	7	20,327	21,483
Inventories	8	14,124	12,509
		<u>34,451</u>	<u>33,992</u>
NON CURRENT ASSETS			
Property plant & equipment	10	10,562	8,148
Non current receivables	7	756	769
Deferred tax asset	5	20	(13)
		<u>45,789</u>	<u>42,896</u>
CURRENT LIABILITIES			
Bank overdraft/borrowings	6	14,292	5,764
Payables & accruals	11	17,034	19,030
Rebate on purchases		2,897	2,930
Retained rebate & deposits	12	1,652	5,395
Taxation payable	4	76	(158)
		<u>35,951</u>	<u>32,961</u>
EQUITY			
Share capital	13	3,534	3,711
Retained earnings	14	6,214	6,193
Reserves	14	90	31
		<u>9,838</u>	<u>9,935</u>
TOTAL LIABILITIES & EQUITY		<u>45,789</u>	<u>42,896</u>

For and on behalf of the Board of Directors, which authorised the issue of the financial report:

Director
29th April 2014



Director
29th April 2014



The accompanying notes form part of these financial statements.

**ASHTON
WHEELANS**

STATEMENT OF CASH FLOWS
FOR THE YEAR END 31 MARCH 2014

	NOTES	2014 \$'000	2013 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		194,998	184,332
Interest received		131	168
Insurance proceeds		240	100
Interest paid		(644)	(429)
Payments to suppliers		(189,059)	(177,503)
Payments to employees		(4,138)	(4,164)
Rebate paid to members		(2,750)	(2,834)
Income tax received/(paid)		30	(200)
		<hr/>	<hr/>
Net cash flows from/ (used in) operating activities		(1,192)	(530)
		<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of property, plant & equipment		38	4,994
Repayment of loans		785	829
Loans advanced		(762)	(942)
Purchase of property, plant & equipment		(2,729)	(3,871)
Purchase of goodwill		-	(37)
		<hr/>	<hr/>
Net cash flows from/ (used in) investing activities		(2,668)	973
		<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of Preference A shares		(255)	(103)
Issue of ordinary shares		(1)	1
Monies placed on deposit		982	494
Repayment of monies on deposit		(5,040)	(1,208)
Dividends on Preference A shares paid		(354)	(363)
		<hr/>	<hr/>
Net cash flows from/(used in) financing activities		(4,668)	(1,179)
		<hr/>	<hr/>
Net increase/(decrease) in cash		(8,528)	(737)
Cash at beginning of year		(5,764)	(5,027)
Cash at end of year ¹		<hr/> (14,292)	<hr/> (5,764)

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

**ASHTON
WHEELANS**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

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).

ASHTON
WHEELANS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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. The Christchurch & Wellington land and buildings have been revalued at 31 March 2014. (Wellington land and buildings only at 31 March 2013).

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.

Construction Contracts

Construction contracts relate to contracts specifically negotiated for the construction of an asset. Assets subject to or included as part of the ultimate construction of the asset are classified as capital works in progress and form part of the total carrying value of fixed assets given their tangible nature at balance date. Capital works in progress are carried at cost using the stage of completion method until the point in time in which the assets are available for use whereby they will be transferred to the applicable asset class.

c) Depreciation

The Company depreciates property plant and equipment at the following rates. Land & buildings are revalued annually. Buildings are depreciated on a 2% straight line basis.

Leasehold Improvements	16.6% straight line
Plant and Machinery	8% - 50% diminishing value
Motor Vehicles	10% - 31% diminishing value
Office Equipment and Fittings	3% - 67% diminishing value
Computer Equipment	40% - 60% 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont.

e) Trade and Other Receivables cont.

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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont.

j) Employee Benefits cont.

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.

k) Preference A Shares

Preference A 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.

Financial assets at fair value through profit and loss

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

Loans and Receivables

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.

Financial liabilities at fair value through profit and loss

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont.

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.

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 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.

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.

NZIFRS 13: Fair Value Measurement – Establishes a single source of guidance under NZIFRS for determining the fair value of assets and liabilities.

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

NZIFRS 9: Financial instruments: This standard is effective for annual reporting periods beginning on or after 1 January 2017 but early adoption is permitted. The new standard simplifies the approach for classification and measurement of financial assets compared with the requirements of NZIAS 39.

NZIAS 16: Property, Plant and Equipment: This standard is effective for annual reporting periods beginning on or after 1 July 2014. The new standard clarifies the measurement of carrying amounts on revaluation of property, plant and equipment.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

	NOTES	2014 \$'000	2013 \$'000
2 EXPENSES			
Operating Expenses			
Audit Expense			
- Audit of financial statements		22	22
- Services provided for trust deed requirements		1	2
Land & Buildings Impairment/(Reversal)		-	(35)
Depreciation		330	194
Directors Fees		90	85
Employee benefit expenses	17	4,138	4,164
Loss on sale of property, plant & equipment		5	-
Operating lease rent		243	243
(Decrease)/Increase Doubtful Debt Provision		-	(135)
Impairment of Goodwill		-	37
Other Operating Expenses		1,664	1,747
		<u>6,493</u>	<u>6,324</u>
3 FINANCE EXPENSES			
Interest expense		691	542
		<u>691</u>	<u>542</u>
4 INCOME TAXATION			
Current Income Tax			
Income Statement Profit before taxation		547	3,766
Adjust for:			
Temporary Differences		178	1,961
Permanent Differences		6	(5,383)
		<u>731</u>	<u>344</u>
Profit for taxation purposes		731	344
Prima Facie taxation (28%)		204	97
(Current Income Tax is the expected tax payable on the taxable income for the year)			
Deferred Income Tax			
Deferred income tax relating to origination and reversal of temporary differences		(32)	209
Prior period tax recalculated		-	144
		<u>172</u>	<u>450</u>
Taxation charge		172	450
Deferred tax on tax treatment of land & buildings		(2)	24
Total Taxation Charge		<u>170</u>	<u>474</u>
Taxation Provision/ (Refund)			
Beginning balance		(158)	(96)
Current year charge		204	97
Provisional tax paid/(refunded)		30	(159)
		<u>76</u>	<u>(158)</u>
Taxation provision/(refund)		76	(158)

There are no income tax losses carried forward

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

4 INCOME TAXATION Cont.

	2014 \$'000	2013 \$'000
Imputation Credit Account		
The amount of imputation credits available for use in subsequent reporting periods	1,093	1,262

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 2012	-	(95)	418	323
Asset/ (Liability) for year	(372)	71	(35)	(336)
Balance at 1 April 2013	(372)	(24)	383	(13)
Asset/ (Liability) for year	13	2	18	33
Balance at 31 March 2014	(359)	(22)	401	20

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 \$16.6 million with the Bank of New Zealand which is secured by a first ranking general security arrangement in 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 2014 was \$14.29 million (31 March 2013 \$5.76 million). There have been no breaches of loan or repayment terms.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

7 RECEIVABLES

	2014	2013
	\$'000	\$'000
Trade receivables	18,673	18,531
Trade receivables - related parties	1,093	930
Loans receivable	561	570
Other receivables – insurance proceeds for building	-	1,452
Receivables	<u>20,327</u>	<u>21,483</u>
Non current portion		
Loans receivable	<u>756</u>	<u>769</u>
Non current receivables	<u>756</u>	<u>769</u>

The above receivable balances are shown at fair value being net of a \$0.75 million provision for doubtful debts (2013: \$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

	2014	2013
	\$'000	\$'000
Finished goods at net realisable value	14,124	12,509

Inventory write downs recognised totalled \$0.51 million (2013 \$0.45 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 2014 totalled \$5.70 million (2013 \$5.43 million).

9 CHRISTCHURCH EARTHQUAKE

The earthquake in Christchurch on 22 February 2011 impacted upon CDC's Christchurch operations. On the 25th of February 2011 the company relocated its entire business from the inner city Cashel Street, Christchurch premises (which CDC owned) to leased premises in Middleton, Christchurch. In July 2013 CDC moved its Christchurch operation to newly built premises at Harewood.

This natural disaster and forced relocation has given rise to an insurance claim for CDC covering damaged stock, relocation costs, loss of profits and related expenses, damage to plant and equipment as well as damage to the premises themselves.

CDC has received insurance proceeds of \$249,000 for the purposes of relocating from Birmingham Drive to Logistics Drive (both Christchurch) during the financial year. These proceeds have been recognised as part of "Other operating income". Costs incurred for the relocation have been recognised within "Operating expenses" All other Christchurch Earthquake insurance proceeds and costs incurred have been recognised in previous reporting periods.

All insurance claims submitted for the Christchurch Earthquake have now been settled in full.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

10 PROPERTY PLANT AND EQUIPMENT

2014	Land at Valuation \$000's	Buildings at Valuation \$000's	Construction Contracts \$000's	Leasehold Improvements \$000's	Plant and Machinery \$000's	Motor Vehicles \$000's	Office Equipment & Fittings \$000's	Computer Equipment \$000's	Totals \$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

2013	Land at Valuation \$000's	Buildings at Valuation \$000's	Construction Contracts \$000's	Leasehold Improvements \$000's	Plant and Machinery \$000's	Motor Vehicles \$000's	Office Equipment & Fittings \$000's	Computer Equipment \$000's	Totals \$000's
Cost or valuation at 1 Apr 2012	2,349	2,250		436	183	319	222	677	6,436
Accumulated depreciation		(17)		(74)	(147)	(145)	(164)	(630)	(1,177)
Carrying amount at 1 Apr 2012	2,349	2,233	-	362	36	174	58	47	5,259
Additions					23	97	56	37	213
Capital additions under construction			5,925						5,925
Disposals and assets held for sale	(1,664)	(1,378)			(1)	(13)			(3,056)
Revaluations	52	(52)							-
Depreciation				(72)	(10)	(55)	(21)	(35)	(193)
Carrying amount at 31 March 2013	737	803	5,925	290	48	203	93	49	8,148
Cost or valuation at 31 March 2013	737	803	5,925	436	206	360	277	714	9,458
Accumulated Depreciation				(146)	(158)	(157)	(184)	(665)	(1,310)
Carrying amount	737	803	5,925	290	48	203	93	49	8,148

ASHTON
WHEELANS

The Christchurch and Wellington land and buildings were valued on 31 March 2014 using an independent registered valuer. The properties are valued at fair value of \$9.56 million at 31 March 2014. If the land and buildings had been carried at cost less accumulated depreciation, the carrying amount would be \$9.49 million.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

11 PAYABLES AND ACCRUALS

	2014 \$'000	2013 \$'000
Comprises:		
Trade creditors	16,749	18,658
Accruals	55	121
Provision for employee benefits	230	251
	<u>17,034</u>	<u>19,030</u>

12 RETAINED REBATE & DEPOSITS

On 1 September 2013, CDC repaid all Short Term Deposit holders (STDP) who had previously placed funds on deposit with CDC under a debt securities prospectus monitored by an independent, external trustee. Members were 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.

	2014 \$'000	2013 \$'000
Short Term Deposit	-	3,092
Retained Rebate	1,652	2,303
	<u>1,652</u>	<u>5,395</u>
Total retained rebate & deposits	<u>1,652</u>	<u>5,395</u>

13 SHARE CAPITAL

	2014 \$'000	2013 \$'000
Ordinary Shares		
89,000 issued (74,987 fully paid)	7	7
Preference A Shares		
3,915,000 issued (3,526,594 fully paid)	3,527	3,704
	<u>3,534</u>	<u>3,711</u>
Total Share Capital	<u>3,534</u>	<u>3,711</u>

The Company is registered as a co-operative company and as such the ordinary shares have a nominal value of 10 cents 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 Preference A Shares have a nominal value \$1 each (and therefore no par value). Holders of Preference A Shares share equally in dividends. The Company holds 14,013 ordinary shares and 388,406 Preference A Shares as treasury stock. Fully imputed dividends were paid on Preference A shares during the period at a net \$0.10c per Preference A share held (2013: \$0.10c per share).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

14 RESERVES

	2014 \$'000	2013 \$'000
Retained Earnings		
Balance as at 1 April 2013	6,193	2,660
Net Profit for the year	375	3,316
Dividends Paid	(354)	(363)
Transfers from Asset Revaluation Reserve	-	580
Balance as at 31 March 2014	6,214	6,193
Asset Revaluation Reserve		
Balance at 1 April 2013	31	670
Revaluation of land and buildings	57	(35)
Deferred Tax	2	(24)
Transfers to Retained Earnings	-	(580)
Balance as at 31 March 2014	90	31
Total Reserves as at 31 March 2014	6,304	6,224

There are no restrictions on the distribution to shareholders of any reserves. Transfers from the Asset Revaluation Reserve to Retained Earnings reflect the revaluation gains previously recognised on Christchurch buildings disposed of during the prior year.

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.

	2014 \$'000	2013 \$'000
Maximum exposures to credit risk as at balance date are:		
Bank balances	-	-
Receivables: Note 7	20,327	21,483
Non-Current Receivables: Note 7	756	769

The above maximum exposures are net of any recognised provision for losses on these financial instruments. The Company holds Preference A 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

15 FINANCIAL INSTRUMENTS cont.

Credit Risk cont.

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 98.4% (2013: 97.3%) 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.

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 2013 and 2014, except for Financial Guarantees carried at level 3 for valuation purposes for 2013 and 2014.

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

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	\$1,652	\$1,652	\$1,652	-	-
Borrowings	\$14,292	\$14,292	\$14,292	-	-
	\$35,875	\$35,875	\$32,809	\$3,066	-

2013

	Carrying Value \$'000	Contractual Cash Flows \$'000	0-3 months \$'000	3-12 months \$'000	1-3 years \$'000
Trade and Other Payables	\$21,960	\$21,960	\$18,855	\$3,105	-
Retained rebate & deposits	\$5,395	\$5,395	\$5,395	-	-
Borrowings	\$5,764	\$5,764	\$5,764	-	-
	\$33,119	\$33,119	\$30,014	\$3,105	-

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

15 FINANCIAL INSTRUMENTS cont.

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 \$14.55 million (2013: \$5.75 million) and are included in \$14.29 million outstanding bank balance (2013: \$5.76 million). The interest rate range during the period was 4.45% to 4.78% (2013: 4.45% to 4.45%). The company pays interest on retained rebates. The rate was 4.00% to 4.00% (2013: 4.00% to 4.25%). The rate at 31 March 2014 was 4.00%.

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

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	1,317	13	(13)
Bank Borrowings	14,292	(143)	143
Monies held on deposit	1,652	(17)	17
Total increase/(decrease)		(147)	147

Assets

The Company utilised an on call facility to invest surplus funds as the need arose. There were no funds on call at balance date (2013: nil). The rate range during the period was 2.50% to 2.50% (2013: 2.50% to 2.50%). The Company charges interest on loan receivables. The rate range during the period was 5.5% to 10.00% (2013: 5.50% to 10.00%).

16 RECONCILIATION OF NET PROFIT WITH CASH FLOW FROM OPERATING ACTIVITIES

	2014 \$'000	2013 \$'000
Net Profit for the year	375	3,316
Working Capital Movements		
Decrease/(increase) in debtors	1,148	(808)
(Increase)/decrease in inventory	(1,671)	(1,922)
Increase/(decrease) in tax provision	236	(62)
(Decrease)/increase in creditors	(1,996)	3,861
(Decrease)/increase in rebate provision	(33)	(315)
Non Cash and Non Operating Items		
Depreciation	330	194
Loss on disposal	5	(3,390)
Impairment of goodwill	-	37
Compound interest on retained rebate	47	113
Rebates retained and put on retained rebate	269	354
Rebates retained and added to Preference A Shares	77	217
Reversal of revaluation impairment	-	(35)
Increase in provision for inventory	55	-
Decrease in provision for doubtful debts	-	(135)
Increase in deferred tax	(34)	336
Deferred tax on revaluation of land and buildings (note 4)	-	(24)
Fixed asset additions included in accounts payable	-	(2,267)
Net cash (inflow/outflow) from operating activities	(1,192)	(530)

ASHTON
WHEELANS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

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 (2013: nil).

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.

	2014	2013
	\$'000	\$'000
Short term benefits	985	935

18 CONTINGENT LIABILITIES/CAPITAL COMMITMENTS/OPERATING LEASES

The Company has acted as guarantor for certain shareholders loans. The maximum exposure the Company has is \$1.18 million (2013: \$1.35 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 (2013: nil).

The Company has no capital commitments at 31 March 2014 (2013: the Company had a capital commitment for the purpose of building a new warehouse and office facility at Logistics Drive, Christchurch with \$2.33 million scheduled to be paid to the engaged construction company and sub-contractors through to completion of the project at that point in time. CDC took ownership of the completed facility in July 2013).

Operating lease commitments – CDC as lessee:

Following the earthquake on February 22 2011, CDC Christchurch has 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.

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

	2014	2013
	\$'000	\$'000
Payable		
- within one year	243	243
- after one year and within two years	243	243
- after two years and within five years	174	417
- after five years	-	-

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

18 CONTINGENT LIABILITIES/CAPITAL COMMITMENTS/OPERATING LEASES Cont.

Operating lease commitments – CDC as lessor cont.

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:

	2014	2013
	\$'000	\$'000
Receivable		
- within one year	318	150
- after one year and within two years	318	225
- after two years and within five years	261	431
- 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 (2013: The First Ranking Security Stock Certificate issued to the Bank of New Zealand for \$11.16 million was revoked by the Directors on the 16th of April 2013. The certificate was replaced by a new First Ranking Stock Certificate issued to the Bank of New Zealand for \$10.075 million on the same date. The Bank of New Zealand have taken a mortgage interest over the land at Logistics Drive, Christchurch for \$1.085 million. There have been no other changes to the security position or facilities provided by the Bank of New Zealand).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

21 STATUTORY DECLARATIONS

Directors holding office during the period

Garry A Brown
Carolyn Oakley-Brown
Paul J Giles
Douglas A Stanton
R Gwynn H Thomson

Remuneration of directors and employees

Directors' remuneration received during the year is as follows:

	2014 \$'000	2013 \$'000
Garry A Brown	15	14
Paul J Giles	15	14
Carolyn Oakley-Brown	15	14
Douglas A Stanton	15	14
R Gwynn H Thomson (Chairman)	30	28

CDC Pharmaceuticals has employees who received total remuneration (salary, kiwisaver and motor vehicles etc) greater than one hundred thousand dollars.

	2014	2013
\$100,000 - \$110,000	2	1
\$140,000 - \$150,000	-	-
\$150,000 - \$160,000	1	1
\$160,000 - \$170,000	1	1
\$270,000 - \$280,000	-	1
\$290,000 - \$300,000	1	-

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 2014 totalled \$11.0 million (2013: \$10.9 million). The receivables balance relating to Directors at 31 March 2014 was \$1.09 million (2013: \$0.93 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 Preference A 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 2014 was \$0.57 million (2013: \$0.81 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 Preference A Shares held on the same terms and conditions as all other shareholder/members.