



# Annual Report 2016-2017



The Global Language of Business



## GS1 believes in the power of standards to transform the way we work and live.

- We create a common foundation for business by uniquely identifying, accurately capturing and automatically sharing vital information about products, locations and assets.
- We enable visibility through the exchange of authentic data.
- We empower business to grow and to improve efficiency, safety, security and sustainability.





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# Chair's Report f2016-2017

I would like to comment on three major aspects of the business of GS1 New Zealand: evangelising the benefits of standardisation, the importance of having a long-term vision and positioning for success.

## **The Benefits of Standardisation**

In 1996 I joined the Board of what is now GS1 New Zealand (then EAN New Zealand) to represent the interests of the off-patent medicines industry.

Nominated by the Therapeutic Products Manufacturers Association, my interest in joining was triggered by the seeming inevitability that GS1's standards would become relevant to my 'day job' as the Managing Director of Apotex Ltd (one of the suppliers of medicines to the NZ health sector) and my industry. I say 'inevitability' not lightly. The logic that global standards for *unique identification, automatic data capture and data sharing* would be adopted in the healthcare sector was compelling. It was clear even then that the costs of the sort of healthcare deserved by New Zealanders were rising, and that evidence-based medicine was revealing causal links between honest mistakes by healthcare professionals and downstream sentinel events for patients.

As I learnt more about the application of GS1's standards to healthcare products, I realised that there did not need to be a 'zero-sum game' choice between quality initiatives and driving efficiency.

Leveraging commonplace technologies such as Global Trade Item Numbers, barcodes and standardised electronic messaging could drive patient safety *and* save money. 21 years later I'm pleased to report that the NZ healthcare sector has this year adopted GS1's standards as the 'default' for medicines, medical devices, consumables and product master data. This has at times been frustrating, with seemingly endless debate about the implementation of these standards throughout procurement and clinical systems because of entrenched proprietary systems, vested interests, politically-driven changes and a lack of a joined-up approach to the end-to-end provision of healthcare. Good things take time I suppose!

Healthcare is an exemplar of the special opportunities, challenges and satisfactions that come from being in the business of



standardisation. Standards at their core are agreements between 'consenting adults' to solve problems collectively. Standardisation is about coming together with your competitors, trading partners, regulators and consumers and enrolling in a process that forces you to 'park' proprietary and competitive interests in the spirit of sensible compromise which facilitates coordinated efficiencies. Understanding the value of standardisation is as much cerebral as it is tangible. This is because such a process can be counter to the human backstop position of seeing everything through 'us and them' arguments. However once folk 'get' standardisation, the rewards are substantial in terms of efficiency, safety and lowered costs to all participants.

## **Having a long-term vision**

'Short-termism' and 'expediency' are phrases too often associated with businesses these days. I can say with considerable pride and satisfaction that these have never been associated with the business. GS1 New Zealand has grown from an organisation that largely sold barcode number membership to the food & grocery sector, to an organisation that serves many sectors and now derives the majority of its revenue from value-added services to its customers. It has always maintained a very long-term focus for the achievement of its objectives, extrapolating forward to anticipate future changes in customer and consumer requirements. The GS1 New Zealand Team has known and accepted that while adoption of standards by an individual business may happen quickly, enabling a community of traders or an entire sector with standards takes time. Without exception, my fellow Directors have supported this stance, and management have been exemplary in doing the 'hard yards' to build momentum, build communities and cross-fertilise between sectors. An anecdote that illustrates how rare a true long-term vision is these days came from an audit by IRD where their opening salvo was in essence that *no organisation would make investments without a short-term expectation of return*. After a prolonged audit, IRD came to accept that GS1 New Zealand does indeed take very long-term

positions in preparation for the adoption of new technology, the investments for which are required to be done years in advance to both support and lead members.

**Positioning for success**

The CEO has a series of provocative illustrations on the wall at GS1 New Zealand's offices. Depicting a gramophone record, an audio tape, a CD-ROM and a USB cord, these illustrations are a key part of the induction for every new staff member. The initiate is asked to speculate on what story the illustrations tell. After discussion, the new staffer is told to reflect on how the key human needs to make and listen to music have not changed over time, but to reflect on the destruction of business models and businesses that made transactions happen between musicians and listeners as technology changed. The point of this part of the induction, of course, is to emphasise to staff that while GS1 is in the fortunate position of having a compelling suite of solutions for trade now, all individuals have an obligation to drive the organisation forward, to continuously improve and maintain relevance.

It is this drive that that I have loved being associated with over the years. The team, supported ably by the Board, have positioned, repositioned and driven changes locally and globally in order to be successful. In absolutist terms, I have seen the organisation grow from a handful of staff and <\$1m turnover to 50 staff and \$8.2m in the current financial year. Growing at a compound annual growth rate of 12% for over a decade takes focus, drive and innovation. The organisation has spread from predominantly food & grocery to support members in core sectors such as healthcare, building & construction, general merchandise and agribusiness. As a business-experienced but neutral not-for-profit facilitator, GS1 NZ is poised to become even more of a trusted partner to government, for the benefit of 'NZ Inc'.

To the team, both Board and staff, of GS1 New Zealand I congratulate you on an excellent year. I thank my fellow Board members for the time they all contribute generously and voluntarily, and I speak for us all when I say how pleased we are to see GS1 NZ consistently contributing to the advancement of New Zealand's business and consumer interests.



Colin Robertson  
Chair  
27 October 2017

# CEO's Report f2016 - 2017

As CEO of GS1 New Zealand, I'm immensely proud of the fact GS1 standards and standard help over 8,000 members in NZ and over two million companies globally to trade more efficiently.

## **Supporting & Leading**

As the Chair has commented, GS1 New Zealand takes its role to both *support* and *lead* our members very seriously. It was always expected that digital commerce would drive a convergence of 'atoms' with 'bits'. Kiwis have perhaps been a little bit 'late to the party' around 'omnichannel' trading where providing seamless experiences for customers is the frontier regardless of platform (retail store, mobile, telephone) and mode (in store, click & collect, online and all variations in between). Omnichannel demands that data works hand-in-hand with physical products, and this vision is shared by all sectors we serve. In very practical terms, this meant that *digital assets* about *products* - master data, images, consumer relevant information such as nutritional / allergy information on food, contraindications on medications or material data safety sheets on DIY goods - must be exchanged. This exchange used to be focussed on business-to-business transactions; now flows between the brand owner to their trading partner and ultimately to the end-consumer must be designed. Any friction or double-handling in processes leads to cost and errors. Key sources of friction are non-value adding differences between trading partners and re-keying or transformations of data. Standards assist all partners to focus on value-adding activities. Consumers are empowered, patients have responsive & error-free healthcare and businesses can focus on more important aspects of healthy competition.

It was to assist this vision, in the previous financial year we acquired the assets of Images in Space Ltd. F2017 focussed strongly on the integration of the team and services into the core offerings of GS1 New Zealand. We now have the largest database of products, product imagery and associated on-pack information in NZ, and serve that

information out to consumers via our FoodEye app, and to retailers electronically. The acquisition has been very successful with an unplanned benefit being the on-boarding of a very competent software development team into the business, providing a resource that hitherto we have had to 'buy-in'.



## **Unauthorised Numbers**

A key strategic project during the year led from New Zealand was a global discussion on the issue and risks inherent in unauthorised Global Trade Item Numbers (GTINs). Unauthorised GTINs come from two major sources - brand owners 'making up' numbers for their products in an attempt to pass these off as legitimate GS1 identifiers, and, more commonly, unauthorised numbers sourced from GS1 US 'Perpetual Members'. Such numbers are commonly sold by resellers on the Internet to unsuspecting brand owners.

Members are increasingly reliant on the integrity of the GS1 system. They, and government regulators, are demanding that GS1 move from a decentralised model of product registration to an authoritative, centralised register of products and product attributes. The GTIN's usefulness is no longer just at the point of sale. It is acquiring more importance as the 'key' to link, search and access important product data. A number of systems have been established to provide such access from symbols or codes (scanning apps for mobile phones that provide nutritional & allergy data, for example). In addition, new web standards (called 'GS1 SmartSearch') embed the GTIN explicitly into the webpage programming code to assist websearch engines such as Google to automatically compare the offerings from different vendors selling the same product. Similar reliance on these registers is coming from government regulators and inter-governmental agencies such as the World Customs Organisation. All users of the GS1 System need to know they can flow millions of product registrations onto their platforms and compare them instantly to GS1's core registers to pick up anomalies, potential counterfeit products and rogue traders.

In this context, we were delighted to secure understanding of this growing

issue locally and globally, leading to the issuance of a Global Guideline for Member Organisations and decisions taken by the Board here that will keep such unauthorised GTINs out of our core systems (a stance supported by influential retailer members).

I am proud to highlight a little more detail around some aspects of the last year's performance.

### **Financial Performance**

F2017 in financial terms, it was outstanding – increasing our revenue by in excess of 20% to achieve \$8.2m.

This is our 15<sup>th</sup> year of growth as we both expanded our membership base and opt-in service provision to member (12% CAGR since the turn of the new millennium). Revenue from non-membership sources topped 57%. At an operating level, our EBIT surplus topped \$1m for the first time as part of our requirement to 're-charge' reserves for the organisation after the purchase of the Images in Space business in F2016. 'Bottom line' surplus was also strongly up this year at \$436,000 (cf. F2016 \$67,000), seeding further investments to be made by the organisation into providing services for members. Key service lines performed well over last year's results, in particular the Digital Asset Management and photography services (up 282% over F2016), National Product Catalogue (up 8.7%), conformance services (up 31%), ProductRecallnz (up 30%). Membership growth was less than hoped for at only 8% gross, and 3.3% net (after cancellations). In part, this was because of the large number of companies (144) becoming customers of GS1 when registering for the ProductRecallnz service (rather than also becoming a member). If these customers had taken out membership, our gross and net membership figures would have been even more pleasing. Converting more new customers to full membership status will be a focus for f2018.

### **Customers**

We have further driven out our on-boarding of suppliers for the National Product Catalogue, and a strong on-boarding programme for Countdown promises enhanced value for supplier already synchronising data for Foodstuffs, Mitre 10 and healthcare demand-side participants. We were delighted to have TradeMe – NZ's largest online player – join as a member after

many years of pre-engagement. We are working with TradeMe to finalise how adoption of GS1 standards can assist their business, provide benefits for suppliers of their products listed on their platform and end-consumers.

In addition, we have initiated significant on-boarding programmes during the year for Foodstuffs (to support their online shopping programme), Countdown (to support their master data programme) and Fletcher Distribution (including the provision of a new middleware connector to the National Product Catalogue).

In the healthcare sector, the adoption of a Health Information Standards Organisation (HISO- part of the Ministry of Health), standard for Medical Device Terminology and Identification based on GS1 standards was the milestone achievement. Chair of HISO Zeeman van der Merwe stated that using GS1 Standards will help to ensure devices can be safely and effectively used, and having a common global language for information sharing was essential for patient safety and effective clinical use. Also in healthcare, a harmonisation project between the Universal List of Medicines (NZULM) and GS1 NZ's National Product Catalogue has received global attention. Recognised as an international reference pilot, GS1 is collaborating with both the NZULM and SNOMED (the global standards organisation for the administration of clinical terminology), to make their respective systems interoperable. Combining GS1 supplier-provided supply chain information with NZULM's supplier provided clinical information will enhance clinical decision-making facilitating improved patient safety outcomes (among other benefits).

We were pleased to continue our work with Fonterra's traceability team this year in implementing GS1 identifiers for export consignments. GS1's Global Trade Item Number (GTIN) and Serial Shipping Container Code (SSCC) in particular, are well implemented in Fonterra's export supply chain for the identification of retail and logistics units respectively. As traceability requirements become more stringent globally, other GS1 application identifiers will be assessed for implementation.

Onboarding for ProductRecall<sup>NZ</sup> in the last year focussed on suppliers for BidFoods, Z Energy and Moore Wilsons.

The number of supplier nodes approached 2000 on ProductRecall<sup>NZ</sup>, retailer nodes >800 and two regulator nodes (the Ministry for Primary Industries and the Ministry of Business, Employment & Innovation). This community is the largest of its kind in the world, and has >95% coverage of the market and supports >95% of all recalls and withdrawals for the sector through the portal.

Key new opportunities were opened up in the government sector, including and significant engagements for the Environmental Protection Agency and Customs. General Manager Government Nick Allison did a strategically important component of the APEC-funded Global Data Standards Pilot programme focussing on how border agencies can be assisted in their risk management and admission criteria assessment through implementation of GS1's standards. GS1's appointment to the national standards board (the Standards Approval Board, a statutory entity part of the Ministry for Business, Employment & Innovation) was, in part, recognition that GS1 is the largest standards agency in NZ.

### **Operations & System Enhancement**

ProductRecall<sup>NZ</sup> was moved off a platform from Hewlett Packard (HP) during the year – a major re-build successfully done in New Zealand and tuned to the unique features of our market (including cascading notifications to support the two or three-tier legal structures of co-operatives and franchise stores).

During the year we introduced a streamlined online interface (*NPC Rapid*) designed for smaller companies to load data to the National Product Catalogue in a more intuitive manner. NPC Rapid has proven very popular with over 70 companies now using the service. Complementing this for larger companies with more sophisticated needs, we delivered a user friendly interface for the National Product Catalogue itself.

Continual improvements in the *ProductFlow* service has seen over 330 companies using the service in the last year.

We have selected the most suitable of our four digital asset management systems (DAMs) to suit our members, and have begun the complicated task of

content and user migration into that target database

Lastly, we have commissioned the development of a new membership dashboard to improve and make more efficient the on-boarding process of members and non-members to GS1.

### **Team**

During the year we progressed a number of initiatives to support our team culture and to assist with the growth in the organisation. Two new IT systems were introduced: new payroll and human resources support systems. The training programmes offered to up-skill staff were reviewed, and our first recipient of our '*GS1 Accelerator Post Graduate Scholarship*' graduated (Anniqve Davis). This scholarship initiative is offered yearly to an outstanding internal applicant to pursue post-graduate studies in business management at either Auckland or Victoria University of Wellington.

During the year we aligned staff into more logical groups – bringing all applications development/architecture under General Manager Services Barry Pyle and all conformance services under Senior Business & Operations Support Manager Marcus Coomer. A number of new team members were recruited across the business, but important new hires bought on to assist with growth were a full-time Assistant Accountant in the Corporate Services team and full-time photographers and data analysts. Richard Manaton who had been working on contract as Chief Operating Officer was welcomed to the team as a full-time staff member. Richard's role has been critical in the last year, leading the integration of Images in Space and leading the Auckland office. The GS1 team complement is now ~50 full time employees.

Finally, I would like to thank the team for another superb year of achievement, and the Board for their continuing support.



Dr Peter Stevens  
Chief Executive  
31 October 2017

# Audited Financial Statements





## **Independent auditor's report**

To the members of GS1 New Zealand Incorporated

The financial statements comprise:

- the statement of financial position as at 31 August 2017;
- the statement of comprehensive revenue and expense for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

### **Our opinion**

In our opinion, the financial statements of GS1 New Zealand Incorporated (the "Association"), present fairly, in all material respects, the financial position of the Association as at 31 August 2017, its financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

We are independent of the Association in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Association in the areas of tax compliance. The provision of these other services has not impaired our independence as auditor of the Association.

### **Responsibilities of the Board for the financial statements**

The Board are responsible, on behalf of the Association, for the preparation and fair presentation of the financial statements in accordance with Public Benefit Entity Standards Reduced Disclosure Regime, and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board are responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

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# Auditor's Report



## *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:  
<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8/>

This description forms part of our auditor's report.

## *Who we report to*

This report is made solely to the members, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Board, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Kevin Brown.

For and on behalf of:

*PricewaterhouseCoopers*

Wellington

Chartered Accountants  
18 October 2017

# Statement of Comprehensive Revenue And Expense



**GS1 New Zealand Incorporated**  
**Statement of Comprehensive Revenue And Expense**  
**for the year ended 31 August 2017**

	Notes	2017 \$	2016 \$
<b>Revenue</b>			
Subscription income		3,558,212	3,527,174
Other fees & operating income		4,659,587	3,316,750
<b>Other Income</b>			
Interest income		96,994	91,332
<b>Total Revenue &amp; Other Income</b>		<b>8,314,793</b>	<b>6,935,256</b>
<b>Expenses</b>			
Employee benefits		4,339,947	3,457,430
Other operating costs	3	2,545,841	2,469,175
Operating lease payments		337,047	385,779
Loss/(Gain) foreign currency		(8,634)	31,776
Depreciation and amortisation	8,9	664,429	523,946
<b>Total Expenses</b>		<b>7,878,630</b>	<b>6,868,106</b>
<b>Surplus before taxation</b>		<b>436,163</b>	<b>67,150</b>
Taxation	11	-	-
<b>Surplus for the Year</b>			
<b>Attributable to Members</b>		<b>436,163</b>	<b>67,150</b>
<b>Other Comprehensive Revenue and Expense</b>			
Other Comprehensive Income for the year		-	-
<b>Total Comprehensive Revenue and Expense</b>			
<b>for the Year Attributable to Members</b>		<b>436,163</b>	<b>67,150</b>

These financial statements were approved at a meeting of Members of the Board held on 18 October 2017

**Chairman**

**Chief Executive**

The accompanying notes form part of these financial statements

# Statement of Changes in Equity



**GS1 New Zealand Incorporated  
Statement of Changes in Equity  
for the year ended 31 August 2017**

	<b>Members Capital \$</b>	<b>Retained Earnings \$</b>	<b>Total Equity \$</b>
<b>Balance at 1 September 2015</b>	-	3,475,889	3,475,889
<b>Comprehensive Revenue and Expense for the Year</b>			
Surplus for the year	-	67,150	67,150
Other comprehensive revenue and expense	-	-	-
<b>Comprehensive Revenue and Expense for the Year</b>	-	<b>67,150</b>	<b>67,150</b>
Transactions with Members	-	-	-
<b>Balance at 31 August 2016</b>	-	<b>3,543,039</b>	<b>3,543,039</b>
<b>Balance at 1 September 2016</b>	-	<b>3,543,039</b>	<b>3,543,039</b>
<b>Comprehensive revenue and expense for the Year</b>			
Surplus for the year	-	436,163	436,163
Other comprehensive revenue and expense	-	-	-
<b>Comprehensive revenue and expense for the Year</b>	-	<b>436,163</b>	<b>436,163</b>
Transactions with Members	-	-	-
<b>Balance at 31 August 2017</b>	-	<b>3,979,202</b>	<b>3,979,202</b>

The accompanying notes form part of these financial statements

# Statement of Financial Position



**GS1 New Zealand Incorporated**  
**Statement of Financial Position**  
**as at 31 August 2017**

	Notes	2017 \$	2016 \$
<b>Current Assets</b>			
Cash and cash equivalents	4	617,207	981,460
Trade and other receivables	5	2,967,699	2,792,101
Current tax receivable - RWT		-	18,949
Prepayments		335,849	301,475
Investment in bank deposits	6	2,700,000	1,500,000
		6,620,755	5,593,985
<b>Current Liabilities</b>			
Trade and other payables	7	651,749	650,728
Income in advance		3,411,012	3,235,560
Employee entitlements		689,050	470,204
		4,751,811	4,356,492
<b>Working Capital</b>		<b>1,868,944</b>	<b>1,237,493</b>
<b>Non Current Assets</b>			
Plant and equipment	8	641,596	800,060
Intangible assets	9	1,505,885	1,567,083
		2,147,481	2,367,143
<b>Non Current Liabilities</b>			
Other Payables		37,223	61,597
<b>Total Net Assets</b>		<b>3,979,202</b>	<b>3,543,039</b>
<b>Represented by Retained Earnings</b>		3,979,202	3,543,039
<b>Total Equity</b>		<b>3,979,202</b>	<b>3,543,039</b>

The accompanying notes form part of these financial statements

# Statement of Cash Flows



**GS1 New Zealand Incorporated**  
**Statement of Cash Flows**  
**for the year ended 31 August 2017**

	Notes	2017 \$	2016 \$
<b>Cash Flows from Operating Activities</b>			
Receipts from operations		8,241,650	6,963,475
Payments to suppliers and employees		(7,093,230)	(6,393,244)
RWT received		18,949	21,635
Interest received		72,997	82,862
<b>Cash Flow from Operating Activities</b>		<b>1,240,366</b>	<b>674,728</b>
<b>Cash Flows from Investing Activities</b>			
(Increase)/Reduction in bank deposits		(1,200,000)	500,000
Purchase of Images in Space		-	(750,000)
Purchase of plant and equipment		(38,648)	(111,697)
Purchase of intangible assets		(365,971)	(509,230)
<b>Cash Flow from Investing Activities</b>		<b>(1,604,619)</b>	<b>(870,927)</b>
<b>Net Cash Flows for the Year - (Outflow)/Inflow</b>		<b>(364,253)</b>	<b>(196,199)</b>
<b>Cash Balance at Start of Year</b>		981,460	1,177,659
<b>Cash Balance at End of Year</b>		<b>617,207</b>	<b>981,460</b>

The accompanying notes form part of these financial statements

# Notes to the Financial Statements



## Notes to the Financial Statements

### 1. Reporting Entity

GS1 New Zealand Incorporated (the “Association”) is a not-for-profit organisation, based in Wellington, which is incorporated under the Incorporated Societies Act 1908. The Association is primarily established to improve efficiency and visibility in supply and demand chains.

The financial statements for the year ended 31 August 2017 have been approved for issue by the Board Members on 18 October 2017.

### 2. Basis of Preparation

#### (a) Statement of Compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). The Association is a not-for-profit public benefit entity (“PBE”) for financial reporting purposes and is classified as a Tier 2 PBE reporting entity. Therefore, has elected to report in accordance with PBE Standards Reduced Disclosure Regime (“PBE Standards RDR”) on the basis that it does not have public accountability and has total expenses less than \$30 million.

The Association is deemed a public benefit entity for financial reporting purposes, as its primary objective is to provide services to the community for social benefit and has been established with a view to supporting that primary objective rather than a financial return.

#### (b) Basis of Measurement

The financial statements have been prepared on a historical costs basis.

The accrual basis of accounting has been used unless otherwise stated and the financial statements have been prepared on a going concern basis.

#### (c) Presentation Currency

The financial statements are presented in New Zealand dollars, which is the functional currency and presentation currency. All numbers presented have been rounded to the nearest dollar, unless otherwise stated.

#### (d) Changes in accounting policies

These financial statements are presented in accordance with the PBE Standards.

#### (e) Changes in accounting estimates

In accordance with its policy, the Association reviews the estimated useful lives of its fixed assets on an ongoing basis. This review indicated that the actual lives of certain intangibles

# Notes to the Financial Statements



were longer than the estimated useful lives used for amortisation purposes in the Association's financial statements. As a result, effective 1 September 2016, the Association changed its estimates of the useful lives of its intangible assets (Product Recall New Zealand, Generate, MiBank) to better reflect the estimated periods during which these assets will remain in service. The estimated useful lives of these intangibles that previously averaged 3 years were increased to an average of 5 years. The effect of this change in the estimates was to reduce 2017 amortisation expense and increase 2017 net income. Had the Association not changed the useful lives, the amortisation charge recognised in profit or loss would have been \$58,990 higher.

## **(f) Foreign Currency Translation**

Foreign currency transactions are translated into New Zealand dollars using exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are converted to New Zealand dollars using the exchange rate at the reporting date. All translation differences are recognised through surplus or deficit.

## **(g) Revenue Recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of services and collection of subscriptions net of cancellations and discounts.

### *Subscription Income*

Subscription income is recognised over the twelve-month period each subscription relates to. Where the subscription year spans reporting dates, any unearned income is carried forward as income in advance and recognised in the statement of financial position.

### *Income from Fees*

Income from fees is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total service to be provided.

### *Interest Income*

Interest income is recognised on a time-proportion basis using the effective interest method.

## **(h) Income Tax**

Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of taxable profit or loss. Current tax is recognised as a liability to the extent that it is unpaid or recoverable.

Deferred income tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted by the balance sheet date and are expected to apply when the related deferred tax

# Notes to the Financial Statements



asset/liability is realised/settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

Revenue generated from membership services is not assessable for income tax. Revenue generated from other services is taxable. Expenditure of the Association is allocated between the two income streams to establish the extent of taxable income.

## **(i) Goods and Services Tax (GST)**

The statement of comprehensive revenue and expenses and statement of cash flows have been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

## **(j) Leases**

Leases in which a significant portion of the risks and rewards are retained by the lessor are classified as operating leases. Payments made under these leases are charged to surplus or deficit on a straight-line basis over the life of the lease.

## **(k) Impairment of Non-Financial Assets**

For the purposes of impairment testing, GS1 classifies its non-financial assets as cash generating or non-cash generating. Cash generating assets are assets held with the primary objective of generating a commercial return. Other assets are non-cash generating.

Except for intangible assets that are not yet available for use, GS1 assesses at each reporting date whether there is any indication that any non-financial asset may be impaired. If any such indication exists, GS1 tests the asset for impairment by comparing its carrying amount to its recoverable amount in the case of cash-generating assets or its recoverable service amount in the case of non-cash generating assets. The recoverable amount or recoverable service amount is the higher of the asset's value-in-use or fair value less costs to sell. If the assets carrying amount exceeds its recoverable amount or recoverable service amount, an impairment loss is recognised to reduce the carrying amount. Any impairment loss is recognised immediately in the surplus or deficit.

For intangible assets that are not yet available for use (such as software under development), an impairment test is carried out at least annually regardless of whether there are any indications of impairment.

## **(l) Cash and Cash Equivalents**

Cash and cash equivalents include cash in hand, cash at bank and short-term deposits with original maturity of less than three months.

# Notes to the Financial Statements



## **(m) Trade and Other Receivables**

Trade receivables are recognised initially at fair value and subsequently measured at the amount due, less provision for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis and debts which are known to be uncollectible are written off. A provision for doubtful debts is established when there is objective evidence that the Association will not be able to collect all amounts due.

The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows. The amount of the provision is recognised in surplus or deficit.

## **(n) Investments and Other Financial Assets**

Financial assets are classified into the following categories: Loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at the initial recognition and re-evaluates this designation at every reporting date.

### *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Association provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting period date which are classified as non-current assets. Loans and receivables are included in "trade and other receivables" in the statement of financial position.

## **(o) Critical Accounting Estimates**

In preparation of these financial statements, GS1 has made estimates and assumptions. These assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

This note provides an overview of the areas that involved a higher degree of judgment or complexity.

### *Unrecognised Deferred Tax*

The unrecognised deferred tax assets include an amount of \$3.5 million, which relates to carried forward tax losses of GS1. GS1 has concluded that it is not probable that a future surplus will be recognised for taxable other services (non-membership services). Hence a deferred tax asset has not been recognised.

# Notes to the Financial Statements



## **(p) Plant and Equipment**

All property, plant and equipment is stated at historical cost less depreciation and impairment (if applicable). Historical cost includes expenditure that is directly attributable to the acquisition of the items.

### **Additions**

In most instances, an item of property, plant and equipment is recognised at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value at the acquisition date.

The cost of an item of property, plant and equipment includes its purchase price and any directly attributable costs. Costs include the cost of replacing part of an existing property, plant and equipment at the time that cost is incurred, if recognition criteria are met; and excludes the cost of day-to-day servicing of an item of plant, property and equipment.

All other repairs and maintenance are charged to the statement of comprehensive revenue and expense during the financial period in which they are incurred.

### **Disposals**

When an item of property, plant or equipment is disposed of, the gain or loss recognised in the reported surplus or deficit is calculated as the difference between the net proceeds from disposal and the carrying amount of the asset.

### **Depreciation**

Depreciation is charged using the straight-line method on all property, plant and equipment, which writes off the cost of an asset in equal instalments over its estimated economic life.

Economic lives have been assessed as follows:

Furniture and Equipment	5 -10 years	(10.0%-20.0%)
Computer Equipment	3 - 5 years	(20.0%-33.3%)

The residual value and useful life of property, plant and equipment is reassessed annually.

## **(q) Intangible Assets**

Costs that are directly associated with the production of identifiable and unique software products and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Software costs are amortised over their finite useful economic lives on a straight-line basis assessed as follows:

FMIS Software and Website	3-5 years	(20.0%-33.3%)
Other Software	3-5 years	(20.0%-33.3%)

# Notes to the Financial Statements



## (r) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Association prior to the end of the financial year which are unpaid. The amounts are initially recognised at fair value then subsequently at amortised cost. They are unsecured and are usually paid within 30 days of recognition.

## (s) Employee Entitlements

A liability and expense are recognised for bonuses where there is a contractual obligation on where there is a past practice that has created a contractual obligation and a reliable estimate of the obligation can be made.

## 3. Operating costs

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
GS1 Global Fees	478,394	451,838
National Product Catalogue	300,166	360,417
Other Operating Costs	1,767,281	1,656,920
	<b>2,545,841</b>	<b>2,469,175</b>

## 4. Cash and Cash Equivalents

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Current account	337,035	185,203
Call account	-	20,147
Savings accounts	273,949	774,683
Foreign currency accounts	6,223	1,426
	<b>617,207</b>	<b>981,460</b>

## 5. Trade and Other Receivables

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	2,665,663	2,529,965
Doubtful debts provision	( 25,000)	( 25,000)
Other receivables	327,036	287,136
	<b>2,967,699</b>	<b>2,792,101</b>

# Notes to the Financial Statements



The provision for doubtful debts is reviewed annually and relates to debtors where there is objective evidence of impairment.

## 6. Investment in Bank Deposits

	2017 \$	2016 \$
ASB Term Deposits	2,150,000	1,000,000
Westpac Term Deposit	550,000	500,000
	<b>2,700,000</b>	<b>1,500,000</b>

## 7. Trade and Other Payables

	2017 \$	2016 \$
Trade payables	152,751	137,806
Other payables	169,903	214,155
GST	329,095	298,767
	<b>651,749</b>	<b>650,728</b>

## 8. Plant and Equipment

	Furniture and Equipment \$	Computer Equipment \$	Total \$
<b>At 31 August 2017</b>			
<b>Cost</b>			
Balance at 1 September 2016	1,038,768	421,625	1,460,393
Additions	4,609	34,038	38,647
Disposals	-	(2,436)	(2,436)
Balance at 31 August 2017	1,043,377	453,227	1,496,604
<b>Accumulated Depreciation</b>			
Balance at 1 September 2016	383,191	277,142	660,333
Depreciation expense	115,878	81,233	197,111
Disposals	-	(2,436)	(2,436)
Balance at 31 August 2017	499,069	355,939	855,008
<b>Carrying Amounts</b>			
At 31 August 2017	544,308	97,288	<b>641,596</b>
<b>At 31 August 2016</b>			
Cost	1,038,768	421,625	1,460,393
Accumulated Depreciation	(383,191)	(277,142)	(660,333)
<b>Carrying Amounts</b>			
At 31 August 2016	655,577	144,483	<b>800,060</b>

# Notes to the Financial Statements



## 9. Intangible Assets

	Software Projects in Progress \$	FMIS Software and Website \$	Other Software \$	Total \$
<b>At 31 August 2017</b>				
<b>Cost</b>				
Balance at 1 September 2016	39,616	1,078,915	1,949,560	3,068,091
Additions	77,519	90,703	237,898	406,120
Transfers	(21,875)	46,915	(25,040)	-
Balance at 31 August 2017	95,260	1,216,533	2,162,418	3,474,211
<b>Accumulated Amortisation</b>				
Balance at 1 September 2016	-	935,554	565,454	1,501,008
Amortisation expense	-	87,819	379,499	467,318
Balance at 31 August 2017	-	1,023,373	944,953	1,968,326
<b>Carrying Amounts</b>				
At 31 August 2017	95,260	193,160	1,217,465	<b>1,505,885</b>
<b>At 31 August 2016</b>				
Cost	39,616	1,078,915	1,949,560	3,068,091
Accumulated Amortisation	-	(935,554)	(565,454)	(1,501,008)
<b>Carrying Amounts</b>				
At 31 August 2016	39,616	143,361	1,384,106	<b>1,567,083</b>

## 10. Financial Instruments by Category

### (a) Financial Assets

	Loans and Receivables \$	Total \$
<b>At 31 August 2017</b>		
Cash equivalents & deposits	3,317,207	3,317,207
Trade and other receivables	2,967,699	2,967,699
	<b>6,284,906</b>	<b>6,284,906</b>
<b>At 31 August 2016</b>		
Cash equivalents & deposits	2,481,460	2,481,460
Trade and other receivables	2,792,101	2,792,101
	<b>5,273,561</b>	<b>5,273,561</b>

# Notes to the Financial Statements



## (b) Financial Liabilities

	Measured at amortised cost \$	Total \$
<b>At 31 August 2017</b>		
Trade and other payables	285,158	285,158
Employee entitlements	416,591	416,591
	<b>701,749</b>	<b>701,749</b>
<b>At 31 August 2016</b>		
Trade and other payables	277,964	277,964
Employee entitlements	262,590	262,590
	<b>540,554</b>	<b>540,554</b>

## 11. Taxation

The unrecognised deferred tax asset is \$3,460,908 (2016: \$3,383,977).

	2017 \$	2016 \$
Profit for the year	436,163	67,150
Surplus non assessable income	( 3,558,212)	( 3,527,174)
Add non deductible expenditure	2,847,296	2,484,958
Prior years adjustment	-	-
Unrecognised tax losses	( 274,753)	( 975,066)
Taxation expense	-	-
Tax loss for the year	( 274,753)	( 975,066)
Tax losses brought forward from prior years	( 12,085,633)	( 11,110,567)
Tax losses available to be carried forward	<b>( 12,360,386)</b>	<b>( 12,085,633)</b>

# Notes to the Financial Statements



## 12. Contingent liabilities

There were no contingent liabilities at the reporting date (2016: \$nil).

## 13. Related Party Transactions

There was no related party transaction during the year (2016: \$nil).

## 14. Events Occurring After the Reporting Period Date

There have been no significant events occurring after the reporting date.

## 15. Commitments

### (a) Capital Commitments

Capital commitments as at the reporting date totalled nil (2016: \$nil).

### (b) Lease Commitments

The Association has various non-cancellable lease commitments for property, motor vehicles and office equipment.

The future aggregate minimum lease payments under these operating leases, excluding GST, are as follows:

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
No later than one year	351,599	340,386
Later than one but not later than five years	524,600	763,100
Later than five years	-	-
	<b>876,199</b>	<b>1,103,486</b>

## 16. Key Management Personnel Compensation

The remuneration paid to Directors for the year was nil (2016: nil). Total remuneration paid to key senior management was \$1,436,471 represented by 7 FTEs (2016: \$1,292,515, 7.33 FTEs).

# GS1 New Zealand Incorporated

## Directory as at 31 August 2017

**Nature of Business:**

A not-for-profit incorporated organisation established to improve efficiency and visibility in supply and demand chains.

**Board Members:**

Colin Robertson (Chair, elected December 2015)  
Sean Goodwin (Deputy Chair, elected December 2015)  
Mark Rance (elected December 2015)  
Andrew Dennis (elected December 2015)  
Peter Darbyshire (elected December 2014)  
Catherine Beard (elected December 2014)  
Jason Bardell (elected December 2014)  
Michael Broome (elected December 2015)  
Ruth Brash (elected December 2015)  
Peter Muggleston (co-opted June 2016)  
Stephen O'Keefe (co-opted August 2016)

**Senior Management:**

Peter Stevens (Chief Executive)  
Richard Manaton (Chief Operating Officer)  
Gary Hartley (General Manager, Customer)  
Rochelle Leahy (General Manager, Corporate Services)  
Nick Allison (General Manager, Government)  
Cameron Frith (General Manager, Implementation & Support)  
Barry Pyle (General Manager, Services)

**Auditors:**

PricewaterhouseCoopers  
WELLINGTON

**Business Location:**

GS1 New Zealand is incorporated and domiciled in New Zealand.

The registered address is:  
Level 2  
158 The Terrace  
WELLINGTON



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