



ANNUAL REPORT 2019

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**FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2019 8**



WE ACKNOWLEDGE OUR PARTNERS' GENEROUS SUPPORT IN 2019



SILVER



BRONZE



Kerry Warn
General Manager



Alison Quesnel
Government Affairs Director



2019 ANNUAL REPORT FROM THE CHAIR OF NATURAL HEALTH PRODUCTS NZ

Dear Natural Health
Products NZ Member,

2019 was a relatively stable
year with continued positive
relationships with our export
partners and continued
pressure on the Government
to replace the withdrawn
Natural Health Products Bill.



PROGRESS ON THE AIMS OF NATURAL HEALTH PRODUCTS NZ

Our constitution sets out the following objects:

United Industry

*To foster commitment, involvement, mutual respect,
effective communication and joint collaboration between all
participants in New Zealand's natural and complementary
health products and services.*

Membership in 2019 remained stable at 145 full and
associate members, representing a slight decrease
in membership revenue of 4%. Having a healthy
membership base is core to the success of the
association and in turn our ability to provide value to
members. We are fortunate to have the strong support
of around 80% of the industry, and new members often
coming to us as a result of positive introductions from
existing members.

Relationships with our partners have continued well and
we value the generous support of our corporate partners:

IMCD (Gold partners), New Wayz, Forbes Packaging and
Scitex Recruitment (Bronze). James and Wells concluded
their Silver partnership, but stay on as an active Associate
member; we thank them for their significant support
over 9 years. We welcomed aibGROUP Insurance as our
newest Silver partner in April.

Summit 2019 in Hamilton was another very successful
and unifying event. Attended by 197 delegates with an
increased number of international members and non-
members signifying its strong appeal within the wider
sector. The Natural Health Products NZ Supreme Award
was won again by Quantec Ltd, who also took the trophy
for the Cawthron Institute Innovation Award.

Suppliers Day in August continues to grow with
attendance up 20% to 156 delegates. Thanks once again
to IMCD for the support of this event, the wine & food
matching function is an ideal time to network and discuss
the innovations of the day.

Representation

*To be the pre-eminent body representing the natural and
complementary health products and services industry in
New Zealand.*

Our connections with industry associates at relevant
organisations within New Zealand and elsewhere
remains strong: BioTech NZ, Cosmetics NZ, Medical
Technology Association of New Zealand (MTANZ),
NZ Self Medication Industry (NZSMI), Complementary
Medicines Australia (CMA), International Alliance of
Dietary/Food Supplements Associations (IADSA),
China Chamber of Commerce for Import & Export
of Medicines and Health Products (CCCMHPIE),
Association of Southeast Asian Nations NZ Business
Council (ASEAN NZBC) and New Zealand China Trade
Association (NZCTA).



Our relationship with NZ Trade & Enterprise is excellent and they provide support both to the association and individual members. We have collaborated on a number of events through the year.

Our General Manager, Kerry Warn, presented an overview of the NZ natural health product sector at the 6th Nutraceutical Industry Development Conference in Shanghai.

Kerry also attended Complementary Medicines Australia (CMA) Conference in Sydney, the Cosmetics NZ Conference and Export NZ's Go Global conference in Auckland. Several Board members were present at Supply Side West in Las Vegas and hosted a gathering of members.

Advocacy

To influence local and international regulatory outcomes to achieve industry growth, a positive product environment, and low compliance costs

This year Alison Quesnel, our Government Relations Director along with our government relations adviser Neale Jones have continued to work strategically and diligently towards having a new Bill put up for its first reading prior to the elections. Once again the government has claimed other priorities and we have not yet seen anything although we are aware that the Ministry of Health has prepared a document for Cabinet's consideration.

We were represented at IADSA Annual Week by Director Samantha Gray who delivered a paper updating the current regulatory developments in NZ. Our General Manager represents us at Therapeutic Advertising Pre-Vetting System Code Consultative Meetings and connects regularly with NZSMI, MTANZ, the CMA, the Advertising Standards Authority, and other organisations as required to ensure our voice is heard.

Regulation

We remain 101% committed to achieving meaningful progress on the regulatory impasse and we have continuously reviewed our strategy throughout the year. As we write we are still in limbo, but we are still hopeful of a result prior to the elections.

Media

We continue to represent the industry and our members in media.

We were successful in getting a University of Canterbury paper on fish oil retracted by the NZ Medical Journal. Thank you to the members of the Regulatory and Technical Sub-Committee for their work.

We are the go-to organisation for the industry and have provided comments and explanation where necessary. Our releases are generally picked up as responses to other commentary. Our policy is to always comment when asked and assist media wherever possible.

We thank Anna Radford of Cadence Communications and our PR Sub-Committee for their assistance.

Business Support

To provide and communicate information (including market research) to members (by way of publications, forums, commissioning research, etc.) that will support members in their businesses domestically and/or internationally.

Summit 2019 in Hamilton presented a wide variety of high calibre speakers that were extremely well received by delegates, with 78% of post-Summit survey respondents rating the Summit as Excellent or Very Good. 197 attendees participated over the 3 days of the Summit.

Suppliers' Day goes from strength to strength. Now in its 4th year, the 2019 event attracted 156 delegates



who were immersed in a day of thought-provoking presentations on innovations and new developments within the sector.

Our newsletter has grown to a distribution base of nearly 430 subscribers. Engagement remains very high with an average opening of 38%.

The data collection phase of an industry audit was completed in November and we look forward to sharing the results shortly.

Export Development

To be New Zealand's key Natural Product export promotion body and to engage in activities that grow the New Zealand Natural Product export sector.

In June our General Manager returned to Healthplex HNC in Shanghai with an increased delegation of 10 member companies to exhibit as a joint NZ Pavilion. The pavilion was co-funded by NZTE and exhibitors enjoyed a range of additional benefits and networking events, made possible by our close relationship with the China Chamber of Commerce for Import & Export of Medicines & Health Products (CCCMHPIE). In addition to the show, speaking opportunities at the Conference provided a good platform to raise the profile of the New Zealand sector.

In October we welcomed a visiting Chinese delegation from CCCMHPIE. A group of Natural Health Products NZ members presented, displaying impressive innovation and the high quality standards of the New Zealand industry. This was a very successful exchange and has opened the door for ongoing dialogue between companies from the two countries.

Kerry also attended Complementary Medicines Australia Conference, NZ Export's Go Global Conference and several Directors attended SupplySide West, alongside a number of Natural Health Products NZ participating companies.

A representation of members was invited by MBIE and MFAT to attend a discussion on Technical Barriers to Trade (TBT), in particular in relation to trade agreements. This provided a good opportunity to highlight the lack of modern regulations as a TBT.

We have started work with NZ Story to develop a Sector Story for the natural health products industry. We look forward to launching this to members at Summit 2020. It will provide a valuable toolkit of video, images and infographics.

Financial Results

For the first time in many years we have recorded a small deficit of \$999 reflecting the increased cost of our active lobbying for modern, fit-for-purpose regulations. A drop in membership fees was offset by another increase in project revenue over the year, resulting in an overall increase in revenue of 3%. We acknowledge the good financial management of our General Manager and would like to thank Kelly Morgan, our accountant for her diligent work.

The financial statements have been independently audited by Crowe (formerly Crowe Horwath) and received a positive clean audit report.

Personnel

2019 has been a stable year, with no changes in personnel. I would like to acknowledge Alison Quesnel as Government Affairs Director. Her fine work in Government Relations has ensured we are recognised as the credible voice of the sector.

I would also like to acknowledge the outstanding contribution that Kerry Warn has given to the industry in her position of General Manager. Kerry's strong organisation and management have been of the highest calibre. Her professionalism has resulted in seamless



management and execution of events and the industry challenges.

Liz Waite-Cooper as Executive Assistant has provided valuable organisational skills to all events and support for the Board, General Manager and members. Later in the year, Liz decided to move to her next challenge and with her departure we welcomed Sheryl Edmonds into this role. I would like to thank Liz for her contribution to NHPNZ.

Executive of Natural Health Products New Zealand

The elected Board of 2019 was:

Lorraine Moser, Vitaco Health Ltd, Chair

Samantha Gray, BioEquitas

Jackie Herbert, NZ Health Manufacturing Ltd (elected 2019 AGM)

Chris Johnson, Anagenix Ltd (elected 2019 AGM)

Leigh Kite, Kite Contracting

Peter Lehrke, Pharmaceutical Technologies Ltd/
PharmaNZ Ltd

Aviette Musin, BioBalance/HealthPost (elected 2019 AGM)

Claire Quin, Alaron Products Ltd (elected 2019 AGM)

Phil Rasmussen, Phytomed Medicinal Herbs Ltd

We thank the board for their support.

We would especially like to acknowledge the outstanding contribution of Natural Health Products NZ's founding Chair Ron Geiger of Alaron Products Ltd. Ron, along with Ross Keeley of Merinova Ltd stood down in 2019 having been on the Board since its inception. We would also like to thank the significant efforts of Minesh Patel, New Zealand Health Manufacturing Ltd and Amanda Wiggins, Forest Herbs Research Ltd.

In Closing...

Stepping into this role, I had very large shoes to fill after Ron Geiger the founding chair with 18 years of tenure.

This year saw many opportunities and challenges for our industry. The depth and breadth of knowledge of our board this year together with Kerry's management was a tremendous support.

Natural Health Products New Zealand Incorporated exists to represent the vision and further the objectives of the Natural Health Products sector in New Zealand. We are an open, consultative group funded primarily by the membership fees, contributions of our member and corporate sponsors and events. The Executive Board thanks the members for their support, constructive feedback, input and suggestions provided in the last year.

As an industry we have reached and exceeded \$2 billion in revenues, and the rate of R&D in the natural products sector is 4x higher than the NZ average. We need to continue to think globally, and act locally to meet changing global standards. Exports remain the greatest opportunity for Brand New Zealand and we all must do everything we can to support, protect and preserve this – this is up to every one of us who participate in the sector.

On behalf of the Management and Board of Natural Health Products NZ:

With best regards,

Lorraine Moser

CHAIR – NATURAL HEALTH PRODUCTS
NEW ZEALAND INC

NATURAL HEALTH PRODUCTS NEW ZEALAND INC

FINANCIAL STATEMENTS

For the year ended 31 December 2019

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Natural Health Products New Zealand Inc

Statement of Financial Performance For The Year Ended 31st December 2019

2018			2019
\$			\$
	Notes		
<hr/>			
	<u>REVENUE</u>		
271,458	Membership Fees		249,263
254,091	Projects/Events		295,302
6,424	Interest Received		5,587
<u>531,973</u>	Total Revenue		<u>550,152</u>
	<u>EXPENSES</u>		
151,185	Personnel	132,417	
182,642	Marketing & Projects/Events	237,185	
132,861	Professional Services	148,571	
11,032	Travel & Accommodation	3,876	
21,173	Rent, Rates & Charges	21,304	
3,861	Communications	3,708	
3,025	Miscellaneous Expenses	3,563	
635	Depreciation on Fixed Assets	<u>527</u>	
<u>506,413</u>	Total Expenses		<u>551,151</u>
25,560	Net Surplus/ (Deficit) Before Tax for the Year		(999)
-	Taxation - 2018 Year	Note 1	-
-	Taxation - 2019 Year	Note 1	-
<u>25,560</u>	Net Surplus/ (Deficit) After Tax for the Year		<u>(999)</u>

Note: This Statement is to be read in conjunction with the Notes to the Financial Statements, and the accompanying Auditors Report.



Natural Health Products New Zealand Inc

Statement of Movements in Members Funds For the Year ended 31st December 2019

	2019 \$	2018 \$
MEMBERS FUNDS AT START OF YEAR	133,830	108,270
Net Surplus/(Deficit) for the year	(999)	25,560
MEMBERS FUNDS AT END OF YEAR	132,831	133,830

NOTE: This Statement is to be read in conjunction with the Notes to the Financial Statements, and the accompanying Auditors Report.



Natural Health Products New Zealand Inc

Statement of Financial Position

As at 31 December 2019

2018		2019
\$	Notes	\$
<u>CURRENT ASSETS</u>		
200,077	ASB Cheque & Savings Account	86,338
6,851	Sundry Debtors	2,115
14,974	Prepaid Expenses	14,386
3,062	GST Receivable	16,753
-	ASB Bank Term Deposits	80,000
<u>224,964</u>	Total Current Assets	<u>199,592</u>
<u>CURRENT LIABILITIES</u>		
23,199	Sundry Creditors	23,190
51,275	Income in Advance	19,966
6,026	Accrued Expenses	16,500
11,377	Provision for Holiday Pay	8,749
215	Income Tax Payable	215
<u>92,092</u>	Total Current Liabilities	<u>68,620</u>
<u>132,872</u>	Net Working Capital	<u>130,972</u>
<u>NON - CURRENT ASSETS</u>		
<u>FIXED ASSETS</u>		
958	Plant & Equipment	1,859
<u>958</u>	Total Fixed Assets	<u>1,859</u>
<u>133,830</u>	Net Assets	<u>132,831</u>
Represented By:-		
<u>MEMBERS FUNDS</u>		
108,270	Balance Brought Forward	133,830
25,560	Retained Profit/(Deficit) for the Year	(999)
<u>133,830</u>	TOTAL MEMBERS FUNDS	<u>132,831</u>

For and on behalf of the Members:

Chairperson: _____

Director: _____

Date: 18/2/20

Note: This Statement is to be read in conjunction with the Notes to the Financial Statements, and the accompanying Auditors Report.



Statement of Accounting Policies
For The Year Ended 31 December 2019

REPORTING ENTITY:

Natural Health Products New Zealand Inc is a society incorporated under the Incorporated Societies Act 1908.

The objectives of the society are to foster commitment, involvement, mutual respect, effective communication and joint collaboration between all participants in New Zealand's natural and complementary health products and services industry.

ACCOUNTING POLICIES:

* Natural Health Products New Zealand Inc is not required to prepare financial statements that comply with generally accepted accounting practice and as a result has elected to prepare special purpose financial statements. These special purpose financial statements are intended for the Board of the Society to assist them to assess the financial position and results of operations of the Society. As a result the special purpose financial statements may not be suitable for another purpose.

* The measurement base adopted is historical cost.

* Accrual Accounting is used to match expenses and revenue.

* Going Concern. Reliance is placed on the assumption that the society will continue with its present operations.

* Periodic Reporting. These financial statements include transactions for the year ended 31st December 2019.

* Fixed Assets are recorded at original cost less accumulated depreciation. Depreciation is charged on a diminishing value basis at rates allowed by the Income Tax Act 2007. Depreciation rates used for office equipment are 40% to 50% DV.

* Goods & Services Tax. These financial statements are prepared exclusive of GST, except for accounts receivable and accounts payable which are recorded inclusive of GST.

* Income Tax. As a non-profit organisation Natural Health Products New Zealand Inc is only subject to income tax on income over \$1,000 derived from outside the circle of membership.

* Revenue is deferred and accounted for as income in advance until the entity has incurred the associated costs or discharged its contractual obligations.

* Operating Lease. Where the lessor effectively retains the risks and benefits of ownership of leased items, they are recognised in the Statement of Financial Performance on a straight-line basis.

* Sundry Debtors are recognised at estimated realisable value.

* There have been no changes in accounting policies during the year covered by these Financial Statements. All policies have been applied on bases consistent with the previous year.

Natural Health Products New Zealand Inc

Notes to the Financial Statements

For the year ended 31st December 2019

1. TAXATION

Taxation is payable on income earned from outside the circle of membership as follows:

	<u>2019</u>	<u>2018</u>
Total Revenue	550,152	531,973
Less – Membership fees	(249,263)	(271,458)
Less – Expenses attributable to income outside circle of membership	(290,889)	(260,515)
	<hr/>	<hr/>
Net Taxable Income / (Loss)	(5,345)	(8,870)

2. CAPITAL EXPENDITURE COMMITMENTS

Natural Health Products New Zealand Inc has no significant capital commitments (2018: nil).

3. CONTINGENT LIABILITIES

At balance date there are no known contingent liabilities. Natural Health Products New Zealand Inc has not granted any securities in respect of liabilities payable by any other party whatsoever. (2018: nil)

4. EVENTS SINCE BALANCE DATE

Subsequent to year end the society has entered into a contract with Healthplex/UBM incurring marketing and promotion costs of USD13,650 (2018: \$31,390).

5. OPERATING LEASE COMMITMENTS

The entity has the following operating lease commitments:

	<u>2019</u>	<u>2018</u>
Current	7,750	7,750
Non-Current	-	-
	<hr/>	<hr/>
	7,750	7,750

6. PLANT & EQUIPMENT

	<u>2019</u>	<u>2018</u>
Office Equipment - Cost		
- Opening Balance	10,602	9,468
- Additions	1,428	1,134
- Disposal	-	-
Closing Balance	<hr/>	<hr/>
	12,030	10,602
Depreciation		
- Opening Balance	9,644	9,009
- Current Year Depreciation	527	635
- Depreciation Recovered	-	-
Closing Balance	<hr/>	<hr/>
	10,171	9,644
Net Book Value	<hr/>	<hr/>
	1,859	958



Notes to the Financial Statements
For the year ended 31st December 2019

7. AUDIT FEES

Crowe New Zealand Audit Partnership completed the audit of the financial statements for Natural Health Products New Zealand Inc for the year ended 31st December 2019 for \$3,900 (2018: \$3,825).

Independent Auditor's Report

To the Members of Natural Health Products New Zealand Inc

Opinion

We have audited the financial statements of Natural Health Products New Zealand Inc ("the Society"), which comprise the statement of financial position as at 31 December 2019, statement in movements of members funds and the statement of financial performance for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Natural Health Products New Zealand Inc for the year ended 31 December 2019 are prepared, in all material respects, in accordance with the basis of accounting as described on Page 4 of the financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Natural Health Products New Zealand Inc in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our firm has provided consulting services to the Society. The firm has no other relationship with, or interests in, the Society.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution

We draw attention to Page 4 of the financial statements, which describes the basis of accounting. The financial statements are intended for the Board of Natural Health Products New Zealand Inc to assist them to assess the financial position and results of operations of the Society. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for Natural Health Products New Zealand Inc and should not be distributed to parties other than the Society and its members. Our opinion is not modified in respect of this matter.

Responsibilities of the Board for the Financial Statements

The Board are responsible on behalf of the Society for the preparation of the financial statements in accordance with the basis of accounting as described on Page 4 of the financial statements 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 Society'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 Society or to cease operations, or have no realistic alternative but to do so.

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

Findex (Aust) Pty Ltd, trading as Crowe Australasia is a member of Crowe Global, a Swiss Verein. Each member firm of Crowe Global is a separate and independent legal entity. Findex (Aust) Pty Ltd and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Findex (Aust) Pty Ltd.

Services are provided by Crowe New Zealand Audit Partnership an affiliate of Findex (Aust) Pty Ltd.

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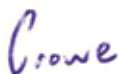
Auditor's Responsibilities for the Audit of the Financial Statements

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) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

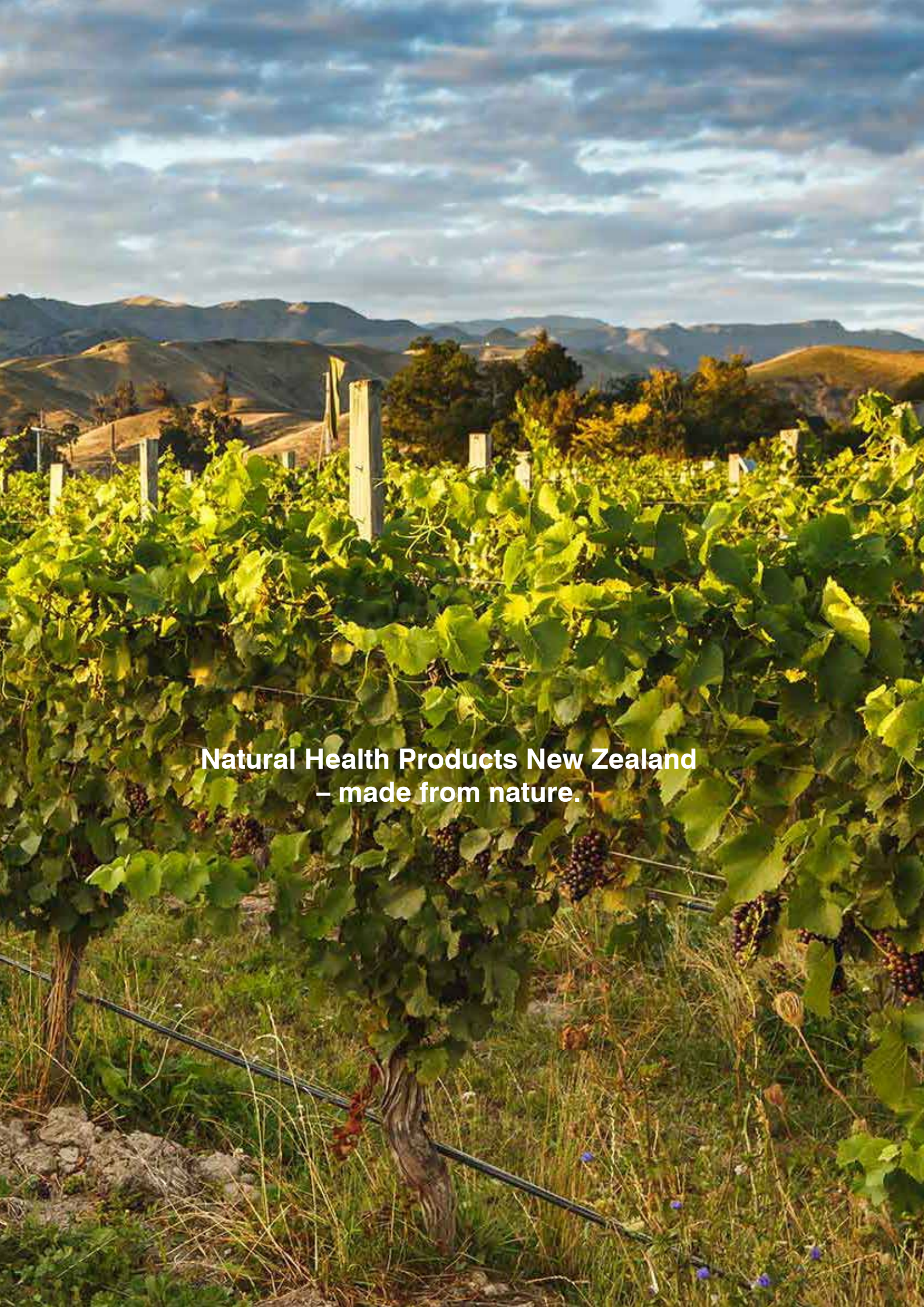
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Crowe New Zealand Audit Partnership
CHARTERED ACCOUNTANTS

Dated at Auckland this 24th day of February 2020



**Natural Health Products New Zealand
– made from nature.**



P O Box 9026, Newmarket, Auckland, New Zealand
74D France St, Eden Terrace, Auckland 1010

P: +64 9 280 3611 M: +64 21 327 778
email: info@naturalhealthproducts.nz

www.naturalhealthproducts.nz