



2016-17 ANNUAL REPORT



UFS DISPENSARIES
WE'RE HERE FOR YOU



UFS Dispensaries is a not-for-profit, community based organisation with an elected Board of Directors. As a mutual organisation, UFS is owned by its members and profits are directed back to members in the form of attractive discounts, modern facilities and member services. The profit UFS generates is also injected into expanding our business operations and increasing the benefits offered to members. All members have the opportunity to participate in company affairs by attending the Annual General Meeting which will be held in November this year.

As a Quality Care Accredited organisation, UFS is committed to better understanding our customers' needs and providing service that ultimately exceeds expectation.

UFS Mission

UFS aims to improve the health of our members and the local community.

UFS Values

- Focus on members
- Provide professional services
- Connected to our community
- Operate with high ethical standards
- Support our staff
- Lead innovation in health care
- Provide leadership in health solutions



BOARD OF DIRECTORS

Chairman: Mrs P.L. Clark *CPA Grad.Dip.CSP MAICD*
Directors: Mr G. Dixon *Dip.Bus, B.Bus, CPA FCIS*
Mr I.G. Schrader *MAICD*
Mrs V. Fenelon *HDTs, M.Ed, MAICD*
Ms G. Lyons *MBA, GAICD*
Mrs J.M. Rivett *B.A LLB GAICD*
Mr A. McPherson *BAppSc(Phy), MBA, GAICD*
Mr D. Lenehan *GradDipHealthAdmin*

Administration Staff

Chief Executive Officer

Ms Lynne McLennan *B.Sc M.B.A. D.Univ(h.c.) FAICD*

Executive Assistant

Mrs Mariska Pelchen

Operations Manager - Pharmacy

Mr Tony Diamond *Dip.Mgt*

Operations Manager - Primary Care

Ms Talei Deacon *B.Sc. (Biomed) Grad.Dip(HSM)*

Operations Coordinator

Mrs Dianne Chillingsworth *Adv.Dip.Bus.HR*

Chief Pharmacist

Mr Bobby Mehta *MRPharmS CiCPM CiMDM IPresc*

Professional Services Administration Assistant

Ms Renee Erwin

Purchasing & Logistics Manager

Mr Greg Harbridge *B. App Sc (Tex. Chem)*

Product Manager

Ms Karyn Cody

Product Manager

Mrs Angela Lawler *Adv.Dip.Bus.Mgt*

Product Manager

Mr Jason Rossi *B.Bus (Marketing), B.Spt.Mgt*

Warehouse Manager

Mr Tristan Moore

Purchasing Officer

Mr Jason Stevens

Purchasing Administration Officer

Mrs Marie Loader

Purchasing Administration Officer

Mrs Pam Moller

Marketing & Business Development Manager

Ms Heather Taylor *BBus*

Marketing Officer

Mrs Amy Glover

Business Development Project Manager

Ms Samantha Elshaug
B.Mgt (Marketing), Dip.Proj.Mgt. GAICD

Graphic Designer

Ms Jackie Peacock

Employee Services Manager

Ms Jodie Kennedy *B.A, Adv.Dip.Mgt*

Employee Services Officer

Ms Tania Lund *Adv.Dip.Mgt*

Employee Services Officer

Ms Leisel Oliver

Finance Manager

Mrs Julie Hawkins *B.Bus.Acc C.PA Grad.Dip.Ed*

Business Analyst

Mr Angus Diamond *Dip.Proj.Mgt*

Financial Accountant

Mrs Sashikala Wijesinghe
CPA (Aus), ACMA (UK), FCPA (Bots), BCom (Hons SL)

Payroll Coordinator

Miss Verity Savage

Accounting Assistant

Mrs Kerri Bates

Accounting Assistant

Mrs Bree Bossner

Accounting Assistant

Ms Janeen Smith

Systems Improvement Officer

Mr Mark Thornton *B.Comp Dip.Proj.Mgt Dip.Sus*

IT Support Officer

Ms Anusha Raveendran *B.IT*

Facilities & Administration Manager

Mr Chris Martin *B.Bus Dip.Proj.Mgt Dip.Sus GAICD*

MANAGEMENT

at 30 June 2017

Pharmacies

Bacchus Marsh Pharmacy

Manager

Mrs Joy Durham
B.Pharm. M.P.S Dip.Mgt

Retail Coordinator

Ms Brooke Wilson

Ballan Pharmacy

Manager

Mr Lee Scullion
M.Pharm. M.P.S

Acting Retail Coordinator

Ms Marion Rundle

Beaufort Pharmacy

Manager

Mr Tim Haywood
B.Pharm

Retail Coordinator

Miss Lori Gardiner

Bridge Mall Pharmacy

Manager

Mrs Kathryn Fischmann
B.Pharm. M.P.S

Retail Coordinator

Ms Dianne Edwards

Buninyong Pharmacy

Manager

Mrs Katherine John
B.Sc.Pharm

Retail Coordinator

Mrs Katherina Cartledge

Delacombe Pharmacy

Manager

Ms Kirsty Benoit
B.Pharm

Retail Coordinator

Ms Jeni Goodman

Doveton Street Pharmacy

Pharmacist in Charge

Mr Pick Yaw Lai
B.Pharm Hons

Retail Coordinator

Mrs Lia Cody

Gisborne Pharmacy

Pharmacist in Charge

Mr William Chan
B.Pharm

Retail Coordinator

Miss Alana Seddon

Hardy's UFS Pharmacy

Pharmacist in Charge

Mr Ryan Alexander
B.Pharm

Retail Coordinator

Mrs Ashlee Schumann

Melton Central Pharmacy

Manager

Ms Li Yen Hoo
B.Pharm(Hons)

Retail Coordinator:

Mrs Nil Fagalilo

Melton South Pharmacy

Manager

Mr Victor Van
B.Pharm. M.P.S

Retail Coordinator:

Ms Alyssa Etherton

Mt Clear Pharmacy

Manager:

Mr Kane Vorbach
B.Pharm.Sci, M.Pharm

Retail Coordinator

Ms Kerrie Read

Sebastopol Pharmacy

Manager

Mr Matthew Chester
B.Pharm. M.P.S Adv.Dip.Bus.HR

Retail Coordinator

Mrs Jenny Cameron

Sturt Street Pharmacy

Manager

Mr Peter Fell
B.Pharm M.P.S

Retail Coordinator:

Mrs Michelle Bennetts

Victoria Street Pharmacy

Manager

Mr Stewart Sheriff
B.Pharm M.P.S

Retail Coordinator

Mrs Caitlin Atkinson

Wendouree Pharmacy

Manager

Ms Megan Barratt
B.Pharm. M.P.S

Retail Coordinator:

Mrs Morena Rasmussen

MANAGEMENT

at 30 June 2017

UFS Medical

Practice Manager

Ms Michele Turner

**Practice Coordinator,
Bridge Mall**

Ms Olivia Lockhart

**Practice Coordinator
Doveton St**

Ms Emily Radojevic

**Practice Coordinator
Sturt St**

Mrs Wendy Johnstone

GP Advisor

Dr Colin Crook
MBBS DipRACOG

Clinical Nurse Manager

Mrs Tamara Warland
RN Div1

Other Businesses

Cherub Gifts

[Manager](#)

Ms Nicky Cowley

Peace & Quiet

[Manager](#)

Ms Tracie Moodley

Solicitors

Heinz & Partners, Ballarat

Auditors

RSM Australia Partners

Bankers

Commonwealth Bank of Australia

Registered Office

206 Armstrong St Nth,
Ballarat Victoria 3350

CHAIRMAN'S REPORT



Our whole team at UFS works diligently every day to improve the health of our members and the local community, whether that be in one of our pharmacies, medical centres, at our allied health services, Peace and Quiet or Cherub. On behalf of the Board of UFS, I am pleased to report on our contribution to that aim in the last twelve months.

Following several years of a challenging financial environment, due to the impact of the Commonwealth Government's continued reforms to the PBS, the trend continued in 2017. Whilst we managed to achieve steady revenue growth, profit was not as strong as 2016. However, the financial challenges are expected to ease somewhat due to further, and more favourable, PBS changes from 1 July 2017.

Regardless of the external environment, and government regulation, our team at UFS continues to focus on providing superior service, and continuing to expand our offering within our pharmacies. This includes enabling members to have direct access to a pharmacist, and in many cases there is provision of a consulting room to provide health services. We also continue to seek out new opportunities, including the addition of two new pharmacies in Gisborne earlier this year, as well as the addition of further nursing contracts in after-hours pharmacies.

As a member-based company, all of our profit is reinvested back into the organisation to continue to improve our offering to members and the community. It is this focus that continues to set us apart from our more commercial competitors. We are pleased that we could continue to provide community support in the form of sponsorship and donations to the tune of \$41,835 in the last year.

During the year, our CEO Lynne McLennan was re-elected as Chair of the Australian Friendly Society Pharmacy Association, an important role in promoting the interests of our sector to government and other key stakeholders.

As always, our strength and success as an organisation, particularly during difficult times, is due to the professional conduct, expertise and leadership of Lynne, along with her Senior Team and all staff throughout UFS.

It is important to us as an organisation to continue to honour the role our staff play in our success. As a result, we took the decision to maintain the existing Sunday and Public Holiday penalty rates for our staff when reductions were introduced on 1 July 2017.

I would like to acknowledge the contribution of my fellow Directors, for their expertise and diligence throughout the year. I would like to particularly thank our former Chair Andrew Howard, along with Dr Paul Martin, both of whom retired from the Board in late 2016. Their role in the commencement and growth of our medical practices was invaluable. I also welcome new Directors, Andrew McPherson and David Lenehan and look forward to the role they will play in providing good governance, oversight and strategy so that the rich legacy of UFS continues to thrive.

Peta Clark
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT



In the last twelve months UFS Dispensaries has grown substantially. In January 2017 UFS acquired two pharmacies in the regional town of Gisborne, raising our number of pharmacies owned to 16. Our services and membership model have been warmly welcomed by the Gisborne community and we look forward to serving this area for many years to come.

The establishment of a 24 hour Supercare Pharmacy service at Sturt Street, Ballarat, funded by the Victorian State Government, has been a considerable success and is providing an important health care service to our community, particularly young families, as well as helping relieve pressure on the busy Emergency Departments at our local hospitals. UFS Medical operates the free Nursing Service at this Pharmacy, from 6-10 pm each night, and this service is also proving very popular.

We have been very fortunate to be awarded the contract by the Victorian Government to operate seven SuperCare Nursing services at 24 hour pharmacies across the state in Round 2, including a collaboration with our colleagues UFS Pharmacies Bendigo at their View Street site, commencing July 2017.

Our innovative Breath Body Mind (BBM) complementary health program has expanded this year, with public classes receiving highly positive feedback from participants. Clinical programs, for patients with a Care Plan, are also now available via UFS psychologist and BBM teacher Dr Lisa Ciechowski.

We have recently welcomed a number of new senior staff, including William Chan and Ryan Alexander as the Pharmacy Managers at the UFS Gisborne Pharmacy and UFS Hardys' Gisborne Pharmacy.

Our hard-working Marketing and Business Development Manager Matt Vallance left to take a senior position in the disability sector. We were pleased to welcome experienced marketing professional Heather Taylor to this role.

The growth of UFS in the last two years has generated a need to increase our staffing in the area of clinical and operational management of pharmacies and therefore a restructure was approved by the Board to create additional capacity.

As a result, Chief Pharmacist Bobby Mehta elected to move on after five very successful years with UFS and left us on 30 June.

The inaugural Manager of Peace and Quiet, Claire Stafford, left UFS after managing the establishment, growth and development of an award-winning service that is extremely popular with our members. Tracie Moodley has been appointed as P&Q Manager and is now steering the next exciting phase for P&Q with a number of new service offerings under development.

UFS made a submission to the "King Review" of pharmacy remuneration and regulation, in which we pointed out the exceptional value provided by community pharmacy as a key element of Australia's primary health care system. Through our participation in AFSPA (Australian Friendly Society Pharmacies Association) we were also able to collaborate in a very purposeful manner with the Pharmacy Guild of Australia (representing private pharmacy owners) to put a cogent case to the Federal Government about the value of our current system. Whilst the final outcome of the review is not yet public, it appears that the Commonwealth Government does not have an appetite for further reform of our sector. This gives us improved business certainty for the future.

It remains a significant privilege to work with the Directors and staff of UFS to achieve our shared purpose of serving our members' healthcare needs. It is now 137 years since this remarkable enterprise was created by community-minded local citizens and our mission remains unchanged.

Lynne McLennan
Chief Executive Officer

THE YEAR IN REVIEW

UFS is a great supporter of environmental causes and in 2015 established a Sustainability Policy, with a commitment to reduce our impact on the environment. Many initiatives have been adopted including using recycled paper, recycling our printer cartridges, reducing our power consumption, and implementing a recycling program at all locations. As part of this commitment we recently installed LED lighting at our Bridge Mall, Wendouree, Sebastopol, Armstrong Street and Sturt Street premises.

Caring for our Community

We were thrilled to support a whole range of community groups and causes throughout the year. A total of more than \$40,000 was given to over 180 organisations such as Ballarat Hospice Care, United Way Ballarat, Royal South Street, Ballarat Foto Bienale, Macedon Ranges Health Colour Run and Walk, Mothers Day Classic and numerous local sporting and golfing clubs.

Pictured at the presentation of \$2,500 towards the Ballarat Hospice Care Building Fund is Heather Taylor from UFS and from Ballarat Hospice Care Leanne Ellis, Mel Mattinson and Carita Clancy.



Women and Wellness

More than 280 women (and one brave male) attended a women's health event titled *Women and Wellness* in late May at the Ballarat Mechanics Institute.

The evening featured guest speakers Gorgi Coghlan and Associate Professor Dr Deepika Monga, whose presentations were inspiring, informative and highly entertaining.

We were thrilled to present a cheque for \$1,400 to WRISC Family Violence Support, representing proceeds from ticket sales for the event.





Holiday and Cruise Centre Cruise Winner

Congratulations to Gretel Johns, the winner of a five night P&O Tasmania Cruise aboard the P&O Pacific Eden.

The cruise competition has become something of a tradition each year with Holiday and Cruise Centre generously donating the prize.

Pictured (L-R) is Heather Taylor, UFS Marketing & Business Development Manager, with Gretel Johns and Holiday and Cruise Centre owner Nicole King.

UFS opens two pharmacies in Gisborne

UFS has expanded its pharmacy operations into the town of Gisborne in the beautiful Macedon Ranges. Since opening the two stores in the rapidly growing township of Gisborne in January, we have welcomed over 1,500 new members. We were also delighted to welcome the majority of the existing staff into the UFS family.



Campaign featuring Gorgi Coghlan

UFS launched an advertising campaign on regional TV and radio early in 2017 featuring UFS member Gorgi Coghlan. Gorgi is well known as co-host of Network Ten's The Project and as a resident of Ballarat is a long standing UFS member. The campaign has focused on UFS membership and our support for communities.



Supercare Pharmacy now operating

The Sturt Street 24 hour Supercare Pharmacy was launched in August 2016, as part of the Victorian State Government's Supercare Pharmacy initiative. The Pharmacy now operates 24 hours a day, every day of the year, and provides a free nursing service each evening from 6pm to 10pm for the treatment of minor injuries and illness. Since opening, the Supercare Pharmacy has provided service to an additional 47,000 customers.



CHARITABLE DONATIONS

UFS Dispensaries supports both members and the regional community. This is demonstrated through the Company's commitment to supporting local business and community groups. The following donations have been made to support local community organisations throughout 2016/17.

Total value of sponsorship and donations for 2016/17 period was \$41,835.

Major Sponsorships

Ballarat Christmas Festival
Gisborne Football Club
Royal South Street Society
Ballarat Hospice
Ballarat Regional Integrated Cancer Centre

Sponsorships

Bacchus Marsh Grammar
Ballan Autumn Festival
Ballan Golf Club
Ballan Recreation Reserve Parents & Friends
Ballarat Agricultural and Pastoral Society Yellow Ribbon
Ballarat Athletic Club
Ballarat Bridge Club
Ballarat Golf Club
Ballarat International Foto Biennale
Ballarat Sebastopol Cycling Club
Ballarat Shower Bus
Basketball Ballarat - defibrillator
Beaufort Angling Club
Beaufort Golf and Bowls Club
Bradley Simpson
Buninyong Bowling Club Inc
Buninyong Film Festival

Buninyong Golf Club
Buninyong Probus Club
Buninyong Redbacks Soccer Club
Carpe Diem
Chip For Charity
Christmas Party for Special Children
Committee for Ballarat Connect Conference
Flavours of Moorabool
Gisborne Bowling Club
Gisborne RSL
Hepburn Springs Golf Club
Lexton Golf Club
Macedon Ranges Health - Colour Run and Walk
McCallum Disability Services Inc. Golf Day
Mount Clear Junior Football Club
Mt Clear Scouts
One Man, One Million - Rebuild Nepal
Organs of the Ballarat Goldfields
Probus Club of Wendouree
Pyrenees Arts Council and Rotary Club
Rotary Club of Bacchus Marsh
Saints Netball Club, Gisborne
Sebastopol Bowling Club
Sebastopol Fire Brigade

Sebastopol West Kindergarten
Family Fun Market Day
Skipton Golf & Bowls Club
SMS Community
St Brendan's Primary School
Mountain of Fun Run
The Avenue Bowling Club
Bacchus Marsh
The Ballarat Foundation (United Way)
Tom Quilty Gold Cup
Tripwire Theatre
United Way Ballarat
Voice FM
Walk off the War Within Challenge for PTSD and Depression
Waubra Primary School
Women in Super Mother's Day Classic
WRISC Family Violence Support

Donations

Alfredton Pre-School
Alfredton Primary School
Aussie Action Abroad
Avonde Calisthenics College
Bacchus Marsh Golf Club
Bacchus Marsh Grammar
Bacchus Marsh Rotary Club

Bakery Hill Kindergarten
 Ballan Autumn Festival
 Ballan Breakaway Committee
 - Lioness Club
 Ballan Child Care
 Ballan Kinder
 Ballan Primary School
 Ballarat Adult Riding Club
 Ballarat Business Women
 Ballarat Clarendon College
 Ballarat Day View Club
 Ballarat Eureka Diabetes Support
 Ballarat Health Services
 Ballarat High School
 Ballarat Hospice
 Ballarat Memorial Concert Band
 Ballarat North Kindergarten
 Ballarat North United Soccer Club
 Ballarat Pink Phoenix
 Ballarat Relay for Life
 Ballarat Rush
 Ballarat Secondary College
 Ballarat Senior Citizens
 Beaufort Agricultural Society
 Beaufort Bowls Club
 Beaufort Early Childhood Centre
 Beaufort Football & Netball Club
 Beaufort Primary School
 BMCA
 BOAA
 Buninyong Bowling Club
 Buninyong Fire Brigade
 Buninyong Good Life Festival
 Buninyong Lions Club
 Buninyong Primary School
 Buninyong Senior Citizens Inc
 Business for Beaufort
 Canadian Lead Primary School
 Cancer Council Girls' Night In
 Cancer Council Relay for Life
 'Motley Crew'
 Combined Pensioners & Super
 Association
 Creswick Brass Band
 Creswick Primary School
 Damascus College
 Diocese of Ballarat
 Djerrivarrh Health Services
 - Care Melton Expo
 Doveton Street Medical Biggest
 Morning Tea
 Elizabeth Watkin Kindergarten
 Emma Milesevic Womens World
 Championship Motocross
 Emmaus Catholic Primary School
 Eureka Mums
 Exford Primary School
 Family Violence Support
 Federation University
 Fidelity Kindergarten
 Friends of Melton Botanic
 From little things, big things grow
 Gary Wilkes (Bali orphanage)
 Gordon Football Netball Club
 Gordon Primary School
 Grampians Metal health
 Haddon Primary School
 Iris Ramsay Kindergarten
 Jack Phillips Fundraiser
 James Thomas Court
 Jubilee Kindergarten
 Kids & SIDS
 Lakeside Anglers Club Inc
 Lexton Public Hall Committee
 Liberal Party
 Lifestyle Brookfield
 Lions Club of Sebastopol
 Lumen Christi Primary School
 Mary's Happy Hour
 McCallum Disability Services Inc.
 Midlands Kindergarten
 Milly Yeoman
 Miners Rest Primary School
 Mount Clear College
 Movember (Belinda Foy)
 Mphatso Children's Foundation
 Mt Clear Kindergarten
 Myrning Primary School
 Nazareth House
 Pleasant Street Primary School
 Project Dance
 Red Gala Ball
 Redan Football Club
 Rokewood Kindergarten
 Rowan View Pre-School
 Royal Children's Hospital
 Royal South Street
 Saint Matthews Anglican Church
 Wendouree
 Sally's School of Performing Arts
 Scope
 Scouts Victoria
 Sebastopol Country Talent Club Inc
 Sisters of Mercy
 Skipton Kindergarten
 St Alipius School
 St Aloysius Parish School
 St Augustine's Primary School
 St Bernard's Primary School
 St Columba's School
 St Francis Xavier PS
 St Patrick's Primary School
 Susannahs
 The Red Gala Ball 2017
 Vikings Soccer Club
 Vintage Classic Car Club
 Wendouree Uniting Church
 Willaura Kindergarten
 Woody Yaloak Primary School
 World Challenge
 York Street Church of Christ
 - MOPS

DIRECTORS' REPORT

Your directors present their report on the company for the financial year ended 30 June 2017.

The name of each person who has been a Director during the year and to the date of this report are:

Mrs Peta L Clark
Ms Jacinta M Rivett
Mr Graeme H Dixon
Ms Virginia Fenelon
Mr Ian G Schrader
Ms Gina Lyons
Mr Andrew A Howard (resigned 4.11.16)
Dr Paul Martin (resigned 31.12.16)
Mr David Lenehan (appointed 1.1.17)
Mr Andrew McPherson (appointed 1.1.17)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated. Details of directors' qualifications, experience and special responsibilities can be found further on in this report.

Objective

The objective of UFS Dispensaries Ltd is to broaden the community service offering and promote our facilities as health destinations which provide tangible community and membership benefits. This takes the form of innovative health related products and services, particularly in respect of pharmaceuticals and specific health care advice.

Strategy for Achieving the Objective

The company's objective is to leverage its superior customer service and health related advice to develop strong relationships with our customer and membership base. In addition, broadening our service offering by the introduction of professional services not currently being offered in the market place and continually assessing market opportunities to expand our network of facilities.

Performance Measures

The company measures its performance by evaluating the quantity and quality of health professional interactions with customers, the volume and extent of member benefits delivered to the communities served and assessing our performance against applicable industry

benchmarks provided by relevant national associations. Key performance indicators include the amount of member discount provided to the members, the number of prescriptions processed, number of customers served by our professional health staff, staff satisfaction surveys and long term financial sustainability considerations.

Company secretary

The following person held the position of Company Secretary at the end of the financial year:

Mrs Julie Hawkins CPA. Mrs Hawkins has worked for UFS Dispensaries Ltd since November 2011, and in the role of Finance Manager since October 2015, and was appointed as Company Secretary on 28 October 2015.

Principal activities

The principal activities of the company during the financial year were to provide pharmaceutical goods and services and medical services to both members and non-members.

No significant change in the nature of the company's principal activities occurred during the year.

Operating result and review of operations

The profit of the company for the financial year after providing for income tax amounted to \$957,407 (\$2,349,375 profit for the 2016 year).

Dividends

The company's constitution precludes the payment of dividends.

Significant changes in state of affairs

On 12 September 2016, the company sold its pharmacy depot located at 63 Main Street, Willaura.

On 26 September 2016, the company sold its pharmacy depot located at 17 Montgomery Street, Skipton.

On 29 January 2017, the company purchased two pharmacies located at 40 Brantome Street, Gisborne and 5 Neal Street, Gisborne.

Future developments

Likely developments in the operations of the company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

Environmental regulations

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory. However, as part of its environmental and social responsibility, UFS Dispensaries Ltd provides a safe and controlled unused medicines' disposal service.

Indemnification and insurance of officers and auditors

During the financial year, the company has paid a premium to insure its officers and directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of officer or director of the company, other than conduct involving a wilful breach of duty in relation to the company.

An indemnity has been given to Ms H Lynne McLennan in relation to the use of two American Express Business Cards, for approved company use. This indemnity was prepared by the company's solicitors, and no other indemnities have been given.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for the auditor of the company.

Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not party to any such proceedings during the year.

Auditor's independence

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on Page 16 of this report.



Front: L to R: Peta Clark, David Lenehan

Rear: L to R: Virginia Fenelon, Graeme Dixon, Gina Lyons, Ian Schrader, Jacinta Rivett and Andrew McPherson.

Board Members

Mrs Peta L Clark

Qualifications

Experience

Special Responsibilities

Chairman

CPA Grad. Dip. CSP MAICD

Appointed to the Board in 2004. Mrs Clark has over 20 years' corporate accounting experience. Mrs Clark is currently the General Manager Corporate Services of Centacare, Catholic Diocese of Ballarat. Mrs Clark has broad experience in community based organisations.

As Chairman of the Board, Mrs Clark is an ex-officio member of all Board Committees.

Board Members (continued)

Ms Jacinta M Rivett

Deputy Chairman

Qualifications

B.A. LLB GAICD

Experience

Appointed to the Board in 2007. Ms Rivett is General Counsel for Ambulance Victoria (AV), with over 15 years' legal experience. Current member of the Ballarat Regional AICD Committee and past member of the Human Research and Ethics Committee for St John of God and Ballarat Base Hospitals. Ms Rivett has also been a Director of Ballan and District Hospital and a member of a number of Law Institute of Victoria Committees and local associations and organisations.

Special Responsibilities

Chairman of Clinical Governance Committee and Member Business Development Committee.

Mr Graeme H Dixon

Qualifications

Dip Business; Bachelor Business; CPA, FCIS and FGIA

Experience

Appointed to the Board in 2011. Mr Dixon has 30+ years of corporate finance/accounting/treasury and company secretarial experience. Mr Dixon is currently the General Manager of several businesses located in Australia and Asia. Mr Dixon has held directorships in a number of Australian companies and is a director in a number of Asian companies. He is a member of the Finance, Audit and Risk Management Committee of the Committee for Ballarat and is also a Board member of the Fiona Eley Cancer Research Institute.

Special Responsibilities

Chairman of Audit Committee and Member Remuneration Committee.

Ms Virginia Fenelon

Qualifications

M.Ed; HDTS; MAICD

Experience

Appointed to the Board in 2014. Ms Fenelon has 40 years' experience working across the School, Further Education, TAFE and University education sectors as a teacher, manager, executive and independent consultant and auditor. Ms Fenelon has wide experience as a Director on boards in all education sectors and was a Director of the Ballarat Health Services Board for six years. She is currently a Director of The Gordon TAFE, Geelong and the Ballarat Tramway Museum.

Special Responsibilities

Chairman of Business Development Committee.

Mr Ian G Schrader

Qualifications

MAICD

Experience

Appointed to the Board in 1977. Mr Schrader was a director of Druids Friendly Society for thirty years and was a director of Parkglen Retirement Village for twenty-five years. Prior to his retirement from full-time employment, Mr Schrader owned and operated his own printing company.

Special Responsibilities

Member Audit and Clinical Governance Committees.

Ms Gina Lyons

Experience	Appointed to the Board in 2015. Ms Lyons has over 20 years' experience in Executive roles in Health, Local Government, Higher Education and Marketing Communications. Since 2012 Ms Lyons has operated her own consulting business providing strategic, organisation development and change management expertise to clients. Ms Lyons has wide experience as a Director on health, tourism and NFP Boards.
Special Responsibilities	Member Audit and Remuneration Committees.

Mr Andrew A Howard **(resigned 4.11.16)**

Qualifications	<i>GAICD, Grad Dip Admin, MRN</i>
Experience	Appointed to the Board in 2009. Mr Howard has over 20 years' management, executive and director experience in the health and human services sector and is currently the Executive Officer of Grampians Pyrenees Primary Care Partnership. Mr Howard has previously been a small business owner/operator for 7 years and was Chief Executive Officer of the Ballarat & District Division of General Practice from 2001 to 2006. Mr Howard was also a member of the St Columbus Primary School Board for 4 years (two as Chairman), and was the Chair of the 2003 Ballarat Health Awards.

Dr Paul D Martin **(resigned 31.12.16)**

Qualifications	<i>MBBS DRCOG</i>
Experience	Appointed to the Board in 2010. Dr Martin has 30 years' experience as a General Practitioner including over 20 years at Ballarat's Mair Street General Practice. Following this, Dr Martin spent over 12 months with UFS Medical establishing medical protocols and acting as GP advisor. Since 2010 he has been a clinical panel member consulting to the Transport Accident Commission.

Mr David Lenehan **(appointed 1.1.17)**

Qualifications	<i>Grad Dip Health Administration</i>
Experience	Appointed to the Board in 2017. Mr Lenehan retired from his position as CEO of Hepburn Health Service in 2013 after a long career in health and hospital management. Mr Lenehan has extensive experience in financial and health services management and, following retirement, has undertaken some relieving CEO work in rural health services and at Ballarat Community Health Centre.
Special Responsibilities	Member of Business Development and Clinical Governance Committees.

Mr Andrew McPherson **(appointed 1.1.17)**

Qualifications	<i>BAppSc (phys); MBA; MAICD</i>
Experience	Appointed to the Board in 2017. Mr McPherson has over 25 years' experience in the healthcare industry both in Australia and the USA. Mr McPherson was the CEO of both Grampians Medicare Local from 2012 to 2015 and Ballarat & District Division of GPs from 2006 to 2012. Mr McPherson is currently the owner/Director of a local Ballarat business which provides consultant advice to the health industry.
Special Responsibilities	Member of Audit and Clinical Governance Committees.

Meetings of Directors

The attendance of each director at meetings (including committees) during the year were, with the maximum meetings that could be attended, indicated in brackets:

	Board and General Meetings	Committee Meetings
PL Clark	9 (10)	3 (5)
JM Rivett	6 (10)	4 (5)
GH Dixon	6 (10)	5 (5)
V Fenelon	9 (10)	4 (5)
IG Schrader	10 (10)	5 (5)
G Lyons	6 (10)	2 (5)
AA Howard	6 (7)	3 (3)
PD Martin	6 (7)	2 (3)
D Lenehan	3 (3)	2 (2)
A McPherson	3 (3)	2 (2)

This report is made in accordance with a resolution of directors, pursuant to Section 298(2) of the *Corporations Act 2001*.

On behalf of the directors.



PL Clark
Chairman



GH Dixon
Chairman: Audit Committee

Dated this 18th day of October 2017

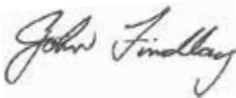
AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS OF UFS DISPENSARIES LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



RSM AUSTRALIA PARTNERS



John Findlay
Audit Partner
12 Anderson Street West, Ballarat, Vic

Dated this 18th day of October 2017

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	2017 \$	2016 \$
INCOME			
Revenue	2	72,101,066	65,182,453
Other Income	2	1,401,161	958,459
Changes in Inventories		133,367	(51,816)
Purchases		(39,995,484)	(32,528,348)
Employee Benefits Expense		(19,250,630)	(18,263,219)
Depreciation		(1,284,439)	(1,206,886)
Amortisation of Goodwill		(49,175)	(277,205)
Finance Costs		(214,527)	(363,204)
Other Expenses		(11,008,963)	(10,765,324)
Change in value of interest rate swap		(88,260)	(189,597)
Impairment of Non Current Assets		(786,709)	(145,000)
PROFIT BEFORE INCOME TAX	3	957,407	2,350,313
Income Tax (Expense) / Benefit		-	(938)
PROFIT FOR THE YEAR		957,407	2,349,375
PROFIT ATTRIBUTABLE TO MEMBERS		957,407	2,349,375

This Statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$	2016 \$
PROFIT FOR THE YEAR	957,407	2,349,375
Other Comprehensive Income:		
Net Gain on Revaluation of Land and Buildings	1,726,344	47,743
Net (Loss)/Gain on Revaluation of Financial Assets	(12,394)	18,986
Other Comprehensive Income for the Year, Net of Tax	1,713,950	66,729
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2,671,357	2,416,104
Total Comprehensive Income Attributable to:		
Members	2,671,357	2,416,104

This Statement should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	2017 \$	2016 \$
CURRENT ASSETS			
Cash and Cash Equivalents	6	4,184,581	5,340,338
Trade and Other Receivables	7	2,555,841	2,358,468
Inventories	8	3,933,989	3,800,622
Other Assets	9	228,861	614,395
TOTAL CURRENT ASSETS		10,903,272	12,113,823
NON-CURRENT ASSETS			
Investments	10	69,433	87,139
Property, Plant and Equipment	11	22,401,152	21,358,240
Investment Property	12	460,000	152,169
Intangible Assets	13	7,940,514	4,793,645
TOTAL NON-CURRENT ASSETS		30,871,099	26,391,193
TOTAL ASSETS		41,774,371	38,505,016
CURRENT LIABILITIES			
Trade and Other Payables	14	5,858,674	5,320,349
Borrowings	15	8,050,000	8,387,350
Financial Liabilities	16	-	88,260
Current Tax Liabilities	17	-	-
Provisions	18	2,364,359	2,244,605
Other Liabilities	19	235,987	219,221
TOTAL CURRENT LIABILITIES		16,509,020	16,259,785
NON-CURRENT LIABILITIES			
Deferred Tax Liabilities	17	522,893	252,652
Provisions	18	797,904	721,034
Other Liabilities	19	31,720	30,068
TOTAL NON-CURRENT LIABILITIES		1,352,517	1,003,754
TOTAL LIABILITIES		17,861,537	17,263,539
NET ASSETS		23,912,834	21,241,477
EQUITY			
Reserves	20	6,197,156	4,483,206
Retained Earnings		17,715,678	16,758,271
TOTAL EQUITY		23,912,834	21,241,477

This Statement should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	Retained Earnings \$	Asset Revaluation Reserve \$	Total \$
Balance at 1 July 2015	14,408,896	4,416,477	18,825,373
Profit after income tax expense for the year	2,349,375	-	2,349,375
Other comprehensive income for the year, net of tax	-	66,729	66,729
Balance as 30 June 2016	16,758,271	4,483,206	21,241,477
Balance at 1 July 2016	16,758,271	4,483,206	21,241,477
Profit after income tax expense for the year	957,407	-	957,407
Other comprehensive income for the year, net of tax	-	1,713,950	1,713,950
Balance as 30 June 2017	17,715,678	6,197,156	23,912,834

This Statement should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	2017 \$	2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers		76,405,917	58,618,047
Other Receipts Received		1,070,776	983,038
Payments to Suppliers and Employees		(73,760,020)	(56,365,744)
Dividends Received		4,244	3,505
Interest Received		126,960	235,965
Finance Costs		(214,527)	(363,204)
Income Tax Paid		-	(938)
Net Cash Provided by Operating Activities	22	3,633,350	3,110,669
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sale of Property, Plant and Equipment		157,692	242,950
Purchase of Property, Plant and Equipment		(626,696)	(593,163)
Purchase of Business and Licences		(3,982,753)	(5,000)
Net Cash Used in Investing Activities		(4,451,757)	(355,213)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowings		(337,350)	-
Net Cash Used in Financing Activities		(337,350)	-
NET (DECREASE)/INCREASE IN CASH HELD		(1,155,757)	2,755,456
Cash at Beginning of Financial Year		5,340,338	2,584,882
Cash at End of Financial Year	6	4,184,581	5,340,338

This Statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is for UFS Dispensaries Ltd, incorporated and domiciled in Australia. UFS Dispensaries Ltd is a company limited by guarantee. UFS Dispensaries Ltd carries a 95% equity holding in UFS Partnership which owns and operates the pharmacy at 129 Inglis Street, Ballan, 3342. This financial report includes our share of UFS Partnership.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

New, Revised or Amending Accounting Standards and Interpretations Adopted

The company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements of the Australian Accounting Standards Board and the *Corporations Act 2001*. UFS Dispensaries Ltd is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value, of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 1(t).

Accounting Policies

(a) Business Combinations

Business combinations can occur where an acquirer obtains control over one or more businesses and results in consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. the parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill (refer Note 1(h)) or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The consideration transferred for a business combination shall form the cost of the investment in the separate financial statements. Such consideration is measured at fair value at acquisition date and consists of the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree, and the equity interests issued by the acquirer.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to a contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as receivables. Subsequent to initial recognition, a contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. A contingent consideration classified as an asset or a liability is remeasured at the end of each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

(b) Income Tax

UFS Dispensaries Ltd pay income tax on any income earned or received from non-members. It is only income directly received from its members which is not taxed under the principle of mutuality. Members cannot be taxed on income they make from themselves.

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits against which deductible temporary differences can be utilised. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Inventories

Inventories, consisting wholly of finished goods, are measured at the lower of cost and net realisable value. Cost is assigned on a weighted average costs basis.

(d) Property, Plant and Equipment

Bases of Measurement of Carrying Amount

Land and buildings are measured at fair value less accumulated depreciation on buildings and less any impairment losses recognised after the date of the revaluation. Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Revaluation of Land and Buildings

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and any subsequent accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Increases in the carrying amount arising on revaluation of land and buildings are recognised in other comprehensive income and accumulated in the revaluation surplus in equity. Revaluation decreases that offset previous increases of the same class of assets shall be recognised in other comprehensive income under the heading of revaluation surplus. All other decreases are recognised in profit or loss.

Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying values of plant and equipment are reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

In the event the carrying amount of plant and equipment is greater than its estimated recoverable amount, the carrying amount is written down immediately to its estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

Items of property, plant and equipment (other than land) are depreciated over their useful lives to the company, commencing from the time the asset is held ready for use. Depreciation is calculated on a straight line basis over the expected useful lives of the assets as outlined in the following table.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	2%
Leased plant and equipment	2.5 - 25%
Plant and equipment	5.0 - 50%

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(e) Investment Properties

Investment properties principally comprise of freehold land and buildings held for long-term rental and capital appreciation that is not occupied by the company. Investment properties are initially recognised at cost, including transaction costs, and are subsequently remeasured annually at fair value. Movements in fair value are recognised directly to profit or loss.

Investment properties are derecognised when disposed of or when there is no future economic benefit expected.

Transfers to and from investment properties to property, plant and equipment are determined by a change in use of owner-occupation. The fair value on the date of change of use from investment properties to property, plant and equipment are used as deemed cost for the subsequent accounting. The existing carrying amount of property, plant and equipment is used for the subsequent accounting cost of investment properties on the date of change of use.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Fair Value Measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

(g) Impairment of Assets

At each reporting date, the company assesses the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. The assessment will include considering external sources of information and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, the recoverable amount of the assets, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets.

(h) Intangible Asset

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. All intangible assets other than goodwill have a finite useful life and are carried at cost less accumulated amortisation. Intangible assets with finite lives are amortised over the useful life. The amortisation period and estimated useful lives are reviewed at the end of each annual reporting period. Where there is a change in the estimated remaining useful life of an asset, it is accounted for on a prospective bases with amortisation in future periods based on the net written down value of the asset as at the date the change in useful life is determined.

(i) Goodwill

Goodwill is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of a business include the carrying amount of goodwill relating to the business sold.

(ii) Customer Lists

Customer lists acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 20 years.

(i) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Short-Term Employee Benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within twelve months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other Long-Term Employee Benefits

The liability for annual leave and long service leave not expected to be settled within twelve months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Contributions are made by the company to employee superannuation funds and are charged as expenses when incurred.

(j) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(k) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand, deposits held at call and on short-term with banks or financial institutions maturing within three months, net of bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities in the statement of financial position.

(l) Investments

Investments, being shares in listed corporations, are reflected at fair value which is determined by reference to quoted market bid prices at the close of business on the reporting date. Unrealised gains and losses arising from changes in market value are taken directly to equity through the asset revaluation reserve.

(m) Trade and Other Receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue from investments is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

Dividend revenue is recognised when the right to receive the dividend has been established.

Revenue from the rendering of a service is recognised when it is received or the right to receive payment is established.

All revenue is stated net of the amount of goods and services tax (GST).

(o) Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the company during the reporting period, which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(p) Asset Revaluation Reserve

The asset revaluation reserve records revaluations in freehold land and buildings, and shares in listed corporations.

(q) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the Australian Taxation Office.

(r) Current and Non-Current Classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

(s) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(t) Critical Accounting Estimates and Judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Estimate of Fair Value of Land and Buildings and Investment Property

The company has property with a carrying value of approximately \$20 million, representing the estimate of fair value at balance date. The property represents a high proportion of the total assets of the entity.

Fair value has been determined by an independent external valuation of the property at 30 June 2017 on the basis detailed in Note 11 Property, Plant and Equipment. Changes in market conditions in the future may impact the fair value in the future.

Fair Value Hierarchy

Assets and liabilities measured at fair value are classified into three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Estimation of Useful Lives of Assets

The company determines the estimated useful lives and related depreciation or amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of Non-Financial Assets

The company assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

These estimates included using a combination of budgeted expenses and Community Pharmacy benchmarks. This constitutes a change from prior years where calculations were based purely on budgeted expenses. This change provides a more accurate assessment of the cash generating unit's fair value less costs to sell.

Impairment of \$786,709 has been recognised in respect of goodwill at the end of the reporting period (\$145,000 for the 2016 year).

Using fair value less cost of disposal calculations all pharmacies carrying a goodwill component were tested for impairment using growth rates between 2% and 6% and a discount rate of between 14.36% and 16.47%, dependent upon pharmacy location.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee Benefits Provision

As discussed in Note 1(i), the liability for employee benefits expected to be settled more than twelve months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Income Tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the company's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of Deferred Tax Assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

(u) Financial Instruments

Initial Recognition and Measurement

Financial instruments are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the statement of comprehensive income immediately.

Classification and Subsequent Measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where applicable, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- the amount at which the financial asset or financial liability is measured at initial recognition;
- less principle repayments;
- plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method;
- less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in the statement of comprehensive income.

The entity does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial Assets at Fair Value Through Profit and Loss

Financial assets are classified at 'fair value through profit or loss' when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment management strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be disposed of within 12 months after the end of the reporting period, which will be classified as current assets.

(iii) Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

(iv) Held-to-Maturity Investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the company's intention to hold these investments to maturity. They are subsequently measured at amortised cost

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within twelve months after the end of the reporting period, which will be classified as current assets.

(v) Loans and Receivables

Loans and receivables are non-derivate financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within twelve months after the end of the reporting period, which will be classified as non-current assets.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment of Financial Assets

At the end of each reporting period, the entity assesses whether there is objective evidence that a financial instrument has been impaired through the occurrence of a loss event. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the statement of comprehensive income.

NOTE 2: REVENUE

	NOTE	2017 \$	2016 \$
Sale of Goods		59,674,846	52,312,618
Services Revenue		10,313,722	10,432,422
Dividends Received & Franking Credits	2a	4,244	3,505
Interest Received	2b	126,960	235,965
Other Revenue		1,981,294	2,197,943
Total Revenue		72,101,066	65,182,453
Other Income		1,245,828	829,624
Net Fair Value Gain on Investment Property		86,000	-
Net Gain on Disposal of Property, Plant & Equipment		69,333	128,835
Total Other Income		1,401,161	958,459
a. Dividend Revenue From:			
Other Corporations		4,244	3,505
b. Interest Revenue From:			
Other Entities		126,960	235,965
TOTAL REVENUE		73,502,227	66,140,912

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 3: PROFIT BEFORE INCOME TAX

	2017	2016
	\$	\$
Expenses		
Cost of Sales	39,862,116	32,580,162
Service Expenses	5,604,239	5,708,960
Finance Costs	214,527	363,204
Impairment of Non Current Assets	786,709	145,000
Depreciation	1,284,439	1,206,888
Amortisation of Customer Lists	49,175	277,205
Rent Expenses	563,938	548,158
Legal Costs	61,427	169,717
Remuneration of Auditor : Audit Services	55,000	61,000
Remuneration of Auditor : Accounting Services	7,160	5,865
Wages	14,793,088	14,028,063
Superannuation Expense	1,546,808	1,484,568

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 4: INCOME TAX EXPENSE

	2017	2016
	\$	\$
a. The components of tax expense comprise:		
Current Tax	-	-
Over Provision in Respect of Prior Years	-	(938)
	<u>-</u>	<u>(938)</u>
b. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit before income tax at 30% (2016: 30%)	287,222	704,813
Add:		
Tax effect of:		
Depreciation of buildings	(6,980)	(29,332)
Franking credits received	544	484
Other non-allowable items	305,584	136,243
Absorption costing adjustments	(36,242)	(15,981)
Tax exempt income	(806,430)	(1,358,540)
Current year losses - no deferred tax recognised	256,302	562,313
Overprovided in prior year	-	(938)
Income Tax Expense	<u>-</u>	<u>(938)</u>
c. Tax effect relating to other comprehensive income:		
Deferred Tax	(270,241)	39,605
Estimated deferred tax assets have not been recognised in respect of the following items:		
Unrecognised deferred tax assets		
Deductible temporary differences	1,056,752	997,334
Tax losses	6,249,459	5,993,157

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the entity can utilise the benefits from.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 5: REMUNERATION AND RETIREMENT BENEFITS

	Short-term Benefits \$	Post-employment Benefits \$
2017		
Directors	109,176	11,460
2016		
Directors	108,756	10,332

NOTE 6: CASH AND CASH EQUIVALENTS

	2017 \$	2016 \$
CURRENT		
Cash at Bank and on Hand	4,184,581	5,340,338
TOTAL CASH AND CASH EQUIVALENTS	<u>4,184,581</u>	<u>5,340,338</u>

NOTE 7: TRADE AND OTHER RECEIVABLES

	2017 \$	2016 \$
CURRENT		
Trade Debtors	1,462,101	1,742,592
Accrued Income	26,316	36,250
Other Debtors and Receivables	1,067,424	579,626
TOTAL TRADE AND OTHER RECEIVABLES	<u>2,555,841</u>	<u>2,358,468</u>

NOTE 8: INVENTORIES

	2017 \$	2016 \$
CURRENT		
Finished Goods	3,933,989	3,800,622

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 9: OTHER ASSETS

	2017	2016
	\$	\$
CURRENT		
Prepayments	228,861	614,395

NOTE 10: INVESTMENTS

	2017	2016
	\$	\$
NON-CURRENT		
Market Value of Shares in Listed Corporations	69,433	87,139

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	2017	2016
	\$	\$
NON-CURRENT		
LAND AND BUILDINGS		
Land		
Freehold Land at Valuation	8,218,100	7,723,000
Buildings		
Buildings at Valuation	11,471,900	10,821,568
Less Accumulated Depreciation	-	(422,106)
Total Land and Buildings	19,690,000	18,122,462
Plant and Equipment		
Plant and Equipment at Cost	10,121,685	9,934,927
Less Accumulated Depreciation	(7,410,533)	(6,699,149)
Total Plant and Equipment	2,711,152	3,235,778
TOTAL PROPERTY, PLANT AND EQUIPMENT	22,401,152	21,358,240

Land and Buildings Carried at Valuation

All freehold land and buildings were independently valued at 30 June 2017 by Leader Property Practice. Valuations were made on the basis of open market value. The revaluation net of applicable deferred income taxes was processed to the asset revaluation reserve.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 11: PROPERTY, PLANT AND EQUIPMENT (continued)

Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year is set out below:

	Freehold Land \$	Buildings \$	Plant and Equipment \$	Total \$
Balance at 1 July 2015	7,723,000	10,602,543	3,912,359	22,237,901
Additions	-	163,689	429,474	593,163
Disposals	-	-	114,115)	(114,115)
Net transfers between classes	-	-	346	346
Transfer to Investment Property	-	(152,169)	-	(152,169)
Depreciation Expense	-	(214,601)	(992,285)	(1,206,886)
Balance at 30 June 2016	7,723,000	10,399,462	3,235,779	21,358,240
Additions	-	34,942	591,754	626,696
Disposals	(15,000)	(11,688)	(61,673)	(88,361)
Net transfers between classes	-	-	8,946	8,946
Revaluation Increments	735,100	1,266,799	-	2,001,899
Transfer to Investment Property	(225,000)	-	-	(225,000)
Depreciation Expense	-	(217,615)	(1,063,655)	(1,281,270)
Balance at 30 June 2017	8,218,100	11,471,900	2,711,152	22,401,152

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 12: INVESTMENT PROPERTY

	2017 \$	2016 \$
NON-CURRENT		
Investment Property		
Land and Buildings at Valuation	460,000	158,471
Less Accumulated Depreciation	-	(6,302)
Total Investment Property	460,000	152,169

Investment Property Carried at Valuation

The investment property was independently valued at 30 June 2017 by Leader Property Practice. Valuations are based on current prices in an active market for similar properties of the same location and condition, subject to similar leases and takes into consideration occupancy rates and returns on investment.

	Land \$	Buildings \$	Total \$
Balance at 1 July 2015			
Transfer from Property, Plant and Equipment	-	158,471	158,471
Depreciation Expense	-	(6,302)	(6,302)
Balance at 30 June 2016	-	152,169	152,169
Transfer from Property, Plant and Equipment	225,000	-	225,000
Revaluation Increments	25,000	61,000	86,000
Depreciation Expense	-	(3,169)	(3,169)
Balance at 30 June 2017	250,000	210,000	460,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 13: INTANGIBLE ASSETS

	2017 \$	2016 \$	
NON-CURRENT			
Intangible Assets at Cost	15,289,123	11,306,370	
Accumulated Amortisation	(7,348,609)	(6,512,725)	
Net Carrying Value	<u>7,940,514</u>	<u>4,793,645</u>	
	Goodwill	Customer Lists	Total
	\$	\$	\$
Balance at 1 July 2015	4,232,349	978,501	5,210,850
Additions	-	5,000	5,000
Amortisation	-	(277,205)	(277,205)
Impairment Losses	(145,000)	-	(145,000)
Balance at 30 June 2016	<u>4,087,349</u>	<u>706,296</u>	<u>4,793,645</u>
Additions	3,982,753	-	3,982,753
Amortisation	-	(49,175)	(49,175)
Impairment Losses	(755,873)	(30,836)	(786,709)
Balance at 30 June 2017	<u>7,314,229</u>	<u>626,285</u>	<u>7,940,514</u>

NOTE 14: TRADE AND OTHER PAYABLES

	2017 \$	2016 \$
CURRENT		
Trade Creditors	5,010,189	4,493,902
Sundry Creditors and Accrued Expenses	848,485	826,447
TOTAL PAYABLES	<u>5,858,674</u>	<u>5,320,349</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 15: BORROWINGS

	2017 \$	2016 \$
CURRENT		
Bank Bills Secured	-	5,887,350
Market Rate Loan	8,050,000	2,500,000
	8,050,000	8,387,350

Under AASB 101 *Presentation of Financial Statements*, all loan facilities are required to be treated as current liabilities as the company does not have the unconditional right to defer settlement or roll over the loan for at least 12 months after the reporting period. This is despite the company having loan facilities where repayments do not have to be made in the 12 months after the reporting period. The current facilities were re-negotiated in the 2017 financial year to have a maturity in 2020.

a. Total current secured liabilities:

Bank Bills Secured	-	5,887,350
Market Rate Loan	8,050,000	2,500,000
	8,050,000	8,387,350

b. The bank bills are secured by a registered first mortgage over selected freehold properties of the company.

First Mortgage

Freehold Land and Buildings	18,597,818	17,697,847
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Equitable Mortgage

Listed Shares at Market Value	69,433	87,139
Freehold Land and Buildings	1,092,182	424,615
Plant and Equipment	2,711,152	3,235,778
Intangible Assets	7,940,514	4,793,645

Total Assets Pledged as Security

30,411,099	26,239,024
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c. The bank bill facility is an ongoing arrangement with the company's bankers and is subject to annual reviews.

NOTE 16: FINANCIAL LIABILITIES

	2017 \$	2016 \$
CURRENT		
Interest Rate Swap	-	88,260

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 17: TAX

	2017 \$	2016 \$
CURRENT TAX		
Income Tax	-	-
DEFERRED TAX		
Deferred Capital Gains Tax on Freehold Land and Buildings	504,161	228,609
Deferred Capital Gains Tax on Listed Shares	18,732	24,043
Total Deferred Tax	522,893	252,652

Reconciliations

Deferred Tax Liability

The movement in deferred tax liability for each temporary difference during the year is as follows:

Opening Balance	252,652	292,257
Tax Allowances Relating to Listed Shares	(5,312)	8,138
Tax Allowances Relating to Property	275,553	(47,743)
Closing Balance	<u>522,893</u>	<u>252,652</u>

NOTE 18: PROVISIONS

	2017 \$	2016 \$
Opening Balance	2,965,639	3,105,329
Additional Provisions Raised During the Year	1,911,262	1,585,397
Amounts Used	(1,714,638)	(1,725,087)
Closing Balance	<u>3,162,263</u>	<u>2,965,639</u>
Analysis of Total Provisions		
Current	2,364,359	2,244,605
Non-Current	797,904	721,034
TOTAL PROVISIONS	<u>3,162,263</u>	<u>2,965,639</u>

Provision for Long-term Employee Entitlements

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect to long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria relating to employee entitlements has been included in Note 1 to this report.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 19: OTHER LIABILITIES

	2017 \$	2016 \$
CURRENT		
Membership Fees in Advance	235,987	219,221
NON-CURRENT		
Membership Fees in Advance	31,720	30,068
TOTAL OTHER LIABILITIES	<u>267,707</u>	<u>249,289</u>

NOTE 20: RESERVES

	2017 \$	2016 \$
(a) Asset Revaluation Reserve		
Opening Balance	4,427,107	4,379,364
Revaluation Increment	2,001,897	-
Deferred Tax Liability Adjustment	(275,553)	47,743
Closing Balance	<u>6,153,451</u>	<u>4,427,107</u>
(b) Share Revaluation Reserve		
Opening Balance	56,099	37,113
Revaluation (Decrement)/Increment	(12,394)	18,986
Closing Balance	<u>43,705</u>	<u>56,099</u>
TOTAL RESERVES	<u>6,197,156</u>	<u>4,483,206</u>

NOTE 21: CAPITAL AND LEASING COMMITMENTS

	2017 \$	2016 \$
(a) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Operating Leases		
<i>Non-Cancellable</i>		
Not Later than One Year	576,450	384,328
Later than One Year and Not Later than 5 Years	1,916,080	920,619
Later than 5 Years	27,469	-
Total	<u>2,519,999</u>	<u>1,304,947</u>

Property leases are non-cancellable leases, with rent payable monthly in advance. Lease agreements specify that minimum lease payments shall be increased by CPI annually. Options exist to renew most leases at the end of their term for additional terms ranging from 3 to 6 years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 21: CAPITAL AND LEASING COMMITMENTS (continued)

	2017 \$	2016 \$
(b) Capital Expenditure Commitments		
Capital expenditure commitments contracted for:		
Construction Project - Bridge Mall Pharmacy	9,030	9,101
Construction Project - Melton South Pharmacy	-	834
Total Capital Commitments	9,030	9,935
Not Later than One Year	9,030	9,935
Total	9,030	9,935
(c) Rent Receivables		
Rental of commercial property contracted for but not capitalised in the financial statements		
Rent Receivables		
<i>Non-Cancellable</i>		
Not Later than One Year	354,591	306,116
Later than One Year and Not Later than 5 Years	1,008,580	919,607
Later than 5 Years	2,200	2,200
Total	1,365,371	1,227,923
(d) Management Agreement Commitments		
Revenue commitments contracted for:		
Management Fees Payable to UFS Dispensaries Ltd	859,636	1,071,434
Property Management Fees Payable to UFS Dispensaries Ltd	2,393	6,453
Total Revenue Commitments	862,029	1,077,887
Not Later than One Year	294,608	386,331
Later than One Year and Not Later than 5 Years	567,421	691,556
Total	862,029	1,077,887

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 22: CASH FLOW INFORMATION

	2017	2016
	\$	\$
(a) Reconciliation of Cash Flow from Operations with Profit After Income Tax		
Profit After Income Tax	957,407	2,349,375
Non-cash flows in profit		
Depreciation	1,284,439	1,206,886
Goodwill amortisation	49,175	277,205
Goodwill impairment	786,709	145,000
Net (gain) on disposal of property, plant & equipment	(69,333)	(128,835)
Other asset write downs	(8,946)	(346)
Financial liabilities	(88,260)	(189,597)
Revaluation increment on investment property	(86,000)	-
Changes in assets and liabilities:		
(Increase) in Receivables	(197,373)	(433,589)
(Increase)/decrease in Inventories	(133,368)	51,816
Decrease/(increase) in Other Assets	385,535	(363,330)
Increase in Payables	538,325	336,794
Increase in Income Taxes Payables	-	938
Increase/(decrease) in Provisions	196,624	(139,690)
Increase/(decrease) in Other Liabilities	18,418	(1,958)
Net Cash Flows From Operating Activities	3,633,352	3,110,669

(b) Credit Standby Arrangement and Loan Facilities

The company has a market rate loan facility of \$8,050,000 available through its bankers. At 30 June 2017 the company had drawn \$Nil of this facility (\$Nil for the 2016 year). In addition the bankers have provided a bank guarantee to a maximum sum of \$9,166 relating to a rental bond for our Melton Central pharmacy.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 23: FINANCIAL INSTRUMENTS

(a) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The company does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the company.

Credit risk is managed by the company and reviewed by the audit committee. It arises from exposure to customers as well as through deposits with financial institutions.

Liquidity Risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Interest Rate Risk

The company endeavours, where possible, to fix interest rates in order to reduce its exposure to market fluctuations and provide cashflow certainty. The company currently uses the following mechanism to achieve this:

- a fixed rate Market Loan facility

The effective weighted average interest rates as a result of the above mechanisms are set out in the tables below:

(b) Financial Instrument Composition and Maturity Analysis

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments.

	Weighted Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Rate Maturing				Total	
					Within 1 Year		1 to 5 Years			
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	%	%	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets										
Cash and cash equivalents	2.00	2.00	4,184,581	5,340,338	-	-	-	-	4,184,581	5,340,338
Investments	-	-	69,433	87,139	-	-	-	-	69,433	87,139
Receivables	-	-	2,555,841	2,358,468	-	-	-	-	2,555,841	2,358,468
Total Financial Assets			6,809,855	7,785,945	-	-	-	-	6,809,855	7,785,945
Financial Liabilities										
Bank Bills Secured	4.11	6.90	-	-	-	5,887,350	-	-	-	5,887,350
Payables	-	-	5,858,674	5,320,349	-	-	-	-	5,858,674	5,320,349
Market Rate Loan	-	-	8,050,000	2,500,000	-	-	-	-	8,050,000	2,500,000
Total Financial Liabilities			13,908,674	7,820,349	-	5,887,350	-	-	13,908,674	13,707,699

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 23: FINANCIAL INSTRUMENTS (continued)

(c) Net Fair Values

The net fair values of listed investments have been valued at the quoted market bid price at balance date adjusted for transaction costs expected to be incurred. For other assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date:

	2017		2016	
	Carrying Amount \$	Net Fair Value \$	Carrying Amount \$	Net Fair Value \$
Financial Assets				
Cash and Cash Equivalents	4,184,581	4,184,581	5,340,338	5,340,338
Shares in Listed Corporations	69,433	69,433	87,139	87,139
Loans and Receivables	2,555,841	2,555,841	2,358,468	2,358,468
	6,809,855	6,809,855	7,785,945	7,785,945
Financial Liabilities				
Bank Bills Secured	-	-	5,887,350	5,887,350
Trade and Other Payables	5,858,674	5,858,674	5,320,349	5,320,349
Market Rate Loan	8,050,000	8,050,000	2,500,000	2,500,000
	13,908,674	13,908,674	13,707,699	13,707,699

NOTE 24: EVENTS AFTER THE BALANCE SHEET DATE

No matters or circumstances have arisen since the end of the financial year, and to the date of this report, which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 25: FAIR VALUE MEASUREMENT

The company measures the following assets at fair value on a recurring basis:

- Land and Buildings
- Investment Property
- Listed Shares

Fair Value Hierarchy

The following tables detail the entity's assets, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset or liability.

2016	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Land and buildings	-	18,122,462	-	18,122,462
Investment property	-	152,169	-	152,169
Listed shares	87,139	-	-	87,139
Total Assets	87,139	18,274,631	-	18,361,770

2017

Assets

Land and buildings	-	19,690,000	-	19,690,000
Investment property	-	460,000	-	460,000
Listed shares	69,433	-	-	69,433
Total Assets	69,433	20,150,000	-	20,219,433

The company engages external, independent and qualified valuers to determine the fair value of the company's land and buildings at least every three years. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the Board of Directors at each reporting date.

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the company's investment property portfolio every twelve months in accordance with AASB 140.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 26: CAPITAL MANAGEMENT

Management control the capital of the company to ensure that adequate cash flows are generated to fund its operations and that returns from investments are maximised. The audit committee ensures that the overall risk management strategy is in line with this objective.

The audit committee operates under policies approved by the Board of Directors. Risk management policies are approved and reviewed by the board on a regular basis.

NOTE 27: KEY MANAGEMENT PERSONNEL

Key management personnel compensation included in employee benefits expense and directors' remuneration is as follows:

	2017 \$	2016 \$
Short term employee benefits	1,216,008	1,196,571
Post-employment benefits	126,219	129,242
Termination benefits	11,268	15,482
	1,353,495	1,341,295

NOTE 28: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other persons unless otherwise stated. None of the transactions incorporate special terms and conditions and no guarantees were given or received.

UFS Dispensaries Ltd provide management services to Friendly Pharmacy (Vic) Ltd. This includes the day-to-day operational management of their pharmacies. As a result of transactions created through this management arrangement, intercompany balances are created which are materially settled on a monthly basis. The outstanding balances are illustrated below:

	2017 \$	2016 \$
Outstanding Balance at 30 June	(403)	(6,428)

In addition to these intercompany balances, management fees are also paid to UFS Dispensaries Ltd for services provided. These services include work performed by UFS Dispensaries Ltd key management personnel. Examples of the services provided include chief executive officer, company secretarial, IT, HR, financial and marketing support.

Friendly Pharmacy (Vic) Ltd, however, maintains its own independent Board of Directors who control the strategy and overall decision making of the entity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 29: MEMBER FUNDS

UFS Dispensaries Ltd is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. Members at 30 June 2017 and up until the date of this report will be deemed to have given a guarantee for the purposes of membership, and their financial obligation in the event of the winding up of the company will be limited to fifty cents. The total amount that members of the company are liable to contribute if the company is wound up is \$23,452.50 (2016 : \$22,598.50) based on 46,905 (2016 : 45,197) current members.

DIRECTORS' DECLARATION

The Directors of the company declare that:

1. The financial statements and notes, as set out on pages 17 to 49, are in accordance with the *Corporations Act 2001*, and:
 - a. comply with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*; and
 - b. Give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the company.
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of Directors made pursuant to Section 295(5)(a) of the *Corporations Act 2001*.



PL Clark
Chairman



GH Dixon
Chairman: Audit Committee

Dated this 18th day of October 2017

INDEPENDENT AUDITOR'S REPORT To The Members of UFS Dispensaries Ltd

Opinion

We have audited the financial report of UFS Dispensaries Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards – *Reduced Disclosure Requirements* and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – *Reduced Disclosure Requirements* and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.



RSM AUSTRALIA PARTNERS



JOHN FINDLAY

Partner

Dated this 18th day of October 2017
Ballarat, Victoria



REGIONAL PHARMACIES

Bacchus Marsh

25-27 Grant St
5367 2134

Ballan

129 Inglis St
5368 1232

Ballarat

717 Sturt St
5331 9811

Ballarat

40 Bridge Mall
5327 0400

Ballarat

69 Victoria St
5333 1959

Ballarat

1/202 Doveton St Nth
5364 9160

Beaufort

62-64 Neill St
5349 2504

Buninyong

316 Learmonth St
5341 2121

Delacombe

830 Latrobe St
5336 0100

Gisborne

5 Neal Street
5428 2461

Hardy's Gisborne

40 Brantome St
5428 3129

Melton Central

Shop 6 Central Walk
Shopping Centre
415-429 High St
9743 9080

Melton South

Station Square
Shopping Centre
11 Station Rd
9743 3533

Mt Clear

Midvale Shopping
Complex
1172 Geelong Rd
5330 2644

Sebastopol

56 Albert St
5336 0455

Wendouree

1207 Howitt St
5339 6933

MELBOURNE PHARMACIES

Coburg

501 Sydney Rd
9354 1068

Coburg North

238 Sussex St
9354 3801

Coburg Village

Shop 8
174-196 Gaffney St
9354 9032

MEDICAL CENTRES

UFS Medical

Level 1, 40 Bridge Mall, Ballarat 5327 0420
202 Doveton St Nth, Ballarat 5364 9100
1008A Sturt St, Ballarat 5331 2522

OTHER BUSINESSES

Peace & Quiet

719 Sturt St, Ballarat
5332 1694

Cherub Gifts

727 Sturt St, Ballarat
5333 3611