



UFS DISPENSARIES
WE'RE HERE FOR YOU



**2017-18
ANNUAL
REPORT**



UFS Dispensaries is a social enterprise (mutual) organisation owned by its members, with an elected Board of Directors. 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: Mrs J.M. Rivett *B.A LLB GAICD*
Mr G. Dixon *Dip.Bus, B.Bus, FCPA; FCIS; FGIA*
Mrs V. Fenelon *HDTs, M.Ed, FAICD*
Mr I.G. Schrader *MAICD*
Ms G. Lyons *MBA; Practitioner's Certificate in Mediation; GAICD*
Mr D. Lenehan *Grad Dip Health Admin*
Mr A. McPherson *BAppSc(Phys); MBA; MAICD*

Administration Staff

Chief Executive Officer

Ms Lynne McLennan *B.Sc; MBA; 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*

Pharmacy Clinical Advisor Deputy Operations Manager

Mr Peter Fell *B.Pharm; M.PS*

Operations Administration Assistant

Ms Philippa Dodd

Administration Officer

Ms Michelle Dooley

Clinical Nurse Manager

Mrs Tamara Warland *RN Div1*

Purchasing & Logistics Manager

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

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

Marketing Officer

Mrs Trudy Olszewski

Business Development Project Manager

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

Graphic Designer

Mr Paolo Tami *B.Des, MCM*

Employee Services Manager

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

Employee Services Officer

Mrs Tania Lund *Adv Dip Mgt*

Employee Services Officer

Ms Leisel Oliver

Employee Services and Operations Officer

Mrs Melina Scobie

Finance Manager

Mrs Julie Hawkins *BBus (Acc); CPA; Grad.Dip.Ed; MAICD*

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

Ms Leeona McGuane

Accounting Assistant

Ms Michelle Mercer

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*

IT Support Officer

Mr Aaron Grundy *B.IT*

IT Support Officer

Mr Robert Schenk *Grad.Dip.Computing; Grad.Dip.Bus,Dip.Com.Prog*

Facilities & Administration Manager

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

MANAGEMENT

at 30 June 2018

Pharmacies

Bacchus Marsh Pharmacy

Manager

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

Retail Coordinator

Ms Brooke Wilson

Ballan Pharmacy

Manager

Mrs Denise Drew
B.Pharm

Retail Coordinator

Mrs Sarah Pandur

Beaufort Pharmacy

Manager

Mrs Deb Grey
B.Pharm

Retail Coordinator

Miss Lori Gardiner

Bridge Mall Pharmacy

Manager

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

Retail Manager

Ms Samantha Wright

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 Ryan Alexander
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

Mr Simon Rudderham
B.Pharm

Retail Coordinator

Mrs Nil Fagalilo

Melton South Pharmacy

Manager

Mr Faramarz Aghdassi
B.Pharm.

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

Ms Emma Nikkerud
B.Pharm

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 2018

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

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



UFS Dispensaries Ltd (UFS) continues to build on the foundations of the last 138 years in delivering quality healthcare solutions for the communities in which we operate.

We continue to seek ways to both grow existing products and services and add new complementary services. This is evidenced by growth in our Occupational Health services and the Breath, Body, Mind program, additional Supercare Nursing Service contracts across Victoria, increasing our offering at Peace & Quiet, as well as offering flu vaccinations at all of our pharmacies.

We are very pleased to present such a strong financial surplus after several years of downturn associated with the ongoing reduction in pharmaceutical benefits scheme funding. I acknowledge the significant changes made to our cost structures to navigate these difficult times and become a stronger organisation as a result. The reward from those changes now ensures that our surplus is utilised in a way that supports our membership as well as the wider community. We are supporting more members than ever before, with membership growing to 49,157 households. As a mutual organisation, all profits are directed into membership discounts, additional services and support for our community. One such example of this is our support for the Royal South

Street Society, who we have sponsored for the 25th consecutive year.

UFS also conducts its business in a socially responsible manner, including our initiatives that support the environment. In the last year, this has included installation of LED lighting across our sites, and the approval of solar panel installation at several sites.

I acknowledge the organisational culture that enables continuous development and success of UFS. This is driven by our Chief Executive Officer Lynne McLennan and her senior leaders in particular who form an engaged, innovative and high performing team. I thank all members of the UFS team who work diligently every day to provide the best possible care and service. Finally, I would like to thank the Board for their stewardship of the UFS brand, and their contribution to organisational governance and oversight of our strategic direction.

Peta Clark
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT



This year marks 138 years since the establishment of the remarkable social enterprise that is UFS. The company has seen significant expansion in the last twelve months, with more to come!

In particular, we have successfully tendered for nursing services at 16 of the 20 sites in the Victorian Government's 24-hour pharmacy program, with Round 3 services opening on 30 June 2018. This service created significant demands on our leadership team and required agile and inventive responses to implement a remotely managed nursing service, located in private pharmacies across both rural and metropolitan areas.

We have embarked on a program of evidence-based innovation, partnering with leading consultancy Inventium, with a plan to become a leading healthcare business that meets future as well as current health needs in our communities. An early example of our innovation program will be the installation of advanced robotic dispensing capabilities at the flagship Bridge Mall pharmacy.

The UFS sustainability program is expanding further with changes to packaging and the elimination of single-use plastic bags across our store network. The planned installation of solar panels on UFS buildings is another substantial investment, not only in UFS, but also in the planet.

Despite a continuing difficult trading environment in pharmacy, our financial results for the 2017/18 year are particularly pleasing. This is due to both the hard work of our staff and the strategic guidance of the Board of Directors in fostering diversification and business development.

We have welcomed a number of new senior staff in the last twelve months, with highly experienced pharmacy manager Peter Fell appointed to the new position of Deputy Operations Manager and Pharmacy Advisor. Denise Drew has joined us as Pharmacy Manager at Ballan, Simon Rudderham at Melton Central, and Deborah Gray as Manager of Beaufort.

At UFS Medical we farewelled the very popular Dr Jim Thompson who has retired after a lifetime of outstanding service as a GP. Fortunately, we were able to recruit Dr Fiona Newton to take Jim's place at the Doveton Street Medical Centre. Dr Adam Rouse has also joined us as a GP registrar at Doveton Street.

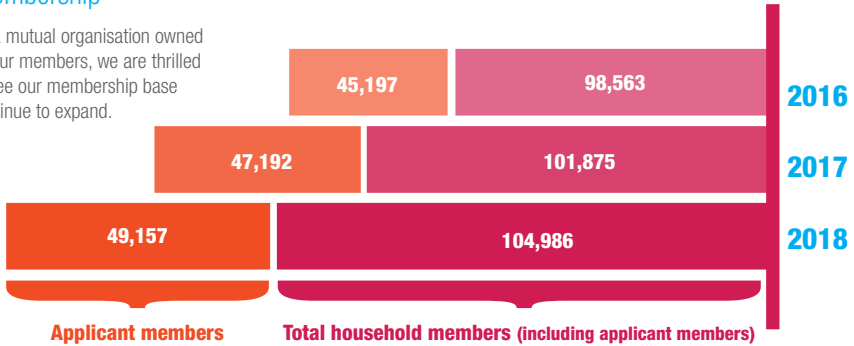
I wish to express appreciation and thanks to all staff members and health practitioners who enthusiastically contribute to the purposeful work of UFS and help make this company such an important part of the community.

Lynne McLennan
Chief Executive Officer

THE YEAR IN REVIEW

Membership

As a mutual organisation owned by our members, we are thrilled to see our membership base continue to expand.



Supercare Nursing

UFS is contracted to operate sixteen Supercare Nursing Services on behalf of the Victorian government, in pharmacies across Victoria. This includes services based in Mildura, Shepparton, Bendigo, Curlewis, Traralgon, Ballarat and in and around the Melbourne fringe.

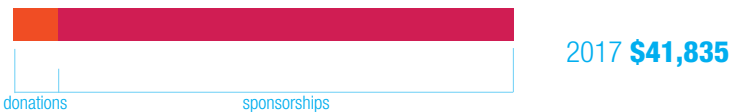


86 registered nurses



Community Support

UFS contributed \$51,429 into community organisations this year in the form of donations and sponsorships.



Pharmacy Services

The number of prescriptions dispensed in our pharmacies continues to grow, with over 1.3 million scripts dispensed in FY2017/18.



2018 Prescriptions dispensed **1,334,890**



2017 Prescriptions dispensed **1,215,406**



2000+ Flu Vaccinations administered

Following an accreditation process, many of our pharmacists were able to relieve the pressure on medical centres during the year by administering over 2,000 flu vaccinations in our pharmacies.



Holiday and Cruise Centre Winner

Congratulations to UFS member Heather Millar, the winner of a Southern Getaway six night cruise for two adults on P&O Pacific Jewel, visiting Port Lincoln, Adelaide and Kangaroo Island. Thanks again to Holiday and Cruise Centre for generously donating this prize.

Pictured (l to r) is Holiday and Cruise Centre owner Nicole King with Heather Millar and UFS Dispensaries Marketing and Business Development Manager Heather Taylor.

Weekend Rates

As an employer of choice in community pharmacy, UFS continues to pay current penalty rates to all current employees covered by the Pharmacy Award, as well as all future employees. A Fair Work Australia ruling would have meant that pharmacy employees working on a Sunday or public holiday would have received reduced penalty rates from 1 July 2017, with further reductions being gradually phased in, however UFS chose not to adopt this option.



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 2017/18.

Total value of sponsorship and donations for 2017/18 period was \$51,429.

Major Sponsorships

Gisborne Football Netball Club
Royal South Street Society
BRICC Wellness Centre

Sponsorships

AETS People Plus
Ballarat Solo Competition
Ballan Autumn Festival
Ballan Jockey Club
Ballarat & District Suicide Prevention
Ballarat Agricultural and Pastoral Society
Ballarat Bridge Club
Ballarat Careers Expo
Ballarat Girl Guides
Ballarat Health Services Charity Golf Day
Ballarat Masters Football Club
Ballarat North Primary School
Ballarat Sebastopol Cycling Club
Beaufort & Skipton Health Services
Beaufort Football Netball Club
Beaufort Golf Club
Buninyong Bowling Club
Buninyong Community Events
Buninyong Golf Club
Buninyong Pool
Buninyong Primary School Music on the Mount
CAFS First Night Kits for Kids in Care
Clunes Bowling Club

Committee for Ballarat Connect Conference
Camino Trail for Ronald McDonald House
Friends of India Network T20 Cricket Match
Gisborne and District Lions Club
Gordon Community Market
Hepburn Springs Golf Club
Lions Club of Ballarat
Macedon Football Netball Club
McCallum Corporate Golf Day
Melton Cricket Club
Moorabool Light Orchestra
Mother's Day Classic
Mt Clear Cricket Club
Mt Clear Junior Football Netball Club
Mt Xavier Bowls Club
New Gisborne Primary School Autumn Fair
Organs of the Ballarat Goldfields
Pleasant Street Primary School Energy Breakthrough Team
Pub Clinic
Pyrenees Arts Council Art Exhibition
Rotary Club of Bacchus Marsh 48th Annual Art Show
Rotary Club of Wendouree National Busking Championships
Saints Netball Club
Salvo Connect Walking Home
Sebastopol Bowling Club
Sebastopol Football Netball Club

Share the Dignity
Skipton Community Directory
Suicide Prevention Ballarat Beat 'n' the Blues
The Ballarat Foundation
The Victoria Police Association Street Smart Handbook
United Way Admin Professionals Breakfast
Uniting Ballarat Meals for Change
Victoria Bowling Club Annual Gold Nugget Bowling Tournament
Victoria Police Western Youth Kokoda Program
Voice FM
Walk off the War Within
WRISC

Donations

Adios Dreadlocks Cancer Research
Alfredton Pre-School
Alfredton Primary School
Ambulance Auxiliaries
Athletic Mounties Baseball Club
Australian Collaboration Cambodia
Bacchus Marsh Golf Club
Bacchus Marsh Lawn Tennis Club
Bacchus Marsh Primary School
Bakery Hill Kindergarten
Ballan Childcare
Ballan District Health and Care
Ballan Kindergarten

Ballan Pony Club	Creswick Scout Group	Relay for Life - Goodstart Kyneton
Ballan Primary School	Creswick Soccer Club	River's Gift (SIDS)
Ballarat Squash Championships	Damascus College	Rokewood CFA
Ballarat Basketball	Dancing Ballroom	Rokewood Kindergarten
Ballarat BMX	Darley Primary School	Royal Australian Air Force Association
Ballarat Bowling Club	Delacombe Kindergarten	Royal Freemasons Ballarat
Ballarat City Football Club	Dementia Australia	RSPCA Million Paws Walk
Ballarat City Senior Citizens	Down Under Extreme Cowboys	Saint Matthews Anglican Church
Ballarat Community Garden	Dragons Abreast Ballarat	Sally's School of Performing Arts
Ballarat Day View Club	East Point Football Netball Club	Scope
Ballarat Eureka Diabetes Group	Edmund Rice Works	Scouts Gisborne Group
Ballarat Eureka Strikers	Elmhurst Golf Club Inc	Sienna Catholic PS
Ballarat Football Netball Club	Eureka Netball Club	Skipton Community Shop
Ballarat Golf Club - Fiona Eley	Fed Uni Golden Key International Honour Society	Skipton Preschool Fundraiser
Ballarat Grammar Fundraiser for Mortlake/Terang Bushfires	Friends of the Melton Gardens	South Sudan Village of Nyamlel
Ballarat Gridiron	Futsal Team Fundraiser	Southern Cross Kids Camps
Ballarat Health Services	Girls Night In Cancer Council	Springfields Garage
Ballarat High School VCAL	Gisborne CFA	St Alipius Parish School
Ballarat Municipal Brass Band Inc	Gisborne Secondary College	St Aloysius School
Ballarat North Kindergarten	Gisborne Veterinary Clinic	St Anthony of Padua
Ballarat North United Soccer Club	Hair Aid	St Anthony Primary School
Ballarat Pink Phoenix	Huntly Family Fundraiser	St Brigids Catholic Community
Ballarat Revival Church	Iris Ramsay Kindergarten	St Columbus Primary School
Ballarat Soccer Club	Jazz Convention	St Michael's School
Ballarat Tennis Club	Kelaston	St Patrick's Parish Primary School
BCMA	Kylie Munro Fundraiser	St Patrick's Primary School Gordon
Biggest Morning Tea	Lakeside Anglers Club Inc	Steiner School
Black Hill Kindergarten	Lifeline Ballarat	Studio C Performing Arts
Bullengarook Fire Brigade	Lifestyle Brookfield	Tabitha Australia Foundation
Bungaree Bowls Club	Lions Club Alfredton-Lucas	The Art of Support Gala Dinner (Breast Cancer Network Aus)
Buninyong / Mt Helen Fire Brigade	Lions Club Gisborne	The Rotary Club of Bacchus Marsh
Buninyong Bowling Club	Love Your Sister - Girls Night Out	TPI Bowling Fundraiser
Buninyong Festival	Lumen Christi PS	Trawalla Primary School
Buninyong FN Club	Macedon Kindergarten	View Voice Interests and Education
Buninyong Pre-School	Macedon Primary School	Wallace and District Kindergarten
Buninyong Primary School	Maggie Primary School	Warrenheip PS
Buninyong Senior Citizens	Max & Freddie Biggin	Wat Thai Bhavana Ballarat Inc
CAFS Christmas Gifts	McHappy Day	We Run For Matty
Canadian Lead	Mt Clear Church of Christ	Western Bulldogs Community Foundation
Cancer Council Relay For Life	Mt Clear Primary School	Womens Championship Motocross
Central Highlands Community Legal Centre	Myrniong Primary School	Woodmans Hill High School
Clunes Daffodil Day 2017	Nazareth House	York Street Church of Christ
Creswick Brass Band	Pink Lady El Camino Trek	
Creswick Primary School	Pleasant Street Primary School	
	Redan Football Netball Club	

DIRECTORS' REPORT

Your directors present their report on the company for the financial year ended 30 June 2018.

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 David Lenehan
Mr Andrew McPherson

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 \$2,749,170 (\$957,407 profit for the 2017 year).

Dividends

The company's constitution precludes the payment of dividends.

Significant changes in state of affairs

On 17 April 2018, the company sold the land and buildings relating to its pharmacy depot located at 17 Montgomery Street, Skipton.

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.



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

Chair

Qualifications

CPA; Grad. Dip. CSP; MAICD

Experience

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 is a Director of Beaufort and Skipton Health Service and is a community member of the Committee for Ballarat.

Special Responsibilities

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

Ms Jacinta M Rivett

Deputy Chair

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

Chair of Clinical Governance Committee and Member Business Development Committee.

Mr Graeme H Dixon

Qualifications

Dip Bus; Bachelor Bus; FCPA; FCIS and FGIA

Experience

Appointed to the Board in 2011. Mr Dixon has 40+ years of corporate finance/accounting/treasury and company secretarial experience. Mr Dixon is now a retired business executive who was previously General Manager of the FMP Group of companies. He has held directorships in a number of Australian and Asian group related companies and was a Director of Ballarat Health Services for six years. He is a member of the Finance, Audit and Risk Management Sub-Committee of the Committee for Ballarat and he is a Board member of the Fiona Elsey Cancer Research Institute.

Special Responsibilities

Chair of Audit Committee and Member Remuneration Committee.

Ms Virginia Fenelon

Qualifications

HDTS; M.Ed; FAICD

Experience

Appointed to the Board in 2014. Ms Fenelon is currently working as an Education and Training Consultant. She has held various senior education roles at the University of Ballarat, executive and senior roles in TAFE and taught in secondary schools. Ms Fenelon has wide experience as a Director on education boards across all education sectors and was a Director on the Ballarat Health Services Board 2009-2015. She is currently a Director on The Gordon TAFE Board and the Ballarat Tramway Museum Board.

Special Responsibilities

Chair of Business Development Committee.

Mr Ian G Schrader

Qualifications	<i>MAICD</i>
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 Committee.

Ms Gina Lyons

Qualifications	MBA; Practitioner's Certificate in Mediation; GAICD
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 of Business Development and Remuneration Committees.

Mr David Lenehan

Qualifications	<i>Grad Dip Health Administration</i>
Experience	Appointed to the Board in 2017. Mr Lenehan retired from his position as CEO 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 hospital and community health services.
Special Responsibilities	Member of Business Development and Clinical Governance Committees.

Mr Andrew McPherson

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 Committee.

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	7 (7)	11 (11)
JM Rivett	7 (7)	8 (9)
GH Dixon	6 (7)	4 (6)
V Fenelon	6 (7)	6 (6)
IG Schrader	7 (7)	6 (6)
G Lyons	6 (7)	5 (6)
D Lenehan	6 (7)	8 (9)
A McPherson	6 (7)	6 (6)

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
Chair



GH Dixon
Chair: Audit Committee

Dated this 17th day of October 2018

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of UFS Dispensaries Ltd for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.



RSM AUSTRALIA PARTNERS



John Findlay
Partner

12 Anderson Street West, Ballarat, Vic

Dated this 17th day of October 2018

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	2018 \$	2017 \$
INCOME			
Revenue	2	71,863,356	67,554,009
Other Income	2	408,773	485,355
Changes in Inventories		36,049	133,367
Purchases		(40,554,464)	(39,995,484)
Employee Benefits Expense		(21,120,962)	(19,250,630)
Depreciation		(1,213,765)	(1,284,439)
Amortisation of Goodwill		(46,050)	(49,175)
Finance Costs		(187,295)	(214,527)
Other Expenses		(6,436,471)	(11,008,963)
Change in value of interest rate swap		-	(88,260)
Impairment of Non Current Assets		-	(786,709)
PROFIT BEFORE INCOME TAX	3	2,749,170	957,407
Income Tax (Expense) / Benefit	4	-	-
PROFIT FOR THE YEAR		2,749,170	957,407
PROFIT ATTRIBUTABLE TO MEMBERS		2,749,170	957,407

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	\$	\$
PROFIT FOR THE YEAR	2,749,170	957,407
Other Comprehensive Income:		
Net (Loss)/Gain on Revaluation of Land and Buildings	(6,970)	1,726,344
Net (Loss) on Revaluation of Financial Assets	(4,483)	(12,394)
Other Comprehensive Income for the Year, Net of Tax	(11,453)	1,713,950
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2,737,717	2,671,357
Total Comprehensive Income Attributable to:		
Members	2,737,717	2,671,357

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

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	2018 \$	2017 \$
CURRENT ASSETS			
Cash and Cash Equivalents	5	7,141,572	4,184,581
Trade and Other Receivables	6	2,541,594	2,555,841
Inventories	7	3,970,038	3,933,989
Other Assets	8	259,458	228,861
TOTAL CURRENT ASSETS		13,912,662	10,903,272
NON-CURRENT ASSETS			
Investments	9	63,029	69,433
Property, Plant and Equipment	10	21,824,624	22,401,152
Investment Property	11	485,000	460,000
Intangible Assets	12	7,863,839	7,940,514
TOTAL NON-CURRENT ASSETS		30,236,492	30,871,099
TOTAL ASSETS		44,149,154	41,774,371
CURRENT LIABILITIES			
Trade and Other Payables	13	6,134,502	5,858,674
Borrowings	14	7,300,000	8,050,000
Provisions	16	2,577,845	2,364,359
Other Liabilities	17	238,504	235,987
TOTAL CURRENT LIABILITIES		16,250,851	16,509,020
NON-CURRENT LIABILITIES			
Deferred Tax Liabilities	15	527,942	522,893
Provisions	16	690,563	797,904
Other Liabilities	17	29,247	31,720
TOTAL NON-CURRENT LIABILITIES		1,247,752	1,352,517
TOTAL LIABILITIES		17,498,603	17,861,537
NET ASSETS		26,650,551	23,912,834
EQUITY			
Reserves	18	6,185,703	6,197,156
Retained Earnings		20,464,848	17,715,678
TOTAL EQUITY		26,650,551	23,912,834

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

Total	Retained Earnings \$	Asset Revaluation Reserve \$	Total \$
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
Balance at 1 July 2017	17,715,678	6,197,156	23,912,834
Profit after income tax expense for the year	2,749,170	-	2,749,170
Other comprehensive income for the year, net of tax	-	(11,453)	(11,453)
Balance as 30 June 2018	20,464,848	6,185,703	26,650,551

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers		75,846,155	70,857,054
Other Receipts Received		875,515	1,070,776
Payments to Suppliers and Employees		(72,247,554)	(68,211,157)
Dividends Received		3,696	4,244
Interest Received		22,299	126,960
Finance Costs		(187,295)	(214,527)
Net Cash Provided by Operating Activities	20	4,312,816	3,633,350
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sale of Property, Plant and Equipment		161,724	157,692
Purchase of Property, Plant and Equipment		(767,549)	(626,696)
Purchase of Business and Licences		-	(3,982,753)
Net Cash Used in Investing Activities		(605,825)	(4,451,757)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowings		(750,000)	(337,350)
Net Cash Used in Financing Activities		(750,000)	(337,350)
NET INCREASE/(DECREASE) IN CASH HELD		2,956,991	(1,155,757)
Cash at Beginning of Financial Year		4,184,581	5,340,338
Cash at End of Financial Year	5	7,141,572	4,184,581

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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(s).

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.

The consideration transferred for a business

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Increases in the carrying amount arising on revaluation of land and buildings are recognised in other comprehensive income and accumulated in the

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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%
Leasehold improvements	5% - 20%
Plant and equipment	3.75% - 40%

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.

(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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Assets

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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on 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.

(k) 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.

(l) 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.

(m) 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.

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease.

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).

(n) 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

liability.

(o) Asset Revaluation Reserve

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

(p) 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.

(q) 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.

(r) Comparative Figures

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

(s) 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. 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.

The investment property was initially recognised at cost and subsequently carried at fair value, determined annually by independent professional valuation of the property at 30 June 2018 on the basis detailed in Note 10 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Community Pharmacy benchmarks and constitute 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.

No impairment has been recognised in respect of goodwill at the end of the reporting period (\$786,709 for the 2017 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 14.43% and 16.79%, dependent upon pharmacy location.

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.

(t) 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(i) 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.

(ii) 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.

(iii) Loans and Receivables

Loans and receivables are non-derivative 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 2: REVENUE

	2018	2017
	\$	\$
Sale of Goods	62,736,479	59,674,846
Services Revenue	4,813,467	4,850,859
Other Revenue	4,313,410	3,028,304
Total Revenue	71,863,356	67,554,009
Other Income	352,361	330,022
Net Fair Value Gain on Investment Property	25,000	86,000
Net Gain on Disposal of Property, Plant & Equipment	31,412	69,333
Total Other Income	408,773	485,355
TOTAL REVENUE	72,272,129	68,039,364

NOTE 3: PROFIT BEFORE INCOME TAX

Expenses

Cost of Sales	40,518,414	39,862,116
Service Expenses	101,184	141,375
Finance Costs	187,295	214,527
Impairment of Non Current Assets	-	786,709
Depreciation	1,213,765	1,284,439
Amortisation of Customer Lists	46,050	49,175
Rent Expenses	650,744	563,938
Legal Costs	36,898	61,427
Remuneration of Auditor : Audit Services	62,200	55,000
Remuneration of Auditor : Accounting Services	5,700	7,160
Wages	16,504,541	14,793,088
Superannuation Expense	1,746,572	1,546,808

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 4: INCOME TAX EXPENSE

	2018 \$	2017 \$
a. The components of tax expense comprise:		
Current Tax	-	-
	<u>-</u>	<u>-</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% (2017: 30%)	824,751	287,222
Add:		
Tax effect of:		
Depreciation of buildings	(48,731)	(6,980)
Franking credits received	484	544
Other non-allowable items	18,370	305,584
Absorption costing adjustments	(9,642)	(36,242)
Tax exempt income	(440,850)	(806,430)
Current year losses - no deferred tax recognised	-	256,302
Prior year losses - no deferred tax recognised	(344,382)	-
Income Tax Expense	<u>-</u>	<u>-</u>
c. Tax effect relating to other comprehensive income:		
Deferred Tax	<u>(5,049)</u>	<u>(270,241)</u>
Estimated deferred tax assets have not been recognised in respect of the following items:		
Unrecognised deferred tax assets		
Deductible temporary differences	1,088,579	1,056,752
Tax losses	5,905,076	6,249,459

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 2018

NOTE 5: CASH AND CASH EQUIVALENTS

	2018	2017
	\$	\$
CURRENT		
Cash at Bank	7,104,439	4,147,669
Cash on Hand	37,133	36,912
TOTAL CASH AND CASH EQUIVALENTS	<u>7,141,572</u>	<u>4,184,581</u>

NOTE 6: TRADE AND OTHER RECEIVABLES

CURRENT		
Trade Debtors	1,763,132	1,462,101
Accrued Income	92,016	26,316
Other Debtors and Receivables	686,446	1,067,424
TOTAL TRADE AND OTHER RECEIVABLES	<u>2,541,594</u>	<u>2,555,841</u>

NOTE 7: INVENTORIES

CURRENT		
Finished Goods	3,970,038	3,933,989

NOTE 8: OTHER ASSETS

CURRENT		
Prepayments	259,458	228,861

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 9: INVESTMENTS

	2018	2017
	\$	\$
NON-CURRENT		
Market Value of Shares in Listed Corporations	63,029	69,433

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

NON-CURRENT

LAND AND BUILDINGS

Land

Freehold Land at Valuation	8,192,600	8,218,100
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Buildings

Buildings at Valuation	11,471,900	11,471,900
Buildings at Cost	14,986	-
Less Accumulated Depreciation	(230,062)	-

Total Land and Buildings

19,449,424	19,690,000
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Plant and Equipment

Plant and Equipment at Cost	10,465,490	10,121,685
Less Accumulated Depreciation	(8,090,290)	(7,410,533)

Total Plant and Equipment

2,375,200	2,711,152
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TOTAL PROPERTY, PLANT AND EQUIPMENT

21,824,624	22,401,152
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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.

Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 10: PROPERTY, PLANT AND EQUIPMENT (continued)

end of the current financial year is set out below:

	Freehold Land	Buildings	Plant and Equipment	Total
	\$	\$	\$	\$
Balance at 1 July 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
Additions	-	49,486	727,283	776,769
Disposals	(25,500)	(33,950)	(80,082)	(139,532)
Depreciation Expense	-	(230,612)	(983,153)	(1,213,765)
Balance at 30 June 2018	8,192,600	11,256,824	2,375,200	21,824,624

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 11: INVESTMENT PROPERTY

	2018 \$	2017 \$
NON-CURRENT Investment Property		
Land and Buildings at Valuation	485,000	460,000
Total Investment Property	485,000	460,000

Investment Property Carried at Valuation

The investment property was independently valued at 30 June 2018 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 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
Revaluation Increments	25,000	-	25,000
Balance at 30 June 2018	275,000	210,000	485,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 12: INTANGIBLE ASSETS

	2018	2017
	\$	\$
NON-CURRENT		
Intangible Assets at Cost	15,289,123	15,289,123
Accumulated Amortisation	(7,425,284)	(7,348,609)
Net Carrying Value	<u>7,863,839</u>	<u>7,940,514</u>

	Goodwill	Customer Lists	Total
	\$	\$	\$
Balance at 1 July 2016	4,087,349	706,296	4,793,645
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>
Amortisation	-	(46,050)	(46,050)
Impairment Losses	-	(30,625)	(30,625)
Balance at 30 June 2018	<u>7,314,229</u>	<u>549,610</u>	<u>7,863,839</u>

NOTE 13: TRADE AND OTHER PAYABLES

CURRENT		
Trade Creditors	5,127,416	5,010,189
Sundry Creditors and Accrued Expenses	1,007,086	848,485
TOTAL PAYABLES	<u>6,134,502</u>	<u>5,858,674</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 14: BORROWINGS

	2018 \$	2017 \$
CURRENT		
Market Rate Loan	7,300,000	8,050,000
	7,300,000	8,050,000

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:

Market Rate Loan	7,300,000	8,050,000
	7,300,000	8,050,000

b. The market rate loan is secured by a registered first mortgage over selected freehold properties of the company.

First Mortgage

Freehold Land and Buildings	19,449,424	19,690,000
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Equitable Mortgage

Listed Shares at Market Value	63,029	69,433
Plant and Equipment	2,375,200	2,711,152
Intangible Assets	7,863,839	7,940,514

Total Assets Pledged as Security

29,751,492	30,411,099
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c. The market rate loan is an ongoing arrangement with the company's bankers and is subject to annual reviews.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 15: TAX

	2018 \$	2017 \$
DEFERRED TAX LIABILITY		
Deferred Capital Gains Tax on Freehold Land and Buildings	511,131	504,161
Deferred Capital Gains Tax on Listed Shares	16,811	18,732
Total Deferred Tax	527,942	522,893

Reconciliations

Deferred Tax Liability

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

Opening Balance	522,893	252,652
Tax Allowances Relating to Listed Shares	(1,921)	(5,312)
Tax Allowances Relating to Property	6,970	275,553
Closing Balance	527,942	522,893

NOTE 16: PROVISIONS

Opening Balance	3,162,263	2,965,639
Additional Provisions Raised During the Year	1,935,403	1,911,262
Amounts Used	(1,829,258)	(1,714,638)
Closing Balance	3,268,408	3,162,263

Analysis of Total Provisions

Current	2,577,845	2,364,359
Non-Current	690,563	797,904
TOTAL PROVISIONS	3,268,408	3,162,263

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 2018

NOTE 17: OTHER LIABILITIES

	2018 \$	2017 \$
CURRENT		
Membership Fees in Advance	<u>238,504</u>	<u>235,987</u>
NON-CURRENT		
Membership Fees in Advance	29,247	31,720
TOTAL OTHER LIABILITIES	<u>267,751</u>	<u>267,707</u>

NOTE 18: RESERVES

(a) Asset Revaluation Reserve

Opening Balance	6,153,451	4,427,107
Revaluation Increment	-	2,001,897
Deferred Tax Liability Adjustment	(6,970)	(275,553)
Closing Balance	<u>6,146,481</u>	<u>6,153,451</u>

(b) Share Revaluation Reserve

Opening Balance	43,705	56,099
Revaluation Decrement	(4,483)	(12,394)
Closing Balance	<u>39,222</u>	<u>43,705</u>
TOTAL RESERVES	<u>6,185,703</u>	<u>6,197,156</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 19: CAPITAL AND LEASING COMMITMENTS

	2018 \$	2017 \$
(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	583,798	576,450
Later than One Year and Not Later than 5 Years	632,865	1,206,622
Total	1,216,663	1,783,072

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.

(b) Capital Expenditure Commitments

Capital expenditure commitments contracted for:

Dispensing Robot - Bridge Mall Pharmacy	247,354	-
Motor Vehicle	34,080	-
Electrical Works - Beaufort	8,031	-
Construction Project - Bridge Mall Pharmacy	-	9,030
Total Capital Commitments	289,465	9,030
Not Later than One Year	289,465	9,030
Total	289,465	9,030

(c) Rent Receivables

Rental of commercial property contracted for but not capitalised in the financial statements

Rent Receivables

Non-Cancellable

Not Later than One Year	290,032	354,591
Later than One Year and Not Later than 5 Years	253,732	616,089
Total	543,764	970,680

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 19: CAPITAL AND LEASING COMMITMENTS (continued)

	2018 \$	2017 \$
(d) Management Agreement Commitments		
Revenue commitments contracted for:		
Management Fees Payable to UFS Dispensaries Ltd	693,768	653,982
Property Management Fees Payable to UFS Dispensaries Ltd	6,687	2,393
Total Revenue Commitments	700,455	656,375
Not Later than One Year	396,033	294,607
Later than One Year and Not Later than 5 Years	304,421	361,768
Total	700,455	656,375

NOTE 20: CASH FLOW INFORMATION

(a) Reconciliation of Cash Flow from Operations with Profit After Income Tax

Profit After Income Tax	2,749,170	957,407
Non-cash flows in profit		
Depreciation	1,213,765	1,284,439
Goodwill amortisation	46,050	49,175
Goodwill impairment	30,625	786,709
Net (gain) on disposal of property, plant & equipment	(31,412)	(69,333)
Other asset write downs	-	(8,946)
Financial liabilities	-	(88,260)
Revaluation increment on investment property	(25,000)	(86,000)
Changes in assets and liabilities:		
Decrease/(increase) in Receivables	14,247	(197,373)
(Increase) in Inventories	(36,049)	(133,368)
(Increase)/decrease in Other Assets	(30,597)	385,535
Increase in Payables	275,828	538,325
Increase in Provisions	106,145	196,624
Increase in Other Liabilities	44	18,418
Net Cash Flows From Operating Activities	4,312,816	3,633,352

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 20: CASH FLOW INFORMATION (continued)

(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 2018 the company had drawn \$Nil of this facility (\$Nil for the 2017 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.

NOTE 21: 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 21: FINANCIAL INSTRUMENTS (continued)

	Weighted Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Rate Maturing				Total	
					Within 1 Year		1 to 5 Years			
					2018	2017	2018	2017		
2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	
	%	%	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets										
Cash and cash equivalents	0.35	0.35	7,141,572	4,184,581	-	-	-	-	7,141,572	4,184,581
Investments	-	-	63,029	69,433	-	-	-	-	63,029	69,433
Receivables	-	-	2,541,594	2,555,841	-	-	-	-	2,541,594	2,555,841
Total Financial Assets			9,746,195	6,809,855	-	-	-	-	9,746,195	6,809,855
Financial Liabilities										
Payables	-	-	6,134,502	5,858,674	-	-	-	-	6,134,502	5,858,674
Market Rate Loan	2.22	4.11	7,300,000	8,050,000	-	-	-	-	7,300,000	8,050,000
Total Financial Liabilities			13,434,502	13,908,674	-	-	-	-	13,434,502	13,908,674

(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:

	2018		2017	
	Carrying Amount \$	Net Fair Value \$	Carrying Amount \$	Net Fair Value \$
Financial Assets				
Cash and Cash Equivalents	7,141,572	7,141,572	4,184,581	4,184,581
Shares in Listed Corporations	63,029	63,029	69,433	69,433
Loans and Receivables	2,541,594	2,541,594	2,555,841	2,555,841
	9,746,195	9,746,195	6,809,855	6,809,855
Financial Liabilities				
Trade and Other Payables	6,134,502	6,134,502	5,858,674	5,858,674
Market Rate Loan	7,300,000	7,300,000	8,050,000	8,050,000
	13,434,502	13,434,502	13,908,674	13,908,674

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 22: 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.

NOTE 23: 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.

The table below shows the assigned level for each asset held at fair value:

2017	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
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

2018	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Land and buildings	-	19,664,500	-	19,664,500
Investment property	-	485,000	-	485,000
Listed shares	63,029	-	-	63,029
Total Assets	63,029	20,149,500	-	20,212,529

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 23: FAIR VALUE MEASUREMENT (continued)

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.

NOTE 24: 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 25: KEY MANAGEMENT PERSONNEL

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

	2018	2017
	\$	\$
Short term employee benefits	1,205,390	1,216,008
Post-employment benefits	144,208	126,219
Termination benefits	84,962	11,268
	1,434,560	1,353,495

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 26: 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:

	2018	2017
	\$	\$
Outstanding Balance at 30 June	5105	(403)

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.

NOTE 27: MEMBER FUNDS

UFS Dispensaries Ltd is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. Members at 30 June 2018 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 \$24,578.50 (2017 : \$23,452.50) based on 49,157 (2017 : 46,905) current members.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

DIRECTORS' DECLARATION

The Directors of the company declare that:

1. The financial statements and notes, as set out on pages 17 to 48, 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 2018 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

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
Chair



GH Dixon
Chair: Audit Committee

Dated this 17th day of October 2018

RSM Australia Partners12 Anderson Street West, Ballarat VIC 3350
PO Box 685 Ballarat VIC 3353T +61 (0) 3 5330 5800
F +61 (0) 3 5330 5890www.rsm.com.au**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 2018, 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 2018 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 2018, 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.

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.

**THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING**

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

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.

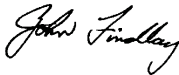
Auditor's Responsibilities for the Audit of the Financial Report

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 17th day of October 2018

Ballarat, Victoria



REGIONAL PHARMACIES

Bacchus Marsh

25-27 Grant St
5367 2134

Ballan

129 Ingliis St
5368 1232

Ballarat

717 Sturt St
5331 9811
Open 24 hours

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 St
5428 2461

Hardy's Gisborne

40 Brantome St
5428 3129

Melton Central

Shop 6 Central Walk
415-429 High St
9743 9080

Melton South

Station Square
11 Station Rd
9743 3533

Mt Clear

Midvale 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
202 Doveton St Ballarat
1008A Sturt St Ballarat

5327 0420
5364 9100
5331 2522

OTHER BUSINESSES

Peace & Quiet

719 Sturt St Ballarat 5332 1694

Cherub Gifts

727 Sturt St Ballarat 5333 3611