



traditional values, 21st century healthcare

 **ufs** *dispensaries*

2010/2011
Annual Report

www.ufs.com.au



UFS Dispensaries is a not-for-profit, community based organisation with an elected Board of Directors. UFS is owned by its members and profits are directed back to members in the form of attractive discounts, modern facilities and member services. The income 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

To foster membership and service the needs of members and of the community at large, particularly in respect of pharmaceuticals and traditionally related products and services.

UFS Values

Member and Market Focus

Actively growing our membership through enhancement and innovation that will lead our region with respect to the provision of the most affordable products and services, sustainable on a long term basis.

Exemplary Service

Providing the broadest range of community pharmacy healthcare services while ensuring that each customer contact is an informative, precise and gratifying experience that will engender further business.

Resources and Technology

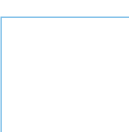
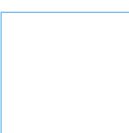
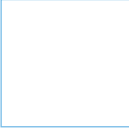
Embracing and utilising technological advancements to improve our customer service and organisational efficiency while increasing employee job satisfaction. Investing in facilities that members will be pleased and proud to use while providing a stable and growing capital resource base.

Integrity and Honesty

Observing a Code of Conduct which prohibits unethical or improper practice, requires fair and honest dealing with our members and customers and provides a safe and enjoyable equal opportunity workplace for our employees.

Training and Opportunity

Continuing to recruit, train, promote and support outstanding staff in order to assist them to meet their primary objective of providing exceptional service that will delight our customers.



Board of Directors

Chairman	Mrs P.L. Clark	<i>CPA Grad.Dip.CSP MAICD</i>
Directors	Mr R.C. Harrington	OAM
	Mr I.G. Schrader	
	Mrs P.B. Baker	
	Ms J.M. Rivett	<i>B.A. LLB. GAICD</i>
	Mrs A.J. Smail	<i>PhC Mat.Med</i>
	Mr A.A. Howard	<i>Grad.Dip.Admin</i>
	Dr P.D. Martin	<i>MBBS DRCOG</i>



Back Row (L to R): Jacinta Rivett, Paul Martin, Ron Harrington, Ian Schrader, Andrew Howard
Front Row (L to R): Pauline Baker, Anne Smail, Peta Clark (Chairman)

Administration Staff

Chief Executive Officer	Ms Lynne McLennan	<i>B.Sc. M.B.A.</i>
Executive Assistant	Mrs Mariska Pelchen	
Operations Manager	Mr Tony Diamond	<i>Dip.Mgt</i>
Operations Coordinator	Mrs Dianne Chillingsworth	<i>Adv.Dip.Bus.HR</i>
Professional Services Manager	Mr Colin Dorn	<i>B.Pharm. M.P.S AACPA Grad.Dip.Bus</i>
Merchandising Manager	Mrs Trudy Cuttler	<i>Dip.Mgt</i>
Assistant Merchandise Manager	Ms Karyn Cody	
Merchandise Officer	Mrs Angela Lawler	<i>Adv.Dip.Bus.Mgt</i>
Marketing & Development Manager	Ms Samantha Elshaug	<i>B.Mgt (Marketing) Dip.Proj.Mgt GAICD</i>
Marketing Officer	Mr Matthew Vallance	<i>B.Mgt (Marketing)</i>
Membership Manager	Ms Trudy Hawker	<i>Dip.Proj.Mgt</i>
Promotions Officer	Mrs Jacinta Thornton	
Employee Services Manager	Mrs Joanne Innes	<i>Adv.Dip.Mgt Adv.Dip.Bus.HR</i>
Employee Services Officer	Ms Taryn Bennett	<i>B.Mgt (HRM)</i>
Employee Services Officer	Ms Tania Lund	<i>Adv.Dip.Mgt</i>
Chief Financial Officer	Mr Tyrone McCuskey	<i>CPA GAICD</i>
Financial Accountant	Ms Janine Howes	<i>B.Bus.Acc</i>
Accountant	Mr Ben Toohey	<i>CA</i>
Payroll Coordinator	Mr Angus Diamond	
Accounting Assistant	Mrs Leeona McGuane	
Accounting Assistant	Mrs Pam Connor	
Accounting Assistant	Mr Peter Muceniaks	<i>Ass.Dip.Accounting</i>
Accounting Assistant	Miss Felicity Nottage	
IT Systems Engineer	Mr Robert Schenk	<i>Grad.Dip.Computing Grad.Dip.Bus Dip.Com.Prog</i>
Systems Improvements Manager	Mr Mark Thornton	<i>B.Comp Dip.Proj.Mgt</i>
IT Support Officer	Mr Dean Franken	<i>B.IT</i>
Facilities & Administration Manager	Mr Chris Martin	<i>B.Bus Dip.Proj.Mgt Dip.Sus</i>

Management at 30 June 2011

Pharmacies

Bacchus Marsh Pharmacy

Manager
Retail Coordinator

Mrs Joy Durham *B.Pharm. M.P.S. Dip.Mgt*
Mrs Kerry Majewski

Ballan Pharmacy

Manager
Retail Coordinator

Mr Lee Scullion *M.Pharm. M.P.S. MRPharms.*
Miss Rhiannan Jackson-Wade

Beaufort Pharmacy

Manager
Retail Coordinator

Ms Sarah Lum *B.Pharm.(Hons) M.P.S.*
Ms Samantha Duggan

Bridge Mall Pharmacy

Manager
Retail Coordinator

Mrs Kathryn Fischmann *B.Pharm. M.P.S.*
Ms Helen Powderly *Adv.Dip.Bus.HR*

Buninyong Pharmacy

Manager
Retail Coordinator

Mrs Katherine John *B.Sc.Pharm. Dip.Mgt M.P.S. AACPA MACPP*
Miss Verity Savage

Delacombe Pharmacy

Manager
Retail Coordinator

Mrs Amanda Rushton *B.Pharm. M.P.S. Dip.Mgt. Adv.Dip.Bus.HR*
Mrs Jenny Cameron

Golden Point Pharmacy

Pharmacist In Charge
Retail Coordinator

Mrs Megan Barnden *B.Pharm. M.P.S. Adv.Dip.Mgt*
Ms Philippa Dodd *(Temporary Appointment)*

Melton Central Pharmacy

Manager
Retail Coordinator

Mr Doug Prentice *B.Pharm. M.P.S.*
Mrs Nil Fagalilo

Melton South Pharmacy

Manager
Retail Coordinator

Mr Victor Van *B.Pharm. M.P.S.*
Mrs Samantha Male

Mt Clear Pharmacy

Manager
Retail Coordinator

Ms Pauline Molloy *B.Pharm. MAACP. M.P.S. Adv.Dip.Mgt Adv.Dip.Bus.HR*
Ms Lia Cody

Sebastopol Pharmacy

Manager
Retail Coordinator

Mr Matthew Chester *B.Pharm. M.P.S. Adv.Dip.Bus.HR*
Ms Leisel Oliver

Sturt St Pharmacy

Manager
Retail Coordinator

Ms Ursula Ponting *B.Pharm. M.P.S.*
Mrs Michelle Bennetts / Ms Myree Bolton

Tarneit Pharmacy

Pharmacist in Charge

Miss Evelyn Lee *B.Pharm.(Hons) M.P.S.*

Victoria Street Pharmacy

Manager
Retail Coordinator

Mr Stewart Sheriff *B.Pharm. M.P.S.*
Miss Caitlin Raftery *(Temporary Appointment)*

Wendouree Pharmacy

Manager
Retail Coordinator

Mr Kanagasingham Sugumar *B.Pharm. M.P.S.*
Ms Mardi Simmons



UFS Medical

Practice Manager	Ms Talei Deacon <i>BSc (Biomed) Grad.Dip (HSM)</i>
Deputy Practice Manager	Ms Michele Turner
Practice Coordinator, Bridge Mall	Mrs Kate Wyatt
Practice Coordinator, Doveton St	Ms Michele Turner
Practice Coordinator, Sturt St	Mrs Jenny Odgers
GP Advisor	Dr Tony Bongiorno <i>MBBS DipRACOG</i>
Clinical Nurse Advisor	Mrs Tamara Warland <i>RN Div1</i>
	Mrs Gail Creanor <i>RN Div1</i>

Other Businesses

Cherub Cards & Gifts

Manager	Ms Nicky Cowley
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Peace & Quiet

Manager	Ms Claire Stafford <i>Adv.Dip.B.Therapy Adv.Dip.Mgt Adv.Dip.Bus.HR</i>
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Warehouse

Manager	Mr Peter Cartledge
Solicitors	Heinz & Partners, Ballarat
Bankers	Commonwealth Bank
Registered Office	206 Armstrong St Nth, Ballarat Victoria 3350

Business Outlets UFS Dispensaries Limited

Bacchus Marsh

25-27 Grant St
(03) 5367 2134

Ballan

129 Inglis St
(03) 5368 1232

Ballarat

717 Sturt St
(03) 5331 9811
40 Bridge Mall
(03) 5327 0400
69 Victoria St
(03) 5333 1959
Beaufort
62-64 Neill St
(03) 5349 2504

Buninyong

316 Learmonth St
(03) 5341 2121

Cherub Cards & Gifts

727 Sturt St, Ballarat
(03) 5333 3611

Delacombe

830 Latrobe St
(03) 5336 0100

Golden Point

515 Main Rd
(03) 5331 4806

Melton Central

415-429 High St
(03) 9743 9080

Melton South

11 Station Rd
(03) 9743 3533

Mt Clear

Midvale Shopping Centre
(03) 5330 2644

Peace & Quiet

719 Sturt St, Ballarat
(03) 5332 1694

Sebastopol

56 Albert St
(03) 5336 0455

Skipton Depot

17 Montgomery St
(03) 5340 2105

Tarneit

939 Sayers Rd
(03) 8742 7255

UFS Medical

Level 1, 40 Bridge Mall, Ballarat
(03) 5327 0420
202 Doveton St, Ballarat
(03) 5364 9100
1008A Sturt St, Ballarat
(03) 5331 2522
Wendouree
1207 Howitt St
(03) 5339 6933
Willaura Depot
63 Main St
(03) 5354 1373

Chairman's Report



In the final days of the year, UFS Dispensaries realised one of its most significant milestones in its

131 year history with the opening of the Doveton Street Medical Centre on 14 June 2011.

This project is the biggest capital project ever undertaken by the organisation. More importantly, it is the realisation of our strategy to be a significant provider of quality health care to our members and the wider Ballarat community, and has brought three new General Practitioners to Ballarat. The Board, along with all of the employees of UFS, is very proud of this achievement, and the overwhelming support and feedback we have received from our members as a result.

Ongoing development has also continued in our Pharmacy business, with the relocation of our Mount Clear Pharmacy as well as a new pharmacy in the growth suburb of Tarneit. Our Skipton Pharmacy Depot also underwent an unplanned facelift, following major flood damage in January. UFS also undertook the management of four Melbourne-based pharmacies in February 2011, allowing us to gain further efficiencies of scale in our management and administration functions.

In a challenging year for retail, and continued tightening of margins in pharmacy, the Board is proud of the efforts by the management team to increase revenue by over 4%, and control costs to achieve a healthy operating profit. All of the profits of UFS are directed to our members through discounts, as well as better facilities and services. We believe that the developments of the 2010/2011 year provide a fine example of these better facilities and services.

The Management Team, led by our CEO Lynne McLennan have once again been tireless in their commitment to serving our members and strengthening the UFS brand. Whilst managing a number of significant special projects, they also continued to develop and enhance our everyday business practices in the professional manner we have come to expect. So many of our employees have played a starring role during the year, eager to take on additional responsibilities and perform above all expectations. They deserve our gratitude.

Finally, I would like to thank the Board of Directors for their contribution to UFS and their clear focus on strong governance. Each of them brings their own skills and perspective to the table. This has allowed UFS to thrive, whilst being mindful of the responsibility we have to protect the rich history of UFS.

Peta Clark
Chairman

Chief Executive Officer's Report



In the last twelve months, UFS Dispensaries has seen the largest capital project in our 130 years of operation come to fruition, with the opening of the Doveton St UFS Medical Centre in June.

The Centre has brought three medical practices together at one site, along with nursing staff, allied health services, and pathology. The building has been beautifully designed by local architects Madin Lyons, and was capably project-managed by our Facilities Manager Mr. Chris Martin. I would like to acknowledge the support of Deakin University for their financial contribution to the fit-out of the medical student training rooms at Doveton St, which will enable our GPs to efficiently assist in training the next generation of doctors.

We have welcomed two new GPs to Ballarat in the last year. Dr Bessie Wayoe-Yamba and her family have moved from Dubbo to Ballarat, and Dr Sally McAleese and her family have relocated from England. It remains a difficult challenge to recruit GPs to Ballarat, and we have been very fortunate Dr Yamba and Dr McAleese were able to replace local doctors who retired from general practice.

I am pleased to report that the supply of qualified pharmacists has finally caught up with demand. After many years of difficulty, UFS no longer needs to recruit pharmacists from overseas due to the number of excellent local applicants. For this reason, the Board chose not to award the Peter Duffy scholarship for final year pharmacy students in 2011.

A number of new managers were welcomed during the year, including Mr. Kanagasigam Sugumar as Pharmacy Manager at Wendouree, Ms Sarah Lum as Pharmacy Manager at Beaufort and Ms Evelyn Lee as Pharmacist-in-

charge at the fifteenth UFS pharmacy in Tarnet. Ms Nicki Cowley was appointed as Manager of Cherub Cards & Gifts and has achieved a dramatic improvement in the performance of this small but very popular shop.

It's gratifying that our high level of service is being recognised externally, with the Melton pharmacies winning Business of the Year for the Melton Shire, and Peace & Quiet winning the spa industry award for Australia's Best Rural Day Spa.

A significant expansion of our services occurred in February, when we stepped in to assist Friendly Pharmacy Victoria and North West Dispensaries, two small friendly society pharmacy groups in inner Melbourne. These groups were seeking a new management company which could offer efficient management services, and a strong value-based offer for their members. This management contract has placed significant demands on the central office team who I would like to thank for their hard work on the transition arrangements for this service. Whilst the UFS Strategic Plan did not include running pharmacies in Melbourne, our Board has always placed a high priority on assisting other mutual pharmacy groups, and ensuring that the friendly society pharmacy model remains viable in the future.

Finally, I would like to thank all the staff at UFS Dispensaries who have seriously put their shoulder to the wheel in the last year! It is deeply satisfying to work as part of a team which is committed to the worthwhile purpose of improving the health of our community. I would also like to express appreciation to our Board of Directors who continue to provide an exemplary model of good governance for a mutual organisation. UFS Dispensaries has been through a significant period of growth and is now focused on consolidating our businesses and developing our health service offering to members.

Lynne McLennan

Chief Executive Officer

The Year in Review 2010/2011

Skipton Depot Reopens After Floods

After devastating floods in January that inundated the town, the community and our pharmacy depot, we reopened on Friday 17 June with a community celebration. Corangamite Mayor Matt Makin officially reopened the store with over 100 people in attendance. For five months, the depot had temporarily been operating on higher ground across the road.



Store returns after floods



Best Rural Day Spa Right Here in Ballarat

Peace & Quiet was awarded their second industry Australasian Spa Association Award on 26 November 2010. Peace & Quiet was selected above a long list of finalists, including several exclusive multi-national resort chains across Australia, New Zealand and Fiji. Peace & Quiet was also the recipient of the Employer of Choice Award in 2008.



Tarneit Pharmacy Opens

The fifteenth UFS Pharmacy opened at 939 Sayers Road, Tarneit in February 2011. The pharmacy is incorporated into the Tarneit Family Medical and Dental Centre. Ms Evelyn Lee was appointed Pharmacist-In-Charge.

UFS Brand Expands to Melbourne

On 1 February UFS Dispensaries commenced managing four pharmacies in Melbourne for two friendly society pharmacy associations (Friendly Pharmacy (Vic) Ltd and North West Dispensaries' Friendly Society Ltd). The pharmacies are located at Fairfield, Brunswick West, Coburg and Pascoe Vale.



Expansion of UFS Medical

On 14 June 2011, the new purpose built Doveton Street Medical Centre opened with our Gillies Street Medical Centre and two other local practices relocating to the site. The new centre includes onsite pathology, physiotherapy and psychology services. The centre was officially opened by Associate Professor Mark Yates on Friday 9 September 2011.



Mt Clear Finds New Home

The Mt Clear UFS Pharmacy underwent a major refurbishment and expansion reopening in new premises in late November 2010. The new store was the result of the old supermarket site being redeveloped. The pharmacy includes a private consulting room, walk through access and an improved retail offering.



UFS Business of the Year in Melton

The Melton Central and Melton South pharmacies were the recipients of the Best Retail Business Award in the Melton Business Excellence Awards on 29 April 2011. In addition, UFS Dispensaries took home the overall Business of the Year Award to the delight of all staff.



CGU Commerce Ballarat Business Excellence Awards

UFS was a finalist in two categories of the 2010 CGU Commerce Ballarat Business Excellence Awards. UFS Dispensaries was recognised as a finalist in the 'Sustainable Business' award category and UFS Medical in the 'Health & Wellbeing' category.

Long Serving Staff Member Leaves

Wendy Connor was farewelled in June by directors, management and colleagues after a lengthy association with UFS spanning in excess of 25 years. Wendy worked most of her time at the Bridge Mall pharmacy as Retail Coordinator.



New Doctors to Ballarat

After UK GP Kathryn Oliver joined UFS Medical in 2010, Dr Sally McAleese and Dr Bessie Wayoe-Yamba joined our organisation in 2011. Dr McAleese relocated from the UK and is based at UFS Medical Sturt St and Dr Yamba relocated from Dubbo and is based at the new Doveton Street practice.



Charitable Donations

UFS Dispensaries supports both members and the regional community. This is demonstrated through the Company's commitment to supporting local businesses and community groups. The following donations have been made to support local community organisations throughout 2010/2011.

Total value of sponsorship and donations for the 2010/2011 period was **\$21,000**.

Major Sponsorships

Ballarat Holden Miners
Her Majesty's Theatre
Organs of the Goldfields Festival
Royal South Street Society
St John of God Medi-Marathon
United Way Administrative Professionals Breakfast
WestVic Academy of Sport

Sponsorship

Ballan and District Art Show
Ballan and District Health and Care
Ballan Golf Club
Ballarat Gift
Ballarat Mothers' Day Classic
Ballarat Regional Multi-Cultural Council Ball
BCMA Music, Dance and Drama
Buninyong Film Festival
Deaf Children Australia
Latrobe University Pharmacy Final Year Graduation
Lions Club of Deer Park Inc 'Camp Koala'
McCallum Disability Services Charity Golf Day
Probus Club of Wendouree Bowls Tournament
Rokewood Cricket Club
Rotary Club of Bacchus Marsh – Art Show
Variety Special Children's Christmas Party

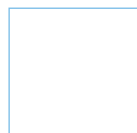
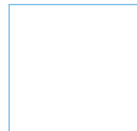
Donations

1st Alfredton Scout Group
Australian Red Cross
Bacchus Marsh Cycling Group
Bacchus Marsh Montessori
Bacchus Marsh Pre School
Bakery Hill Kindergarten
Ballan Autumn Festival
Ballan Kindergarten

Ballarat and District Trotting Club
Ballarat Basketball Club
Ballarat Bike Toy Run
Ballarat Centre of Music
Ballarat Co-Operative Crèche and Childcare
Ballarat East Bowling Club
Ballarat Fidelity Kindergarten
Ballarat Football and Netball Club
Ballarat Grammar School
Ballarat High School
Ballarat Hospice
Ballarat Legacy
Ballarat Multiple Sclerosis Association
Ballarat North Kindergarten
Ballarat Pink Phoenix
Ballarat Squash and Racquetball
Ballarat Stock and Station Agents' Ball
Beaufort Agriculture Show
Beaufort Bowls Club
Beaufort Goes Pink
Beaufort Primary School
Beaufort & Skipton Health Service
Black Hill Kindergarten
Blackwood Progress Association
Buninyong and District Tennis Association
Buninyong Golf Club
Buninyong Pre School
Buninyong Primary School
Buninyong Good Life Festival Ball
Cancer Council Australia
Cancer Council – Girls' Night In
Cancer Council – Relay for Life
Caring Friends Group Association
Carngham Linton Football Club
Cathedral of Christ The King
CFA Ballarat
Clarendon College Ballarat
Clunes Pre School
Curtain Call Performing Arts Centre
Cystic Fibrosis Australia
Damascus College
Dana Street Primary School
Deer Park Lions Club
Enid Rogers Jubilee Kindergarten
Flood Victims Creswick
Golden Point Cricket Club

Ballarat & District Division of General Practice
 Haddon Community Centre
 Invermay Primary School
 Invermay Topic Club
 Iris Ramsay Kindergarten
 Lady Red Devils Soccer Club
 Lakeside Anglers Club
 Lexton Public Hall Committee
 Linda Brown Pre-School
 Linkup Program
 Linton and District Bowling Club
 Lismore Cricket Club
 Lismore Primary School
 Loreto College Ballarat
 Lumen Christi Primary School
 Marfan Association Victoria Inc.
 McDonalds McHappy Day
 Melton Football Club
 Melton Senior Citizens Club
 Melton West Primary School
 Modellers of Ballarat
 Mt Clear Secondary College
 Mt Wallace Fire Brigade
 Multicultural Senior Men's Sports Day
 Myrniong Primary School
 Napoleons-Sebastopol Cricket Club
 National Servicemen's Association
 Parents Without Partners
 Pentland Calisthenics College
 Phoenix Trading
 Pleasant Street Primary School
 Pump It For Heart Kids
 Redan Football Club
 Rotary Club
 Royal Children's Hospital
 Sebastopol Fire Brigade
 Sebastopol Girl Guides
 Sebastopol Vikings Soccer Club Inc.
 Sebastopol West Kindergarten
 Skipton Primary School
 Skipton Progress Association
 Skipton Rose and Iris Festival
 Smythesdale Pony Club
 Smythesdale Adult Riders Club
 Special Olympics Ballarat
 St Bernards Primary School

St Brendans Primary School
 St Bridgets Primary School
 St James Primary School
 St Matthews Parish
 St Michaels Primary School
 St Patricks Primary School
 St Thomas Moore Primary School
 Sutton Park Nursing Home
 That's What I'm Walking About
 Victoria Park Soccer Club
 Victoria Police
 Vision Australia
 Voice FM 99.9
 Wallace and District Kindergarten Inc.
 Waubra Primary School
 Wendouree Baptist Church
 Wild Life Assist
 York Street Church of Christ



Directors' Report

Your directors present their report on the company for the financial year ended 30 June 2011.

The names 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
Dr Paul Martin
Mrs Anne J Smail
Mr Ian G Schrader
Mr Ronald C Harrington OAM (retired 19.10.11)
Mrs Pauline B Baker
Mr Andrew A Howard
Mr Graeme Dixon (appointed 19.10.11)

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.

Company secretary

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

Mr Tyrone G McCuskey CPA. Mr McCuskey has worked for UFS Dispensaries Ltd since February 2010, in the role of Chief Financial Officer, and was appointed Company Secretary on 17 February 2010.

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 \$540,478 (\$250,882 for the 2010 year).

During the year the company commenced operating a new pharmacy at 939 Sayers Road, Tarneit (January 2011) and Doveton Street Medical Practice located at 202 Doveton Street North, Ballarat (June 2011).

In addition, the company commenced management contracts for North West Dispensaries Friendly Society Ltd and Friendly Pharmacy (Vic) Ltd. These societies, comprising four pharmacies located in the northern suburbs of Melbourne, came under UFS Dispensaries management as of 1 February 2011.

Dividends

The company's constitution precludes the payment of dividends.

Significant changes in state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report.

After balance date events

No matters or circumstances have arisen since the end of the financial year 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.

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.

Directors' Report

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

The auditor provided no non-audit services to the company during the year. The auditor's independence declaration appears on page 17 and forms part of the Directors' Report for the year ended 30 June 2011.

Mrs Peta L Clark

Qualifications

Experience

Special Responsibilities

Chairman

CPA Grad. Dip. CSP MAICD

Appointed to the Board in 2004. Mrs Clark has 18 years corporate accounting experience. Mrs Clark is currently the Senior Manager Commercial Services of Centacare, Catholic Diocese of Ballarat Inc. Mrs Clark has broad experience in community based organisations.

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

Ms Jacinta M Rivett

Qualifications

Experience

Special Responsibilities

Deputy Chairman

B.A. LLB GAICD

Appointed to the Board in 2007. Ms Rivett is Legal Counsel for Ambulance Victoria (AV), having commenced with AV in 2003. Ms Rivett also previously worked in various areas whilst in private legal practice. Ms Rivett has 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.

Member of Business Development and Remuneration Committees.

Dr Paul D Martin

Qualifications

Experience

Special Responsibilities

MBBS DRCOG

Appointed to the Board in 2010. Dr Martin has 26 years experience as a General Practitioner including over 20 years at Ballarat's Mair Street General Practice. Following this Dr Martin spent over 12 months with UFS Medical establishing medical protocols and acting as GP advisor.

Chairman of Audit Committee.

Directors' Report

Mrs Anne J Smail

Qualifications	PhC Mat. Med
Experience	Appointed to the Board in 2003. Mrs Smail is a qualified pharmacist and former employee of UFS Dispensaries Ltd who managed the Bridge Mall store for over twenty years and in total has spent over forty years practising as a pharmacist. More recently Mrs Smail was employed by the Ballarat Division of General Practice and was a Home Medication Management Review Facilitator.
Special Responsibilities	Member Audit Committee, Member Remuneration Committee.

Mr Ian G Schrader

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.

Mr Ronald C Harrington OAM

Experience	Appointed to the Board in 1968. Mr Harrington has broad experience in all aspects of Friendly Societies, having been a Friendly Society member for over fifty years, and is currently Secretary of the Ballarat Lodge of Manchester Unity IOOF. Mr Harrington gained extensive business experience as Branch Manager (retired) of The Laminex Group. In 2008 Mr Harrington was awarded an OAM for his contribution to The Royal South Street Society.
Special Responsibilities	Member of Business Development Committee.

Mrs Pauline B Baker

Experience	Appointed to the Board in 1994. Mrs Baker has extensive secretarial experience and is a director of a private investment company. Mrs Baker's business experience includes over thirty years as a partner in business in the investment, real estate and banking industries.
Special Responsibilities	Member Remuneration and Business Development Committees.

Mr Andrew A Howard

Qualifications	Grad Dip Admin
Experience	Appointed to the Board in 2009. Mr Howard is a small business owner. Mr Howard has over 16 years management and executive experience in the health and disability sector and was Chief Executive Officer of the Ballarat & District Division of General Practice for 6 years. Mr Howard was also a member of the St Columbus Primary School Board for 4 years (2 as Chairman) and was the Chair of the 2003 Ballarat Health Awards.
Special Responsibilities	Chairman of Business Development 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)	5 (5)
JM Rivett	7 (7)	5 (5)
PD Martin	6 (7)	4 (5)
AJ Smail	5 (7)	4 (5)
IG Schrader	7 (7)	5 (5)
RC Harrington	6 (7)	4 (5)
PB Baker	6 (7)	5 (5)
AA Howard	7 (7)	3 (5)

Signed in accordance with a resolution of the Board.



PL Clark
Chairman



PD Martin
Chairman: Audit Committee

Dated this 19th day of October 2011

Auditor's Independence Declaration Under Section 307C of the *Corporations Act 2001* to the Directors of UFS Dispensaries Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 there have been:

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

WHK Western Victoria Audit Partnership

WHK Western Victoria Audit Partnership



Bruce R Judkins
Audit Partner

21 Armstrong Street North, Ballarat, Vic

Dated this 19th day of October 2011

Consolidated income statement for the year ended 30 June 2011

	Note	2011 \$	2010 \$
INCOME			
Revenue	2	59,173,642	56,859,655
Other Income	2	135,371	254,340
Changes in Inventories		316,537	134,759
Purchases		(35,159,706)	(34,386,194)
Employee Benefits Expense		(14,663,222)	(13,826,022)
Depreciation		(950,060)	(892,184)
Finance Costs		(735,978)	(609,506)
Other Expenses		(7,576,106)	(6,939,466)
Impairment of Property, Plant and Equipment		0	(344,500)
PROFIT BEFORE INCOME TAX	3	0	0
Income Tax (Expense) / Benefit		0	0
PROFIT FOR THE YEAR		540,478	250,882
PROFIT ATTRIBUTABLE TO MEMBERS		540,478	250,882

Consolidated statement of comprehensive income for the year ended 30 June 2011

	Note	2011 \$	2010 \$
PROFIT FOR THE YEAR		540,478	250,882
Other Comprehensive Income:			
Net Gain/(Loss) on Revaluation of Land and Buildings		58,681	359,555
Net Gain/(Loss) on Revaluation of Financial Assets		5,801	(41,673)
Other Comprehensive Income for the Year, Net of Tax		64,482	317,882
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		604,960	568,764
Total Comprehensive Income Attributable to:			
Members		604,960	568,764

Statement of financial position as at 30 June 2011

	Note	2011 \$	2010 \$
CURRENT ASSETS			
Cash and Cash Equivalents	6	1,716,493	233,364
Receivables	7	2,860,318	2,288,512
Inventories	8	5,243,003	4,926,466
Other Assets	9	80,780	97,606
TOTAL CURRENT ASSETS		9,900,594	7,545,948
NON-CURRENT ASSETS			
Investments	10	41,932	33,644
Property, Plant and Equipment	11	20,870,051	17,929,159
Intangible Assets	12	10,646,070	9,617,846
TOTAL NON-CURRENT ASSETS		31,558,053	27,580,649
TOTAL ASSETS		41,458,647	35,126,597
CURRENT LIABILITIES			
Payables	13	5,961,380	4,193,448
Borrowings	14	9,569,016	6,372,000
Current Tax Liabilities	15	(938)	(938)
Provisions	16	1,516,098	1,387,438
Other Liabilities	17	211,206	203,915
TOTAL CURRENT LIABILITIES		17,256,762	12,155,863
NON-CURRENT LIABILITIES			
Borrowings	14	4,500,000	3,600,000
Deferred Tax Liabilities	15	16,357	376,770
Provisions	16	463,299	380,515
Other Liabilities	17	32,261	28,441
TOTAL NON-CURRENT LIABILITIES		5,011,917	4,385,726
TOTAL LIABILITIES		22,268,679	16,541,589
NET ASSETS		19,189,968	18,585,008
EQUITY			
Reserves		2,783,194	2,779,212
Retained Earnings		16,406,774	15,805,796
TOTAL EQUITY		19,189,968	18,585,008

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

Statement of changes in equity for year ended 30 June 2011

	Retained Earnings	Asset Revaluation Reserve	Total
	\$	\$	\$
Balance at 1 July 2009	15,554,914	2,461,330	18,016,244
Total Comprehensive Income for the Year	250,882	317,882	568,764
Balance as 30 June 2010	15,805,796	2,779,212	18,585,008
Balance at 1 July 2010	15,805,796	2,779,212	18,585,008
Total Comprehensive Income for the Year	540,478	64,482	604,960
Transfer of Revaluation Surplus	60,500	(60,500)	0
Balance as 30 June 2011	16,406,774	2,783,194	19,189,968

Statement of cash flows for year ended 30 June 2011

	Note	2011 \$	2010 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers		59,257,637	56,833,976
Other Receipts Received		113,052	90,704
Payments to Suppliers and Employees		(55,951,991)	(56,090,578)
Dividends Received		11,302	2,188
Interest Received		31,587	35,484
Finance Costs		(735,978)	(609,506)
Net Cash Provided by (Used in) Operating Activities	19	2,725,609	262,268
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sale of Property, Plant and Equipment		349,762	163,961
Purchase of Investments		0	(2,000)
Purchase of Property, Plant and Equipment		(4,661,034)	(1,383,339)
Purchase of Business and Licences		(1,028,224)	(435,976)
Net Cash Provided by (Used in) Investing Activities		(5,339,496)	(1,657,354)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Borrowings		4,097,016	1,247,000
Net Cash Provided by (Used in) Financing Activities		4,097,016	1,247,000
NET INCREASE/(DECREASE) IN CASH HELD			
Cash at Beginning of Financial Year		233,364	381,450
Cash at End of Financial Year	6	1,716,493	233,364

Notes to the financial statements for year ended 30 June 2011

Contents

Note		Page
1	Statement of Significant Accounting Policies	24
2	Revenue	30
3	Profit Before Income Tax	31
4	Income Tax Expense	31
5	Remuneration and Retirement Benefits	32
6	Cash and Cash Equivalents	32
7	Receivables	32
8	Inventories	32
9	Other Assets	32
10	Investments	32
11	Property, Plant and Equipment	33
12	Intangible Assets	34
13	Payables	34
14	Borrowings	35
15	Tax	36
16	Provisions	36
17	Other Liabilities	37
18	Capital and Leasing Commitments	37
19	Cash Flow Information	38
20	Events Occurring after the Balance Sheet Date	38
21	Financial Instruments	39
22	Capital Management	40
23	Related Party Transactions	40
24	Member Funds	40

Notes to the financial statements for year ended 30 June 2011

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.

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.

Basis of Preparation

UFS Dispensaries Ltd has elected to early adopt the pronouncements AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements to the annual reporting period beginning 1 July 2009.

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, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

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 report has been prepared on an accruals basis and is based on historical costs, modified where applicable by the measurement at fair value, of selected non-current assets, financial assets and financial liabilities.

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(f)) 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 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.

Notes to the financial statements for year ended 30 June 2011

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

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 and includes expenditure incurred in acquiring and bringing the inventories to their present condition and location. Net realisable value is determined on the basis of the normal sales pattern.

(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.

Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Fair values are confirmed by independent valuations which are obtained with sufficient regularity to ensure that the carrying amounts do not differ materially from the assets' fair values at the balance sheet date. It is the policy of the company to have an independent valuation at least every three years.

Notes to the financial statements for year ended 30 June 2011

Land and buildings are treated as a class of assets. Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in other comprehensive income. Decreases that offset previous increases of the same assets are charged against revaluation surpluses directly in other comprehensive income; all other decreases are charged to the statement of comprehensive income.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

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.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate portion of fixed and variable overheads.

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 or the diminishing value method 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	2.5 - 10%
Leased plant and equipment	2.5 - 25%
Plant and equipment	5.0 - 66.67%

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) 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.

Notes to the financial statements for year ended 30 June 2011

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 with indefinite lives.

(f) 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.

(g) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus on-costs. Other employee benefits payable later than one year have been measured at the net present value of the estimated future cash outflows to be made for those benefits. In determining liability, consideration is given to the probability that the employee may not satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows. Sick leave is not provided for and is recorded as an expense when taken.

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

(h) Provisions

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

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

(i) Cash and Cash Equivalents

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

(j) 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.

(k) Revenue

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

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

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

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of each reporting period and where outcome of the contract can be estimated reliably. Stage

Notes to the financial statements for year ended 30 June 2011

of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

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

(l) Trade and Other Payables

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

(m) Asset Revaluation Reserve

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

(n) 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.

(o) Comparative Figures

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

(p) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

Key Estimates

(i) Impairment

The company assesses impairment at the end of each reporting period by evaluating the conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

No impairment has been recognised in respect of goodwill at the end of the reporting period (\$344,500 for the 2010 year). Using value-in-use calculations all pharmacies carrying a goodwill component were tested for impairment using growth rates between 2.5% and 9.95% and a discount rate of 18.9%.

(q) Financial Instruments

Initial Recognition and Measurement

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

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

Notes to the financial statements for year ended 30 June 2011

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) Loans and Receivables

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

(ii) Available-for-Sale Financial Assets

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

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

(iii) Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Notes to the financial statements for year ended 30 June 2011

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

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

Derecognition

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

NOTE 2: REVENUE

	Note	2011 \$	2010 \$
Sale of Goods		55,681,379	54,277,470
Services Revenue		2,679,422	1,905,255
Dividends Received & Franking Credits	2a	11,302	3,126
Interest Received	2b	31,587	35,484
Other Revenue		769,952	638,320
Total Revenue		59,173,642	56,859,655
Other Income		231,537	256,067
Net Gain/(Loss) on Disposal of Property, Plant & Equipment		(96,166)	(1,727)
Total Other Income		135,371	254,340
a. Dividend Revenue From:			
Other Corporations		11,302	3,126
b. Interest Revenue From:			
Other Entities		31,587	35,484
TOTAL REVENUE		59,309,013	57,113,995

Notes to the financial statements for year ended 30 June 2011

NOTE 3: PROFIT BEFORE INCOME TAX

	2011	2010
	\$	\$
Expenses		
Cost of Sales	34,843,169	34,251,435
Finance Costs	735,978	609,509
Impairment of Non-Current Investments	0	344,500
Rent Expenses	550,520	437,831
Legal Costs	35,323	96,513
Remuneration of Auditor : Audit Services	26,550	22,000
Wages	12,487,109	11,698,003
Superannuation Expense	1,184,607	1,146,397
Key Management Personnel Wages	1,159,829	1,113,294

NOTE 4: INCOME TAX EXPENSE

a. The components of tax expense comprise:

Current Tax	0	0
Under/(Over) Provision in Respect of Prior Years	0	0
	0	0

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% (2010: 30%)	162,143	75,265
Add:		
Tax effect of:		
Depreciation of buildings	0	13,001
Franking credits received	83	938
Other assessable income	0	0
Other non-allowable items	79,096	64,721
Absorption costing adjustments	4,493	618
Less:		
Tax effect of:		
Rateable fully franked dividends	(83)	0
Net exempt income	245,732	154,543
Income Tax Expense	0	0

c. Tax effect relating to other comprehensive income:

Deferred Tax	360,413	27,782
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Notes to the financial statements for year ended 30 June 2011

NOTE 5: REMUNERATION AND RETIREMENT BENEFITS

	Short-term benefits	Post employment benefit
2011		
Directors	84,277	5,292
2010		
Directors	81,906	5,143

NOTE 6: CASH AND CASH EQUIVALENTS

	2011 \$	2010 \$
Cash at Bank and on Hand	1,715,605	232,799
Bank Deposits at Call	888	565
TOTAL CASH AND CASH EQUIVALENTS	1,716,493	233,364

NOTE 7: RECEIVABLES

Trade Debtors	1,448,809	1,439,631
Other Debtors and Receivables	1,411,509	848,881
TOTAL RECEIVABLES	2,860,318	2,288,512

NOTE 8: INVENTORIES

Finished Goods	5,243,003	4,926,466
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NOTE 9: OTHER ASSETS

Prepayments	80,780	97,606
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NOTE 10: INVESTMENTS

Market Value of Shares in Listed Corporations	41,932	33,644
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Notes to the financial statements for year ended 30 June 2011

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	2011 \$	2010 \$
LAND AND BUILDINGS		
Land		
Freehold Land at Valuation	7,275,770	7,249,165
Buildings		
Buildings at Valuation	9,249,470	6,131,375
Less Accumulated Depreciation	0	0
Total Land and Buildings	<u>16,525,240</u>	<u>13,380,540</u>
Plant and Equipment		
Plant and Equipment at Cost	8,339,394	7,591,471
Less Accumulated Depreciation	(3,994,582)	(3,042,852)
Total Plant and Equipment	<u>4,344,811</u>	<u>4,548,619</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	<u>20,870,051</u>	<u>17,929,159</u>

Land and Buildings Carried at Valuation

All freehold land and buildings were independently valued at 30 June 2011 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 end of the current financial year is set out below:

	Freehold Land \$	Buildings \$	Plant and Equipment \$	Total \$
Balance at 1 July 2009	7,249,165	6,017,996	3,931,336	17,198,497
Additions	0	31,985	1,351,354	1,383,339
Disposals	0	0	(5,470)	(5,470)
Net transfers between classes	0	0	0	0
Revaluation Increments/(Decrements)	0	244,977	0	244,977
Depreciation Expense	0	(163,583)	(728,601)	(892,184)
Balance at 30 June 2010	<u>7,249,165</u>	<u>6,131,375</u>	<u>4,548,619</u>	<u>17,929,159</u>
Additions	0	3,951,725	709,309	4,661,034
Disposals	(140,000)	(240,000)	(65,929)	(445,929)
Net transfers between classes	0	0	(19,935)	(19,935)
Revaluation Increments/(Decrements)	166,605	(470,823)	0	(304,218)
Depreciation Expense	0	(122,807)	(827,253)	(950,060)
Balance at 30 June 2011	<u>7,275,770</u>	<u>9,249,470</u>	<u>4,344,811</u>	<u>20,870,051</u>

Notes to the financial statements for year ended 30 June 2011

NOTE 12: INTANGIBLE ASSETS

	2011	2010
	\$	\$
Goodwill at Cost	10,646,070	9,962,346
Accumulated Impairment Losses	0	(344,500)
Net Carrying Value	10,646,070	9,617,846

Reconciliation of Goodwill

Balance at the Beginning of the Year	9,617,846	9,501,646
Additions	1,028,224	435,978
Amortisation	0	24,722
Impairment Losses	0	(344,500)
Closing Carrying Value	10,646,070	9,617,846

NOTE 13: PAYABLES

Trade Creditors	4,654,639	3,299,906
Sundry Creditors and Accrued Expenses	1,306,741	893,542
TOTAL PAYABLES	5,961,380	4,193,448

Notes to the financial statements for year ended 30 June 2011

NOTE 14: BORROWINGS

	2011	2010
	\$	\$
Current		
Bank Bills Secured	8,471,016	6,000,000
Capital Equity Facility	1,098,000	372,000
	9,569,016	6,372,000
Non-Current		
Bank Bills Secured	4,500,000	3,600,000
a. Total current and non-current secured liabilities:		
Bank Bills Secured	12,971,016	9,600,000
Capital Equity Facility	1,098,000	372,000
	14,069,016	9,972,000
b. The bank bills are secured by a registered first mortgage over selected freehold properties of the company.		
First Mortgage		
Freehold Land and Buildings	15,981,871	9,158,831
Equitable Mortgage		
Listed Shares at Market Value	41,932	33,644
Freehold Land and Buildings	543,369	4,221,709
Plant and Equipment	4,344,811	4,548,619
Goodwill	10,646,070	9,617,846
Total Assets Pledged as Security	31,558,053	27,580,649
c. The bank bill facility is an ongoing arrangement with the company's bankers and is subject to annual reviews.		

Notes to the financial statements for year ended 30 June 2011

NOTE 15: TAX

	2011	2010
	\$	\$
Current Tax		
Income Tax	(938)	(938)
Non-Current Tax		
Deferred Capital Gains Tax on Freehold Land and Buildings	5,876	368,775
Deferred Capital Gains Tax on Listed Shares	10,481	7,995
Total Non-Current Tax	16,357	376,770

Reconciliations***Deferred Tax Liability***

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

Opening Balance	376,770	348,988
Tax Allowances Relating to Listed Shares	2,486	(17,860)
Tax Allowances Relating to Property	(362,899)	45,642
Closing Balance	16,357	376,770

NOTE 16: PROVISIONS

Opening Balance	1,767,953	1,566,304
Additional Provisions Raised During the Year	1,539,769	1,479,669
Amounts Used	(1,328,325)	(1,278,020)
Closing Balance	1,979,397	1,767,953

Analysis of Total Provisions

Current	1,516,098	1,387,438
Non-Current	463,299	380,515
TOTAL PROVISIONS	1,979,397	1,767,953

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 year ended 30 June 2011

NOTE 17: OTHER LIABILITIES

	2011	2010
	\$	\$
Current		
Membership Fees in Advance	211,206	203,915
Non-Current		
Membership Fees in Advance	32,261	28,441
TOTAL OTHER LIABILITIES	243,467	232,356

NOTE 18: CAPITAL AND LEASING COMMITMENTS

(a) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements**Operating Leases***Non-Cancellable*

Not Later than One Year	540,034	417,286
Later than One Year and Not Later than 5 Years	1,572,468	698,346
Later than 5 Years	198,428	0
Total	2,310,930	1,115,632

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::

Construction Project	0	3,800,000
Total Capital Commitments	0	3,800,000
Not Later than One Year	0	3,800,000
Total	0	3,800,000

Notes to the financial statements for year ended 30 June 2011

NOTE 19: CASH FLOW INFORMATION

	2011	2010
	\$	\$
(a) Reconciliation of Cash Flow from Operations with Profit After Income Tax		
Profit After Income Tax	540,478	250,882
Non-cash flows in profit		
Depreciation	950,060	892,184
Goodwill amortisation	0	(24,722)
Goodwill impairment	0	344,500
Net (gain)/loss on disposal of property, plant & equipment	96,166	1,727
Dividend reinvested via dividend reinvestment plan	0	(2,188)
Other asset write downs	19,935	0
Changes in assets and liabilities:		
(Increase)/decrease in Receivables	(571,806)	(616,900)
(Increase)/decrease in Inventories	(316,537)	(134,759)
(Increase)/decrease in Other Assets	16,826	27,179
Increase/(decrease) in Payables	1,767,932	(671,337)
Increase/(decrease) in Income Taxes Payables	0	(938)
Increase/(decrease) in Provisions	211,444	201,649
Increase/(decrease) in Other Liabilities	11,111	(5,009)
Net Cash Flows From Operating Activities	2,725,609	262,268

(b) Credit Standby Arrangement and Loan Facilities

The company has a capital equity facility of \$1,500,000 available through its bankers. At 30 June 2011 the company had drawn \$1,098,000 of this facility (\$372,000 for the 2010 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 20: EVENTS AFTER THE BALANCE SHEET DATE

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

Notes to the financial statements for year ended 30 June 2011

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's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and liabilities are set out in the tables below:

(b) Financial Instrument Composition and Maturity Analysis

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

	Weighted Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Rate Maturing				Total	
					Within 1 Year		1 to 5 Years			
					2011	2010	2011	2010		
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	%	%	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets										
Cash and cash equivalents	3.25	0.75	1,715,605	232,799	0	0	0	0	1,715,605	232,799
Deposits at Call	4.75	4.50	888	565	0	0	0	0	888	565
Investments	0	0	41,932	33,644	0	0	0	0	41,932	33,644
Receivables	0	0	2,860,318	2,288,512	0	0	0	0	2,860,318	2,288,512
Total Financial Assets			4,618,743	2,555,520	0	0	0	0	4,618,743	2,555,520
Financial Liabilities										
Bank Bills Secured	6.45	6.19	1,500,000	500,000	6,971,016	5,500,000	4,500,000	3,600,000	12,971,016	9,600,000
Bank Loan Secured	7.79	7.54	1,098,000	372,000	0	0	0	0	1,098,000	372,000
Payables	0.00	0.00	5,961,380	4,193,448	0	0	0	0	5,961,380	4,193,448
Total Financial Liabilities			8,559,380	5,065,448	6,971,016	5,500,000	4,500,000	3,600,000	20,030,396	14,165,448

Notes to the financial statements for year ended 30 June 2011

NOTE 21: FINANCIAL INSTRUMENTS (Continued)

(c) Net Fair Values

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

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

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

	2011		2010	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	\$	\$	\$	\$
Financial Assets				
Shares in Listed Corporations	41,932	41,932	33,644	33,644
Loans and Receivables	2,860,318	2,860,318	2,288,512	2,288,512
	2,902,250	2,902,250	2,322,156	2,322,156
Financial Liabilities				
Bank Bills Secured	12,971,016	12,971,016	9,600,000	9,600,000
Bank Loan Secured	1,098,000	1,098,000	372,000	372,000
Trade and Other Payables	5,961,380	5,961,380	4,193,448	4,193,448
	20,030,396	20,030,396	14,165,448	14,165,448

NOTE 22: 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 23: 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.

NOTE 24: MEMBER FUNDS

UFS Dispensaries Ltd is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. Members at 30 June 2011 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.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 18 to 40, are in accordance with the *Corporations Act 2001*, and:
 - a comply with Accounting Standards and the Corporations Regulations 2001; and
 - b give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the company.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



PL Clark
Chairman



PD Martin
Chairman: Audit Committee

Dated this 19th day of October 2011

Independent audit report to the members of UFS Dispensaries Ltd

We have audited the accompanying financial report of UFS Dispensaries Ltd which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of UFS Dispensaries Ltd, would be in the same terms if given to the directors as at the date of this auditor's report.

Auditor's opinion

In our opinion, the financial report of UFS Dispensaries Ltd is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
- complying with Australian Accounting Standards' Reduced Disclosure Requirements and the *Corporations Act 2001*.

WVK Western Victoria Audit Partnership

WVK Western Victoria Audit Partnership

Bruce R Judkins

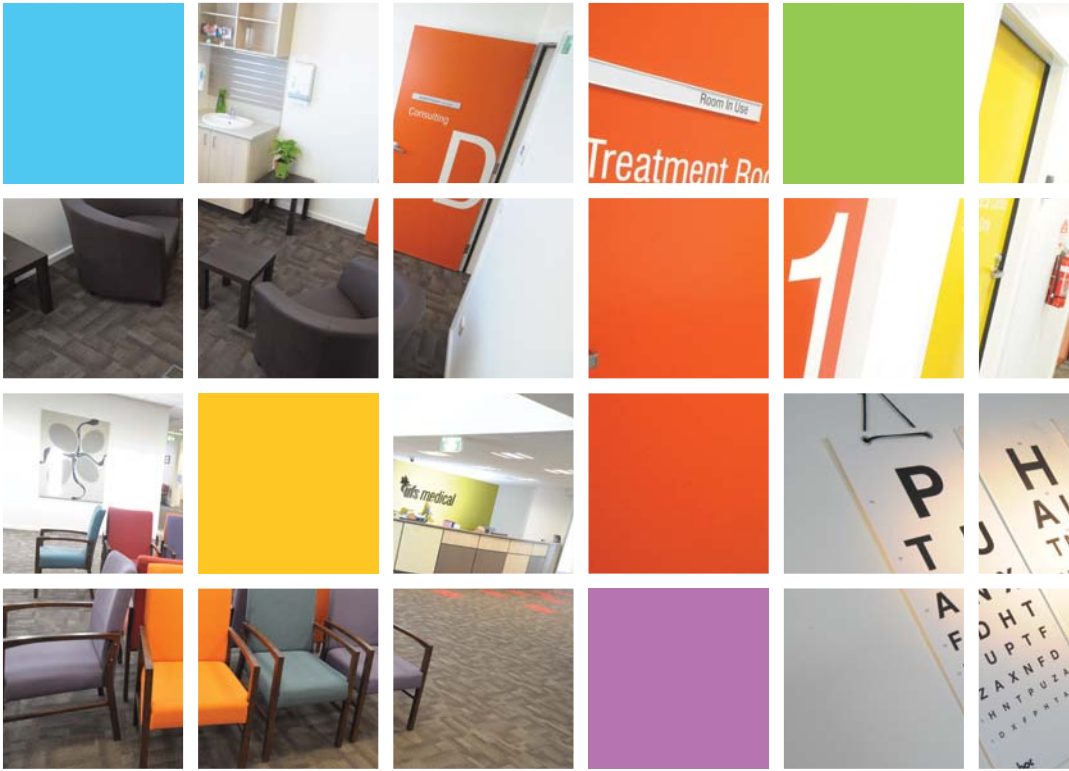
Bruce R Judkins
Audit Partner

21 Armstrong Street North, Ballarat, Vic

Dated this 19th day of October 2011



Photos taken by Murray Stevens (1960s).



PHARMACIES

Bacchus Marsh
25-27 Grant St
(03) 5367 2134

Ballan
129 Inglis St
(03) 5368 1232

Ballarat
717 Sturt St
(03) 5331 9811
40 Bridge Mall
(03) 5327 0400
69 Victoria St
(03) 5333 1959

Beaufort
62-64 Neill St
(03) 5349 2504

Buninyong
316 Learmonth St
(03) 5341 2121

Delacombe
830 Latrobe St
(03) 5336 0100

Golden Point
515 Main Rd
(03) 5331 4806

Melton Central
415-429 High St
(03) 9743 9080

Melton South
11 Station Rd
(03) 9743 3533

Mt Clear
Midvale Shopping Centre
(03) 5330 2644

Sebastopol
56 Albert St
(03) 5336 0455

Skipton Depot
17 Montgomery St
(03) 5340 2105

Tarneit
939 Sayers Rd
(03) 8742 7255

Wendouree
1207 Howitt St
(03) 5339 6933

Willaura Depot
63 Main St
(03) 5354 1373

MEDICAL CENTRES

UFS Medical
Level 1, 40 Bridge Mall
Ballarat
(03) 5327 0420
202 Doveton St
Ballarat
(03) 5364 9100
1008A Sturt St
Ballarat
(03) 5331 2522

OTHER BUSINESSES

Peace & Quiet
719 Sturt St, Ballarat
(03) 5332 1694
Cherub Cards & Gifts
727 Sturt St, Ballarat
(03) 5333 3611