

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

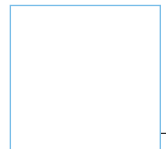
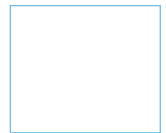
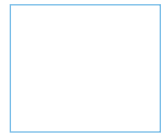
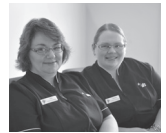
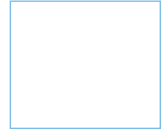
Embracing and utilising technological advancements to improve our customer service and organisational efficiency while increasing employee job satisfaction. Investing in facilities that members will be pleased and proud to use while providing a stable and growing capital resource base.

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: Ms J.M. Rivett *B.A LLB GAICD*
 Directors: Mr G. Dixon *Dip.Bus, B.Bus, CPA FCIS*
 Mr I.G. Schrader
 Mrs P.B Baker
 Mrs A.J. Small *PhC Mat.Med*
 Mr A.A. Howard *Grad.Dip.Admin*
 Dr P.D. Martin *MBBS DRCOG*
 Mrs P.L. Clark *CPA Grad.Dip.CSP MAICD*



(L-R) Jacinta Rivett (Chairman), Paul Martin, Anne Small, Pauline Baker, Peta Clark, Andrew Howard, Graeme Dixon, Ian Schrader

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>
Chief Pharmacist	Mr Bobby Mehta <i>MRPharmS CICPM CIMDM IPresc</i>
Purchasing & Logistics Manager	Mr Greg Harbridge
Senior Product Manager	Mrs Trudy Cuttler <i>Dip.Mgt</i>
Product Manager	Ms Karyn Cody
Product Manager	Mrs Angela Lawler <i>Adv.Dip.Bus.Mgt</i>
Product Manager	Mr Jason Stevens
Marketing & Development Manager	Mr Matthew Vallance <i>B.Mgt (Marketing)</i>
Membership Officer	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>
Employee Services Officer	Ms Nikita Barnsley
Chief Financial Officer	Mr Tyrone McCuskey <i>CPA GAICD</i>
Financial Accountant	Ms Janine Howes <i>B.Bus.Acc</i>
Financial Accountant	Mrs Julie Hawkins <i>B.Bus.Acc CPA Grad.Dip.Ed</i>
Payroll Coordinator	Mr Angus Diamond
Accounting Assistant	Mrs Leeona McGuane
Accounting Assistant	Mrs Pam Connor
Accounting Assistant	Mr Peter Mucenieks <i>Ass.Dip.Accounting</i>
Accounting Assistant	Miss Verity Savage
Accounting Assistant	Mrs Megan Nebozuk
Accounting Assistant	Mrs Amy Glover
IT Systems Engineer	Mr Robert Schenk <i>Grad.Dip.Computing Grad.Dip.Bus Dip.Com.Prog</i>
Systems Improvement Officer	Mr Mark Thornton <i>B.Comp Dip.Proj.Mgt Dip.Sus</i>
IT Support Officer	Mr Dean Franken <i>B.IT</i>
IT Support Officer	Mr Leo Cartwright <i>BA(Hons) Business Studies</i>
Facilities & Administration Manager	Mr Chris Martin <i>B.Bus Dip.Proj.Mgt Dip.Sus</i>

Management at 30 June 2013

Pharmacies

Bacchus Marsh Pharmacy

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

Ballan Pharmacy

Manager Mr Lee Scullion *M.Pharm. M.P.S MRPharmS*
Acting Retail Coordinator Ms Sarah Bouvet

Beaufort Pharmacy

Manager Mr Mandeep Matharu *B.Pharm(Hons), IPresc, CICPM, CIMDM*
Retail Coordinator Ms Samantha Duggan

Bridge Mall Pharmacy

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

Buninyong Pharmacy

Manager Mrs Katherine John *B.Sc(Hons) Pharmacy AACPA Dip.Mgt*
Retail Coordinator Ms Kathy Cartledge

Delacombe Pharmacy

Manager Mrs Amanda Rushton *B.Pharm. M.P.S Dip.Mgt. Adv.Dip.Bus.HR*
Retail Coordinator Ms Jeni Goodman

Doveton Street Pharmacy

Manager Mr Pick-Yaw Lai *B.Pharm. (Hons) M.P.S AACPA*
Retail Coordinator Ms Nicole Mason

Golden Point Pharmacy

Manager Ms Sandra Assaad *B.Sc B.Pharm. M.P.S*
Retail Coordinator Ms Terri Sosinski

Melton Central Pharmacy

Manager Ms Sarah Lum *B.Pharm(Hons) M.P.S, Grad Cert Wound Care, Grad Cert Pharm Prac, AACPA*
Retail Coordinator Mrs Nil Fagalilo

Melton South Pharmacy

Manager Mr Victor Van *B.Pharm. M.P.S*
Retail Coordinator Ms Alyssa Ethernon

Mt Clear Pharmacy

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

Sebastopol Pharmacy

Manager Mr Matthew Chester *B.Pharm. M.P.S Adv.Dip.Bus.HR*
Retail Coordinator Mrs Jenny Cameron

Sturt Street Pharmacy

Manager Mr Peter Fell *B.Pharm M.P.S*
Retail Coordinator Mrs Michelle Bennetts / Ms Myree Bolton

Tarneit Pharmacy

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

Victoria Street Pharmacy

Manager Mr Stewart Sheriff *B.Pharm M.P.S*
Retail Coordinator Miss Caitlin Raftery

Wendouree Pharmacy

Manager Mrs Megan Barratt *B.Pharm. M.P.S, Dep. Mgt*
Retail Coordinator Mrs Linda Cowan



UFS Medical

Practice Manager
Deputy Practice Manager
Practice Coordinator, Bridge Mall
Practice Coordinator, Doveton St
Practice Coordinator, Sturt St
GP Advisor
Clinical Nurse Advisor

Ms Talei Deacon *BSc (Biomed) Grad.Dip(HSM)*
Ms Michele Turner
Ms Katrina O'Keefe
Ms Michele Turner
Mrs Jenny Odgers
Dr Tony Bongiorno *MBBS DipRACOG*
Mrs Tamara Warland *RN Div1*
Mrs Gail Creanor *RN Div1*

Other Businesses

Cherub Cards & Gifts

Manager

Ms Nicky Cowley

Peace & Quiet

Manager

Ms Claire Stafford *Adv.Dip.B.Therapy Adv.Dip.Mgt Adv.Dip.Bus.HR*

Warehouse

Manager

Mr Stephen O'Dea

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

1/202 Doveton St Nth
(03) 5364 9160

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

1/40 Bridge Mall, Ballarat
(03) 5327 0420

202 Doveton St Nth, 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



I am pleased to present the Annual Report on behalf of the Board in my inaugural year as Chairman.

UFS is very proud of its long history and sustaining our operations and services for our members and community is at the very core of what we do. This year has seen the introduction of some new and significant challenges to UFS Dispensaries as Government changes to the PBS pricing policy impacts our bottom line in pharmacy. UFS is involved in the campaigning to address the serious impacts of the changes, which occurred without the required consultation agreed with Government. These changes have created pressure on our pharmacy business which will continue and we are firmly focused on reducing costs, increasing revenue and servicing our pharmacy patients with the best support and advice – this is the way in which UFS will continue to thrive.

We have renewed focus upon pharmacist training and service provision to patients, ably enabled by our new Chief Pharmacist Bobby Mehta and Operations Manager Tony Diamond. This approach has been eagerly undertaken by our pharmacists who are keen to cement their critical role in patient health and to carry on providing the highest possible standard of care.

We were excited to open a new pharmacy in February, situated within our Doveton Street Medical Centre, as well as welcoming some additional allied health services within the Centre, allowing us to expand the provision of our exceptional healthcare. We are now operating 16 pharmacies, 3 medical centres, our Peace and Quiet wellbeing centre, Cherubs Gifts and Treloars Coffee House. In addition to this, we have a 3 year contract to manage four Melbourne-based Friendly Society pharmacies under the UFS banner.

The continuing growth of UFS has seen the implementation of a systems and process improvement project in order to provide the platform we need to function more efficiently and to better measure the performance of our business, which is imperative. A project of this scale and impact requires great engagement and enthusiasm from our staff and it is wonderful to see this forthcoming as the project continues to ramp up.

There were more awards and accolades this year, with our two pharmacies in Melton inducted into the Hall of Fame after four consecutive years of winning the Melton Business Excellence Awards. Peace & Quiet was again awarded an ASPA Award for Excellence with Claire Stafford named Australia's Best Day Spa Manager for 2012. These fantastic achievements are to be congratulated.

We are continuing to engage with our community and respond to health and wellbeing needs and initiatives and are proud of our continued support of worthy causes, including a generous donation of \$5000 towards the redevelopment of Nazareth House and sponsorship of the inaugural Run Ballarat, which raised significant funds for the Children's Ward at Ballarat Health Services.

On behalf of the Board I would like to acknowledge the leadership of our CEO, Lynne McLennan, for her efforts in leading the organisation in these challenging times. All UFS Dispensaries' staff must be recognised for their continued excellent performance in the midst of change and increasing activity. The people at UFS make up the heart and soul of the organisation and it is a privilege to work with people so dedicated at all levels of the organisation and who take such pride in what they do.

I would also like to recognise my fellow Directors for their contribution and support during the year, particularly my fellow Director Peta Clark, from whom I took over the Chairman's role in December. We are all resolute in ensuring the continued success of UFS for the benefit of our members and the community and are focused on good governance in order to achieve this.

Jacinta Rivett
Chairman

Chief Executive Officer's Report



As predicted, the pharmacy business has become increasingly challenging over the last twelve months,

as the impact of the Commonwealth Government policy changes has become clearer. UFS is now particularly focussed on reducing costs and increasing revenue in a funding climate that is likely to see many community pharmacies across Australia cease trading unless the Government acts to address this issue.

The impact of the bleak outlook for pharmacy is already impacting our balance sheet causing an accounting write-down of the carrying value of several pharmacies purchased over the last ten years. Whilst the underlying basis of our business remains sound, the downturn in projected profit for these pharmacies over the next five years due to Government policy change has triggered this asset value adjustment.

While this environment provides significant challenges for all in the pharmacy industry, UFS is taking the opportunity to pursue our strategic goal of positioning our pharmacies as health destinations as the key direction to ensure sustainability. We are in the process of reshaping our pharmacies to have a heightened emphasis on the delivery of professional services both in store and in-home, enhanced customer interaction, a more targeted complementary health offer, and less reliance and presence of non-pharmacy specific retail goods. Our emphasis first and foremost will be on ensuring our pharmacists, their skills and training are at the heart of our pharmacies.

Again, on the positive side, our Medical Centres are continuing to provide growing member benefits and we have been extremely fortunate to be able to recruit some excellent GPs from overseas to replace a number of our retiring GPs. These doctors come to us with outstanding

clinical credentials and we are very appreciative of their willingness to join UFS at a time when recruitment of Australian trained graduates is almost impossible. UFS is continuing our commitment to training local GPs with extensive involvement in medical student and registrar training. However, the "pipeline" for GP training is a very long one!

I would like to express our appreciation to our local Ballarat Federal Member Catherine King who has provided significant assistance to us in our efforts to recruit new GPs.

We reluctantly farewelled Dr Bessie Yamba who relocated to NSW due to her husband's employment, however we were pleased to welcome Dr Ras Amarasekera to replace her.

In the last twelve months we also welcomed Bobby Mehta as the new Chief Pharmacist, replacing the redoubtable Colin Dorn. In addition, we have welcomed Peter Fell as Pharmacy Manager at Sturt St, Mandeep Mathuru as Manager at Beaufort and Sarah Lum as Manager at Melton Central. Former Melton Central Pharmacy Manager, Doug Prentice has transferred to a new position at Bacchus Marsh, managing Dose Administration Aids for our nursing home and home-bound patients. Congratulations are also due to Pick Yaw Lai who was appointed Manager of our newest pharmacy at the Doveton St Medical Centre. This centre opened in February, and is proving very popular with patients and the general public. Due to a restructure of our purchasing and warehouse function, Greg Harbridge was appointed to a newly created position of Purchasing and Logistics Manager, and brings significant commercial expertise to this role.

In the central office, we have commenced implementation of a new Point Of Sale package, Pronto, which we expect will provide substantial advantages over our previous system which we have now outgrown due to our growth in pharmacy numbers over recent years.

I would like to thank the staff at UFS for continuing to work cheerfully and collaboratively through a long and complex change process that will ensure UFS Dispensaries is able to continue to thrive and serve our members' interests for many years to come.

Lynne McLennan
Chief Executive Officer

The Year in Review 2012/2013

UFS Pharmacies Join Melton 'Hall of Fame'

After four consecutive years of winning the Melton Business Excellence Awards (Best Retail Business), our two UFS Pharmacies in Melton were inducted into the Hall of Fame in April. In 2011 UFS was also named Business of the Year to the delight of management and staff.

Peace & Quiet Wins Prestigious 'Best Spa Manager' Award

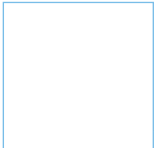
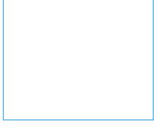
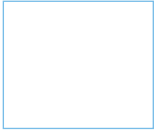
The Australasian Spa Association named Ms Claire Stafford winner of the Best Spa Manager Award for 2012. The prestigious honour was awarded to Claire at the Annual ASPA conference in Sydney in September 2012.

Peace & Quiet has been the recipient of ASPA awards in consecutive years including Best Day Spa and Best Spa Therapist (Heather Fyfe) in 2011, Best Rural Day Spa in 2010 and Employer of Choice in 2008.



UFS Sponsors Inaugural Run Ballarat

UFS jumped at the chance to become a partner in the inaugural Run Ballarat event in October. The Cotton On Foundation's reputation as executing a quality community event in Geelong preceded them and UFS understood the implications this event would have on Ballarat and the beneficiary – the Children's Ward of the Ballarat Hospital. The event attracted 4,266 participants and raised \$167,792 in its first year.



UFS Supports Nazareth House

UFS made a generous donation of \$5,000 towards the Nazareth Care's 'Building for the Future' Appeal. The appeal has resulted in significant progress in stage one of an 85-bed development on Lake Wendouree. UFS Dispensaries' Chairman Ms Jacinta Rivett and CEO Ms Lynne McLennan presented the cheque in January 2013.



New Pharmacy at Doveton Street Medical Centre

Minor refurbishments were undertaken at the Doveton Street UFS Medical Centre to accommodate a new pharmacy. The pharmacy was officially opened on 12 February 2013 by Mayor John Burt. The pharmacy occupies only a small footprint, but offers efficient script assembly with the inclusion of a Consis dispensing machine. Mr Pick Yaw Lai was appointed Manager.



Local Family Wins Trip to Bali

The Kondaji family of Black Hill were the recipients of winning the 'Escape to Bali' holiday promotion conducted in August. Jetset Ballarat owner Ms Nicole King and UFS CEO Ms Lynne McLennan presented the family with their prize.



Kora Night Brings Miranda Kerr's Mother to Ballarat

UFS was excited to host Theresa Kerr (mother of international supermodel Miranda Kerr) while she visited Ballarat to comperne an exclusive Kora Organics evening for UFS customers. The event was held at St Patrick's College OCA Pavilion on 22 August 2012. Over 120 people enjoyed their 'girls night out' sampling Kora products, performing facials and sampling refreshments.



UFS Gets Tech Savvy Online

UFS launched a new website with the feature of being able to subscribe to receive the latest news, promotions and offers via text message or email. Similarly a new feature was introduced allowing members to update their own membership data online at any time.

UFS Backs Best O' Lake Initiative

UFS lent its support to the Best O' Lake initiative and vision for a healthier and more active community by assisting in the purchase of the personal trackers given to participants on registration. Best O' Lake provides the opportunity to improve health and fitness via a microchip timed 6km walk, jog or run around Lake Wendouree. Participants compete against their previous personal best, seeking personal improvement in their fitness over an extended period of time.

UFS Invests in Internal Systems

UFS made a significant decision to invest in the development of our own internal systems by implementing a new point of sale system. The current system is over ten years old and has been superseded by improvements in recent years. The new system will ensure better accuracy of information flow between sites and more detailed reporting for decision making. It is envisaged the new system will be fully implemented by early 2014.

UFS takes on the Global Corporate Challenge

UFS began the Global Corporate Challenge (GCC) in May 2013 with a plethora of teams from pharmacy, medical centres, central office and warehouse competing against one another all in the name of healthy living and exercise. The 12 week challenge engaged and motivated staff to become more active each day and ignited some friendly competition between business units!

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 2012/2013.

Total value of sponsorship and donations for the 2012/2013 period was **\$35,535.16**.

Major Sponsorships

Matthew Wiltshire
WestVic Academy of Sport
Nazareth House
Ballarat Vocational Arts Association
Commerce Ballarat Business Excellence Awards
United Way Business Professionals Breakfast
Royal South Street Society
Best O' Lake Program
Run Ballarat

Sponsorships

Baby & Children's Expo 2012
Mount Wallace Table Tennis Club
Australian Garden History Society
Ballarat Regional Multi-Cultural Council
Octobra
Phoenix P-12 College
Ballan Primary School
Rokewood Corindhap Football/Netball Club
Girls Night In (Midlands Golf Club)
Ballarat Rotary Club (Springfest)
Buninyong Anglican Church
McCallum Disability Services
Loreto College Rowing Club
Leadership Ballarat & Western Region
St Patricks College Ballarat
3BA Christmas in July Appeal
Ballarat Arts Association
Highlands LLEN VETIS Cluster Awards
Wendouree Men's Probus Club

Avenue Bowling Club
1st Mt Clear Scouts
Ballan District Arts & Crafts
Ballarat Sports Foundation
Ballarat Mother's Day Classic
YMCA's International Women's Day Breakfast
Buninyong Film Festival
Oxfam 100km Walk/Run
Buninyong Football/Netball Club
Ballarat Table Tennis Association
Support4Cancer
Skipton Photographic Club
Mount Helen Pre School
Ballarat Agricultural & Pastoral Society
St Aloysius & Lumen Christi Gala Ball 2013
Blokcs Biggest Ever BBQ
KIDS Foundation

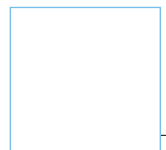
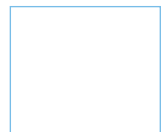
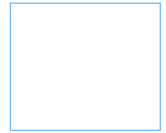
Donations

3BA Christmas in July Appeal
Mounties Baseball Club
Iris Ramsay Kinder
Victoria Park Soccer Club
Ballarat Masters Football Club
Bacchus Marsh Pony Club
World Challenge
Linton District Bowling
Cerebral Palsy Support Network
Redan Lions Football/Netball Club
Buninyong Pre School
Ballarat Sheep Show
Phoenix Basketball Club Inc
Ballan Primary School
Ballarat Pink Phoenix
Heart Kids
Sebastopol Childcare Centre
Mount Clear Primary School
Miners Rest Lions Club
Invermay Primary School

Lake Bolac Bowling Club
 SM & W Rovers Football/Netball Club
 Donna Cooke's Cancer Fighting Trivia Night
 Ballarat Lutheran Church
 Canteen Cancer Support
 Sebastopol Primary School
 Pedal Power for Sick Kids
 Vivacious Women's Conference
 Heartfelt Charity Family Fun Day
 Eat So They Can
 SOS Survivors Of Suicide
 Ballarat & Queen's Anglican Grammar School
 The Anglican Parish of St Matthew's Wendouree
 Ballarat Multiple Sclerosis Support Group
 Ballarat Hospice
 Ballarat Memorial Sports
 Cancer Council of Australia
 Elevale Church
 Drummo Dragons Basketball Club
 Bacchus Marsh Soccer Club
 Brown Hill Kindergarten
 Relay for Life
 Ballarat's Association Branch
 Nazareth Care Ballarat
 Good Friday Appeal
 Buninyong CFA
 Ballarat Redan Cricket Club
 Girls Night In 2012
 Lasting Standards Aged Care Service
 Friends of the Melton Botanic Garden
 Forest Street Primary School
 St Michaels Primary School
 Ballarat Cruisers Present
 Navigators Tennis Club
 Rokewood Kindergarten
 Black Hill Primary School

McGrath Foundation
 Skipton Primary School
 RSL Buninyong
 Willaura Hospital Auxillary
 Skipton Rose and Iris Festival
 Beaufort and Skipton Health Services
 Trawalla Primary School
 Bacchus Marsh Pre school
 National Breast Cancer Foundation
 Mt Clear Secondary College
 Blackwood Progress Association
 Victorian Brumby Association
 Karden Disability Support Foundation
 Beaufort Ranger Guides
 Pleasant Street Primary School
 Ballan Farmers Market
 Sutton Park Assisted Aged Care
 Rotary Club of Bacchus Marsh
 Mt Clear Kindergarten
 Luekaemia Foundation
 Country Music Association of Victoria
 Cerebral Palsy Education Centre
 Faull's Shoes
 Australian Red Cross
 Invermay Primary School
 Peter MacCullum Cancer Centre
 Ovarian Cancer Australia
 Royal Children's Hospital
 Marfan Association Victoria
 Damascus College Ballarat
 St Vincents de Paul Society
 Canadian Lead Primary School
 Ballarat and District Aboriginal Co-Op
 Down Syndrome Victoria
 Home Residential Care
 Modellers of the Ballarat Club
 Jaida's Charity Ball
 Loreto College Ballarat
 Eureka Gymnastics Club

Smeaton Bowling Club
 Guiding Star Lodge
 Beaufort Nursing Home
 Ballarat Goju Ryu Karate Club
 Australia's Biggest Morning Tea
 National Servicemans Association
 Woody-Yaloak Primary School
 St Aloysius Primary School
 Myrmiong Primary School
 Rowan View Pre School
 Invermay Primary School
 Waubra Football Club
 Skipton Pre-School
 Lexton Public Hall
 Ballarat Roller Derby
 Caledonian Primary School
 Talbot Football/Netball Club
 St Mary's Primary School
 Ballarat Pink Phoenix
 University of Ballarat
 Lake Wendouree Football/Netball Club
 Eureka Stockade Dance
 Camgham Linton Football Club
 Ballarat Pink Phoenix
 Melton South Primary School
 Gordon Football/Netball Club
 Ballarat Hospice
 Lakeside Anglers Club
 Ballarat Centre of Music and the Arts
 Ballarat & Clarendon College
 Phoenix Community College
 Haddon Early Education Services
 Linton and District Progress Association
 Bacchus Marsh Bias Bowls Association
 Lexton Football/Netball Club
 Helping Cambodians Help Themselves (HCHT Inc.)



Directors' Report

Your directors present their report on the company for the financial year ended 30 June 2013.

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

Ms Jacinta M Rivett
Dr Paul Martin
Mrs Peta L Clark
Mrs Anne J Small
Mr Ian G Schrader
Mrs Pauline B Baker
Mr Andrew A Howard
Mr Graeme H Dixon

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 17th 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 loss of the company for the financial year after providing for income tax amounted to \$2,802,274 (\$884,523 profit for the 2012 year).

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, and 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.

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 non-audit services to the company during the year \$7,100 (2012 - \$14,700). The auditor's independence declaration appears on page 17 and forms part of the Directors' report for the year ended 30 June 2013.

Ms Jacinta M Rivett

Qualifications

Experience

Special Responsibilities

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.

As Chairman of the Board, Ms Rivett is an ex-officio member of all Board Committees.

Dr Paul D Martin

Qualifications

Experience

Special Responsibilities

Deputy Chairman

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.

Mrs Peta L Clark

Qualifications

Experience

Special Responsibilities

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 a broad experience in community based organisations.

Member Remuneration and Business Development Committees.

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, and managed the Bridge Mall store for over twenty years, and in total has spent over forty years practising as a pharmacist. Most recently Mrs Smail had been employed by the Ballarat Division of General Practice and was a Home Medication Management Review Facilitator.

Special Responsibilities

Member Audit and Remuneration Committees.

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 management duties, Mr Schrader owned and operated his own printing company.

Special Responsibilities

Member Audit 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 15 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 Columba's Primary School Board for 4 years (two as Chairman) and was the Chair of the 2003 Ballarat Health Awards.

Special Responsibilities

Chairman of Business Development Committee.

Mr Graeme H Dixon

Qualifications

Dip Business; Bachelor Business; CPA and FCIS

Experience

Appointed to the Board in 2011. Mr Dixon has 36 years of corporate finance/accounting/treasury and company secretarial experience. Mr Dixon is currently the General Manager of several businesses located in Australia and Asia. Mr Dixon has held directorships in a number of Australian and Asian companies and is a member of the Finance, Audit and Risk Management Committee of the Committee for Ballarat.

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
JM Rivett	5 (6)	6 (6)
PD Martin	5 (6)	6 (6)
PL Clark	6 (6)	6 (6)
AJ Smail	6 (6)	5 (6)
IG Schrader	6 (6)	5 (6)
PB Baker	5 (6)	4 (6)
AA Howard	4 (6)	6 (6)
GH Dixon	4 (6)	3 (6)

Signed in accordance with a resolution of the Board.



JM Rivett
Chairman



PD Martin
Chairman: Audit Committee

Dated this 10th day of October 2013

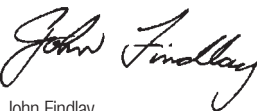
Auditor Independence Declaration Under S307C of the *Corporations Act 2001* to the Directors of UFS Dispensaries Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2013 there have been:

- 1) No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- 2) No contraventions of any applicable code of professional conduct in relation to the audit.

CH

CROWE HORWATH WEST VIC



John Findlay
Partner
Ballarat Victoria

Dated this 10th day of October 2013

Consolidated income statement for the year ended 30 June 2013

	Note	2013 \$	2012 \$
INCOME			
Revenue	2	62,049,947	62,842,519
Other Income	2	186,988	595,555
Changes in Inventories		109,945	(676,299)
Purchases		(33,439,314)	(34,452,747)
Employee Benefits Expense		(17,801,224)	(16,430,036)
Depreciation		(1,003,796)	(975,610)
Finance Costs		(893,301)	(1,060,240)
Other Expenses		(8,394,111)	(8,196,163)
Impairment of Non Current Assets		(3,617,408)	(762,456)
PROFIT BEFORE INCOME TAX	3	<u>(2,802,274)</u>	884,523
Income Tax (Expense) / Benefit		0	0
PROFIT FOR THE YEAR		<u>(2,802,274)</u>	884,523
PROFIT ATTRIBUTABLE TO MEMBERS		<u>(2,802,274)</u>	884,523

Consolidated statement of comprehensive income for the year ended 30 June 2013

	Note	2013 \$	2012 \$
PROFIT (LOSS) FOR THE YEAR		(2,802,274)	884,523
Other Comprehensive Income:			
Net Gain/(Loss) on Revaluation of Land and Buildings		220,667	340,032
Net Gain/(Loss) on Revaluation of Financial Assets		8,702	4,747
Other Comprehensive Income for the Year, Net of Tax		229,369	344,779
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(2,572,905)	1,229,302
Total Comprehensive Income Attributable to:			
Members		(2,572,905)	1,229,302

Statement of financial position as at 30 June 2013

	Note	2013 \$	2012 \$
CURRENT ASSETS			
Cash and Cash Equivalents	6	665,705	3,944,620
Receivables	7	2,567,814	2,339,757
Inventories	8	4,676,649	4,566,704
Other Assets	9	221,279	184,074
TOTAL CURRENT ASSETS		8,131,447	11,035,155
NON-CURRENT ASSETS			
Investments	10	61,145	48,713
Property, Plant and Equipment	11	21,088,940	20,505,999
Intangible Assets	12	6,371,206	9,928,614
TOTAL NON-CURRENT ASSETS		27,521,291	30,483,326
TOTAL ASSETS		35,652,738	41,518,481
CURRENT LIABILITIES			
Payables	13	5,474,837	5,006,704
Borrowings	14	9,397,350	5,100,000
Current Tax Liabilities	15	(938)	(938)
Provisions	16	2,016,721	1,814,065
Other Liabilities	17	227,516	215,297
TOTAL CURRENT LIABILITIES		17,115,486	12,135,128
NON-CURRENT LIABILITIES			
Borrowings	14	0	8,387,350
Deferred Tax Liabilities	15	(19,385)	(39,552)
Provisions	16	655,072	567,649
Other Liabilities	17	35,389	28,825
TOTAL NON-CURRENT LIABILITIES		671,076	8,944,272
TOTAL LIABILITIES		17,786,562	21,079,400
NET ASSETS		17,866,176	20,439,081
EQUITY			
Reserves		3,357,342	3,127,973
Retained Earnings		14,508,834	17,311,108
TOTAL EQUITY		17,866,176	20,439,081

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

Statement of changes in equity for year ended 30 June 2013

	Retained Earnings	Asset Revaluation Reserve	Total
	\$	\$	\$
Balance at 1 July 2011	16,406,774	2,783,194	19,189,968
Total Comprehensive Income for the Year	904,334	344,779	1,249,113
Transfer of Revaluation Surplus	0	0	0
Balance as 30 June 2012	17,311,108	3,127,973	20,439,081
Balance at 1 July 2012	17,311,108	3,127,973	20,439,081
Total Comprehensive Income for the Year	(2,802,274)	229,369	(2,572,905)
Transfer of Revaluation Surplus	0	0	0
Balance as 30 June 2013	14,508,834	3,357,342	17,866,176

Statement of cash flows for year ended 30 June 2013

	Note	2013 \$	2012 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers		61,718,390	63,236,009
Other Receipts Received		144,470	682,896
Payments to Suppliers and Employees		(58,790,479)	(59,784,038)
Dividends Received		3,014	3,767
Interest Received		72,732	79,630
Finance Costs		(893,301)	(1,060,240)
Net Cash Provided by (Used in) Operating Activities	19	2,254,826	3,158,024
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sale of Property, Plant and Equipment		43,069	71,272
Purchase of Investments		0	0
Purchase of Property, Plant and Equipment		(1,426,810)	(374,503)
Purchase of Business and Licences		(60,000)	(45,000)
Net Cash Provided by (Used in) Investing Activities		(1,443,741)	(348,231)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Borrowings		(4,090,000)	(581,666)
Net Cash Provided by (Used in) Financing Activities		(4,090,000)	(581,666)
NET INCREASE/(DECREASE) IN CASH HELD		(3,278,915)	2,228,127
Cash at Beginning of Financial Year		3,944,620	1,716,493
Cash at End of Financial Year	6	665,705	3,944,620

Notes to the financial statements for year ended 30 June 2013

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Notes to the financial statements for year ended 30 June 2013

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 1st 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 2013

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 2013

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 2013

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.

Notes to the financial statements for year ended 30 June 2013

Stage 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.

Impairment of \$3,617,408 has been recognised in respect of goodwill at the end of the reporting period (\$762,456 for the 2012 year). Using a market valuation approach, all pharmacies carrying a goodwill component were tested for impairment using a capitalisation rate of 18%.

(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 2013

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

(ii) Available-for-Sale Financial Assets

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

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

(iii) Financial Liabilities

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

Notes to the financial statements for year ended 30 June 2013

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	2013	2012
		\$	\$
Sale of Goods		56,588,564	57,780,355
Services Revenue		3,961,913	3,457,566
Dividends Received & Franking Credits	2a	3,014	3,767
Interest Received	2b	72,732	79,630
Other Revenue		1,423,724	1,521,201
Total Revenue		62,049,947	62,842,519
Other Income		191,389	586,597
Net Gain/(Loss) on Disposal of Property, Plant & Equipment		(4,401)	8,958
Total Other Income		186,988	595,555
a. Dividend Revenue From:			
Other Corporations		3,014	3,767
b. Interest Revenue From:			
Other Entities		72,732	79,630
TOTAL REVENUE		62,236,935	63,438,074

Notes to the financial statements for year ended 30 June 2013

NOTE 3: PROFIT BEFORE INCOME TAX

	2013	2012
	\$	\$
Expenses		
Cost of Sales	33,329,369	35,129,047
Finance Costs	893,301	1,060,240
Impairment of Non Current Assets	3,617,408	762,456
Depreciation	1,003,796	975,610
Rent Expenses	560,820	570,102
Legal Costs	12,517	15,651
Remuneration of Auditor : Audit Services	49,000	39,000
Remuneration of Auditor : Accounting Services	7,100	14,700
Wages	15,170,641	13,865,280
Superannuation Expense	1,365,588	1,330,821
Key Management Personnel Wages	1,247,896	1,085,394

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% (2012: 30%)	0	265,357
------------------------------------------------------------------------	---	---------

Add:

Tax effect of:		
Depreciation of buildings	(1,662)	(1,897)
Franking credits received	387	484
Other non-allowable items	695,149	350,365
Absorption costing adjustments	(52,908)	(23,446)

Less:

Tax effect of:		
Rateable fully franked dividends	(387)	(484)

Non assessable income

	640,579	590,379
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Income Tax Expense	0	0
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c. Tax effect relating to other comprehensive income:

Deferred Tax	(20,167)	55,909
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Notes to the financial statements for year ended 30 June 2013

NOTE 5: REMUNERATION AND RETIREMENT BENEFITS

	Short-term Benefits	Post- employment Benefits
2013		
Directors	105,301	5,943
2012		
Directors	102,059	7,024

NOTE 6: CASH AND CASH EQUIVALENTS

	2013	2012
	\$	\$
Cash at Bank and on Hand	660,977	1,451,453
Bank Deposits at Call	4,728	2,493,167
TOTAL CASH AND CASH EQUIVALENTS	665,705	3,944,620

NOTE 7: RECEIVABLES

Trade Debtors	1,241,714	1,121,799
Accrued Income	173,847	197,172
Other Debtors and Receivables	1,152,253	1,020,786
TOTAL RECEIVABLES	2,567,814	2,339,757

NOTE 8: INVENTORIES

Finished Goods	4,676,649	4,566,704
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NOTE 9: OTHER ASSETS

Prepayments	221,279	184,074
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NOTE 10: INVESTMENTS

Market Value of Shares in Listed Corporations	61,145	48,713
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Notes to the financial statements for year ended 30 June 2013

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	2013	2012
	\$	\$
LAND AND BUILDINGS		
Land		
Freehold Land at Valuation	7,275,770	7,275,770
Buildings		
Buildings at Valuation	9,591,004	9,410,695
Less Accumulated Depreciation	0	0
Total Land and Buildings	<u>16,866,774</u>	<u>16,686,465</u>
Plant and Equipment		
Plant and Equipment at Cost	9,611,730	8,546,214
Less Accumulated Depreciation	(5,389,564)	(4,726,680)
Total Plant and Equipment	<u>4,222,166</u>	<u>3,819,534</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	<u>21,088,940</u>	<u>20,505,999</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 2011	7,275,770	9,249,470	4,344,811	20,870,050
Additions	0	32,476	342,027	374,503
Disposals	0	0	(62,314)	(62,314)
Net transfers between classes	0	0	17,280	17,280
Revaluation Increments/(Decrements)	0	282,089	0	282,089
Depreciation Expense	0	(153,340)	(822,270)	(975,610)
Balance at 30 June 2012	<u>7,275,770</u>	<u>9,410,695</u>	<u>3,819,534</u>	<u>20,505,999</u>
Additions	0	97,494	1,329,318	1,426,812
Disposals	0	0	(53,010)	(53,010)
Net transfers between classes	0	0	(29,710)	(29,710)
Revaluation Increments/(Decrements)	0	242,645	0	242,645
Depreciation Expense	0	(159,830)	(843,966)	(1,003,796)
Balance at 30 June 2013	<u>7,275,770</u>	<u>9,591,004</u>	<u>4,222,166</u>	<u>21,088,940</u>

Notes to the financial statements for year ended 30 June 2013

NOTE 12: INTANGIBLE ASSETS

	2013	2012
	\$	\$
Goodwill at Cost	10,651,672	11,035,570
Accumulated Impairment Losses	(4,280,466)	(1,106,956)
Net Carrying Value	6,371,206	9,928,614
 Reconciliation of Goodwill		
Balance at the Beginning of the Year	9,928,614	10,646,070
Additions	60,000	45,000
Impairment Losses	(3,617,408)	(762,456)
Closing Carrying Value	6,371,206	9,928,614

NOTE 13: PAYABLES

Trade Creditors	4,078,994	3,390,615
Sundry Creditors and Accrued Expenses	1,395,843	1,616,089
TOTAL PAYABLES	5,474,837	5,006,704

Notes to the financial statements for year ended 30 June 2013

NOTE 14: BORROWINGS

	2013	2012
	\$	\$
Current		
Bank Bills Secured	9,397,350	5,100,000
	9,397,350	5,100,000
Non-Current		
Bank Bills Secured	0	8,387,350
	0	8,387,350

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

a. Total current and non-current secured liabilities:

Bank Bills Secured	9,397,350	13,487,350
	9,397,350	13,487,350

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

Freehold Land and Buildings	16,303,116	16,124,790
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Equitable Mortgage

Listed Shares at Market Value	61,145	48,713
Freehold Land and Buildings	563,658	561,675
Plant and Equipment	4,222,166	3,819,534
Goodwill	6,371,206	9,928,614

Total Assets Pledged as Security	27,521,291	30,483,326
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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 2013

NOTE 15: TAX

	2013	2012
	\$	\$
Current Tax		
Income Tax	(938)	(938)
Non-Current Tax		
Deferred Capital Gains Tax on Freehold Land and Buildings	(35,630)	(52,067)
Deferred Capital Gains Tax on Listed Shares	16,245	12,515
Total Non-Current Tax	(19,385)	(39,552)

Reconciliations***Deferred Tax Liability***

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

Opening Balance	(39,552)	16,357
Tax Allowances Relating to Listed Shares	3,730	2,034
Tax Allowances Relating to Property	16,437	(57,943)
Closing Balance	(19,385)	(39,552)

NOTE 16: PROVISIONS

Opening Balance	2,381,714	1,979,397
Additional Provisions Raised During the Year	1,914,121	1,761,097
Amounts Used	(1,624,042)	(1,358,780)
Closing Balance	2,671,793	2,381,714

Analysis of Total Provisions

Current	2,016,721	1,814,065
Non-Current	655,072	567,649
TOTAL PROVISIONS	2,671,793	2,381,714

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 2013

NOTE 17: OTHER LIABILITIES

	2013	2012
	\$	\$
Current		
Membership Fees in Advance	227,516	215,297
Non-Current		
Membership Fees in Advance	35,389	28,825
TOTAL OTHER LIABILITIES	262,905	244,122

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	557,214	516,378
Later than One Year and Not Later than 5 Years	1,100,421	1,105,369
Later than 5 Years	0	109,812
Total	1,657,635	1,731,559

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 – Buninyong Medical Fitout	0	40,000
Construction Project – Pronto Software	470,000	0
Total Capital Commitments	470,000	40,000
Not Later than One Year	470,000	40,000
Total	470,000	40,000

Notes to the financial statements for year ended 30 June 2013

NOTE 19: CASH FLOW INFORMATION

	2013	2012
	\$	\$
(a) Reconciliation of Cash Flow from Operations with Profit After Income Tax		
Profit After Income Tax	(2,802,274)	884,523
Non-cash flows in profit		
Depreciation	1,003,796	975,610
Goodwill impairment	3,617,408	762,456
Net (gain)/loss on disposal of property, plant & equipment	4,401	(8,958)
Other asset write downs	29,710	(17,280)
Changes in assets and liabilities:		
(Increase)/decrease in Receivables	(228,057)	520,561
(Increase)/decrease in Inventories	(109,945)	676,299
(Increase)/decrease in Other Assets	(37,205)	(103,294)
Increase/(decrease) in Payables	468,133	(934,865)
Increase/(decrease) in Provisions	290,079	402,317
Increase/(decrease) in Other Liabilities	18,783	655
Net Cash Flows From Operating Activities	2,254,826	3,158,024

(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 2013 the company had drawn \$Nil of this facility (Nil for the 2012 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, and to the date of this report, which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Notes to the financial statements for year ended 30 June 2013

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			
					2013	2012	2013	2012		
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	%	%	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets										
Cash and cash equivalents	2.00	2.00	660,977	1,451,453	0	0	0	0	660,977	1,451,453
Deposits at Call	3.50	3.50	4,728	2,493,167	0	0	0	0	4,728	2,493,167
Investments	0	0	61,145	48,713	0	0	0	0	61,145	48,713
Receivables	0	0	2,567,814	2,339,757	0	0	0	0	2,567,814	2,339,757
Total Financial Assets			3,294,664	6,333,090	0	0	0	0	3,294,664	6,333,090
Financial Liabilities										
Bank Bills Secured	7.61	7.62	0	1,500,000	9,397,350	9,487,350	0	2,500,000	9,397,350	13,487,350
Bank Loan Secured	0	0	0	0	0	0	0	0	0	0
Payables	0	0	5,474,837	5,006,704	0	0	0	0	5,474,837	5,006,704
Total Financial Liabilities			5,474,837	6,506,704	9,397,350	9,487,350	0	2,500,000	14,872,187	18,494,054

Notes to the financial statements for year ended 30 June 2013

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:

	2013		2012	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	\$	\$	\$	\$
Financial Assets				
Shares in Listed Corporations	61,145	61,145	48,713	48,713
Loans and Receivables	2,567,814	2,567,814	2,339,757	2,339,757
	2,628,959	2,628,959	2,388,470	2,388,470
Financial Liabilities				
Bank Bills Secured	9,397,350	9,397,350	13,487,350	13,487,350
Bank Loan Secured	0	0	0	0
Trade and Other Payables	5,474,837	5,474,837	5,006,704	5,006,704
	14,872,187	14,872,187	18,494,054	18,494,054

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 2013 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 42, 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 2013 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.



JM Rivett
Chairman



PD Martin
Chairman: Audit Committee

Dated this 10th day of October 2013

Independent Auditor's Report to the Members of UFS Dispensaries Limited

Report on the financial report

We have audited the accompanying financial report of UFS Dispensaries Limited, which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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 whether the financial report is free from 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 company'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 Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

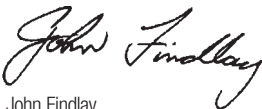
Opinion

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

- i. giving a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

CH

CROWE HORWATH WEST VIC



John Findlay
Partner
Ballarat Victoria

Dated this 10th day of October 2013