



2015/2016
**ANNUAL
REPORT**



We're here for you

www.ufs.com.au



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

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

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

- Focus on members
- Professional services
- Connected to our community
- High ethical standards
- Support our staff
- Lead innovation in health care
- Provide leadership in health solutions



Board of Directors

Chairman:	Mr A.A. Howard <i>Grad.Dip.Admin</i>
Directors:	Mr G. Dixon <i>Dip.Bus, B.Bus, CPA FCIS</i>
	Mr I.G. Schrader <i>MAICD</i>
	Mrs V. Fenelon <i>HDTs, M.Ed, MAICD</i>
	Ms G. Lyons <i>MBA, GAICD</i>
	Mrs J.M. Rivett <i>B.A LLB GAICD</i>
	Dr P.D. Martin <i>MBBS DRCOG</i>
	Mrs P.L. Clark <i>CPA Grad.Dip.CSP MAICD</i>



(L-R) Andrew Howard (Chairman), Virginia Fenelon, Graeme Dixon, Jacinta Rivett, Paul Martin, Peta Clark, Gina Lyons and Ian Schrader

Administration Staff

Chief Executive Officer:	Ms Lynne McLennan <i>B.Sc M.B.A. D.Univ(h.c.) FAICD</i>
Executive Assistant:	Mrs Mariska Pelchen

Operations Manager - Pharmacy:	Mr Tony Diamond <i>Dip.Mgt</i>
Operations Manager - Primary Care:	Ms Talei Deacon <i>BSc. (Biomed) Grad.Dip(HSM)</i>
Operations Coordinator:	Mrs Dianne Chillingsworth <i>Adv.Dip.Bus.HR</i>

Chief Pharmacist:	Mr Bobby Mehta <i>MRPharmS CiCPM CiMDM IPresc</i>
Professional Services Administration Assistant:	Ms Renee Erwin

Purchasing & Logistics Manager:	Mr Greg Harbridge <i>B. App Sc (Tex. Chem)</i>
Product Manager:	Ms Karyn Cody
Product Manager:	Mrs Angela Lawler <i>Adv.Dip.Bus.Mgt</i>
Product Manager:	Mr Jason Rossi <i>B.Bus (Marketing), B.Spt.Mgt</i>
Purchasing Officer:	Mr Jason Stevens
Purchasing Administration Officer:	Mrs Marie Loader
Purchasing Administration Officer:	Mrs Pam Moller

Marketing & Development Manager:	Mr Matthew Vallance <i>B.Mgt (Marketing), Dip.Proj.Mgt</i>
Marketing Officer:	Mrs Amy Glover
Business Development Project Manager:	Ms Samantha Elshaug <i>B.Mgt (Marketing), Dip.Proj.Mgt. GAICD</i>
Graphic Designer:	Ms Jackie Peacock

Employee Services Manager:	Ms Jodie Kennedy <i>B.A, Adv.Dip.Mgt</i>
Employee Services Officer:	Ms Tania Lund <i>Adv.Dip.Mgt</i>
Employee Services Officer:	Ms Leisel Oliver

Finance Manager:	Mrs Julie Hawkins <i>B.Bus.Acc C.PA Grad.Dip.Ed</i>
Business Analyst:	Mr Angus Diamond <i>Dip.Proj.Mgt</i>
Financial Accountant:	Mrs Sashikala Wijesinghe <i>CPA (Aus), ACMA (UK), FCPA (Bots), BCom (Hons SL)</i>
Payroll Coordinator:	Mrs Verity Savage
Accounting Assistant:	Mrs Kerri Bates
Accounting Assistant:	Mrs Leann Schorback
Accounting Assistant:	Ms Janeen Smith

Systems Improvement Officer:	Mr Mark Thornton <i>B.Comp Dip.Proj.Mgt Dip.Sus</i>
IT Support Officer:	Ms Anusha Raveendran <i>B.IT</i>

Facilities & Administration Manager:	Mr Chris Martin <i>B.Bus Dip.Proj.Mgt Dip.Sus GAICD</i>
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Pharmacies

Bacchus Marsh Pharmacy

Manager:

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

Retail Coordinator:

Ms Brooke Wilson

Ballan Pharmacy

Manager:

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

Acting Retail Coordinator:

Ms Sarah Bouvet

Beaufort Pharmacy

Manager:

Mr Tim Haywood *B.Pharm*

Retail Coordinator:

Ms Marion Hains / Miss Lori Gardiner

Bridge Mall Pharmacy

Manager:

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

Retail Coordinator:

Ms Dianne Edwards

Buninyong Pharmacy

Manager:

Mrs Katherine John *B.Sc.Pharm*

Retail Coordinator:

Mrs Katherina Cartledge

Delacombe Pharmacy

Manager:

Ms Kirsty Benoit *B.Pharm*

Retail Coordinator:

Ms Jeni Goodman

Doveton Street Pharmacy

Pharmacist in Charge:

Mr Pick Yaw Lai *B.Pharm Hons*

Retail Coordinator:

Mrs Lia Cody

Melton Central Pharmacy

Manager:

Ms Li Yen Hoo *B.Pharm(Hons)*

Retail Coordinator:

Mrs Nil Fagalilo

Melton South Pharmacy

Manager:

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

Retail Coordinator:

Ms Alysssha Etherton

Mt Clear Pharmacy

Manager:

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

Retail Coordinator:

Ms Kerrie Read

Sebastopol Pharmacy

Manager:

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

Retail Coordinator:

Mrs Jenny Cameron

Sturt Street Pharmacy

Manager:

Mr Peter Fell *B.Pharm M.P.S*

Retail Coordinator:

Mrs Michelle Bennetts

Victoria Street Pharmacy

Manager:

Mr Stewart Sheriff *B.Pharm M.P.S*

Retail Coordinator:

Mrs Caitlin Atkinson

Wendouree Pharmacy

Manager:

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

Retail Coordinator:

Mrs Lyn Hamilton

Management at 30 June 2016

UFS Medical

Practice Manager:	Ms Michele Turner <i>BSc. (BiomedSc) Grad.Dip(HSM)</i>
Practice Coordinator, Bridge Mall:	Ms Olivia Lockhart
Practice Coordinator, Doveton St:	Ms Emily Radojevic
Practice Coordinator, Sturt St:	Mrs Wendy Johnstone
Practice Coordinator, Buninyong:	Mrs Sandy Eden
GP Advisor:	Dr Colin Cook <i>MBBS DipRACOG</i>
Practice Nurse Manager:	Mrs Tamara Warland <i>RN Div1</i>

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 Tristan Moore

Solicitors: Heinz & Partners, Ballarat

Bankers: Commonwealth Bank of Australia

Registered Office 206 Armstrong St Nth, Ballarat Victoria 3350

Chairman's Report

In reviewing our Chair's report from last year I note the reference to what were very difficult times due to the impact of the Commonwealth Government's on-going reforms to the PBS decimating our already thin margins.

2016 has seen a continuation of this trend with the challenges of continued retractions of PBS income and increasing competition from national cut-price pharmacy businesses. This "perfect storm" of continuing impacts to our business model has driven the careful and considered deliberations and decisions of the Board throughout 2016. As always, with challenge, comes many opportunities and a sharp focus of balancing both will hold us in good stead going forward.

While the challenges of a difficult economic environment continue to hold our focus, we have at the same time not compromised on providing the very best service to our members and broader community. Within the limits of what is reasonably possible we have maintained our full range of services including pharmacy, medical, allied health, Cherub and Peace & Quiet. As a result of reduced margins, we closed our small pharmacy at Golden Point and have been fortunate that members in this area have been able to obtain services from nearby UFS pharmacies. In addition, we sold a small under-performing pharmacy at Tarnet in Melbourne's West.

Our response to the continuing challenge of increased cut-price competitors and PBS reforms has been a sustained focus on service and quality. We have continued a program of scheduled refurbishments and refreshed fitouts across our stores to ensure our members can enjoy inviting, attractive and comfortable store environments. In addition, we have also continued to focus on developing our pharmacies as quality health care destinations. Excellence in health care services, supported by the value of quality and customer service, will continue to underpin our business model. In looking to the future, it is clear that the developing role of pharmacy in addressing the increasing health burden of our ageing population will provide opportunities for UFS to survive and thrive.

Another aspect of UFS that sets us apart from our commercial competitors is our focus on community and our continued support and sponsorship of community organisations and activities.

This has been demonstrated with \$28,000 provided through our grants and donations program to support the activities of community organisations. As a friendly society owned by our members and existing for the benefit of members and local communities, UFS operates within a framework of values very different to the purely commercial interests that define our competitors. We will continue to ensure that our values are upheld and define our way of doing business.

Thriving in a difficult and changing environment requires us to keep up to date and connected with our external environment. To

this end, we have supported our CEO Lynne McLennan to continue her governance roles with the AFSPA and VFSPA. In addition, Lynne is also Chair of Board of Western Victoria Primary Health Network and is an active member of the Committee for Ballarat. As a Board we appreciate Lynne's continued success in leading UFS while also representing us through these broader community connections.

As always, our continued success and growth, particularly in such difficult times, is due to the professional efforts of Lynne, our Senior Executive team and all staff throughout the organisation. Together, our people continue to drive the success of UFS Dispensaries Ltd. I would also like to acknowledge the tireless focus of my fellow Directors in fulfilling their fiduciary duties with absolute commitment.

In closing, the past year has again given evidence to UFS being a dynamic organisation with a proud history and exciting future. UFS is defined by loyal members and committed and dynamic staff, management and Board. It is indeed the people that create this wonderful organisation.

Andrew Howard
Chairman



Chief Executive Officer's Report

The last twelve months have been full of opportunities and energising challenges for UFS! Thanks to a concerted focus on cost reduction and revenue improvement we have produced an excellent profit result of \$2.35M for 2015/16.

The response of UFS staff to meeting the challenges posed by continued body blows to community pharmacy as a result of Government changes has been outstanding. I would like to thank all staff at UFS, in particular our management team, for their hard work in ensuring the future success of the company. There have been some difficult decisions to take this year, including the closure of our small pharmacy at Golden Point, and the sale of the Tarnet Pharmacy. We have also undertaken a restructure of the senior team during this period to better meet the needs of the increased breadth of the UFS offer.

Popular Mt Clear Pharmacy Manager Pauline Molloy left UFS in 2015 to join BCHC in the critical role of Harm Minimisation Coordinator at Ballarat Community Health. Other staff movements include CFO Danni Walker who left UFS in late 2015, and Employee Services Manager Claire Huntington who resigned in early 2016 to spend more time with her young family. In their stead, we have welcomed Tim Haywood to the management team as the Pharmacy Manager at Beaufort UFS, replacing Kane Vorbach who has moved to Mt Clear as Pharmacy Manager. Julie Hawkins has been promoted to the newly created position of Finance Manager, and Jodie Kennedy has joined us as Employee Services Manager. As part of the restructure, a new position of Operations Manager (Primary Care) has been created and former Medical Practice Manager Talei Deacon has been appointed to this role. Michele Turner has been appointed to the Practice Manager position. UFS Medical at Sturt Street has welcomed experienced new female GP Dr Inoka Uduwevidane.

UFS continues to provide management services for Friendly Pharmacy Victoria (FPV), which operates three pharmacies in the Coburg area. Our contract with North West Dispensaries Friendly Society Ltd (NWDFS) concluded on 30 June after this company's only remaining pharmacy was sold.

A significant achievement this year was our success in being awarded the tender to operate a 24 hour Supercare Pharmacy in Ballarat; this being one of five such pharmacies funded this year by the Victorian Government. We are looking forward to a collaborative partnership with the Victorian Health Department in this important initiative which aims to divert minor ailments from attending Emergency Departments in the out of hours period, and improving access to medication around the clock.

The Commonwealth Government Review of Pharmacy Remuneration and regulation is underway and is proving to be a comprehensive review of all aspects of community pharmacy, with

a very important focus on the consumer perspective. The review is expected to report by February next year.

I would like to thank our highly-engaged Directors who have provided excellent guidance to the organisation as well as continuing to lead by example with quality improvement activities. Notably this year, the Board undertook a workshop focused on strategic risk which resulted in the adoption of a Strategic Risk Framework to ensure UFS is well-prepared for industry and societal changes ahead. Directors have also adopted an over-arching Clinical Risk Framework to cover all UFS businesses, in addition to existing QIP and accreditation mechanisms.

Most of all, thanks are also due to our loyal UFS members, who continue to value the community service ethos of UFS and provide our reason for being. Your feedback and participation in the business of UFS is an essential element of our operation as a mutual company.

Lynne McLennan
Chief Executive Officer



The Year in Review 2015/2016

Melton South's New Pharmacy!

The Melton South UFS Pharmacy was relocated on Saturday 14 April approximately 100 metres away from the existing store within the existing Station Square Shopping complex.

The ultra-modern store provides members with the same great service they have come to expect over the years.

The new store is part of a major redevelopment of the precinct which is set to be completed in early 2017.



Giving Back to the Community!

It was another big year of sponsorships and donations for UFS with over \$28,000 given back to local community groups and organisations.

UFS received a plethora of sponsorship and donation applications for a variety of great causes including the Royal South Street Society, The Victoria Park All Abilities Playground and the Organs of the Goldfields Festival.



Two Lucky Holiday Winners!

We were feeling very generous this year and gave away two luxurious holidays to Queensland!

Gabby McMillan won a mid-winter break to Tangalooma Resort, whilst Mr & Mrs Martin won a Southern Australia Cruise which they will enjoy during the warmer summer months.

Mr & Mrs Martin are pictured with UFS Marketing Officer Amy Glover (left) and Nicole King of Holiday and Cruise Centre. Congratulations to our lucky winners!



Cherub Gifts undertakes a Refurb!

Cherub Gifts has been brought into the 21st century with a recent facelift. The refurbishment included installing new floorboards and benchtops, as well as a lick of paint and a modern new logo.

The new look for the store was capped off with a change of uniform for the staff, who now look uber-cool with their new style.

UFS Medical Launches Online Bookings

Booking an appointment with your GP became simpler, quicker and much more convenient this year when UFS Medical launched an online booking system. Patients can now go to ufsmedical.com.au, select a preferred date and time with their GP of choice without any hassle or complications. The system allows patients the choice of all four UFS Medical sites.

UFS' Service Inspired Television Campaign

UFS launched its latest television campaign in late 2015 which focused on pharmacist lead service provision. Five advertisements were made in total focusing on blood pressure testing, sleep apnoea testing, COPD screening, medication reviews and cholesterol testing.

Sturt Street Supercare Pharmacy Announced!

The Victorian State Government announced that the Sturt Street UFS Pharmacy was successful in its application to become one of the state's first Supercare Pharmacies.

The Supercare Pharmacy, which is set to open in mid-August, will operate 24 hours a day, every day of the year and will provide local residents with a free nursing service for the treatment of minor injuries and illness from 6pm to 10pm each evening and pharmacist care accessible overnight.

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 2015/16.

Total value of sponsorship and donations for 2015/16 period was \$28,172.

Major Sponsorships

Victoria Park All Abilities Playground
Royal South Street Society

Sponsorships

Ballarat Sebastopol Cycling Club
Mates4Mates
Royal South Street Society
Ballarat International Foto Bienale
Ballarat & Clarendon College
Mt Pleasant Primary School
Midlands Kindergarten
Sebastopol Bowling Club
North Ballarat Football Club
Blokes Biggest BBQ
Bacchus Marsh Grammar
Mountain of Fun Run
Walking Soccer
Ballan Golf Club
Buninyong Bowls Club
Beaufort Bowls Club
Ballan Bowling Club
Shorter Brothers Fundraiser
Beaufort Golf Club
Ballarat Sovereigns Netball Club
Buninyong Senior Citizens
Probus Club of Wendouree
Organs of the Goldfields Festival
Mt Xavier Bowls Club
Chip For Charity
Ballarat Agricultural & Pastoral Society
McCallum Disability Services
Smythesdale Football Club

Avenue Bowling Club
Ballarat Masters Football Association
Administration Professionals Breakfast
Mother's Day Classic
Ballarat Regional Alzheimers Information Network
Rug Up Ballarat (LBWR)
CAFS
Alfredton Baseball Club
Lexton Golf Club
Ballarat Agricultural & Pastoral Society
Sebastopol Fire Brigade
Mount Pleasant Primary School
Waubra Football & Netball Club

Donations

Melton Auskick
Urquhart Park Parent Club
Buninyong Pre School
Federation University
Maddie Riewoldt's Vision
Bacchus Marsh Soccer Club
Ballarat Clarendon College
Invermay Primary School
Sienna Cordell Event
Arnold's Creek Kindergarten
Canadian Lead Primary School
Carngham Linton Football/Netball Club
Ballarat North Kindergarten
Nazareth Care
Rowan View Pre-School
Scope
Ballarat Eureka Diabetes
Delacombe Primary School
Beaufort Primary School
Creswick North Primary School
Camp Quality
Ballan Primary School
Ballarat Walk 4 William
Drummo Dragons Basketball Club
Scouts Australia

Charitable Donations

Ballarat Hospice	Myrning Primary School	Enid Rogers Jubilee Kindergarten
Miners Rest Primary School	Blackwood Easter Carnival	Sebastopol Football & Netball Club
Haddon Early Education	Ovarian Cancer Awareness Ballarat	St John of God Hospital Ballarat Hospice
Warrenheip Community Event	Ballan District Relay For Life	St Vincent de Paul Society
St Aloysius Primary School	Wendouree Uniting Church	Mounties YC Baseball Club
Lake Wendouree Football/Netball Club	Women's Cancer Foundation	Karinya Counselling Centres
Embrace Autism Spectrum Disorder	Darley Primary School	Bacchus Marsh Indoor Bowls
Gordon Primary School	Beaufort Early Centre	Sebastopol Primary School
Willaura District & Community Development Group	Vision Australia	Kelaston Aged Care
The Anglican Parish of St Matthews	Skipton Fire Brigade	East Point Football & Netball Club
The Cancer Council Victoria	Buninyong RSL Sub Branch	Learmonth Football & Netball Club
Estia Health	Willaura Good Friday Appeal	Ballarat Christian College
Friends of the Melton Botanic Gardens	Children of Sudan	Mt Blowhard Primary School
Rotary Club Maryborough	Royal Children's Hospital	
Girls' Night In Cancer Council	Youth Leadership	
Lions Club of Alfredton/Lucas	Rokewood RSL	
The Weekend to End Women's Cancer	Napoleons Primary School	
Woody Yaloak Primary School	Buninyong RSL Sub Branch	
National Serviceman's Association	Creswick Lions Club	
Karden Disability Support	Wallace Kindergarten	
Heart Kids	Buangor Primary School	
Voice FM	Beaufort & District Little Athletics	
Transplant Australia	Ballarat Day View Club	
Home Residential Care	Reach Out Volunteers	
Beaufort Primary School	Ballan Kindergarten	
Bacchus Marsh Senior Citizens	Montessori Preschool	
ACU Nursing Paramedicine Students Cambodia	Skipton & District Photo Club	
Skipton Town Christmas Party	Ballarat Pink Phoenix	
Begonia Rally	St Thomas Moore Primary School	
Cancer Council Relay for Life	St Bernards Parish	
Peter MacCallum Cancer Centre	Pioneers Australia	
Ballarat Masters Football Club	Redan Football & Netball Club	
United Church Fete	Waubra Community Support Group	
Sebastopol West Kindergarten	Beaufort & Skipton Health Service	
Miners Rest Lions Club	Ballarat Centre of Music & The Arts	
Royal Children's Hospital Good Friday Appeal	Warrenheip Primary School	
U.N Youth Australia	Forest Rangers Soccer Club	
Willaura Farm to Pub	Ballarat Writers Incorporated	
	Damascus College	
	York Street Church of Christ	

Your directors present their report on the company for the financial year ended 30 June 2016.

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

Mr Andrew A Howard

Mr Graeme H Dixon

Dr Paul Martin

Ms Jacinta M Rivett

Mrs Peta L Clark

Mr Ian G Schrader

Ms Virginia Fenelon

Ms Gina Lyons

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

Objective

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

Strategy for Achieving the Objective

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

Performance Measures

The company measures its performance by evaluating the quantity and quality of health professional interactions with customers, the volume and extent of member benefits delivered to the communities served and assessing our performance against applicable industry benchmarks provided by relevant national associations. Key performance indicators include the amount of member discount provided to the members, the number of prescriptions processed, number of customers served by our professional health staff, staff satisfaction surveys and long term financial sustainability considerations.

Company secretary

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

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

Principal activities

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

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

Operating result and review of operations

The profit of the company for the financial year after providing for income tax amounted to \$2,349,375 (\$223,881 profit for the 2015 year).

Dividends

The company's constitution precludes the payment of dividends.

Significant changes in state of affairs

On 18 September 2015, the company closed its pharmacy business located at 515 Main Road, Golden Point. On 13 February 2016, the company sold its pharmacy business licence for the premises located at 939 Sayers Road, Tameit.

Future developments

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

Environmental regulations

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

Indemnification and insurance of officers and auditors

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

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

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

Proceedings on behalf of the company

UFS Dispensaries Ltd was the Plaintiff in County Court proceedings which was settled in March 2016 brought against the solicitors who acted for the company in its acquisition of land at 202 Doveton Street North, Ballarat, on which to build a medical centre. The claim arises from the solicitors' failure to advise the company prior to final settlement of the purchase that a Certificate obtained by the solicitors disclosed that the property was flood prone, with the consequence that the company's plan to build a two story medical centre, with the ground floor being occupied,

was no longer possible. As a consequence, what was meant to be a state-of-the-art, ecologically-sensitive building was reconfigured to enable it to be built to comply with the flood prone classification. This resulted in the company being liable for significant additional costs which the proceeding recovered from the solicitors whose oversight caused the problem. The solicitors have admitted negligence and the dispute was settled out of court after a series of negotiations.

The company is not the subject of any further legal proceedings.

Auditor's independence

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

Mr Andrew A Howard

Qualifications

Experience

Special Responsibilities

Chairman

GAICD, Grad Dip Admin, MRN

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

As Chairman of the Board, Mr Howard is an ex-officio member of all Board Committees.

Mr Graeme H Dixon

Qualifications

Experience

Special Responsibilities

Dip Business; Bachelor Business; CPA, FCIS and FGIA

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

Chairman of Audit Committee and Member Remuneration Committee.

Dr Paul D Martin

Qualifications

Experience

Special Responsibilities

Deputy Chairman

MBBS DRCOG

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

Member Audit and Remuneration Committees.

Ms Jacinta M Rivett

Qualifications

Experience

Special Responsibilities

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. Current member of the Ballarat Regional AICD Committee and the Human Research and Ethical Committee for St John of God and Ballarat Base Hospitals. 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 Business Development Committee.

Mrs Peta L Clark

Qualifications

Experience

Special Responsibilities

CPA Grad. Dip. CSP MAICD

Appointed to the Board in 2004. Mrs Clark has over 20 years' corporate accounting experience. Mrs Clark is currently the General Manager 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.

Mr Ian G Schrader

Qualifications

Experience

Special Responsibilities

MAICD

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.

Member Audit Committee.

Ms Virginia Fenelon

Qualifications

Experience

Special Responsibilities

HDTS; M.Ed

Appointed to the Board in 2014. Ms Fenelon is currently working as an Education and Training Consultant. Prior to 2008, Ms Fenelon had 10 years in various senior education roles at the University of Ballarat, 10 years at SMB, TAFE as an education manager and teacher and 10 years as a secondary school teacher. Ms Fenelon has wide experience as a Director on education boards across all sectors and has been a Director on the Ballarat Health Services Board since 2009.

Member Business Development Committee.

Ms Gina Lyons

Experience

Special Responsibilities

Appointed to the Board in 2015. Ms Lyons has over 20 years' experience as a Senior Executive including roles as the CEO of the Northern Grampians Shire Council and COO for Rural Northwest Health. Since 2012 Ms Lyons has operated her own consulting business assisting clients with organisation development and business improvement challenges. Ms Lyons currently holds Directorships with Hepburn Health Services and Hepburn Tourism Inc.

Member Audit and Remuneration Committees.

Meetings of Directors

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

	Board and General Meetings	Committee Meetings
AA Howard	10 (10)	4 (5)
GH Dixon	6 (10)	4 (5)
PD Martin	8 (10)	5 (5)
JM Rivett	8 (10)	5 (5)
PL Clark	9 (10)	4 (5)
IG Schrader	10 (10)	5 (5)
V Fenelon	9 (10)	4 (5)
G Lyons	8 (10)	4 (5)

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



AA Howard
Chairman



GH Dixon
Chairman: Audit Committee

Dated this 19th day of October 2016

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 2016 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.

Crowe Horwath West Vic



John Gavens

Partner

Ballarat, Vic

Dated this 19th day of October 2016

	NOTE	2016 \$	2015 \$
INCOME			
Revenue	2	62,566,638	61,060,729
Other Income	2	958,459	276,081
Changes in Inventories		(51,816)	(398,758)
Purchases		(32,528,348)	(31,446,176)
Employee Benefits Expense		(18,263,219)	(18,744,046)
Depreciation		(1,206,886)	(1,337,395)
Amortisation of Goodwill		(277,205)	-
Finance Costs		(363,204)	(612,800)
Other Expenses		(8,149,509)	(8,610,800)
Change in value of interest rate swap		(189,597)	87,751
Impairment of Non Current Assets		(145,000)	(50,705)
PROFIT BEFORE INCOME TAX	3	2,350,313	223,881
Income Tax (Expense) / Benefit		(938)	-
PROFIT FOR THE YEAR		2,349,375	223,881
PROFIT ATTRIBUTABLE TO MEMBERS		2,349,375	223,881

Consolidated statement of comprehensive income for the year ended 30 June 2016

UFS Dispensaries Ltd ABN 49 087 822 259

	2016	2015
	\$	\$
PROFIT FOR THE YEAR	2,349,375	223,881
Other Comprehensive Income:		
Net Gain/(Loss) on Revaluation of Land and Buildings	47,743	(199,453)
Net Gain on Revaluation of Financial Assets	18,986	2,110
Other Comprehensive Income for the Year, Net of Tax	66,729	(197,343)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2,416,104	26,538
Total Comprehensive Income Attributable to:		
Members	2,416,104	26,538

Statement of financial position
as at 30 June 2016

UFS Dispensaries Ltd ABN 49 087 822 259

	NOTE	2016 \$	2015 \$
CURRENT ASSETS			
Cash and Cash Equivalents	6	5,340,338	2,584,882
Trade and Other Receivables	7	2,358,468	1,924,879
Inventories	8	3,800,622	3,852,438
Other Assets	9	614,395	251,065
TOTAL CURRENT ASSETS		12,113,823	8,613,264
NON-CURRENT ASSETS			
Investments	10	87,139	60,015
Property, Plant and Equipment	11	21,358,240	22,237,901
Investment Property	12	152,169	-
Intangible Assets	13	4,793,645	5,210,850
TOTAL NON-CURRENT ASSETS		26,391,193	27,508,766
TOTAL ASSETS		38,505,016	36,122,030
CURRENT LIABILITIES			
Trade and Other Payables	14	5,320,349	4,983,555
Borrowings	15	8,387,350	8,387,350
Financial Liabilities	16	88,260	277,857
Current Tax Liabilities	17	-	(938)
Provisions	18	2,244,605	2,376,458
Other Liabilities	19	219,221	214,151
TOTAL CURRENT LIABILITIES		16,259,785	16,238,433
NON-CURRENT LIABILITIES			
Deferred Tax Liabilities	17	252,652	292,257
Provisions	18	721,034	728,871
Other Liabilities	19	30,068	37,096
TOTAL NON-CURRENT LIABILITIES		1,003,754	1,058,224
TOTAL LIABILITIES		17,263,539	17,296,657
NET ASSETS		21,241,477	18,825,373
EQUITY			
Reserves	20	4,483,206	4,416,477
Retained Earnings		16,758,271	14,408,896
TOTAL EQUITY		21,241,477	18,825,373

Statement of changes in equity for year ended 30 June 2016

UFS Dispensaries Ltd ABN 49 087 822 259

	Retained Earnings	Asset Revaluation Reserve	Total
	\$	\$	\$
Balance at 1 July 2014	14,185,015	4,613,820	18,798,835
Total Comprehensive Income for the Year	223,881	(197,343)	26,538
Balance as 30 June 2015	14,408,896	4,416,477	18,825,373
Balance at 1 July 2015	14,408,896	4,416,477	18,825,373
Total Comprehensive Income for the Year	2,349,375	66,729	2,416,104
Balance as 30 June 2016	16,758,271	4,483,206	21,241,477

	NOTE	2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers		61,711,190	60,010,886
Other Receipts Received		983,038	677,772
Payments to Suppliers and Employees		(59,458,887)	(57,442,397)
Dividends Received		3,505	2,164
Interest Received		235,965	109,582
Finance Costs		(363,204)	(612,800)
Income Tax Paid		(938)	-
Net Cash Provided by Operating Activities	22	3,110,669	2,745,207
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sale of Property, Plant and Equipment		242,950	50,332
Purchase of Property, Plant and Equipment		(593,163)	(653,448)
Purchase of Business and Licences		(5,000)	(114,455)
Net Cash Used in Investing Activities		(355,213)	(717,571)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowings		-	(1,010,000)
Net Cash Used in Financing Activities		(1,010,000)	(1,010,000)
NET INCREASE IN CASH HELD		2,755,456	1,017,636
Cash at Beginning of Financial Year		2,584,882	1,567,246
Cash at End of Financial Year	6	5,340,338	2,584,882

Contents

Note	Page
1 Statement of Significant Accounting Policies	23
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 Trade and Other Receivables	32
8 Inventories	32
9 Other Assets	32
10 Investments	32
11 Property, Plant and Equipment	33
12 Investment Property	33
13 Intangible Assets	34
14 Trade and Other Payables	34
15 Borrowings	34
16 Financial Liabilities	35
17 Tax	35
18 Provisions	35
19 Other Liabilities	35
20 Reserves	36
21 Capital and Leasing Commitments	36
22 Cash Flow Information	37
23 Financial Instruments	37
24 Events after the Balance Sheet Date	39
25 Fair Value Measurement	39
26 Capital Management	40
27 Key Management Personnel	40
28 Related Party Transactions	40
29 Member Funds	40

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

New, Revised or Amending Accounting Standards and Interpretations Adopted

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

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

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

Basis of Preparation

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

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

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

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 1(s).

Accounting Policies

(a) Business Combinations

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

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

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

The consideration transferred for a business 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

(b) Income Tax

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

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

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

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

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Inventories

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

(d) Property, Plant and Equipment

Bases of Measurement of Carrying Amount

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

Revaluation of Land and Buildings

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

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Plant and Equipment

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

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

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

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

Depreciation

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

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

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

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

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

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

(j) Changes in Estimates

In February 2016, the company standardised its depreciation method so that all assets are depreciated on a straight line basis. The effect of this change on actual and expected depreciation expense was as follows:

	2016	2017	2018	2019
(Decrease)/increase in depreciation expense	(125)	46	59	72

(e) Investment Property

Investment properties are properties that are held to earn rentals and/or for capital appreciation. Investment properties are measured using the cost model. Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight line basis over the estimated useful life of 50 years.

(t) Fair Value Measurement

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(g) Impairment of Assets

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

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

Impairment testing is performed annually for goodwill and intangible assets.

(h) Intangible Assets

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

(i) Goodwill

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

(ii) Customer Lists

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

(i) Employee Benefits

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

Short-Term Employee Benefits

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

Other Long-Term Employee Benefits

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

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Provisions

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

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

(k) Cash and Cash Equivalents

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

(l) Investments

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

(m) Revenue

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

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

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

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

(n) Trade and Other Payables

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

(o) Asset Revaluation Reserve

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

(p) Goods and Services Tax (GST)

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

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Current and Non-Current Classification

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

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

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

(r) Comparative Figures

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

(s) Critical Accounting Estimates and Judgements

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

Estimate of Fair Value of Land and Buildings

The company has property with a carrying value of approximately \$18 million, representing the estimate of fair value at balance date. The property represents a high proportion of the total assets of the entity.

Fair value has been determined by an independent external valuation of the property at 30 June 2014 on the basis detailed in Note 11 Property, Plant and Equipment. Changes in market conditions in the future may impact the fair value in the future.

Estimation of Useful Lives of Assets

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

Impairment of Non-Financial Assets

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

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

Impairment of \$145,000 has been recognised in respect of goodwill at the end of the reporting period (\$50,705 for the 2015 year). Using fair value less cost of disposal calculations all pharmacies carrying a goodwill component were tested for impairment using growth rates between 2% and 6% and a discount rate of between 14.67% and 16.04%, dependent upon pharmacy location.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee Benefits Provision

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

(f) Financial Instruments Initial Recognition and Measurement

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

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

Classification and Subsequent Measurement

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

Amortised cost is calculated as:

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

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

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

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

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

(ii) Available-for-Sale Financial Assets

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

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

(iii) Financial Liabilities

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iv) Held-to-Maturity Investments

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

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

(v) Loans and Receivables

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

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

Fair value

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

Impairment of Financial Assets

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

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	2016 \$	2015 \$
Sale of Goods		55,405,763	54,102,476
Services Revenue		4,723,462	4,513,208
Dividends Received & Franking Credits	2a	3,505	2,164
Interest Received	2b	235,965	109,582
Other Revenue		2,197,943	2,333,299
Total Revenue		62,566,638	61,060,729
Other Income		829,624	318,917
Net Gain/(Loss) on Disposal of Property, Plant & Equipment		128,835	(42,836)
Total Other Income		958,459	276,081
a. Dividend Revenue From:			
Other Corporations		3,505	2,164
b. Interest Revenue From:			
Other Entities		235,965	109,582
TOTAL REVENUE		63,525,097	61,336,810

NOTE 3: PROFIT BEFORE INCOME TAX

	2016	2015
	\$	\$
Expenses		
Cost of Sales	32,580,162	31,844,934
Finance Costs	363,204	612,800
Impairment of Non Current Assets	145,000	50,705
Depreciation	1,206,888	1,337,395
Amortisation of Customer Lists	277,205	-
Rent Expenses	548,158	653,422
Legal Costs	169,717	84,615
Remuneration of Auditor : Audit Services	61,000	59,000
Remuneration of Auditor : Accounting Services	5,865	18,460
Wages	14,028,063	14,419,853
Superannuation Expense	1,484,568	1,490,613

NOTE 4: INCOME TAX EXPENSE

	2016	2015
	\$	\$
a. The components of tax expense comprise:		
Current Tax	-	-
Over Provision in Respect of Prior Years	(938)	-
	<u>(938)</u>	<u>-</u>

b. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:

Prima facie tax payable on profit before income tax at 30% (2015: 30%)	704,813	67,164
Add:		
Tax effect of:		
Depreciation of buildings	(29,332)	1,278
Franking credits received	484	278
Other non-allowable items	136,243	71,096
Absorption costing adjustments	(15,981)	75,813
Tax exempt income	(1,358,540)	(1,155,947)
Current year losses - no deferred tax recognised	562,313	940,318
Overprovided in prior year	(938)	-
Income Tax Expense	<u>(938)</u>	<u>-</u>

c. Tax effect relating to other comprehensive income:

Deferred Tax	39,605	(200,357)
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Estimated deferred tax assets have not been recognised in respect of the following items:

	2016	2015
	\$	\$
Unrecognised deferred tax assets		
Deductible temporary differences	997,334	819,177
Tax losses	5,993,157	5,222,622

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

NOTE 5: REMUNERATION AND RETIREMENT BENEFITS

	Short-term Benefits	Post-employment Benefits
2016		
Directors	108,756	10,332
2015		
Directors	107,361	10,199

NOTE 6: CASH AND CASH EQUIVALENTS

	2016 \$	2015 \$
Cash at Bank and on Hand	5,340,338	2,584,882
TOTAL CASH AND CASH EQUIVALENTS	5,340,338	2,584,882

NOTE 7: TRADE AND OTHER RECEIVABLES

	2016 \$	2015 \$
Trade Debtors	1,742,592	1,288,682
Accrued Income	36,250	89,500
Other Debtors and Receivables	579,626	546,697
TOTAL RECEIVABLES	2,358,468	1,924,879

NOTE 8: INVENTORIES

	2016 \$	2015 \$
Finished Goods	3,800,622	3,852,438

NOTE 9: OTHER ASSETS

	2016 \$	2015 \$
Prepayments	614,395	251,065

NOTE 10: INVESTMENTS

	2016 \$	2015 \$
Market Value of Shares in Listed Corporations	87,139	60,015

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	2016	2015
	\$	\$
LAND AND BUILDINGS		
Land		
Freehold Land at Valuation	7,723,000	7,723,000
Buildings		
Buildings at Valuation	10,821,568	10,816,349
Less Accumulated Depreciation	(422,106)	(213,807)
Total Land and Buildings	18,122,462	18,325,542
Plant and Equipment		
Plant and Equipment at Cost	9,934,927	10,056,985
Less Accumulated Depreciation	(6,699,149)	(6,144,626)
Total Plant and Equipment	3,235,778	3,912,359
TOTAL PROPERTY, PLANT AND EQUIPMENT	21,358,240	22,237,901

Land and Buildings Carried at Valuation

All freehold land and buildings were independently valued at 30 June 2014 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 2014	7,723,000	10,549,038	4,741,751	23,013,789
Additions	-	267,311	386,137	653,448
Disposals	-	-	(93,654)	(93,654)
Net transfers between classes	-	-	1,713	1,713
Depreciation Expense	-	(213,807)	(1,123,589)	(1,337,395)
Balance at 30 June 2015	7,723,000	10,602,543	3,912,359	22,237,901
Additions	-	163,689	429,474	593,163
Disposals	-	-	(114,115)	(114,115)
Net transfers between classes	-	-	346	346
Transfer to Investment Property	-	(152,169)	-	(152,169)
Depreciation Expense	-	(214,601)	(992,285)	(1,206,886)
Balance at 30 June 2016	7,723,000	10,399,462	3,235,779	21,358,240

NOTE 12: INVESTMENT PROPERTY

	2016	2015
	\$	\$
Investment Property		
Plant and Equipment at Cost	158,471	-
Less Accumulated Depreciation	(6,302)	-
Total Investment Property	152,169	-

NOTE 13: INTANGIBLE ASSETS

	2016	2015
	\$	\$
Intangible Assets at Cost	11,306,370	11,301,370
Accumulated Amortisation	(6,512,725)	(6,090,520)
Net Carrying Value	4,793,645	5,210,850
	Goodwill	Customer Lists
	\$	\$
Balance at 1 July 2014	4,103,599	1,043,501
Additions		114,455
Impairment Losses	(16,250)	(34,455)
Balance at 30 June 2015	4,087,349	1,123,501
Additions		5,000
Amortisation		(277,205)
Impairment Losses	(145,000)	(145,000)
Balance at 30 June 2016	3,942,349	851,296
	Total	\$
		5,147,100
		114,455
		(50,705)
		5,000
		(277,205)
		(145,000)
		4,793,645

NOTE 14: TRADE AND OTHER PAYABLES

	2016	2015
	\$	\$
Trade Creditors	4,493,902	3,721,136
Sundry Creditors and Accrued Expenses	826,447	1,262,419
TOTAL PAYABLES	5,320,349	4,983,555

NOTE 15: BORROWINGS

	2016	2015
	\$	\$
Current		
Bank Bills Secured	5,887,350	5,887,350
Market Rate Loan	2,500,000	2,500,000
	8,387,350	8,387,350

Under AASB 101 Presentation of Financial Statements, all loan facilities are required to be treated as current liabilities as the company does not have the unconditional right to defer settlement or roll over the loan for at least 12 months after the reporting period. This is despite the company having loan facilities where repayments do not have to be made in the 12 months after the reporting period. The current facilities were re-negotiated in the 2015 financial year to have a maturity in 2020.

a. Total current secured liabilities:

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

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

First Mortgage

Freehold Land and Buildings	17,697,847	17,917,628
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Equitable Mortgage

Listed Shares at Market Value	87,139	60,015
Freehold Land and Buildings	424,615	407,915
Plant and Equipment	3,235,778	3,912,359
Intangible Assets	4,793,645	5,210,850

Total Assets Pledged as Security

26,239,024	27,508,767
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c. The bank bill facility is an ongoing arrangement with the company's bankers and is subject to annual reviews.

NOTE 16: FINANCIAL LIABILITIES

	2016	2015
	\$	\$
Interest Rate Swap	88,260	277,857

NOTE 17: TAX

	2016	2015
	\$	\$
Current Tax		
Income Tax	-	(938)

Deferred Tax

Deferred Capital Gains Tax on Freehold Land and Buildings	228,609	276,352
Deferred Capital Gains Tax on Listed Shares	24,043	15,905
Total Deferred Tax	252,652	292,257

Reconciliations

Deferred Tax Liability

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

Opening Balance	292,257	91,900
Tax Allowances Relating to Listed Shares	8,138	904
Tax Allowances Relating to Property	(47,743)	199,453
Closing Balance	252,652	292,257

NOTE 18: PROVISIONS

	2016	2015
	\$	\$
Opening Balance	3,105,329	2,982,213
Additional Provisions Raised During the Year	1,585,397	1,857,598
Amounts Used	(1,725,087)	(1,734,482)
Closing Balance	2,965,639	3,105,329

Analysis of Total Provisions

Current	2,244,605	2,376,458
Non-Current	721,034	728,871
TOTAL PROVISIONS	2,965,639	3,105,329

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.

NOTE 19: OTHER LIABILITIES

	2016	2015
	\$	\$
Current		
Membership Fees in Advance	219,221	214,151
Non-Current		
Membership Fees in Advance	30,068	37,096
TOTAL OTHER LIABILITIES	249,289	251,247

NOTE 20: RESERVES

	2016	2015
	\$	\$
(a) Asset Revaluation Reserve		
Opening Balance	4,379,364	4,578,817
Deferred Tax Liability Adjustment	47,743	(199,453)
Closing Balance	<u>4,427,107</u>	<u>4,379,364</u>
(b) Share Revaluation Reserve		
Opening Balance	37,113	35,003
Revaluation Increment	18,986	2,110
Closing Balance	<u>56,099</u>	<u>37,113</u>
TOTAL RESERVES	<u>4,483,206</u>	<u>4,416,477</u>

NOTE 21: CAPITAL AND LEASING COMMITMENTS

	2016	2015
	\$	\$
(a) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Operating Leases		
<i>Non-Cancellable</i>		
Not Later than One Year	384,328	470,225
Later than One Year and Not Later than 5 Years	920,619	1,076,819
Later than 5 Years	-	38,252
Total	<u>1,304,947</u>	<u>1,585,296</u>

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

(b) Capital Expenditure Commitments

Capital expenditure commitments contracted for:		
Construction Project - Bridge Mall Pharmacy	9,101	306,685
Construction Project - Melton South Pharmacy	834	230,260
Total Capital Commitments	<u>9,935</u>	<u>536,945</u>
Not Later than One Year	9,935	536,945
Total	<u>9,935</u>	<u>536,945</u>

NOTE 22: CASH FLOW INFORMATION

	2016	2015
	\$	\$
(a) Reconciliation of Cash Flow from Operations with Profit After Income Tax		
Profit After Income Tax	2,349,375	223,881
Non-cash flows in profit		
Depreciation	1,206,886	1,337,395
Goodwill amortisation	277,205	-
Goodwill impairment	145,000	50,705
Net (gain)/loss on disposal of property, plant & equipment	(128,835)	42,836
Other asset write downs	(346)	(1,227)
Financial Liabilities	(189,597)	(87,751)
Changes in assets and liabilities:		
(Increase)/decrease in Receivables	(433,589)	1,693,958
Decrease in Inventories	51,816	398,758
Increase in Other Assets	(363,330)	(48,417)
Increase/(decrease) in Payables	336,794	(985,461)
Increase in Income Taxes Payables	938	-
(Decrease)/increase in Provisions	(139,690)	123,116
Decrease in Other Liabilities	(1,958)	(2,586)
Net Cash Flows From Operating Activities	3,110,669	2,745,207

(b) Credit Standby Arrangement and Loan Facilities

The company has a market rate loan facility of \$2,500,000 and undrawn bills of \$1,010,000 available through its bankers. At 30 June 2016 the company had drawn \$Nil of this facility (\$Nil for the 2015 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 23: FINANCIAL INSTRUMENTS

(a) Credit Risk

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

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

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

Liquidity Risk

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

Interest Rate Risk

The company endeavours, where possible, to fix interest rates in order to reduce its exposure to market fluctuations and provide cashflow certainty.

The company currently uses the following mechanisms to achieve this:

- an interest rate swap
- a fixed rate Market Loan facility

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

NOTE 23: FINANCIAL INSTRUMENTS (continued)

(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			
	2016 %	2015 %	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$
Financial Assets										
Cash and cash equivalents	2.00	2.00	5,340,338	2,584,882	-	-	-	-	5,340,338	2,584,882
Deposits at Call	1.50	3.50	-	-	-	-	-	-	-	-
Investments	-	-	87,139	60,015	-	-	-	-	87,139	60,015
Receivables	-	-	2,358,468	1,924,879	-	-	-	-	2,358,468	1,924,879
Total Financial Assets			7,785,945	4,569,776	-	-	-	-	7,785,945	4,569,776
Financial Liabilities										
Bank Bills Secured	6.90	7.12	-	-	5,887,350	5,887,350	-	-	5,887,350	5,887,350
Market Rate Loan	-	-	2,500,000	2,500,000	-	-	-	-	2,500,000	2,500,000
Payables	-	-	5,320,349	4,983,555	-	-	-	-	5,320,349	4,983,555
Total Financial Liabilities			7,820,349	7,483,555	5,887,350	5,887,350	-	-	13,707,699	13,370,905

(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:

	2016		2015	
	Carrying Amount \$	Net Fair Value \$	Carrying Amount \$	Net Fair Value \$
Financial Assets				
Shares in Listed Corporations	87,139	87,139	60,015	60,015
Loans and Receivables	2,358,468	2,358,468	1,924,879	1,924,879
	2,445,607	2,445,607	1,984,894	1,984,894
Financial Liabilities				
Bank Bills Secured	5,887,350	5,887,350	5,887,350	5,887,350
Market Rate Loan	2,500,000	2,500,000	2,500,000	2,500,000
Trade and Other Payables	5,320,349	5,320,349	4,983,555	4,983,555
	13,707,699	13,707,699	13,370,905	13,370,905

NOTE 24: EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

NOTE 25: FAIR VALUE MEASUREMENT

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

- Land and Buildings
- Listed Shares

Fair Value Hierarchy

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

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Unobservable inputs for the asset or liability.

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

2015	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Land and buildings	-	18,325,542	-	18,325,542
Listed shares	60,015	-	-	60,015
Total Assets	60 015	18,325,542	-	18,385,557
2016	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Land and buildings	-	18,122,462	-	18,122,462
Listed shares	87,139	-	-	87,139
Total Assets	87,139	18,122,462	-	18,209,601

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

NOTE 26: CAPITAL MANAGEMENT

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

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

NOTE 27: KEY MANAGEMENT PERSONNEL

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

	2016	2015
	\$	\$
Short term employee benefits	1,196,571	1,304,654
Post-employment benefits	129,242	135,635
Termination benefits	15,482	17,244
	1,341,295	1,457,533

NOTE 28: RELATED PARTY TRANSACTIONS

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

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

	2016	2015
	\$	\$
Outstanding Balance at 30 June	(6,428)	(7,227)

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

These entities, however, maintain their own independent Board of Directors who control the strategy and overall decision making of the entities.

On 6 June 2016, North West Dispensaries Friendly Society Ltd sold its pharmacy located at 132 Station Street, Fairfield, and UFS Dispensaries Ltd will cease to provide management services from 1 July 2016.

NOTE 29: MEMBER FUNDS

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

DIRECTORS' DECLARATION

The Directors of the company declare that:

1. The financial statements and notes, as set out on pages 16 to 39, are in accordance with the *Corporations Act 2001*, and:
 - a. Comply with Accounting Standards' Reduced Disclosure Requirements and the *Corporations Regulations 2001*; and
 - b. Give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the company.
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



AA Howard
Chairman



GH Dixon
Chairman: Audit Committee

Dated this 19th day of October 2016



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 2016, consolidated income statement, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a statement 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.

Crowe Horwath West Vic is a member of Crowe Horwath International, a Swiss Verein. Each member of Crowe Horwath is a separate and independent legal entity. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omission of financial services licensees.

Auditor's 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 2016 and of its performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards – *Reduced Disclosure Requirements* (including Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

CROWE HORWATH WEST VIC



JOHN GAVENS
PARTNER

Ballarat Victoria
Dated this 19th day of October 2016



REGIONAL PHARMACIES

Bacchus Marsh

25-27 Grant St
5367 2134

Ballan

129 Inglis St
5368 1232

Ballarat

717 Sturt St
5331 9811

Ballarat

40 Bridge Mall
5327 0400

Ballarat

60 Victoria St
5333 1959

Ballarat

202 Doveton St Nth
5364 9160

Beaufort

62-64 Neill St
5349 2504

Buninyong

316 Learmonth St
5341 2121

Delacombe

830 Latrobe St
5336 0100

Melton Central

Central Walk
Shopping Centre
415-429 High St
9743 9080

Melton South

Station Square
Shopping Centre
11 Station Rd
9743 3533

Mt Clear

Midvale Shopping
Centre
1172 Geelong Rd
5330 2644

Sebastopol

56 Albert St
5336 0455

Wendouree

1207 Howitt St
5339 6933

MELBOURNE PHARMACIES

Coburg

501 Sydney Rd
9354 1068

Coburg North

238 Sussex St
9354 3801

Coburg Village

Shop 8, 174-196
Gaffney St
9354 9032

MEDICAL CENTRES

UFS Medical

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

OTHER BUSINESSES

Peace & Quiet

719 Sturt St, Ballarat
5332 1694

Cherub Gifts

727 Sturt St, Ballarat
5333 3611