

**CENTRAL
VICTORIAN
UNITED
FRIENDLY
SOCIETIES
LTD**

2011 ANNUAL REPORT

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Central Victorian United Friendly Societies Ltd

ABN 55 087 822 286

Registered Office: Suite 2, 379 Hargreaves Street
Bendigo 3550

Chairman: Mr Michael Hogan
Secretary: Mr Michael Fleming

Telephone: (03) 5441 5590

Chairman and Company Secretary's Report

The society produced a deficit of \$5,236 for the year which was a significant improvement on the previous year. The main improvement came from continued sales growth and strong generic substitution which improved the gross margin.

The society has continued the relationship with UFS Pharmacies who provide all labour, purchasing and related functions to run the store. This relationship allows the Maiden Gully store to benefit from the scale of UFS Pharmacies in purchasing and other areas.

The future for the Maiden Gully store remains bright with the announcement of a new school in the area which should boost population growth and attract additional services to the area. The only concern is the opening of a new competitor in nearby Long Gully which has effected sales but it is expected the store will continue to grow in the future due to its location.

Mr Michael Hogan
Chairman

Mr Michael Fleming
Company Secretary

2011 PERFORMANCE SUMMARY

	2011	2010
	\$	\$
Total Revenue	1,043,079	1,001,032
Salaries & Employee Benefit expenses	0	0
Percentage of Revenue	0.00 %	0.00 %
Total Other Expenses	1,048,315	1,034,211
Percentage of Revenue	100.50 %	103.31 %
Loss Before Income Tax Expense	(5,236)	(33,179)
Percentage of Revenue	(0.50)%	(3.31)%

Balance Sheet Summary

	2011	2010
Total Current Assets	<u>58,454</u>	<u>25,737</u>
Total Non Current Assets	<u>81,501</u>	<u>85,408</u>
Total Assets	<u>139,955</u>	<u>111,145</u>
Total Current Liabilities	<u>154,964</u>	<u>120,918</u>
Total Liabilities	<u>154,964</u>	<u>120,918</u>
Net Assets	<u>(15,009)</u>	<u>(9,773)</u>
Total Members Funds	<u>(15,009)</u>	<u>(9,773)</u>

Our Mission

Excellence in service, health advice, and value for our members

Our Vision

To be the recognised leader for our members in providing, developing and enhancing a comprehensive range of pharmacy and health related products and services.

Our Values

We will fulfil our mission and earn the trust of our members through our professionalism in providing exceptionally caring and personalised advice and service, and through respecting and protecting the privacy of our members' health interests at all times.

Through this excellence in advice, service and value comes **member advantage**.

We take **pride** in the service we provide, the member advantage we offer and the great health outcomes that we deliver to our members, customers and community.

Membership

Our business is based upon a membership structure where our primary focus is to provide a range of products and services to our membership base which continues to grow.

Members pay a membership fee which entitles them to receive discounts on our product range and access to a range of subsidised services and information.

Board of Directors

Chairman	Mr Michael Hogan
Deputy Chairman	Mr Glenn Reilly
Director	Mr Geoff Cook
Director	Mr Alan Graham
Director	Ms Nicole Cox
Director	Ms Kate Hyett
Director	Ms Roslyn Salmon
Director	Mr Andrew Trewartha

Administration

Chief Executive Officer Michael Fleming

Central Victorian UFS Ltd
Directors' Report

Your Directors submit the financial report of the CENTRAL VICTORIAN FRIENDLY UNITED SOCIETIES LTD for the period ended 30 June 2011.

The names and details of the company's directors who held office during or since the end of the financial year:

Michael Hogan
Chairman

BComm, GradDip(Health Service Management), GradCert(Leadership), ACA, GAICD.

Appointed as Chairman in 2008, Michael has been CEO of St John of God Hospital Bendigo for past 8 years. He has a background in accounting and finance and experience in private business, manufacturing and health care. Michael has been involved with the health care industry for more than 15 years in private hospitals in Brisbane, Sydney, Albury and Bendigo.

He is a member of the Institute of Chartered Accountants and Australian Institute of Company Directors.

Glenn Reilly
Deputy Chairman

Glenn is a Manager/Director of Reilly's Retravision in Bendigo and has worked in the family business since 1981. He manages two stores and has extensive experience in the retail sector.

He has been a member of the Retravision Marketing Committee for the past three years and is a member of the Australian Institute of Company Directors.

Geoffrey Cook
Director

MBA, Grad Dip(Mgmt), Cert(Business Studies)

Geoff has extensive experience in local government, public health, administration, sales and business management. He is currently the Corporate Services Manager of Bendigo Health Care Group.

His directorships also include the Bendigo Health Foundation. Geoff is also a member of the Australian Institute of Company Directors.

Central Victorian UFS Ltd Directors' Report

Nicole Cox BBus(Acc) CPA
Director
BBus(Accounting), CPA

Nicole is currently Commercial Manager at Campaspe Asset Management Services. She has more than 20 years of experience in business and finance across a broad spectrum of industries.

Her previous Board positions include Peter Harourt, St Lukes Anglicare, and St Laurence CRT. Nicole is a member of the Australian Institute of Company Directors.

Alan Graham
Director

Alan has extensive experience in the retail sector having worked in management and stock purchasing positions for more than 50 years. Now retired, Alan held positions at Beehive Store, Clark Rubber and Macedon Ranges Home Furnishings.

Kate Hyett
Director
MHSc (Health Science), PGradDip (Health Science),BN ,RN, MRNCA, AFACHM, GAICD

Working in the health care industry for over 28 years, Kate has worked in senior managerial positions for the past 10 years. She has a background in nursing and has worked in a variety of fields in metropolitan, rural and remote settings.

Kate was awarded a Victorian Trauma Foundation Fellowship and a national innovation award from ARCHI for her work developing regional trauma systems. She is currently the Nursing Resource Manager at Bendigo Health.

Kate is an Associate Fellow Australasian College of Health Service Managers, a member of the Royal Australian College of Nursing, and a Graduate of the Australian Institute of Company Directors.

Roslyn Salmon
Director
MA(Prof Communication) GradCert (Mgmt), AdvDipBusiness(Marketing), Journalist, GAICD

Roslyn is currently General Manager Customer Service and Communications at Coliban Water in Bendigo. She has 20 years of experience across media, tertiary education, and water sectors in print media, public relations, marketing, customer service and business management. She has worked in roles in both Australian and overseas.

She is a full member of the Public Relations Institute of Australia and is a member of the Australian Institute of Company Directors.

Central Victorian UFS Ltd Directors' Report

Andrew Trewartha
Director
BA(Computing)

Andrew has almost 25 years of experience in Information Technology and is currently the Chief Executive Officer of Bendigo IT Pty Ltd. His business has clientele in Australia and internationally. Andrew provides software solutions to various sectors from retail and manufacturing to medical and generic sciences. His expertise is software development - design through to application.

Directors were in office for this entire year unless otherwise stated. All Directors have a nil interest in shares in the company

No Directors have material interests in contracts or proposed contracts with the company.

Company Secretary

The company secretary is Michael Fleming. Appointed to the position secretary on 4th April 2005. He holds a Bachelor of Business (Accounting and Data Processing) from La Trobe University obtained in 1992. Previously worked for Beck Legal from 1993 to 2005 as the Practice Manager before joining Bendigo UFS Pharmacies Ltd as the Chief Executive Officer in April 2005 which is associated with Central Victorian Ufs Ltd and provides all retail, staff and other services to the entity.

PRINCIPAL ACTIVITIES

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

OPERATING RESULTS

Operations have continued to perform in line with expectations. The loss of the company for the financial year after provision for income tax was:

Year Ended 30 June 2011	Year Ended 30 June 2010
\$	\$
(5,236)	(33,179)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

Central Victorian UFS Ltd
Directors' Report

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There are no matters or circumstances that have arisen since the end of the financial year that have 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 years.

ENVIRONMENTAL REGULATION

The company is not subject to any significant environmental regulation.

DIRECTORS' BENEFITS

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate, other than interests and benefits disclosed at Note 13.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The company has indemnified all Directors and the Manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as Directors or Manager of the company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

**Central Victorian UFS Ltd
Directors' Report**

DIRECTORS MEETINGS

The number of Directors meetings attended by each of the Directors of the company during the year were:

	Number of Board Meetings eligible to attend	Number attended
Mr Alan Graham	1	1
Mr Geoff Cook	1	1
Mr Andrew Trewartha	1	1
Mr Michael Hogan	1	1
Ms Nicole Cox	1	1
Ms Kate Hyett	1	1
Mr Glenn Reilly	1	1
Ms Roslyn Salmon	1	1

NON AUDIT SERVICES

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the Auditor (Andrew Frewin & Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The board of Directors has considered the position, in accordance with the advice received from the audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the auditor;

none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Central Victorian UFS Ltd
Directors' Report

AUDITORS INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 12.

Signed in accordance with a resolution of the Board of Directors at Suite 2, 379 Hargreaves Street, Bendigo on 4th October 2011.



Mr Michael Hogan
Chairman



Mr Glenn Reilly
Deputy Chairman



**Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001
to the directors of Central Victorian United Friendly Societies Limited.**

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

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

DAVID HUTCHINGS
ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, 3550
Dated this 4th day of October 2011

Entity is limited by a scheme approved under Professional Standards Legislation. ABN: 51 051 795 327.

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TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

Central Victorian UFS Ltd
Statement of Comprehensive Income for the year ended 30th June 2011

	Notes	2011 \$	2010 \$
Revenues from Ordinary Activities	2	1,043,079	1,001,032
Salaries & Employee Benefits expense		0	0
Depreciation and Amortisation Expense	3	(3,906)	(3,830)
General Administration Expenses		(1,044,409)	(1,030,381)
LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		<u>(5,236)</u>	<u>(33,179)</u>
Income Tax Expense	4	0	0
LOSS FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		<u>(5,236)</u>	<u>(33,179)</u>
Other Comprehensive Income		0	0
TOTAL COMPREHENSIVE LOSS		<u><u>(5,236)</u></u>	<u><u>(33,179)</u></u>

Central Victorian UFS Ltd
Balance Sheet as at 30th June 2011

	Notes	2011 \$	2010 \$
CURRENT ASSETS			
Cash Assets	5	8,725	7,984
Trade and Other Receivables	6	49,729	17,753
TOTAL CURRENT ASSETS		58,454	25,737
NON CURRENT ASSETS			
Property, Plant & Equipment	7	81,501	85,408
TOTAL NON CURRENT ASSETS		81,501	85,408
TOTAL ASSETS		139,955	111,145
CURRENT LIABILITIES			
Trade and Other Payables	8	3,388	17,216
Borrowings	9	151,576	103,702
TOTAL CURRENT LIABILITIES		154,964	120,918
TOTAL LIABILITIES		154,964	120,918
NET ASSETS		(15,009)	(9,773)
MEMBERS FUNDS			
Accumulated Losses	10	(15,009)	(9,773)
TOTAL MEMBERS FUNDS		(15,009)	(9,773)

Central Victorian UFS Ltd
Statement of Cashflows for the year ended 30th June 2011

	Notes	2011 \$	2010 \$
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Cash Received from customers		1,043,032	1,001,034
Cash Paid to suppliers and employees		(1,090,212)	(990,129)
Interest received		47	6
Net Cash Inflows/(Outflows) from operating activities	11	(47,133)	10,911
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Payments for property, plant & equipment		0	(2,319)
Net Cash Outflows from investing activities		0	(2,319)
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>			
Proceeds from Borrowings		47,874	0
Repayment of Borrowings		0	(3,758)
Net Cash Inflows/(Outflows) from financing activities		47,874	(3,758)
NET INCREASE IN CASH HELD		741	4,834
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		7,984	3,150
CASH AT THE END OF THE FINANCIAL YEAR	11	8,725	7,984

Central Victorian UFS Ltd
Statement of Changes in Equity for the year ended 30th June 2011

	Retained Earnings	Reserves	Total
	\$		\$
Balance at 1 July 2009	23,406	0	23,406
Loss for the year	(33,179)	0	(33,179)
Balance at 30 June 2010	<u>(9,773)</u>	<u>0</u>	<u>(9,773)</u>
Loss for the year	(5,236)	0	(5,236)
Balance at 30 June 2011	<u>(15,009)</u>	<u>0</u>	<u>(15,009)</u>

1 Statement of Accounting Policies

Basis of preparation

The directors have prepared the financial statements on the basis that the entity is a non-reporting entity because there are no users who are dependent on its general purpose financial reports. This financial report is therefore a special purpose financial report that has been prepared in order to meet the requirements of the *Corporations Act 2001*.

The financial report has been prepared in accordance with the requirements of the following applicable Australian Accounting Standards:

AASB 101:	Presentation of Financial Statements
AASB 107:	Cash Flow Statements
AASB 108:	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 1031:	Materiality
AASB 1048:	Interpretation and Application Standards

No other Accounting Standards, Australian Accounting Interpretations or other authoritative pronouncements of the Australian Accounting Standards Board have been applied.

The financial report covers the economic entity of Central Victorian UFS Ltd as an individual economic entity. Central Victorian UFS Ltd is a company limited by guarantee, incorporated and domiciled in Australia.

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

(a) Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of Goods and Services Tax (GST). The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue.

(b) Membership Revenue

The policy has been introduced last financial year that membership revenues have been accounted for on a prepaid basis as opposed to at the time of receipt and this applies to members joining the society since the 12th May 2006 when the new Maiden Gully Store opened.

(c) Taxation

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they related to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Central Victorian UFS Ltd
Notes to the Financial Statements for the year ended 30th June 2011

(d) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable for the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operation cash flows.

(e) Members' Guarantee

The company is limited by guarantee. If the company is wound up, the Constitution states that each member would be required to pay \$0.50. The number of members at 30 June 2011 was 879 (2010: 884).

(f) Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

(g) Comparative figures

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

(h) Investments

Investments are valued at cost or Director's Valuation. Dividend income received is brought to account in the surplus for the year.

(i) Inventories

Inventories are valued at the lower of cost or net realisable value. Cost is based on the first in first out principle and includes expenditure incurred in them to their present condition and location. Net realisable value is determined on the basis of acquiring the inventories and bringing of the normal sales pattern.

(j) Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements 10 - 40 years
- plant and equipment 2.5 - 40 years
- furniture and fittings 4 - 40 years

(k) Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Central Victorian UFS Ltd

Notes to the Financial Statements for the year ended 30th June 2011

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(l) Payment terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

(m) Receivables and Payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

(n) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions of other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

(o) Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(p) Accounting Standards Issued but not yet Adopted

The Australian Accounting Standards Board has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the company has decided not to early adopt. A discussion of those future requirements and their impact on the company is as follows:

- (i) AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The company has not yet determined any potential impact on the financial statements.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;

- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

(ii) AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2:

Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

- Tier 1: Australian Accounting Standards; and
- Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

The following entities are required to apply Tier 1 reporting requirements (ie full IFRS):

- for-profit private sector entities that have public accountability; and
- the Australian Government and state, territory and local governments.

Subject to AASB 1049, general government sectors of the Australian Government and state and territory governments would also apply Tier 1 reporting requirements.

The following entities can elect to apply Tier 2 of the framework when preparing general purpose financial statements:

- for-profit private sector entities that do not have public accountability;
- not-for-profit private sector entities; and
- public sector entities, whether for-profit or not-for-profit, other than the Australian Government and state, territory and local governments.

AASB 2010–2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific “RDR” disclosures.

- (iii) AASB 2010–5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011).

This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

- (iv) AASB 2010–6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011).

This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

This Standard is not expected to impact the company.

Central Victorian UFS Ltd

Notes to the Financial Statements for the year ended 30th June 2011

- (v) AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013).

This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

As noted above, the company has not yet determined any potential impact on the financial statements from adopting AASB 9.

- (vi) AASB 2010-8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2011 reporting period. The Company's assessment of the impact of the new standards and interpretations is set out below.

- (vii) AASB 9 Financial Instruments AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9
AASB 9 Financial Instruments addresses the classification and measurement of financial assets and may impact the Company's accounting for its financial assets in the future. The standard is not applicable until 1 January 2013 but is available for early adoption. The amendments have no current impact on the Company's financial statements.
- (vii) AASB 124 Related Party Disclosures (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provided partial exemption from the disclosure requirements for government-related entities. The amendments, which become mandatory for The Company's 30 June 2012 financial statements are not expected to have any impact on the financial statements.
- (viii) AASB 2009-5 Further amendments to Australian Accounting Standards arising from the Annual Improvements Process affect various AASB's resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Company's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.

Central Victorian UFS Ltd
Notes to the Financial Statements for the year ended 30th June 2011

	2011	2010
	\$	\$
2 Revenue from Ordinary Activities		
Operating activities		
Sales Revenue	1,031,501	990,087
Memberships	11,531	10,937
Total revenue from operating activities	<u>1,043,032</u>	<u>1,001,024</u>
Non operating activities		
Interest Received	47	6
Sundry Income	0	2
Total revenue from non-operating activities	<u>47</u>	<u>8</u>
Total revenue from Ordinary Activities	<u><u>1,043,079</u></u>	<u><u>1,001,032</u></u>
3 Expenses		
Depreciation of non-current assets:		
- Leasehold Improvements	<u>3,906</u>	<u>3,830</u>
	<u>3,906</u>	<u>3,830</u>

Central Victorian UFS Ltd
Notes to the Financial Statements for the year ended 30th June 2011

	2011	2010
	\$	\$
4 Income Tax Expense		
(a) The components of tax expense comprise:		
Current tax	0	0
Deferred tax	0	0
Income tax expense	<u>0</u>	<u>0</u>
(b) The prima facie tax on profit from activities before income tax is reconciled to the income tax expenses as follows:		
Operating profit/(loss)	(5,236)	(33,179)
Prima facie tax on profit from ordinary activities @ 30%	(1,571)	(9,954)
Add tax effect of:		
- Mutual loss	0	3,010
- Unbooked current year tax loss	2,823	6,944
	<u>2,823</u>	<u>9,954</u>
Less tax effect of:		
- Mutual Profit	1,252	0
- Carried forward losses from prior year	0	0
	<u>1,252</u>	<u>0</u>
Income tax on operating profit	<u>0</u>	<u>(0)</u>
Tax Losses (tax effected)		
Opening balance	145,087	138,143
Future income tax benefit not brought to account	2,823	6,944
Future income tax benefits arising from tax losses are not recognised at reporting date as realisation of the benefit is not regarded as virtually certain. Future income tax benefit carried forward is:	<u>147,910</u>	<u>145,087</u>

As at 30 June 2011, the balance of the gross carried forward tax losses is \$493,033 (tax effected: \$147,910) (2010 \$483,624 gross, tax effected \$145,087).

Central Victorian UFS Ltd
Notes to the Financial Statements for the year ended 30th June 2011

	2011	2010
	\$	\$
5 Cash		
Cash at Bank and on Hand	8,725	7,984
	<u>8,725</u>	<u>7,984</u>
6 Trade and Other Receivables		
Government	24,033	17,631
GST Rebate	25,696	122
	<u>49,729</u>	<u>17,753</u>
7 Property, Plant & Equipment		
Leasehold Improvements		
At cost	99,498	99,498
Less accumulated depreciation	<u>(17,997)</u>	<u>(14,090)</u>
	<u>81,501</u>	<u>85,408</u>
Total Written Down Amount	<u>81,501</u>	<u>85,408</u>
Movements in carrying amounts		
Leasehold Improvements		
Carrying amount at the start of the year	85,408	86,920
Additions	0	2,318
Depreciation/Amortisation	<u>(3,906)</u>	<u>(3,830)</u>
Carrying amount at the end of the year	<u>81,502</u>	<u>85,408</u>
Total written down amount	<u>81,502</u>	<u>85,408</u>

Central Victorian UFS Ltd
Notes to the Financial Statements for the year ended 30th June 2011

	2011	2010
	\$	\$
8 Trade and Other Payables		
Other Creditors and Accruals	-	13,231
Provisions	313	1,074
GST Payable	3,075	2,911
	<u>3,388</u>	<u>17,216</u>

9 Borrowings

(a) Current		
Inter-group Loans	<u>151,576</u>	<u>103,702</u>
	<u>151,576</u>	<u>103,702</u>

Inter-group loan is repayable at 90 days notice.

10 Members Funds

Balance at the beginning of the financial year	(9,773)	23,406
Net Loss from ordinary activities after Income Tax	(5,236)	(33,179)
Balance at the end of the financial year	<u>(15,009)</u>	<u>(9,773)</u>

Central Victorian UFS Ltd
Notes to the Financial Statements for the year ended 30th June 2011

	2011	2010
	\$	\$
11 Statements of cashflows		
Reconciliation of cash		
Cash at Bank and on hand	<u>8,725</u>	<u>7,984</u>
	<u>8,725</u>	<u>7,984</u>
Reconciliation of loss from ordinary activities after tax to net cash used in operating activities		
Loss from ordinary activities after income tax	(5,236)	(33,179)
Non-cash items:		
- Depreciation	3,906	3,830
Changes in assets and liabilities:		
- Increase/(Decrease) in receivables	(31,976)	23,237
- Increase/(Decrease) in trade creditors and payables	(13,828)	17,023
Net cashflow provided by/(used in) operating activities	<u>(47,133)</u>	<u>10,911</u>
12 Auditor's Remuneration		
Amounts received or due and receivable by the auditor of the company for:		
- Auditing the financial accounts	2,940	2,237
- Other services in relation to the company	<u>0</u>	<u>0</u>
	<u>2,940</u>	<u>2,237</u>
13 Related Party Transactions		
The names of each person who held the position of Director during the year are:		
Mr Michael Hogan-Chairman		
Mr Glenn Reilly-Deputy Chairman		
Mr Geoff Cook		
Ms Nicole Cox		
Mr Alan Graham		
Mr Andrew Trewartha		
Ms Kate Hyett		
Ms Roslyn Salmon		
Directors'		
Remuneration	<u>5,329</u>	<u>5,125</u>

Central Victorian UFS Ltd
Notes to the Financial Statements for the year ended 30th June 2011

	2011	2010
	\$	\$
The number of Directors of Central Victorian UFS Ltd including Executive Directors who received or in respect of whom income is due and receivable from Central Victorian UFS Ltd within the following bands is:		
\$0 - \$10,000	8	8

Since the end of the previous financial year no Director of the society has received or become entitled to receive any benefit (Other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors shown in the accounts) by reason of a contract made by the society with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial interest.

14 Subsequent events

There have been no events after the end of the financial year that would materially affect the financial statements.

15 Contingent liabilities

There were no contingent liabilities at the date of this report to affect the financial statements.

16 Registered office/Principal place of business

The registered office and principal place of business is:

Registered office

Suite 2, 379 Hargreaves Street, Bendigo 3552

Principal place of business

2/715 Calder Highway Maiden Gully 3555

17 Financial Risk Management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the Board of Directors.

(a) Financial Risk Management Policies

Market Risk

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

Price Risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

Credit Risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company only accepts credit cards of major financial institutions.

Liquidity Risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(b) Financial Instrument Composition and Maturity Analysis

Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. The company does not have any unrecognised financial instruments at the year end.

Credit risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Financial Instrument	Floating Interest Rate		Fixed Interest rate maturing in						Non Interest Bearing		Weighted Average Effective Interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 %	2010 %
<u>Financial assets</u>												
Cash at Bank	8,725	7,984									3.80%	0.28%
Receivables									49,729	17,753		
Investments												
<u>Financial Liabilities</u>												
Trade and Other Payables									3,388	17,216		
Inter Group Loans	151,576	103,702									0.00%	0.00%

(c) Sensitivity Analysis

Interest Rate Risk

The organisation has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date.

This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in this

Interest Rate Sensitivity Analysis

At 30th June 2011, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant, would be as follows:

		2011	2010
		\$	\$
Change in Profit			
Increase in interest rate by	2%	392	92
Decrease in interest rate by	2%	(392)	(92)
Change in Equity			
Increase in interest rate by	2%	392	92
Decrease in interest rate by	2%	(392)	(92)

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged

No sensitivity analysis has been performed on foreign exchange risk, as the entity is not exposed to foreign currency fluctuations.

Central Victorian UFS Ltd
Directors Declaration

In accordance with a resolution of the directors of Central Victorian UFS Limited,
we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are 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 2010 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Mr Michael Hogan
Chairman

Signed on the 4th October 2011



Mr Glenn Reilly
Deputy Chairman



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CENTRAL VICTORIAN UNITED FRIENDLY SOCIETIES LIMITED

We have audited the accompanying financial report, being a special purpose report, of Central Victorian United Friendly Societies Limited (the company), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

The Responsibility of the Directors for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial report, are appropriate to meet the requirements of the *Corporations Act 2001* and are appropriate to meet the needs of the members. The directors' responsibility also includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation 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. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the members. We conducted our audit in accordance with Australian Auditing Standards. These Auditing 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 statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 statements.

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

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 001 755 337.

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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 Central Victorian United Friendly Societies Limited, would be the same terms if given to the directors as at the time of the auditor's report.

Auditor's Opinion

In our opinion the financial report of Central Victorian United Friendly Societies Limited is in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1; and
- b. complying with Australian Accounting Standards to the extent described in Note 1 and complying with the *Corporations Regulations 2001*.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose.



DAVID HUTCHINGS
ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, 3550
Dated this 4th day of October 2011