

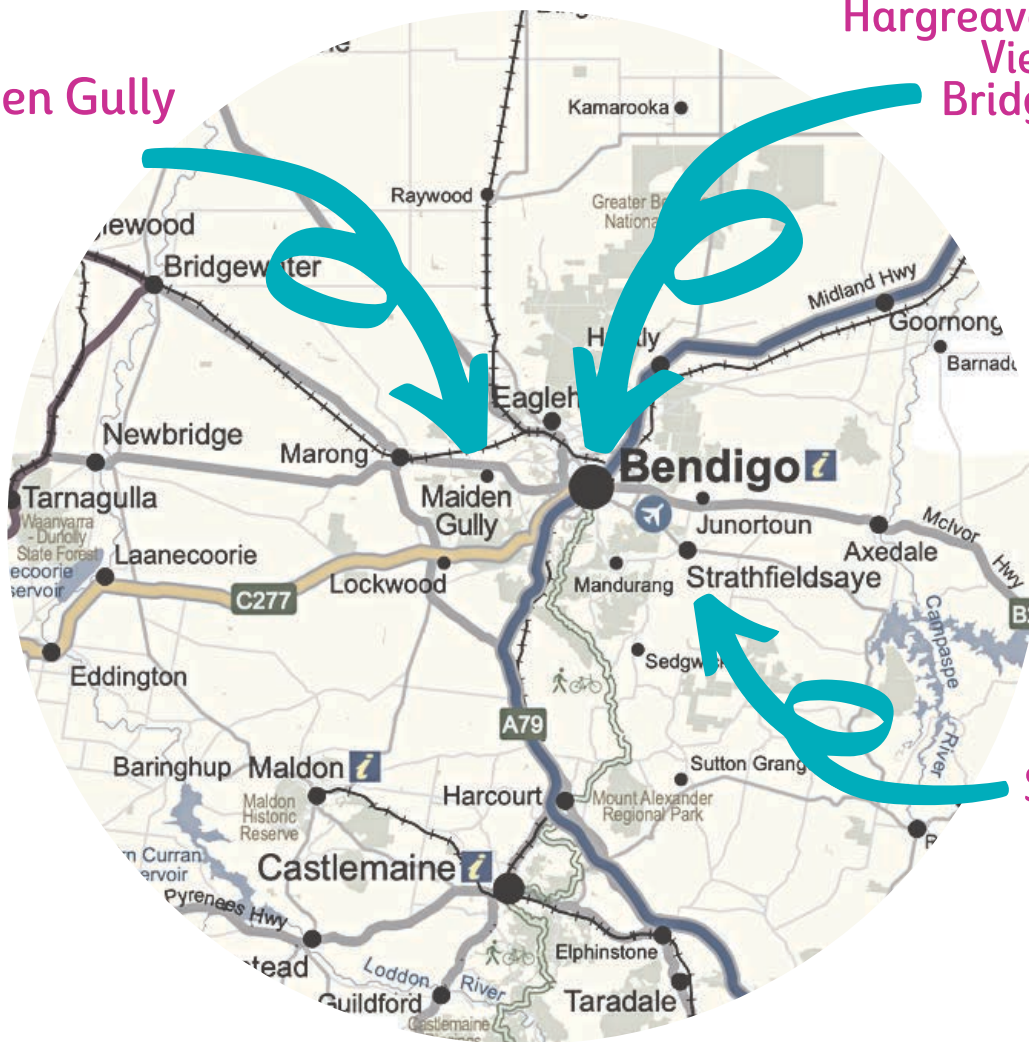


**Bendigo United Friendly
Societies Pharmacies Limited**

**Annual Report
2019-2020**

• Maiden Gully

Eden Skin & Body •
UFS Optical •
Hargreaves Street •
View Street •
Bridge Street •



Strathfieldsaye •

Bendigo United Friendly Societies Pharmacies Ltd

ABN 51 087 822 268

Registered Office: Suite 2, 379 Hargreaves Street, Bendigo VIC 3550

Chairman: Ms Nicole Cox

Secretary: Ms Nina Aubin and Mr Michael Fleming

Telephone: (03) 5441 5590

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Chair and Chief Executive Officer's Message.



Welcome to the Chair and CEO Annual Report summary for 2020.

Bendigo United Friendly Society Pharmacies Ltd (UFS) has been built on trust, caring and respect, with a history dating back to 1872, and these values were never more important or integral to our response to the COVID-19 pandemic. Our values ensured that we safely continued to deliver health and wellbeing services to our broader community.

No amount of business planning could have forewarned or prepared us for what was going to emerge in early 2020. Our customers and members endured seeing their wider community devastated by drought and bushfire, and then a global pandemic that not even Central Victoria was immune to, and presented challenges for our organisation like never before.

These have been uncertain times and we took our role of providing some certainty and safety very seriously and the response from our customers and members was reward for our efforts.

So, considering the conditions and environment, we are extremely pleased to report on a successful year that now sees us well positioned for the future.

Our performance

UFS has continued to grow strongly with revenue reaching \$21m, an 18.3% increase from the previous financial year and a net surplus in excess of \$1m. This result puts the organisation in an excellent financial position for the future, enabling debt reduction and an ability to invest in growing the business whether organically or through acquisition opportunities.

Our excellent 2020 growth includes the acquisition of Bridge Street Pharmacy for the full year, for the first time, and a surge in March sales associated with panic buying in the very early stages of the pandemic. The pandemic did affect some sales trends at a store level, with people staying closer to home and therefore reflecting in positive growth at our outlying stores like Strathfieldsaye.

Overall the business has maintained activity relatively well despite the challenges we have faced.

Being there for our community

Being a community owned organisation, supporting people in their community is what drives us and innovation means that creative thinking and new methodologies need to be used to do things differently and to achieve better health and wellbeing outcomes. Our commitment to be innovative and quick thinking came to the fore during the pandemic.



Ms Nicole Cox
Chair



Mr Michael Fleming
Chief Executive Officer

COVID-19 created an environment where we had to adapt rapidly as the situation unfolded and create innovative solutions often in a short timeframe. Some examples of our approach is listed further in this summary.

As already mentioned, our focus is OUR COMMUNITY - our customers, our members and our employees. All measures were put in place to keep people safe, while still providing access to the products and services our customers need. We are proud of the efforts and the protocols put in place that allowed us to achieve this.

We mentioned innovation and that includes our ability to adapt. A prime example was the creation of our UFS Vaccination Clinic at Hargreaves Street. It was extremely important that the community had access to the influenza vaccination as part of mitigating the potential risks of COVID-19. Our organisation planned and setup the clinic in a matter of weeks and delivered a safe and comfortable environment for customers and employees alike.

Other initiatives and responses to COVID-19 including:

- Making it easier to deal with us - Roll out of MedAdvisor a pharmacy and prescription management app which meant customers could reduce time spent in our pharmacies by pre-ordering their prescriptions.
- Safety and ease of doing business with us - Expansion of our pharmacy delivery service to provide more options for customers to access their medications if they were concerned to travel or in high risk health categories.
- Keeping our community informed - A significant increase in member communications to keep our community informed of the steps we were taking and how to protect themselves from the virus.
- New partnerships - Increased in collaboration with other health industry professionals in our community, including general practitioners, nurses and other professionals.
- Safety and security - Implementation of a wide range of safety measures to protect our customers and employees including sneeze screens, customer limits, masks and other appropriate actions.

"The number one focus was PEOPLE that is our customers, our members and our employees."

Chair and Chief Executive Officer's Message.



There were still a number of other important projects completed during the year. The first was the relocation of our recently acquired Bridge Street pharmacy (formerly Bendigo Day and Night Pharmacy) to a purpose-built facility adjoining the Bendigo Medical Centre. The new facility is conveniently located and features a layout that promotes direct contact with the Pharmacist for our customers. Something we have been steadily rolling out across the group. This business has maintained all of its existing services and is building a strong working relationship with the medical centre next door.

"The new facility is conveniently located and features a layout that promotes direct contact with the Pharmacist for our customers."

Eden Body and Soul Essentials has been renamed Eden Skin & Body and underwent a mini-renovation during February. These changes were designed to reposition our Day Spa business as a skin destination. The launch was unfortunately postponed due to the pandemic and the business unit obviously suffered from enforced COVID-19 lockdown closures.

Our customers and members during this time have been extremely understanding and we are looking forward to returning normal operation as restrictions are eased.

Our UFS Optical business unit has also had new investment through an upgrade of technology and increase in the number of optometrists. The technology ensures that our optometrists are able to better understand the patient's eye health needs and deliver better health outcomes for our patients.

There are already positive trends that these enhancements will continue to better serve customers and grow the business.

This business unit also experienced a forced COVID-19 lockdown closure during March but was able to remain open during the second lockdown which was an outstanding effort by the team and we appreciate the support of our customers.

Community focus

Despite the pandemic and the challenges that were presented, we never lost focus of 'our reason to be' all 110 staff across the UFS Pharmacies family showed strength, respect and trust towards each other and in turn customers, members and the community. In turn, our customers and members were incredibly supportive and understanding in adapting to our safety changes and our new way of operating.

Last year we outlined plans to reinvigorate our Building a Healthier Community Program with a relaunch scheduled for February 2020. Due to the COVID uncertainty, we have postponed our relaunch until the new calendar year. There is a genuine sense of excitement with UFS about this new community program and we look forward to sharing the details and vision with you early in 2021.

The beneficiaries of the old program have received their funds and there is still provision within the new program for those smaller organisations and groups who have provided such loyal support over the past 10 years or more.

Your board continues to operate at a high level of governance, direction and support for management. One important new addition to the board is Sue Clarke, who has significant and relevant experience, that will strengthen our focus on Clinical Governance.

We would like to publicly acknowledge the very impressive and committed efforts of all staff or their ability to embrace and adapt to the changes that 2020 and COVID-19 brought to us.

Board, management and staff are all very proud of the way this challenging year has been handled and delivered. We are also sure each member will have a sense of satisfaction from their membership and knowing how committed and professional our people were in maintaining our service to you.

With our unique community ownership model from our Friendly Society structure and combined with innovative thinking, embracing technological change and our primary focus to deliver improved health and wellbeing outcomes to the community, we will ensure our continued growth and leadership within our community.

Ms Nicole Cox
Chair

Mr Michael Fleming
Chief Executive Officer

Saying thank you.



THE LANDSCAPE CHANGED IN 2020 WITH CORONAVIRUS THAT RAPIDLY BECAME A WORLDWIDE PANDEMIC. EVERYONE'S LIVES WERE TIPPED UPSIDE DOWN OVERNIGHT. OUR BUSINESS EXPERIENCED THIS FIRSTHAND.

THIS IS A PUBLIC THANK YOU, TO THANK EVERY SINGLE TEAM MEMBER ACROSS THE SEVEN LOCATIONS. YOU HAVE OVERCOME CHALLENGES, ROLE CHANGES, BUSINESS UNIT TEMPORARY CLOSURE AND PANIC BUYING. AND DONE IT WITH POISE, PROFESSIONALLY AND RESPECT FOR THOSE AROUND YOU. ALL WHILE SO MUCH OF IT WAS OUT OF YOUR CONTROL.

**Bendigo United Friendly Societies
Pharmacies Ltd Board**

Thank
you

What do we stand for?



Our community

WE IMPROVE THE HEALTH
AND WELLBEING OF OUR
COMMUNITY.

Purpose

OUR COMMUNITY'S
HEALTH AND WELLBEING
DESTINATION.

Vision

RESPECTFUL.
CARING.
TRUSTWORTHY.

Values

WE ARE A
NOT FOR
PROFIT
COMMUNITY
ENTERPRISE

Our Board.



Nicole Cox
Chair

BBus(Accounting), CPA, GAICD



Paul Kirkpatrick
Deputy Chair

JP, MBA, GAICD, BHA, BAppSc, FCHSE



Andrew Trewartha
Director

BA(Computing)



Peter Leerson
Director

CPA, M(Accounting), BBus, MAICD



Susanne Clarke
Director

FAICD, ANZSoG Fellow, Grad Dip(Business),
Grad Dip(Social Science CD)



Stephen Iser
Director



Chris DeAraugo
Director

Grad Dip.Bus.



Nina Aubin
Company Secretary

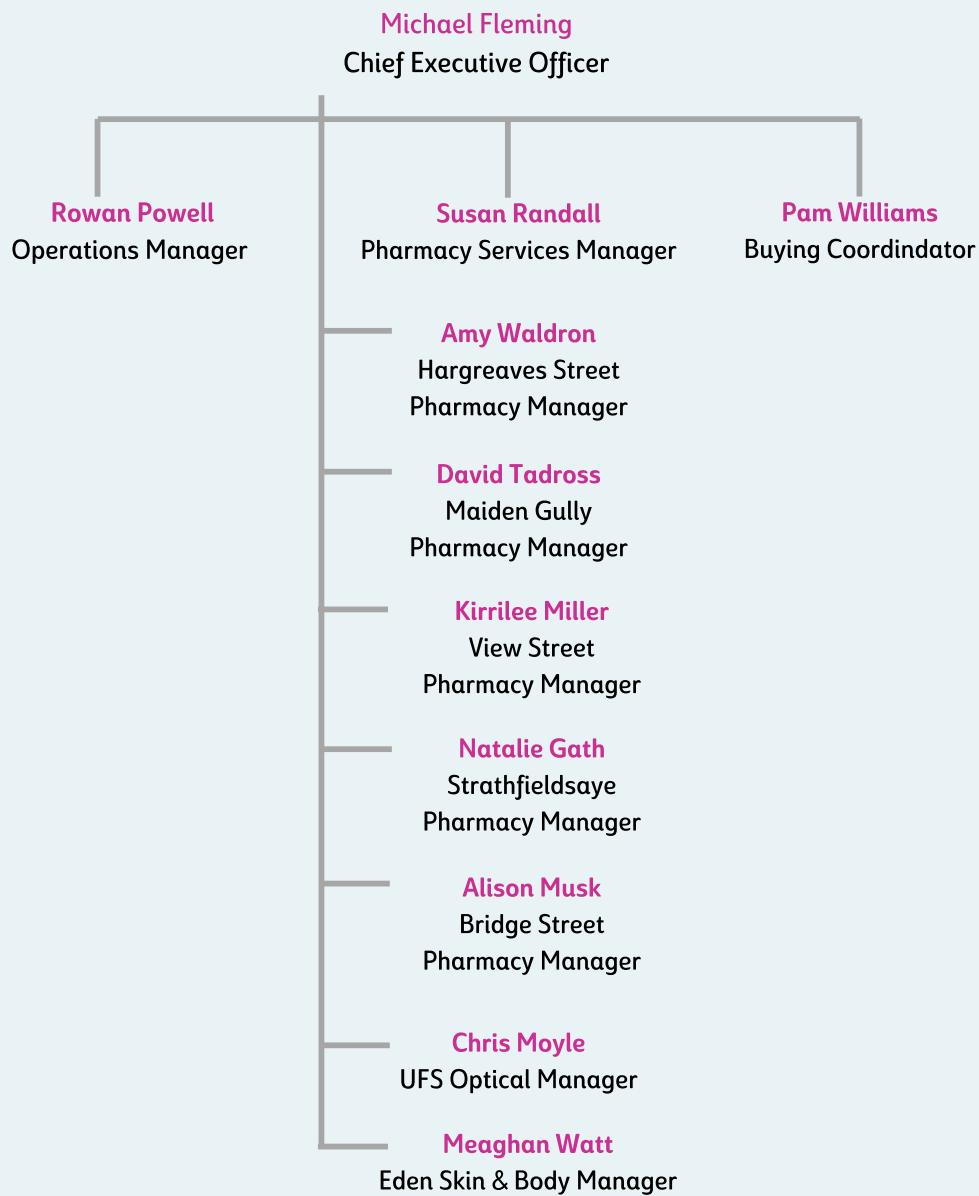
Dip. Bus (Administration)



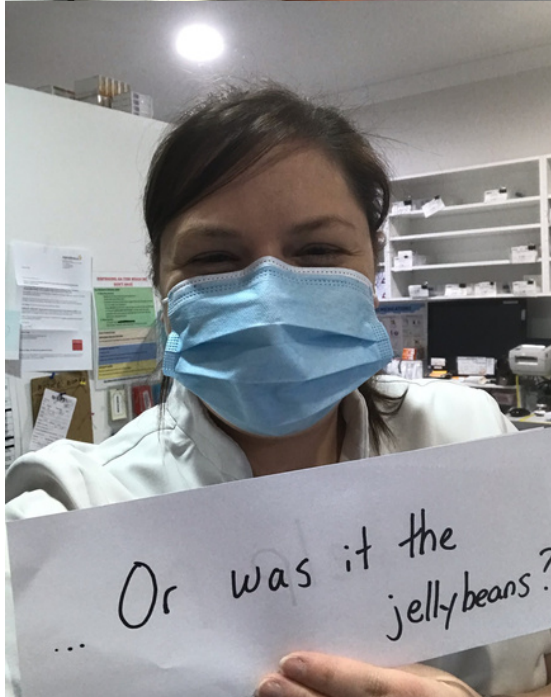
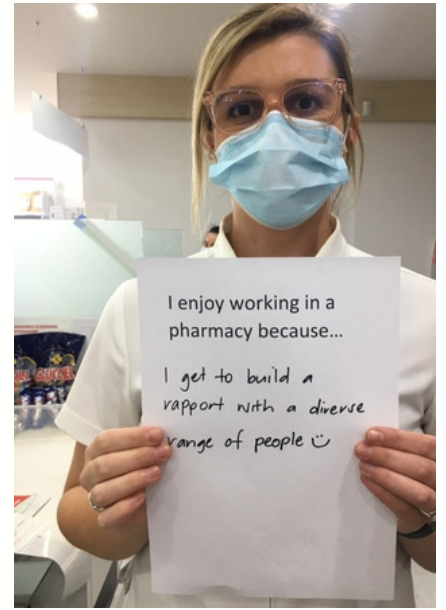
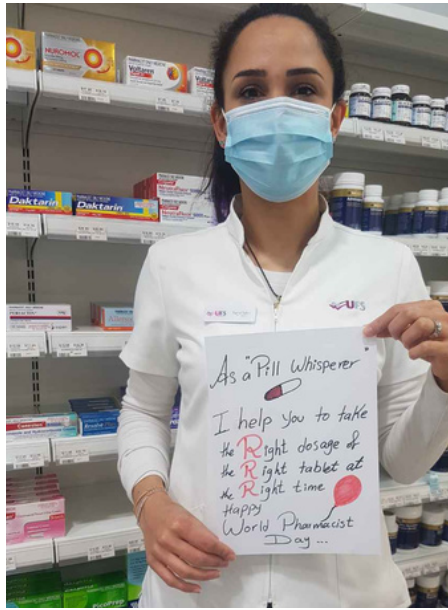
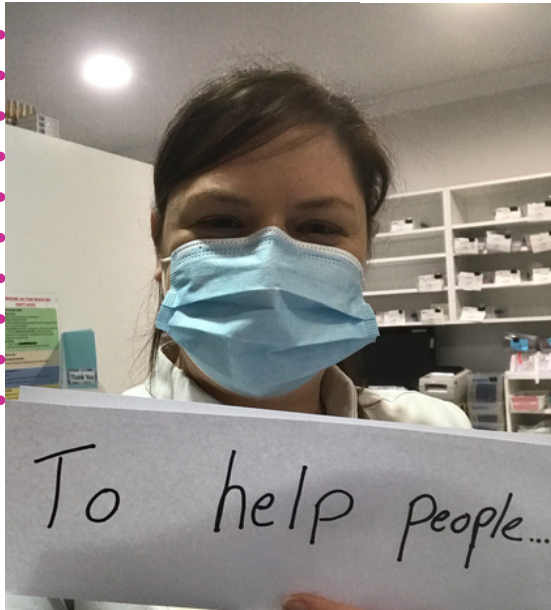
Michael Fleming
**Co Company Secretary
and CEO**

BBus(Accounting) GAICD

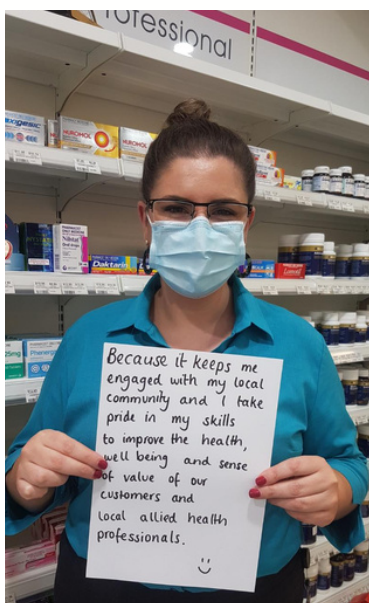
Our Leadership.



Why be a Pharmacist?



And... why
wouldn't you
want to be!



Year in Review.

People

14,139

drive thru
visits

2

UFS Optical
now has two
optometrists

106

staff across
the group

7

average
visits per
client at
Eden Skin
& Body

403,749

prescriptions
dispensed

Services

1,437

users of
MedAdvisor

1210

eye images

2,651

influenza
vaccinations

1800

home
deliveries

585

health
services
delivered*

1

Number one
reseller of
Dermalogica
in Bendigo

Community

20

students
supported
through education
and learning

Bendigo's only
drive thru and
24hr pharmacy

Eden Skin & Body
rebrand

Bridge Street
pharmacy
relocation

\$85,000

Projected to be
contributed via
Building a Healthier
Community Program
in October 2020

90

organisations
supported
through the
Building a Healthier
Community Program

*Health services include but not limited to blood pressure testing, health screening, diabetes checks and vaccinations

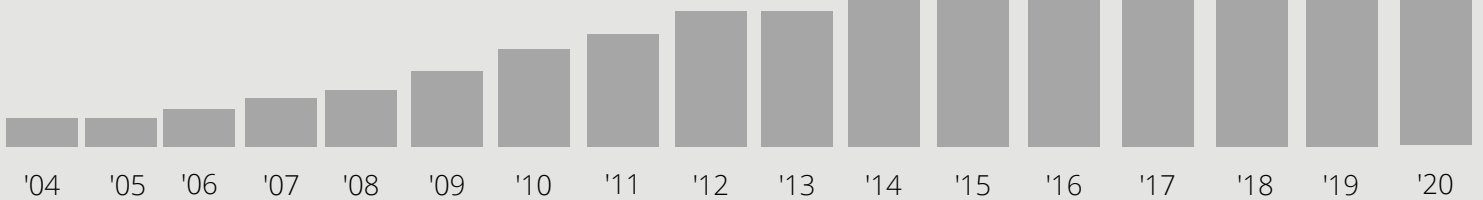
Even more for the community.

The "Building a Healthier Community" Program was established in 2004 and has been distributing funds and in-kind support to a vast range of initiatives centred on a health and wellbeing theme. So far we have contributed \$720,000, with a further \$85,000 committed for distribution in October 2020..

The program has three elements which are focused on different segments of our membership base, that being schools, community organisations and community fundraising support.

Last year we outlined plans to reinvigorate our Building a Healthier Community Program with a relaunch scheduled for February 2020 however due to COVID-19 this has postponed until February 2021. We can't wait to launch this to the community in the new year.

*\$806,000
Expected overall
contribution*



2020 Performance Summary.

	2020 \$	2019 \$
Total Revenue	21,445,741	18,118,197
Cost of Goods Sold	13,330,298	10,837,043
Percentage of Revenue	62.16 %	59.81 %
Salaries & Employee Benefit Expense	5,294,911	4,614,637
Percentage of Revenue	24.69 %	25.47 %
Total Other Expenses	1,748,342	2,123,478
Percentage of Revenue	8.15 %	11.72 %
Profit/(Loss) Before Income Tax Expense	1,072,191	543,039
Percentage of Revenue	5.00 %	3.00 %
Profit/(Loss) After Income Tax Expense	1,072,191	543,039
Percentage of Revenue	5.00 %	3.00 %

Balance Sheet Summary	2020 \$	2019 \$
Total Current Assets	2,806,529	2,826,523
Total Non Current Assets	10,104,941	6,819,657
Total Assets	12,911,470	9,646,180
Total Current Liabilities	3,061,448	2,618,364
Total Non Current Liabilities	4,250,384	2,500,369
Total Liabilities	7,311,832	5,118,732
Net Assets	5,599,638	4,527,447
Total Members Funds	5,599,638	4,527,447

Performance Statistics		
Return on Total Assets after Tax	8.30 %	5.63 %
Current Ratio	0.92	1.08
Inventory Turnover	8.48	8.32
Return on Equity	19.15%	11.99 %

Bendigo UFS Pharmacies Ltd

Director's Report

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

Nicole Cox Chair

BBus(Accounting), CPA, GAICD

Nicole is a Director of many companies including her own business consultancy firm, Segue Business Solutions. She is also Managing Director of Swimz Bendigo, a learn to swim facility in Bendigo East. With more than 20 years experience in business, management and finance, and having held various executive positions across a broad spectrum of industries, Nicole is also a graduate of the Australian Institute of Company Directors, and has held numerous Board positions including Peter Harcourt, St Luke's Anglicare, St Laurence CRT and Bendigo Basketball Association. Nicole currently Chair of the Audit and Risk Advisory Committee for the Mount Alexander Shire. Nicole is a member of the People and Nominations Committee.

Paul Kirkpatrick Deputy Chair

JP, MBA, GAICD, BHA, BAppSc, FCHSE

Paul completed a career in CEO and senior management roles in health and human services organisations before commencing in director roles in a diverse range of companies. Paul has extensive experience as a director of companies ranging from post-graduate medical education, community energy and consulting. As a Justice of the Peace, and through involvement in Rotary and the Bendigo Volunteer Resource Centre, Paul also has wide interest and involvement in community service and community development both locally and overseas. Paul is also a member of the Community Advisory Committee of the Board of Ambulance Victoria. Paul is Chair of the Opportunity and Risk Committee and People and Nominations Committee and member of the Clinical Governance Committee.

Andrew Trewartha Director

BA(Computing)

Andrew has more than 30 years of experience in Information Technology and is currently working on a software development projects for organisations located all over Australia. Throughout his career Andrew has provided software solutions to a variety of industries, ranging from retail and manufacturing to medical and genetic sciences. His focus has largely been software development, encompassing planning and design through to implementation and support. Andrew is a member of the Finance and Audit Committee and Opportunity and Risk Committee. He is also working closely with management as part of the newly created UFS Technology Working Party.

Peter Leerson Director

CPA, M(Accounting), BBus, MAICD

Peter was appointed as Chief Financial Officer of the Portable Long Service Leave Authority in April 2019 after eleven years as the General Manager, Finance and Pricing for Coliban Water. Peter has a background in business management and accounting and has extensive experience in leadership roles in both catchment management authorities and resort management in Australia. Peter was the Corporate Services Manager of the North Central Catchment Management Authority for four years prior to his appointment to Coliban Water, and was Corporate Services Manager of the Mallee Catchment Management Authority from 2001 to 2008. Prior to that Peter held management positions with Twin Water Resort, Hamilton Island and Ayers Rock Resort over a ten year period. Peter is a CPA, holds a Masters in Accounting and a Bachelor of Business. Peter is Chair of the Finance and Audit Committee and member of the Quality, Safety and Risk Committee.

Susanne Clarke Director

FAICD, ANZSoG Fellow, Grad Dip(Business), Grad Dip(Social Science CD)

Susanne (Sue) has held senior positions in health and community services for over 40 years including community health, local government, state government and the private sector. Sue's experience extends across primary healthcare, philanthropy, governance and community engagement. She has a strong interest and experience in clinical governance and consumer and community engagement. Sue has previously held Board Director positions with Bendigo Health, Murray PHN, Ambulance Victoria, and was the Chair of Loddon Mallee Housing t/as Haven; Home Safe, and Patron of the Community Foundation for Bendigo and Central Victoria. She is currently a Board Director with Bendigo Foodshare. Sue joined the Board of Bendigo United Friendly Societies Pharmacies Ltd in July 2019 and Central Victorian United Friendly Society Limited in September 2019 and is the Chair of the Quality, Safety and Risk Committee and a member of the Member and Community Committee. Sue was appointed to the Board on 31 July 2019.

Bendigo UFS Pharmacies Ltd

Director's Report

Stephen Iser Director

Stephen is the Managing Director and Board Member (4th generation) of the family business Hume and Iser Pty Ltd (Est. 1880). He has almost 50 years of experience in the retail and trade industry, commencing his career in the family business in 1972. Stephen has been a member of the National Trade and Retail Advisory Committee with the HoME Group for over 20 years and also now joined with the recently merged HoME/Mitre 10 Group. Stephen was a Board and Finance Committee member of The Sandhurst Club (retired 13 years) and recently retired from the Board of the Timber Merchants Association (TMA) of Victoria (5 years). He has been a supporter and volunteer in fundraising for Radius Disability Services, St Lukes Anglicare and 2015/16 fundraising for Very Special Kids (VSK). Stephen is a member of the Finance and Audit Committee and the Member and Community Committee.

Chris DeAraugo Director

Grad Dip.Bus.

Chris has over 25 years banking experience at executive and senior management level with Bendigo Bank, specialising in marketing and community development. He was also the founding CEO of the national youth development program Lead On Australia. He has broad governance experience as a member of many business and community focused boards and committees. He is currently working as a business consultant across a range of industries including water authorities, sporting and event organisations, local Government and banking. Chris is Chair of the Member and Community Committee and a member of the People and Nominations Committee.

Company Secretary

NNina Aubin was appointed as joint Company Secretary on 27th March 2019. Nina holds a Diploma in Business Administration and Certificate in Governance Practice from the Governance Institute of Australia. Nina has extensive Board and executive level administration experience in the GP training sector and was appointed as contract Company Secretary for Bendigo Community Health Services in July 2020. Nina is also President of the Board of Directors for YWCA Hunter Region Inc, a volunteer role which provides a holistic perspective of organisational Board governance and enhances her governance experience in the not-for-profit sector.

The joint company secretary is Michael Fleming BBus(Accounting) GAICD. Appointed to the position of secretary in April 2005. He holds a Bachelor of Business (Accounting and Data Processing) from La Trobe University obtained in 1992. Michael 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.

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Bendigo UFS Pharmacies Ltd

Director's Report

OBJECTIVE

Bendigo UFS Pharmacies Ltd seeks to improve the health and wellbeing of our community by providing health and wellbeing products and services throughout its network of businesses across the Greater Bendigo region.

STRATEGY FOR ACHIEVING THE OBJECTIVE

The company delivers on its objective by utilising well trained knowledgeable people to nurture long term relationships with our customers through honest and positive communication. We seek to continuously evolve our professional services to support better health outcomes for customers and the broader community.

PERFORMANCE MEASURES

The company measures its performance in terms of the benefits it provides to its members and the community. These benefits are measured in both volume and value. Key performance indicators include sales and member growth, the number of prescriptions or alternative volume measures depending on the business, and the number of customers served through our various outlets. The company uses other financial measures to monitor ongoing sustainability of the overall business.

PRINCIPAL ACTIVITIES

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

OPERATING RESULTS AND REVIEW OF OPERATIONS

Operations have continued to perform in line with expectations with continued growth across most businesses leading to increased profitability. The profit of the company for the financial year after provision for income tax was:

Year Ended 30 June 2020	\$ 1,072,191
Year Ended 30 June 2019	\$ 543,039

DIVIDENDS

The company's constitution precludes the payment of dividends.

Bendigo UFS Pharmacies Ltd

Director's Report

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. The company's financial position remains sound due to our core pharmacy business being an essential service although it has been impacted by reduced foot traffic in-store and additional costs associated with providing services in the current environment.

The Company has determined that these events have not required any specific adjustments within the financial report.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as any impact on the financial position and results of the Company for future periods.

ENVIRONMENTAL REGULATION

The company is not subject to any significant environmental regulation.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The company has indemnified its Officers and Directors in relation to any 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 involving wilful breach of duty in relation to the company.

The company has not provided any indemnities or paid insurance, during or since the end of the financial year for the auditor of the company or a related body corporate.

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Bendigo UFS Pharmacies Ltd

Directors Meetings

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

	Number of Board Meetings eligible to attend	Number attended
Ms Nicole Cox	9	9
Mr Paul Kirkpatrick	9	9
Mr Chris DeAraugo	9	9
Mr Stephen Iser	9	9
Mr Peter Leersen	9	9
Mr Andrew Trewartha	9	9
Ms Sue Clarke (appointed: 31 July 2019)	8	8

The number of Finance and Audit Committee meetings attended by each of the Directors of the company during the year were:

	Number of Board Meetings eligible to attend	Number to attend
Mr Stephen Iser	2	2
Mr Peter Leersen	2	2
Mr Andrew Trewartha	2	2

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 20.

Signed in accordance with a resolution of the Board of Directors at Suite 2, 379 Hargreaves Street, Bendigo, VIC 3550 on 16th November 2020.



.....

Ms Nicole Cox
Chair



.....

Mr Paul Kirkpatrick
Deputy Chair

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41A Breen Street
Bendigo, Victoria
PO Box 448, Bendigo, VIC, 3552

Ph: (03) 4435 3550
admin@rsdaudit.com.au
www.rsdaudit.com.au

Auditors Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of Bendigo United Friendly Societies Pharmacies Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020 there have been no contraventions of:

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

RSD Audit

A handwritten signature in black ink, appearing to read 'P. P. Delahunty', with a stylized flourish at the end.

P. P. Delahunty
Partner
41A Breen Street
Bendigo VIC 3550

Dated: 16 November 2020

Richmond Sinnott & Delahunty, trading as RSD Audit
ABN 85 619 186 908

Liability limited by a scheme approved under Professional Standards Legislation

Bendigo UFS Pharmacies Ltd

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30th June 2020

	Notes	2020 \$	2019 \$
Revenue	2	21,445,741	18,118,197
Cost of Goods Sold	3	(13,330,298)	(10,837,043)
Salaries & Employee Benefits Expense		(5,294,911)	(4,614,637)
Occupancy and Associated Costs		(108,578)	(371,339)
Depreciation and Amortisation Expense	3	(627,091)	(415,535)
Borrowing Costs	3	(179,731)	(29,889)
General Administration Expenses		(832,941)	(1,306,715)
NET PROFIT BEFORE INCOME TAX		1,072,191	543,039
Income Tax	4	0	0
NET PROFIT AFTER INCOME TAX		1,072,191	543,039
TOTAL COMPREHENSIVE INCOME		1,072,191	543,039

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The above statement should be read in conjunction with the accompanying notes.

Bendigo UFS Pharmacies Ltd

Balance Sheet

as at 30th June 2020

	Notes	2020 \$	2019 \$
CURRENT ASSETS			
Cash Assets	5	222,446	419,431
Trade and Other Receivables	6	773,500	746,350
Inventories	7	1,810,582	1,660,742
TOTAL CURRENT ASSETS		2,806,529	2,826,523
NON CURRENT ASSETS			
Property, Plant & Equipment	8	5,827,482	2,529,786
Intangibles	9	4,277,459	4,289,871
TOTAL NON CURRENT ASSETS		10,104,941	6,819,657
TOTAL ASSETS		12,911,470	9,646,180
CURRENT LIABILITIES			
Trade and Other Payables	10	1,810,015	1,706,957
Borrowings	11	539,801	261,204
Provisions	12	711,632	650,203
TOTAL CURRENT LIABILITIES		3,061,448	2,618,364
NON CURRENT LIABILITIES			
Borrowings	11	4,166,751	2,422,538
Provisions	12	83,633	77,831
TOTAL NON CURRENT LIABILITIES		4,250,384	2,500,369
TOTAL LIABILITIES		7,311,832	5,118,732
NET ASSETS		5,599,638	4,527,447
MEMBERS FUNDS			
Retained Earnings	13	5,599,638	4,527,447
TOTAL MEMBERS FUNDS		5,599,638	4,527,447

The above statement should be read in conjunction with the accompanying notes.

Bendigo UFS Pharmacies Ltd

Statement of Changes in Equity

for the year ended 30th June 2020

2019	Retained Earnings \$	Total \$
Balance at 1st July 2018	3,984,408	3,984,408
Total Comprehensive Income for the year	543,039	543,039
	<u>543,039</u>	<u>543,039</u>
Balance at 30th June 2019	<u>4,527,447</u>	<u>4,527,447</u>

2020	Retained Earnings \$	Total \$
Balance at 1st July 2019	4,527,447	4,527,447
Total Comprehensive Income for the year	1,072,191	1,072,191
	<u>1,072,191</u>	<u>1,072,191</u>
Balance at 30th June 2020	<u>5,599,638</u>	<u>5,599,638</u>

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The above statement should be read in conjunction with the accompanying notes.

Bendigo UFS Pharmacies Ltd

Statement of Cashflows

for the year ended 30th June 2020

	Notes	2020 \$	2019 \$
Cash flows from operating activities:			
Cash received from customers		22,821,014	19,418,777
Cash paid to suppliers and employees		(21,290,438)	(18,115,294)
Interest received		1,648	3,252
Interest paid		(93,352)	(29,889)
Net cash provided by from operating activities	14	1,438,872	1,276,847
Cash flows from investing activities:			
Purchase of property, plant & equipment		(723,187)	(703,253)
Purchase of intangibles		(4,685)	(2,735,099)
Net cash used in investing activities		(727,872)	(3,438,352)
Cash flows from financing activities:			
Net repayment of borrowings		(1,407,985)	(925,699)
Net receipt of borrowings		500,000	3,268,451
Net cash provided by/(used in) financing activities		(907,985)	2,342,752
Net increase in cash held		(196,985)	181,246.54
Cash at the beginning of the financial year		419,431	238,184
Cash at the end of the financial year	14	222,446	419,431

The above statement should be read in conjunction with the accompanying notes.

Bendigo UFS Pharmacies Ltd

Notes to the Financial Statements or the year ended 30 June 2020

Note 1 Statement of Accounting Policies

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

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 statements have been prepared in accordance with the mandatory Australian Accounting Standards applicable to entities reporting under the Corporations Act 2001 and the significant accounting policies disclosed below, which the directors have determined are appropriate to meet the needs of members. Such accounting policies are consistent with those of previous periods unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs unless otherwise stated in the notes. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise. The amounts presented in the financial statements have been rounded to the nearest dollar.

Coronavirus (COVID-19) pandemic and the impact on the financial statements

The COVID-19 global health pandemic has resulted in a number of directions from Government that have had some impact on the company. Specifically, these have included work from home orders, restricting customers numbers in-store and in some cases closure of business units that are not classified essential services. The company has been able to adapt to these directions and enacted its Business Continuity Plans successfully.

With the assistance of suppliers and customers, delivery of services impacted by restrictions has been maintained within the parameters of the directions and our workforce has adopted safe working approaches to ensure continuity of all essential services and obligations. At this time, management assesses there is no material impact to key assumptions as a result of COVID-19.

Bendigo UFS Pharmacies Ltd

Notes to the Financial Statements or the year ended 30 June 2020

(a) Revenue

The core principle of AASB 15 Revenue from Contracts with Customers is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as and when control of the performance obligations is transferred.

Generally the timing of the receipt of payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

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

Consistent with the policy introduced in the 2003/2004 financial year membership revenues have been accounted for on a prepaid basis as opposed to at the time of receipt. The company offers members alternative membership options ranging from one year to five years and therefore the outstanding balance on memberships as at the end of the financial year is recognised as prepaid revenue.

(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 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 relate 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.

(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 from 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 operating cash flows.

Bendigo UFS Pharmacies Ltd

Notes to the Financial Statements or the year ended 30 June 2020

(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 2020 was 10558 (2019: 11407).

(f) Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks, net of outstanding bank overdrafts. The company has not used any of its overdraft facility at 30 June 2020 (2019:Nil).

(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) Inventories

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

(i) Intangibles

Goodwill is initially recorded at the amount by which the purchase price for a business exceeds the fair value attributed to its net assets at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

(j) Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under 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 and right of use assets 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 | 5 - 40 | years |
| ◦ plant and equipment | 2.5 - 40 | years |
| ◦ furniture and fittings | 4 - 40 | years |
| ◦ right of use assets - property | 3 - 10 | years |

(k) Impairment of assets

At each reporting date, the 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. Goodwill is tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

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.

(l) 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.

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

(m) Borrowings

All loans are measured at the amortised cost. Interest is recognised as an expense as it accrues.

(n) Employee Benefits

Annual Leave

Liabilities for annual leave expected to be settled within 12 months of the reporting date are recognised in the employee benefit 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, at their nominal values. Employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the entity, in respect of services rendered by employees up to the reporting date. Regardless of the expected timing of settlements, provisions made in respect of employee benefits are classified as a current liability unless there is an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date, in which case it would be classified as a non-current liability.

Long Service Leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and period of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. Provisions made for unconditional long service leave are classified as a current liability, where the employee has a present entitlement to the benefit. The non-current liability represents long service leave entitlements accrued for employees with less than 7 years of continuous service.

Superannuation

The amount charged to the Statement of Profit or Loss and Other Comprehensive Income in respect of superannuation represents the contributions made by the Company to the superannuation plan in respect to the current services of entity staff. Superannuation contributions are made to the plans based on the relevant rules of each plan.

Employee Benefit On-Costs

Employee benefit on-costs, including worker's compensation are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(o) Provisions

Provisions are recognised when the company has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or 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.

(p) 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.

(i) Impairment - General

The Company assesses impairment at each reporting date by evaluating conditions specific to the company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

(ii) Impairment - Doubtful debts provision

The directors have reviewed the accounts receivables and do not believe they are impaired as at 30 June 2020 (2019:Nil).

(q) Financial Instruments

Financial instruments are recognised initially on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial Assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Bendigo UFS Pharmacies Ltd

Notes to the Financial Statements or the year ended 30 June 2020

Classification

On initial recognition, the Company classifies its financial assets as measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position. Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis.

Trade receivables

Impairment of trade receivables have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Company has determined the probability of non-payment of the receivable and multiplied this by the amount of the expected loss arising from default.

Financial liabilities

The Company measures all financial liabilities initially at fair value less transaction costs. Subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Company comprise trade payables and bank loans.

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(r) Change in accounting policy

AASB 16 Leases

AASB 16 Leases replaces AASB 117 Leases and three associated Interpretations. The new standard has been applied using the modified retrospective approach, with the cumulative effect of adopting AASB 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated, as permitted under the specific transition provisions in the standard.

For contracts in place at the date of initial application, as permitted under the specific transition provisions in the standard, the Company has elected to apply the definition of a lease from AASB 117 and relevant associated interpretations, and has not applied AASB 16 to arrangements that were previously not identified as a lease under AASB 117 and associated interpretations. This means that any contracts that were deemed to not contain a lease under AASB 117 have not been reassessed under AASB 16.

The Company has also elected to not include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of AASB 16, being 1 July 2019.

Furthermore, at this date, the Company has elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition as allowed under the transition provisions.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of AASB 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value-assets (less than \$10,000) the Company has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under AASB 117 immediately before the date of initial application.

On transition to AASB 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under AASB 16 was 2.99%.

The Company has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

Bendigo UFS Pharmacies Ltd

Notes to the Financial Statements or the year ended 30 June 2020

The following is a reconciliation of total operating lease commitments at 30 June 2019 to the lease liabilities recognised at 1 July 2019.

\$

Total operating lease commitments disclosed at 30 June 2019	3,184,503
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Recognition exemptions:

- | | |
|--|---|
| • Leases of low value assets | - |
| • Leases with remaining lease terms of less than 12 months | - |

Operating lease liabilities before discounting	3,184,503
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Lease liability as at 1 July 2019	3,184,503
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Represented by:

Current lease liabilities	261,382
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Non-current lease liabilities	2,923,121
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3,184,503

Adjustments recognised in the balance sheet on 1 July 2019

The recognised right-of-use assets relate to the following types of assets:	1st July 2019
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\$

Properties	3,184,503
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Total right-of-use assets	3,184,503
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The change in accounting policy affected the following items

Balance sheet item

Effect

Amount

\$

Property, plant and equipment	Increase	3,184,503
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Lease liabilities	Increase	3,184,503
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Bendigo UFS Pharmacies Ltd

Notes to the Financial Statements or the year ended 30 June 2020

	2020 \$	2019 \$
Note 2 : Revenue		
Operating activities		
Sales Revenue	18,787,513	16,689,480
Service Fees from Related Entity	1,562,361	1,375,168
Memberships	103,715	120,848
Total revenue	20,453,589	17,185,496
Non operating activities		
Rent Revenue	67,016	24,375
Sundry Income	923,488	898,937
Profit on Disposal of Assets	-	6,137
Interest Received	1,648	3,252
Total revenue from non-operating activities	992,152	932,701
Total revenue from Ordinary Activities	21,445,741	18,118,196

Note 3 : Profit includes the following expenses

Cost of Goods Sold	13,330,298	10,837,043
Depreciation and amortisation of non-current assets		
Buildings	173,253	236,629
Plant and equipment	125,385	169,796
Right of Use Assets	311,356	-
Intangible Assets	17,098	9,110
	627,092	415,535
Borrowing Expenses		
Interest Paid	93,352	29,889
Interest Recognised on Right of Use Assets	86,379	-
	179,731	29,889
Bad Debts	4,239	10,746

Note 4 : Income Tax Expense

(a) The components of tax expense comprise:

	2020 \$	2019 \$
Current tax	0	0
Deferred tax	0	0
Income tax expense	0	0

(b) The prima facie tax on profit from activities before income tax is reconciled to the income tax expenses as follows:

Operating profit	1,072,191	543,039
Prima facie tax on profit @ 27.5%, (2019: 27.5%)	294,853	149,336
Add tax effect of:		
Movement in provision for long service leave	5,322	9,642
Movement in provision for annual leave	8,494	4,311
Notional rent expense	10,639	13,397
Notional interest expense	15,846	0
Depreciation on right of use assets	57,119	0
Non-deductible entertainment	1,285	957
Wage accruals	5,256	(7,815)
	103,951	20,492
Less tax effect of:		
Mutual profit	35,583	69,013
Notional rent income - inter-entity	4,250	24,090
Rent Offset (Right of Use)	15,934	0
Income accrued but not received	62,389	0
Non-taxable Government Subsidies	68,750	0
Additional building capital allowances	13,750	4,250
Carried forward tax losses utilised	198,148	72,474
	398,804	169,827
Income tax on operating profit	0	0

Bendigo UFS Pharmacies Ltd

Notes to the Financial Statements or the year ended 30 June 2020

Note 4 - continued

	2020 \$	2019 \$
Tax Losses (tax effected)		
Opening balance	650,953	723,967
Future income tax benefit/(deficit) not brought to account	(198,148)	(72,474)
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>452,455</u>	<u>650,593</u>

As at 30 June 2020, the balance of the gross carried forward tax losses is \$1,406,939 (tax effected: \$452,445) (2019: \$2,127,478 gross, tax effect: \$650, 593)

Note 5 : Cash Assets

Cash on Hand	15,942	15,872
Cash at Bank	206,504	403,559
	<u>222,446</u>	<u>419,431</u>

Note 6 : Trade and Other Receivables

Trade Debtors	274,843	277,266
Government - PBS Remittances Outstanding	164,754	279,744
Loan - Inter-Company	(54,970)	168,409
Prepayments	388,873	20,931
	<u>773,500</u>	<u>746,350</u>

Note 7 : Inventories

Finished Goods	1,810,582	1,660,742
	<u>1,810,582</u>	<u>1,660,742</u>

Bendigo UFS Pharmacies Ltd

Notes to the Financial Statements or the year ended 30 June 2020

Note 8 : Property, Plant & Equipment

	2020 \$	2019 \$
Plant & Equipment		
At cost	2,047,986	1,653,194
Less accumulated depreciation	(1,454,050)	(1,328,664)
	<u>593,936</u>	<u>324,530</u>
Buildings		
At cost	4,013,552	3,685,157
Less accumulated depreciation	(2,034,097)	(1,860,845)
	<u>1,979,455</u>	<u>1,824,312</u>
Right of Use Assets		
At cost	3,184,503	0
Less accumulated depreciation	(311,356)	0
	<u>2,873,147</u>	<u>0</u>
Land		
At cost	<u>380,944</u>	<u>380,944</u>
	<u>380,944</u>	<u>380,944</u>
Total Written Down Amount	<u>5,827,482</u>	<u>2,529,786</u>

Movements in carrying amounts

Plant and Equipment		
Carrying amount at the start of the year	324,530	311,591
Additions	394,791	188,872
Disposals	0	(6,137)
Depreciation	(125,385)	(169,796)
Carrying amount at the end of the year	<u>593,936</u>	<u>324,530</u>
Buildings		
Carrying amount at the start of the year	1,824,312	1,540,423
Additions	328,396	520,518
Depreciation	(173,253)	(236,629)
Carrying amount at the end of the year	<u>1,979,455</u>	<u>1,824,312</u>
Right of Use Assets		
Carrying amount at the start of the year	0	0
Additions	3,184,503	0
Depreciation	(311,356)	0
Carrying amount at the end of the year	<u>2,873,147</u>	<u>0</u>
Land		
Carrying amount at the start of the year	<u>380,944</u>	<u>380,944</u>
Carrying amount at the end of the year	<u>380,944</u>	<u>380,944</u>
Total written down amount	<u>5,827,482</u>	<u>2,529,786</u>

Bendigo UFS Pharmacies Ltd

Notes to the Financial Statements or the year ended 30 June 2020

	2020 \$	2019 \$
Note 9 : Intangible Assets		
Goodwill at Fair value	4,254,104	4,254,104
	<u>4,254,104</u>	<u>4,254,104</u>
Other Intangibles		
At cost	64,597	59,912
Less accumulated amortisation	(41,242)	(24,145)
	<u>23,355</u>	<u>35,767</u>
Total Written Down Amount	<u>4,277,459</u>	<u>4,289,871</u>

Movements in carrying amounts

Goodwill		
Carrying amount at the start of the year	4,254,104	1,535,000
Additions	0	2,719,104
Carrying amount at the end of the year	<u>4,254,104</u>	<u>4,254,104</u>

During the financial year ended 30th June 2019 the company purchased the Bendigo Day and Night Pharmacy located in Bridge Street Bendigo. The purchase included plant and equipment, stock, and the assessed goodwill value of the customer base generating future earnings. This purchase was funded through a mix of existing cashflow and new loans which are secured over the assets of both Bendigo UFS Pharmacies Ltd and Central Victoria UFS Ltd.

Other Intangibles		
Carrying amount at the start of the year	35,767	28,882
Additions	4,685	15,995
Amortisation	(17,098)	(9,110)
Carrying amount at the end of the year	<u>23,355</u>	<u>35,767</u>

Other intangibles primarily consist of software and website development amortised over a number of years.

Total written down amount	<u>4,277,459</u>	<u>4,289,871</u>
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Bendigo UFS Pharmacies Ltd

Notes to the Financial Statements or the year ended 30 June 2020

	2020 \$	2019 \$
Note 10 : Trade and Other Payables		
Trade Creditors	1,265,530	1,274,860
Prepaid Memberships	163,216	151,216
Other Creditors and Accruals	381,269	280,881
	<u>1,810,015</u>	<u>1,706,957</u>

Note 11 : Borrowings

(a) Current		
Bank Loans	270,429	246,139
Lease Liabilities	261,382	-
Credit Cards	7,990	15,065
	<u>539,801</u>	<u>261,204</u>
(b) Non-current		
Bank Loans	1,330,973	2,181,410
Lease Liabilities	2,835,778	241,128
	<u>4,166,751</u>	<u>2,422,538</u>
Total Borrowings	<u>4,706,552</u>	<u>2,683,742</u>

The company has a bank overdraft facility for its working account and at the end of the financial year ended 30th June 2020 it was in credit. The bank loans and overdraft are secured by a first debenture charge from Bendigo UFS Pharmacies Ltd, Central Victorian UFS Ltd and the property held at 209 View Street, Bendigo.

Leases are for fittings, equipment and motor vehicles, and are secured by the underlying asset with fixed interest rates between 4.00% and 6.50%. The repayment terms are between 3 and 5 years. In addition, property lease liabilities are recognised in accordance with AASB16 - Leases, refer to note 1(r).

At the end of the financial year, and during the year the company has not been in breach of any of its loan covenants.

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Bendigo UFS Pharmacies Ltd

Notes to the Financial Statements or the year ended 30 June 2020

	2020 \$	2019 \$
Note 12 : Provisions		
(a) Current		
Employee entitlements	711,632	650,203
(b) Non-current		
Employee entitlements	83,633	77,831
Total Provisions	795,265	728,034
Number of employees at the end of the financial year	106	104

Note 13 : Retained Earnings

Balance at the beginning of the year	4,527,447	3,984,408
Net Profit from ordinary activities after Income Tax	1,072,191	543,039
Balance at the end of the financial year	5,599,637	4,527,447

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	2020	2019
	\$	\$
Note 14 : Statement of Cashflows		
Reconciliation of cash		
Cash on Hand	15,942	15,872
Cash at Bank	206,504	403,559
	<u>222,446</u>	<u>419,431</u>
Reconciliation of profit after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	1,072,191	543,039
Non-cash items:		
◦ Depreciation and amortisation expense	627,091	415,535
◦ Interest Recognised on Right of Use Assets	86,379	0
◦ Rent Notional	(340,087)	0
Changes in assets and liabilities:		
◦ Decrease/(Increase) in receivables	(27,150)	118,549
◦ Increase in inventories	(149,841)	(336,247)
◦ Increase in payables	103,057	364,497
◦ Increase/(Decrease) in provisions	67,232	171,474
	<u>1,438,872</u>	<u>1,276,847</u>
Net cashflow provided by operating activities		

Note 15 : Auditor's Remuneration

Amounts received or due and receivable by the auditor of the company for:

◦ Auditing the financial accounts	17,947	20,989
◦ Other services in relation to the company	-	-
	<u>17,947</u>	<u>20,989</u>

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Bendigo UFS Pharmacies Ltd

Notes to the Financial Statements or the year ended 30 June 2020

2020
\$

2019
\$

Note 16 : Related Party Transactions

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

Bendigo UFS Pharmacies Ltd provide all day to day operational management for Central Victorian UFS Ltd which currently operates a single pharmacy in Maiden Gully. As a result of transactions created through this service structure, inter-company balances are created which are materially settled on a monthly basis. The outstanding balances are provided below:

Outstanding Balance at 30 June	(54,970)	168,409
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In addition to these inter-company balances, service fees are also paid to Bendigo UFS Pharmacies Ltd which cover the provision of all support services to operate the pharmacy owned by Central Victorian UFS Ltd. These include providing all employees, purchasing and other elements to conduct the business.

Service Fees for the financial year	1,562,361	1,375,168
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The names of each person who held the position of Director during the year are:

Ms Nicole Cox
Mr Chris DeAraugo
Mr Stephen Iser
Mr Paul Kirkpatrick
Mr Peter Leersen
Mr Andrew Trewartha
Ms Sue Clarke (Appointed: 31 July 2019)

Directors' Remuneration

Short term employee benefits	75,166	77,871
Post-employment benefits	7,200	7,295
Total Directors' Remuneration	<u>82,366</u>	<u>85,166</u>

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.

Bendigo UFS Pharmacies Ltd

Notes to the Financial Statements or the year ended 30 June 2020

Note 17 : Subsequent Events

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as any impact on the financial position and results of the Company for future periods.

There are no other matters that have arisen since the end of the financial year that have significantly affected the operations of the company or its financial balances.

Note 18 : Contingent liabilities

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

Note 19 : Commitments

(a) Capital commitments

As at 30 June 2020, the company has committed to a partial renovation of one of its lease premises. The expected cost is around \$35,000. For the year ended 30th June 2019 there were commitments to refit one of its leased premises which cost approximately \$230,000.

Note 20 : Segment Reporting

Bendigo UFS Pharmacies Ltd operates predominantly in one geographical area being Bendigo, Victoria within the Friendly Society Industry.

Note 21 : Registered office/Principal place of business

The registered office and principal place of business is:

Registered office

Suite 2,379 Hargreaves Street, Bendigo, VIC 3550

Principal place of business

379 Hargreaves Street, Bendigo, 3550
209 View Street, Bendigo, 3550
32 Blucher Street, Strathfieldsaye, 3551
2/741 Calder Highway, Maiden Gully, 3555
40 Bridge Street, Bendigo, 3550

Bendigo UFS Pharmacies Ltd

Notes to the Financial Statements or the year ended 30 June 2020

Note 22 : 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 and National Australia 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 National Australia 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 and National Australia Bank Limited mitigates this risk significantly.

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 Balance Sheet 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.

Bendigo UFS Pharmacies Ltd

Notes to the Financial Statements or the year ended 30 June 2020

(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 Balance Sheet.

The company does not have any unrecognised financial instruments at the year end.

<u>Financial Instrument</u>	Floating Interest Rate		Fixed Interest Rate		Non Interest Bearing		Weighted Average Effective Interest Rate	
	2020 \$	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$
<u>Financial assets</u>								
Cash at Bank	206,504	403,559	-	-	-	-	0.00 %	0.84 %
Receivables	-	-	-	-	773,500	746,350	0.00 %	0.00 %
<u>Financial liabilities</u>								
Trade and Other Payables					1,810,015	1,706,957	0.00 %	0.00 %
Borrowings	3,064,631	860,391	1,641,921	1,823,350	-	-	4.10 %	3.91 %

Maturity Analysis

The table below provides information on the company's maturity profile of its financial liabilities:

<u>Financial Instrument</u>	1 year or less	1 to 5 years	5+ years	Total contractual cash flows	Less future interest	Carrying amount of liability
	\$	\$	\$	\$	\$	\$
Year Ended 30 June 2020						
Trade and other payables	1,810,015	-	-	1,810,015	-	1,810,015
Borrowings	694,120	2,097,729	-	5,555,582	(849,030)	4,706,552
	2,504,135	2,097,729	2,763,733	7,365,597	(849,030)	6,516,567
Year Ended 30 June 2019						
Trade and other payables	1,706,957	-	-	1,706,957	-	1,706,957
Borrowings	367,850	1,263,314	1,711,949	3,343,113	(659,372)	2,683,741
	2,074,807	1,263,314	1,711,949	5,050,070	(659,372)	4,390,698

Bendigo UFS Pharmacies Ltd

Notes to the Financial Statements or the year ended 30 June 2020

(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 risk.

Interest Rate Sensitivity Analysis

At 30th June 2020 the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant, would be insignificant as most of the company's financial liabilities are fixed rate contracts.

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Bendigo UFS Pharmacies Ltd Director's Declaration

The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

In accordance with a resolution of the directors of Bendigo UFS Pharmacies Limited, the directors declare that:

- (1) The financial statements and notes, as set out on pages 20 to 47 are in accordance with the Corporations Act 2001 and:
 - a. comply with Accounting Standards applicable to the company; and
 - b. give a true and fair view of the financial position as at 30 June 2020 and of the performance of the company for the year ended on that date in accordance with the accounting policies described in Note 1 of the financial statements.
- (2) In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



.....

Ms Nicole Cox
Chair

Signed: 16th November 2020



.....

Mr Paul Kirkpatrick
Deputy Chair

Signed: 16th November 2020

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BENDIGO UNITED FRIENDLY SOCIETIES PHARMACIES LIMITED**

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Bendigo United Friendly Societies Pharmacies Limited, which comprises the balance sheet as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion the financial report of Bendigo United Friendly Societies Pharmacies 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 2020 and of its performance for the year then ended; and
- (ii) complying with Australian Accounting Standards to the extent described in Note 1, and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110: Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Bendigo United Friendly Societies Pharmacies Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 to the financial report, 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. Our opinion is not modified in respect of this matter.

Information Other than the Financial Report and Auditors Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the company's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors of the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

RSD Audit

Chartered Accountants

A handwritten signature in black ink, appearing to read 'P. P. Delahunty'.

P. P. Delahunty

Partner

Bendigo

Dated: 17 November 2020

