



**Bendigo United
Friendly Societies
Pharmacies LTD**

2019 Annual Report



Bendigo United Friendly Societies Pharmacies Ltd

ABN 51 087 822 268

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

Chairman: Ms Nicole Cox

Secretary: Ms Nina Aubin
Mr Michael Fleming

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Chairman and Chief Executive Officer's Report

Welcome to the 2019 Annual Report of Bendigo United Friendly Societies Pharmacies Ltd (UFS). It is with great enthusiasm we submit this report to our members, customers and valued stakeholders.

We've continued to focus on our purpose "to improve the health and wellbeing of our community" and operate by our values of being respectful, caring and trustworthy.

The past year has been one of growth, expansion and planning for the future so that we can continue to deliver on this important purpose.

Starting with growth, we are pleased to report our business continues to grow with a 14% increase in our net surplus to an amount of \$543,000.00 and a total sales increase of 13% for the year. In a continually competitive and evolving environment these are good results and a reminder that our members and customers genuinely value our professional and community based pharmacy model.

The growth and success of our 24 Hour View St Pharmacy has proven the worth of this operation and approach. Our customer numbers and utilisation of services such as the nursing service have exceeded our expectations and has proven to be much valued by our community.

Our recent expansion has been well considered and our purchase of the former Bendigo Day and Night Pharmacy in Bridge St means we now operate 7 businesses throughout Greater Bendigo made up of 5 Pharmacies, our Optical Store and Eden Day Spa.

We will launch the newly renovated Pharmacy in Bridge St before the end of 2019 and believe the new location combined with our proven care and business model will be another good investment for our group and service to the community.

Our vision to be the Health and Wellbeing destination for our community is being further delivered through the redevelopment of our Hargreaves St Pharmacy and the adjoining new consulting space. This can enable the establishment of a local "Health Hub" to utilise the new space and rooms and to share with selected health service providers. We believe UFS can support other health providers to provide better access to a range of services that can further improve the health and wellbeing outcomes for our communities.

And while we can take satisfaction from this growth and expansion, planning for the future is always top of mind. One exciting development is the review and rebuild of our Building a Healthier Community program.

This program has been one of the defining elements of our business that demonstrates our genuine community commitment and our Friendly Society ethos. The funding for this program predominately comes from sharing of membership fees across a raft of community groups or organisations and in the last year this program distributed over \$84,000 between more than 80 clubs or groups. More detail of the current program from 2019 is featured elsewhere in this report.

Originally established in 2004, we have recently undertaken a detailed review of the program from a starting position of "could we support the health and wellbeing of our community in more effective or far reaching ways?"

A board and staff working party was established and that work has recommended a reshaping of the program that can identify significant health or wellbeing issues that we could assist via financial or other support and potentially working in partnership with specialist providers from the broader health or community sector.

Our aim is to expand what we can do to improve the health and wellbeing of our community and also provide our members with a better understanding of the impact their membership and support of UFS can have across their communities.

More detail will be released early in 2020 as we continue our planning and work to ensure we deliver a well-regarded and effective Building a Healthier Community program.

Our board has undergone some changes and renewal since our last report. Our longest serving director Geoff Cook has stepped down from the board after 15 years of dedicated and impressive service to UFS. Roslyn Wai, our previous Chair also resigned her position after 10 years as a director and the last 3 as chair of the board. Ros was instrumental in our Governance review and ensuring UFS is well set up for our future.

We sincerely thank Ros and Geoff, on behalf of our members, staff and board for their valued contributions and commitment to our organisation. And as part of our ongoing renewal we now welcome two new directors who bring another range of skills and experience to the board. Peter Leersen – formerly Chief Financial Officer for Coliban Water and now Chief Financial Officer of the Portable Long Service Benefits Authority and Sue Clarke with a wealth of experience in the health and community sectors, are impressive additions to our board and the broader UFS team and we look forward to working with them over the following years.

In closing, we thank our dedicated and impressive staff who work so hard to ensure our members and customers receive quality health service and advice and of course, thank you our valued members for your continued support of the UFS businesses as we aim to provide a genuine point of difference in this sector.



Nicole Cox
Chair



Michael Fleming
Chief Executive Officer

2019 Performance Summary

	2019	2018
	\$	\$
Total Revenue	18,118,197	15,990,563
Cost of Goods Sold	10,837,043	9,374,640
Percentage of Revenue	59.81%	58.63%
Salaries & Employee Benefit expenses	4,614,637	4,244,844
Percentage of Revenue	25.47 %	26.55 %
Total Other Expenses	2,123,478	1,893,957
Percentage of Revenue	11.72 %	11.84 %
Profit/(Loss) Before Income Tax Expense	543,039	477,122
Percentage of Revenue	3.00 %	2.98 %
Profit/(Loss) After Income Tax Expense	543,039	477,122
Percentage of Revenue	3.00 %	2.98 %
Balance Sheet Summary	2019	2018
	\$	\$
Total Current Assets	2,826,523	2,457,340
Total Non Current Assets	6,819,657	3,796,840
Total Assets	9,646,179	6,254,180
Total Current Liabilities	2,618,364	1,997,767
Total Non Current Liabilities	2,500,369	272,005
Total Liabilities	5,118,733	2,269,772
Net Assets	4,527,447	3,984,408
Total Members Funds	4,527,447	3,984,408
Performance Statistics		
Return on Total Assets after Tax	5.63 %	7.63 %
Current Ratio	1.08	1.23
Inventory Turnover	7.62	8.32
Return on Equity	11.99 %	11.97 %

Purpose

We improve the health and wellbeing of our community.

Our vision 2017-2021

Our community's health and wellbeing destination.

Our Values

1. Respectful
2. Caring
3. Trustworthy

Board of Directors

Chairman	Ms Nicole Cox
Deputy Chairman	Mr Paul Kirkpatrick
Director	Mr Geoff Cook (Resigned: 28 November 2018)
Director	Mr Chris DeAraugo
Director	Mr Stephen Iser
Director	Ms Roslyn Wai (Resigned: 26th February 2019)
Director	Mr Peter Leersen (Appointed: 27th May 2019)
Director	Mr Andrew Trewartha

Administration

Chief Executive Officer	Michael Fleming
Human Resource Manager	Rowan Powell
Buying Coordinator	Pam Williams

Business Units

Pharmacy - 209 View Street Bendigo	Pharmacy Manager	Kirrilee Miller Susan Randall
Pharmacy - 379 Hargreaves Street Bendigo	Pharmacy Manager	Bronwyn Capewell
Pharmacy - 32 Blucher Street Strathfieldsaye	Pharmacy Manager	Cristina Mazzarino Amy Waldron
Pharmacy - Shop 2, 741 Calder Highway Maiden Gully	Pharmacy Manager	David Tadross
Eden - Suite 3, 379 Hargreaves Street Bendigo	Eden Manager	Meaghan Watt
Optical - Suite 1, 379 Hargreaves Street Bendigo	Optical Manager	Chris Moyle

Building a Healthier Community

Community Support

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 theme. We have also built the structure of the program around targeting organisations where our members participate.

The program has three elements which are focused on different segments of our membership base and are outlined below:

Schools Partnership Program

We now have thirty six schools and other educational facilities that are part of the Schools Partnership Program. The basis of the program is that our members can nominate a school to receive 50% of our membership fee. These funds are paid annually and are used for developing and implementing health and wellbeing programs within the school or facility. Schools that have joined the program include:

Axedale Primary School	Lockwood South Primary School
Bendigo (Violet Street) Primary School	Maiden Gully Primary School
Bendigo Senior Secondary College	Marist College – Maiden Gully
Bendigo South East Secondary College	Marong Early Learning Centre
Bendigo Special Developmental School	Marong Primary School
Camp Hill Primary School	North Bendigo Pre School
Catherine McAuley College Bendigo	Quarry Hill Primary School
Creek Street Christian College	Specimen Hill Primary School
Crusoe Secondary College	Spring Gully Primary School
Dr Harry Little Memorial Pre School	St Francis of the Fields Primary
Eppalock Primary School	St Joseph's Primary School
Golden Square Kindergarten	St Kilian's Primary School
Holy Rosary Primary School	St Liborius Primary School
Huntly Primary School	St Peter's Primary School
Kalianna Special School	St Therese's Primary School
Kennington Primary School	Strathfieldsaye Pre School
Lightning Reef Primary School	Strathfieldsaye Primary School
Lockwood Primary School	Weeroona College Bendigo

Clubs Sponsorship Program

This program operates under the same structure as the Schools Partnership Program providing the fifty four clubs / organisations with 50% of all renewing and new members that join UFS Pharmacies that nominate the club on our membership form. Clubs benefiting from the program include:

Atisha Buddhist Centre	Greater Bendigo Girl Guides
Bears Lagoon Serpentine Football Netball Club	Heartbeat Victoria - Bendigo Branch
Bendigo & District Concert Band	Interchange - Loddon Mallee Region
Bendigo Amateur Radio & Electronics Club Inc.	Junortoun Fire Brigade
Bendigo Animal Welfare & Community Services	Lions Club of Strathfieldsaye
Bendigo Association of Pharmacy Students	Maiden Gully Fire Brigade
Bendigo Autism Asperger Group	Maiden Gully Junior Football Club
Bendigo Breast Cancer Support Services Network	Maiden Gully Neighbourhood Watch
Bendigo Chinese Cultural Community	Marong Cricket Club
Bendigo Community Toy Library	Marong Fire Brigade
Bendigo East Baseball Club	Marong Football & Netball Club
Bendigo Foodshare	Mount Pleasant Football Netball

Bendigo Scleroderma Support Group
Bendigo Senjuns Hockey Club
Bendigo Squash Club
Bendigo Youth Choir
Bendigo Symphony Orchestra
Bendigo Volunteer Resource Centre
Blue Ribbon Foundation
Campbell's Forest Hall
Dragon City Derby Dolls
Dragons Abreast Bendigo
Golden City Football Club
Golden Square Bowling Club
Golden Square Football & Netball Club
Golden Square Football & Netball Club Juniors
Golden Square Swimming Pool

National Seniors Bendigo & District
Righteous Pups Australia
Sing Australia Bendigo
South Bendigo Football & Netball
St Luke's Anglicare
State Emergency Service Bendigo
Strathfieldsaye Bowls Club
Strathfieldsaye Dodgers Baseball
Strathfieldsaye Jets Cricket Club
Strathfieldsaye Junior Football Club
Strathfieldsaye Junior Netball Club
The Otis Foundation
Wildlife Rescue & Information
Zodiacs Netball Club
Zonta Club of Bendigo

Community Participation Program

UFS receives many requests for assistance throughout the year and as part of our goal to participate actively in the community, we support a wide range of organisations and groups on both an adhoc and regular basis depending on their requirements.

During the past twelve months the following organisations or groups have benefited through support from UFS Pharmacies (just to name a few):

Axedale Events Incorporated
Bendigo Association of Pharmacy Students
Bendigo Greyhounds - Give me 5 for Kids
Bendigo International Madison
Bendigo South East College
Bentleys Aged Care Christmas Raffle
Bridgewater Netball Club
Cancer Council Girls Night In Fundraisers
Carshalton House Auxiliary
Cure Brain Cancer Fundraiser
Eaglehawk Football & Netball Club

Eaglehawk Secondary College
Funloong Fun Day
Inglewood Football Netball Club
Jackson Davie Fundraiser
Make a Wish - Tungu Cycling Team
Marong Racing Club
The Lioness Club of Golden City
Vision Australia Easter Egg Hunt
Weeroona College
White Hills Primary School
World's Greatest Shave Fundraiser

Bendigo United Friendly Societies Pharmacies Ltd

Directors' Report

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

Geoffrey Cook

Director

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

Geoff has more than 20 years experience in public health administration, including senior local government management experience across both metropolitan and regional councils. Geoff was awarded an ICMA scholarship to study customer service in the USA and also travelled to Russia and the Ukraine as part of an Australian local government party to promote community engagement in physical activity to promote healthier lifestyles and cultural understanding. Geoff successfully operated Taambejo and Gemasuro alpaca studs where he was involved in breeding, marketing and showing alpacas and training new entrants into the industry. He was Vice President of the Central Victorian Alpaca Association for 6 years and a delegate to the Australian Sheep and Wool Show. Geoff resigned from the Board at the AGM on 28th November 2018.

Nicole Cox

Chair

BBus(Accounting), CPA

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 sits on the Audit and Risk Advisory Committee for the Mount Alexander Shire. Nicole was Deputy Board Chair until 28th November 2018 when she was appointed as Chair. Nicole is a member of the People and Nominations 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.

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.

Peter Leersen (Appointed: 27 May 2019)

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 2004. Prior to that Peter held management positions with Twin Water Resort, Hamilton Island and Ayers Rock Resort over a ten year period. Peter holds a Masters in Accounting and a Bachelor of Business. Peter is Chair of the Finance and Audit 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 two committees of the Board of Ambulance Victoria, the Community Advisory Committee and the Quality Committee. Paul is Chair of the Opportunity and Risk Committee and People and Nominations 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 project at the Epsom office of the Department of Jobs, Precincts and Regions (DJPR) where he is creating a system to manage the activities of Victoria's registered beekeepers. 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.

Roslyn Wai

Chair

MBA, MA(Prof Communication) GradCert (Mgmt), AdvDipBusiness(Marketing), Journalist, GAICD, AGIA

Roslyn is General Manager Corporate Strategy and Governance (Corporate Secretary) at Coliban Water in Bendigo. She has almost 30 years of experience across media, tertiary education, and water sectors in public relations, community engagement, marketing, customer service and business management and governance. She has worked in roles in both Australia and overseas. She is a full member of the Public Relations Institute of Australia and the International Association of Public Participation, an Associate of the Governance Institute of Australia and a graduate of the Australian Institute of Company Directors. Roslyn was Board Chair until 28th November 2018 and resigned from the Board on 26th February 2019.

Directors were in office for this entire year unless otherwise stated.

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

Company Secretary

Paul Kirkpatrick JP, MBA, GAICD, BAppSc, FCHSE was appointed as joint Company Secretary in April 2016. Paul is an experienced Company Secretary and former CEO of health and human services organisations. Paul maintains significant commitments to service clubs and is involved with Rotary and the Bendigo Volunteer Resource Centre. Paul ceased in the role of Company Secretary on 27th March 2019.

Nina 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 is President of the Board of Directors for YWCA Hunter Region Inc.

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.

OBJECTIVE

Bendigo United Friendly Societies 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 2019	Year Ended 30 June 2018
\$	\$
543,039	477,122

DIVIDENDS

The company's constitution precludes the payment of dividends.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the 2019 financial year, Bendigo United Friendly Societies Pharmacies Ltd purchased the Bendigo Day and Night Pharmacy. This purchase was funded through new loans secured over the assets of both Bendigo United Friendly Societies Ltd and Central Victorian United Friendly Society Limited.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There are no matters that have arisen since the end of the financial year that have significantly affected the operations of the company, in future years.

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

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
Mr Geoff Cook (Resigned: 28 November 2018)	4	4
Ms Nicole Cox	10	10
Mr Chris DeAraugo	10	10
Mr Stephen Iser	10	10
Mr Paul Kirkpatrick	10	9
Mr Peter Leersen (Appointed: 27 May 2019)	2	2
Mr Andrew Trewartha	10	10
Ms Roslyn Wai (Resigned: 26 February 2019)	6	5

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

	Number of Finance Committee Meetings eligible to attend	Number attended
Ms Nicole Cox	2	2
Mr Stephen Iser	3	3
Mr Peter Leersen (Appointed: 27 May 2019)	1	1
Mr Andrew Trewartha	3	3

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. In the 2018 year, the auditor was Andrew Frewin Stewart, and they provided non-audit services as set out in the 2018 column of note 14. In 2019 the audit was undertaken by RSD Audit. No non-audit services were provided by RSD Audit.

The board of directors has considered the position, in accordance with the advice received from the Finance and Audit committee and is satisfied that the provision of the non-audit services in the financial year ended 30th June 2018, was 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 for the financial year ended 30th June 2018, 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 were reviewed by the Finance and 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 APES110 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.

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 15.

Signed in accordance with a resolution of the Board of Directors at Suite 2, 379 Hargreaves Street, Bendigo on 30th October 2019.



Ms Nicole Cox
Chair



Mr Paul Kirkpatrick
Deputy Chair

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 2019 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', is written over a light blue circular background element.

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

Dated: 31 October 2019

Bendigo United Friendly Societies Pharmacies Ltd

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30th June 2019

		2019	2018
	Notes	\$	\$
Revenue	2	18,118,197	15,990,563
Cost of Goods Sold	3	(10,837,043)	(9,374,640)
Salaries & Employee Benefits Expense		(4,614,637)	(4,244,844)
Occupancy and Associated Costs		(371,339)	(354,998)
Depreciation and Amortisation Expense	3	(415,535)	(275,352)
Borrowing Costs	3	(29,889)	(25,766)
General Administration Expenses		(1,306,715)	(1,237,841)
NET PROFIT BEFORE INCOME TAX		543,039	477,122
Income Tax	4	0	0
NET PROFIT AFTER INCOME TAX		543,039	477,122
TOTAL COMPREHENSIVE PROFIT		543,039	477,122

Bendigo United Friendly Societies Pharmacies Ltd

Balance Sheet as at 30 June 2019

		2019	2018
	Notes	\$	\$
CURRENT ASSETS			
Cash Assets	5	419,431	238,184
Trade and Other Receivables	6	746,350	894,661
Inventories	7	1,660,742	1,324,495
TOTAL CURRENT ASSETS		2,826,523	2,457,340
NON CURRENT ASSETS			
Property, Plant & Equipment	8	2,529,786	2,232,958
Intangibles	9	4,289,871	1,563,882
TOTAL NON CURRENT ASSETS		6,819,657	3,796,840
TOTAL ASSETS		9,646,180	6,254,180
CURRENT LIABILITIES			
Trade and Other Payables	10	1,706,957	1,342,460
Borrowings	11	261,204	157,370
Provisions	12	650,203	497,937
TOTAL CURRENT LIABILITIES		2,618,364	1,997,767
NON CURRENT LIABILITIES			
Borrowings	11	2,422,538	213,383
Provisions	12	77,831	58,622
TOTAL NON CURRENT LIABILITIES		2,500,369	272,005
TOTAL LIABILITIES		5,118,733	2,269,772
NET ASSETS		4,527,447	3,984,408
MEMBERS FUNDS			
Retained Earnings	13	4,527,447	3,984,408
TOTAL MEMBERS FUNDS		4,527,447	3,984,408

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

Bendigo United Friendly Societies Pharmacies Ltd

Statement of Changes in Equity for the year ended 30th June 2019

2018		
	Retained Earnings	Total
	\$	\$
Balance at 1st July 2017	3,507,286	3,507,286
Total Comprehensive Income for the year	477,122	477,122
	477,122	477,122
Balance at 30th June 2018	3,984,408	3,984,408
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
	543,039	543,039
Balance at 30th June 2019	4,527,447	4,527,447

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

Bendigo United Friendly Societies Pharmacies Ltd

Statement of Cashflows for the year ended 30th June 2019

		2019	2018
	Notes	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers		19,418,777	15,879,274
Cash paid to suppliers and employees		(18,115,294)	(14,974,615)
Interest received		3,252	341
Interest paid		(29,889)	(25,766)
Net cash provided by from operating activities	14	1,276,847	879,234
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for property, plant & equipment		(703,253)	(132,945)
Purchase of intangibles		(2,735,099)	0
Net cash used in investing activities		(3,438,352)	(132,945)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net repayment of borrowings		(925,699)	(544,442)
Net receipt of borrowings		3,268,451	144,045
Net cash provided by/(used in) financing activities		2,342,752	(400,397)
Net increase in cash held		181,247	345,891
Cash at the beginning of the financial year		238,184	(107,707)
Cash at the end of the financial year	14	419,431	238,184

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

Bendigo United Friendly Societies Pharmacies Ltd

Notes to the Financial Statements for the year ended 30th June 2019

1. Statement of Accounting Policies

The financial report covers the economic entity of Bendigo United Friendly Societies Pharmacies Ltd as an individual economic entity. Bendigo United Friendly Societies 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.

(a) Revenue

Sales revenue, government funding, 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

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 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 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.

(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 2019 was 11,407 (2018: 11,055).

(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 30th June 2019 (2018: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

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 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	5 - 40 years
» plant and equipment	2.5 - 40 years
» furniture and fittings	4 - 40 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 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 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 2019 (2018:Nil).

(q) New Accounting Standards for application in future periods.

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the company, together with an assessment of the potential impact of such pronouncements of the company when adopted in future periods, are discussed below:

- AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019). When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- » recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- » depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- » variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- » by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- » additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The directors anticipate that the adoption of AASB 16 will impact the company's financial statements. The company, as at 30 June 2019, has Non-cancellable property lease commitments (refer note 18) amounting to \$2.6 million. These will, in future years, be disclosed as assets and liabilities on the balance sheet, with each amortised over the terms of the leases.

- AASB 15: Revenue from Contracts with Customers (December 2014) and associated amending Standards (applicable for annual reporting periods commencing on or after 1 January 2018). Early application is permitted.

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- » Step 1: Identify the contract(s) with a customer
- » Step 2: Identify the performance obligations in the contract
- » Step 3: Determine the transaction price
- » Step 4: Allocate the transaction price to the performance obligations in the contract
- » Step 5: Recognise revenue when (or as) the company satisfies a performance obligation

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the company's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

2019
\$

2018
\$

2. Revenue

OPERATING ACTIVITIES		
Sales revenue	15,689,480	13,575,547
Service fees from related entity	1,375,168	1,362,691
Memberships	120,848	116,156
Total revenue	17,185,496	15,054,394
NON OPERATING ACTIVITIES		
Rent revenue	24,375	23,886
Sundry income	898,937	911,942
Profit on disposal of assets	6,137	0
Interest received	3,252	341
Total revenue from non-operating activities	932,701	936,169
Total revenue from Ordinary Activities	18,118,197	15,990,563

3. Profit includes the following expenses:

Cost of Goods Sold	10,837,043	9,374,640
Depreciation and amortisation of non-current assets:		
- Buildings	236,629	157,941
- Plant and equipment	169,796	107,782
- Intangible assets	9,110	9,629
	415,535	275,352
Borrowing Expenses		
- Interest Paid	29,889	25,766
Bad Debts	10,746	2,737

4. Income Tax Expense

2019
\$

2018
\$

(a) The components of tax expense comprise:		
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	543,039	477,122
Prima facie tax on profit @ 27.5%, (2018: 27.5%)	149,336	131,209
Add tax effect of:		
- Movement in provision for long service leave	9,642	(4,837)
- Movement in provision for annual leave	4,311	4,597
- Notional rent expense	13,397	12,526
- Non-deductible entertainment	957	1,037
- Wage accruals	(7,815)	2,379
	20,492	15,702
Less tax effect of:		
- Mutual profit	69,013	55,213
- Notional rent income - inter-entity	24,090	24,090
- Additional building capital allowances	4,250	4,250
- Carried forward tax losses utilised	72,474	63,358
	169,827	146,911
Income tax on operating profit	0	0
Tax Losses (tax effected)		
Opening balance	723,067	786,425
Future income tax benefit/(deficit) not brought to account	(72,474)	(63,358)
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:		
	650,593	723,067

As at 30 June 2019, the balance of the gross carried forward tax losses is \$2,127,478 (tax effected: \$650,593) (2018: \$2,391,021 gross, tax effected: \$723,067).

	2019	2018
	\$	\$

5. Cash Assets

Cash on hand	15,872	14,772
Cash at bank	403,559	223,412
	419,431	238,184

6. Trade and Other Receivables

Trade debtors	277,266	218,224
Government - PBS remittances outstanding	279,744	452,120
Loan - Inter-Company	168,409	198,171
Prepayments	20,931	26,146
	746,350	894,661

7. Inventories

Finished goods	1,660,742	1,324,495
	1,660,742	1,324,495

8. Property, Plant & Equipment

PLANT AND EQUIPMENT		
At cost	1,653,194	1,547,365
Less accumulated depreciation	(1,328,664)	(1,235,774)
	324,530	311,591
BUILDINGS		
At cost	3,685,157	3,164,618
Less accumulated depreciation	(1,860,845)	(1,624,195)
	1,824,312	1,540,423
LAND		
At cost	380,944	380,944
	380,944	380,944
Total Written Down Amount	2,529,786	2,232,958
Movements in carrying amounts		
PLANT AND EQUIPMENT		
Carrying amount at the start of the year	311,591	348,561
Additions	188,872	70,812
Disposals	(6,137)	0
Depreciation	(169,796)	(107,782)
Carrying amount at the end of the year	324,530	311,591
BUILDINGS		
Carrying amount at the start of the year	1,540,423	1,636,231
Additions	520,518	62,133
Depreciation	(236,629)	(157,941)
Carrying amount at the end of the year	1,824,312	1,540,423
LAND		
Carrying amount at the start of the year	380,944	380,944
Carrying amount at the end of the year	380,944	380,944
Total written down amount	2,529,786	2,232,958

9. Intangible Assets

2019
\$

2018
\$

Goodwill at Fair Value	4,254,104	1,535,000
	4,254,104	1,535,000
INTANGIBLES		
At cost	59,912	43,916
Less accumulated amortisation	(24,145)	(15,034)
	35,767	28,882
Total written down amount	4,289,871	1,563,882
Movements in carrying amounts		
GOODWILL		
Carrying amount at the start of the year	1,535,000	1,535,000
Additions	2,719,104	0
Carrying amount at the end of the year	4,254,104	1,535,000

During the financial year 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 United Friendly Societies Pharmacies Ltd and Central Victorian United Friendly Society Ltd.

INTANGIBLES		
Carrying amount at the start of the year	28,882	38,510
Additions	15,995	0
Amortisation	(9,110)	(9,628)
Carrying amount at the end of the year	35,767	28,882
Total written down amount	4,289,871	1,563,882

10. Trade and Other Payables

Trade Creditors	1,274,860	946,748
Prepaid Memberships	151,216	138,701
Other Creditors and Accruals	280,881	257,011
	1,706,957	1,342,460

2019
\$

2018
\$

11. Borrowings

(a) Current		
Bank Loans	246,139	140,226
Other	15,065	17,144
	261,204	157,370
(b) Non-current		
Bank Loans	2,181,410	58,365
Leases	241,128	155,018
	2,422,538	213,383
Total Borrowings	2,683,742	370,753

The organisation has a bank overdraft facility for its working account and at the end of the financial year ended 30th June 2019 it was in credit. The bank loans and overdraft are secured by a first debenture charge from Bendigo United Friendly Societies Pharmacies Ltd, Central Victorian United Friendly Society Limited and the property held at 209 View Street, Bendigo.

Finance 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.

At the end of the financial year, the company is not in breach of any of its loan covenants.

12. Provisions

(a) Current		
Employee entitlements	650,203	497,937
(b) Non-current		
Employee entitlements	77,831	58,622
Total Provisions	728,034	556,559
Number of employees at the end of the financial year.	104	83

13. Retained Earnings

Balance at the beginning of the financial year	3,984,408	3,507,286
Net Profit from ordinary activities after Income Tax	543,039	477,122
Balance at the end of the financial year	4,527,447	3,984,408

2019
\$

2018
\$

14. Statements of cashflows

Reconciliation of cash		
Cash on hand	15,872	14,772
Cash at bank	403,559	223,412
	419,431	238,184
Reconciliation of profit after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	543,039	477,122
Non-cash items:		
- Depreciation and amortisation expense	415,535	275,352
Changes in assets and liabilities:		
- Decrease/(Increase) in receivables	118,549	(110,948)
- Increase in inventories	(336,247)	(46,260)
- Increase in payables	364,497	285,646
- Increase/(Decrease) in provisions	171,474	(1,678)
Net cashflow provided by operating activities	1,276,847	879,234

15. Auditor's Remuneration

Amounts received or due and receivable by the auditor of the company for:		
- Auditing the financial accounts	20,989	20,950
- Other services in relation to the company	-	655
	20,989	21,605

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 United Friendly Societies Pharmacies Ltd provide all day to day operational management for Central Victorian United Friendly Society Limited which currently operates a single pharmacy in Maiden Gully. As a result of transactions created through this service structure, intercompany balances are created which are materially settled on a monthly basis. The outstanding balances are provided below:

Outstanding Balance at 30 June	168,409	198,171
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In addition to these intercompany balances, service fees are also paid to Bendigo United Friendly Societies Pharmacies Ltd which cover the provision of all support services to operate the pharmacy owned by Central Victorian United Friendly Society Limited. These include providing all employees, purchasing and other elements to conduct the business.

Service Fees for the financial year	1,375,168	1,362,691
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The names of each person who held the position of Director during the year are:

Mr Geoff Cook (Resigned: 28 November 2018)
 Ms Nicole Cox
 Mr Chris DeAraugo
 Mr Stephen Iser
 Mr Paul Kirkpatrick
 Mr Peter Leersen (Appointed: 27 May 2019)
 Mr Andrew Trewartha
 Ms Roslyn Wai (Resigned: 26 February 2019)

Directors' Remuneration		
Short term employee benefits	77,871	72,530
Post - employment benefits	7,295	6,604
Total Directors' Remuneration	85,166	79,134

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.

17. Subsequent events

There are no matters that have arisen since the end of the financial year that have significantly affected the operations of the company, in future years.

18. Contingent liabilities

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

19. Commitments

(a) Capital commitments

As at 30 June 2019, the company has committed to a fit-out of one of its lease premises. The expected cost is around \$230,000. No such commitments were in place for the year ended 30 June 2018.

(b) Non-cancellable operating leases

The company leases various premises under non-cancellable operating leases with original terms of between 3 and 10 years. The leases have varying terms, escalation clauses and renewal options. On renewal, the terms of the leases are renegotiated.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2019	2018
	\$	\$
Within one year	331,994	279,487
Later than one year but not later than five years	1,194,915	285,519
Later than 5 years	1,052,887	-
	2,579,796	565,006

20. Segment reporting

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

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

22. Financial Risk Management Policies

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.

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.

(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.

Financial Instrument	Floating Interest Rate		Fixed Interest Rate		Non Interest Bearing		Weighted Average Effective Interest Rate	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$	%	%
Financial assets								
Cash at Bank	403,559	223,412	-	-	-	-	0.84%	0.80%
Receivables	-	-	-	-	746,350	894,661	0.00%	0.00%
Financial Liabilities								
Trade and Other Payables	-	-	-	-	1,706,957	1,342,460	0.00%	0.00%
Borrowings	860,391	215,735	1,823,350	155,018	-	-	3.91%	4.04%

Maturity Analysis

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

	Repayable over:			Total contractual cash flows	Less future interest	Carrying amount of liability
	1 year or less	1 to 5 years	5+ years			
	\$	\$	\$	\$	\$	\$
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)	2,683,742
	2,074,807	1,263,314	1,711,949	5,050,070	(659,372)	4,390,699
Year ended 30 June 2018						
Trade and other payables	1,342,460	-	-	1,342,460	-	1,342,460
Borrowings	230,836	165,869	-	396,705	(25,953)	370,753
	1,573,296	165,869	-	1,739,165	(25,953)	1,713,213

(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 2019 the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant, would be insignificant.

Bendigo United Friendly Societies Pharmacies Ltd

Directors 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 17 to 37 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 2019 and of the performance of the company for the year ended on that date of the company 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



Mr Paul Kirkpatrick
Deputy Chair

Signed on the 30th October 2019

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 statement of financial position as at 30 June 2019, 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 2019 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 2019, 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



P. P. Delahunty
Partner
Bendigo
Dated: 31 October 2019