



Bendigo United Friendly
Societies Pharmacies Ltd

2016 Annual Report



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Bendigo United Friendly Societies Pharmacies Ltd

ABN 51 087 822 268

Registered Office:

Suite 2, 379 Hargreaves Street
Bendigo VIC 3550

Chairman: Ms Roslyn Wai

Secretary: Mr Michael Fleming

Telephone: (03) 5441 5590

Chairman and Chief Executive Officers Report

The last year was a year of progress for the organisation as the business grew strongly and a number of initiatives moved forward. Overall sales grew by 7.18% compared to last year and this converted to an improved net surplus of \$33,512 for the financial year. The organisation generated nearly \$15 million in sales across the three pharmacies, the beauty salon and the optical outlet.

All of our pharmacies grew sales above the industry norm and reinforced that the brand's position in the Bendigo market place is strong and is based on a network of stores with locations that complement the overall group. Within the stores we have a strong service culture which has engendered loyalty within our member base over many years. It is important that we continue to build on this strong foundation by expanding all aspects of our business. This year we have been developing a range of initiatives designed to add to the value position for our members and to make it easier for them to utilise our service.

During the past twelve months we introduced the Healthier Community Magazine which is produced three times per year and is distributed to all 11,000 members free of charge. The magazine is designed to inform members about their health and the ways we can assist them with better health outcomes. It also allows organisations within our community programs to tell their story and generate more awareness for their initiatives.

We have recently developed a Mobile App for members to create another convenient way to utilise our services. Members can order prescriptions, manage their member details, find out store information and a range of other functions. In addition we have now added the ability to manage member details via our Website including joining or renewing through a secure payment gateway. All of these new initiatives are designed to make it easier to interact with UFS Pharmacies.

Another part of our strategy has been to continue to expand our non-pharmacy businesses. Eden Body and Soul Essentials and UFS Optical now contribute over \$1.1 million to the organisation. Eden in particular grew at over 10% which is outstanding given the competitive nature of the industry. Both of these businesses as a strong service component to them and is consistent with our overall strategy to diversify our income streams and seek service focused businesses that are more difficult to scale up.

UFS now has approximately 77 staff working across the seven business units that make up the overall group. Our staff provide a high level of service to our members built on continual learning and a focus on helping their customers. This has been at the centre of our organisation's ethos during 140 years of existence and remains integral to its future. The board and management would like to acknowledge the contribution of our staff and thank them for their efforts over the past twelve months.

The organisation continued its community contribution this year, distributing another \$74,000 through the Bendigo region. The program is an important part of our organisation because it is guided through our member's nominations and ensures that it supports organisations that have similar values to our own. Primarily this means that UFS is part of the broader community and aims to contribute much more than purely selling a product or service.

Finally we would like to thank our members for their ongoing support and patronage. We now supply products and services to approximately 18,000 people throughout the Bendigo region and as a not for profit community enterprise our goal is to continue to innovate and evolve to ensure we increase the value our members receive from their membership.



Roslyn Wai
Chairman



Michael Fleming
Chief Executive Officer

2016 Performance Summary

	2016 (\$)	2015 (\$)
Total Revenue	14,930,018	13,929,790
Salaries & Employee Benefit expenses	3,006,112	2,917,932
Percentage of Revenue	20.13 %	20.95 %
Total Other Expenses	2,133,058	2,049,610
Percentage of Revenue	14.29 %	14.71 %
Profit Before Income Tax Expense	33,512	3,422
Percentage of Revenue	0.22 %	0.02 %
Profit After Income Tax Expense	33,512	3,422
Percentage of Revenue	0.22 %	0.02 %
Balance Sheet Summary		
Total Current Assets	2,053,983	1,805,929
Total Non Current Assets	3,749,881	3,839,441
Total Assets	5,803,864	5,645,370
Total Current Liabilities	2,049,991	1,963,387
Total Non Current Liabilities	103,720	65,342
Total Liabilities	2,153,711	2,028,729
Net Assets	3,650,153	3,616,641
Total Members Funds	3,650,153	3,616,641
Performance Statistics		
Return on Total Assets after Tax	0.58 %	0.06 %
Current Ratio	1.00	0.92
Inventory Turnover	8.81	8.23
Return on Equity	0.92 %	0.09 %

Our Mission

Excellence in service, advice and value for our members in relation to their health and related needs.

Our Vision

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

Our Values

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

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

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

Membership

Our business is based upon a membership structure where our primary focus is to provide a range of products and services to our membership base which continues to grow. Members pay a membership fee which entitles them to receive discounts on our product range and access to a range of subsidised services and information.

Board of Directors

Chairman	Ms Roslyn Wai
Deputy Chairman	Ms Nicole Cox
Director	Mr Geoff Cook
Director	Ms Kate Hyett
Director	Mr Stephen Iser
Director	Mr Glenn Reilly
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
		Pharmacy Manager	Susan Randall
Pharmacy	379 Hargreaves Street Bendigo	Pharmacy Manager	Bronwyn Capewell
Pharmacy	32 Blucher Street Strathfieldsaye	Pharmacy Manager	Cristina Mazzarino
Pharmacy	715 Calder Highway Maiden Gully	Pharmacy Manager	David Tadross
Eden	Suite 3, 379 Hargreaves Street Bendigo	Eden Manager	Liana Frankling
Optical	Suite 1, 379 Hargreaves Street Bendigo	Optical Manager	Chris Moyle

Community Support

The "Building a Healthier Community" Program was established in 2004 and has distributed over \$468,000 in cash and in-kind support to a vast range of initiatives centred on a health theme. The program is built around our members nominating organisations through their membership and this helps ensure the distribution is consistent with the needs of our members.

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 five 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
Bendigo South East Secondary College	Marong Pre School
Bendigo Special Developmental School	Marong Primary School
Camp Hill Primary School	North Bendigo Pre School
Catholic 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	

Clubs Sponsorship Program

This program operates under the same structure as the Schools Partnership Program providing the forty three 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	Maiden Gully Junior Football Club
Bendigo & District Concert Band	Maiden Gully Neighbourhood Watch
Bendigo Amateur Radio & Electronics Club	Maiden Gully Fire Brigade
Bendigo Animal Welfare & Community Service	National Seniors Bendigo & District
Bendigo Autism Asperger Group	Quest Equine Welfare
Bendigo Breast Cancer Support Services	Radius Disability Services
Bendigo East Baseball Club	Righteous Pups Australia
Bendigo Foodshare	Senjuns Hockey Club
Bendigo Scleroderma Support Group	Sing Australia Bendigo
Bendigo Squash Club Inc.	South Bendigo Football Netball Club
Bendigo Symphony Orchestra	St Luke's Anglicare
Campbell's Forest Hall	State Emergency Service Bendigo
Dragon City Derby Dolls Inc.	Strathfieldsaye Baseball Club
Furever Friends Bendigo Inc.	Strathfieldsaye Bowls Club
Golden City Football Club	Strathfieldsaye Jets Cricket Club
Golden Square Football & Netball Club	Strathfieldsaye Junior Football Club
Golden Square Swimming Pool Inc.	Strathfieldsaye Junior Netball Club
Heartbeat Victoria - Bendigo Branch	The Otis Foundation
Interchange – Loddon Mallee Region	Valkyrie Care Group
Junortoun Fire Brigade	Zodiacs Netball Club
Mount Pleasant Football Netball Club	Zonta Club of Bendigo
Marong Fire Brigade	

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):

Bendigo & District Bowls Association	Maldon Football & Netball Club
Bendigo South East College	Marong Football & Netball Club
Bendigo Foodshare	St Kilian's Primary School
Bethlehem Lutheran Church	World's Greatest Shave
Bendigo Croquet Club	Bendigo Chaplaincy Committee
Maiden Gully Playgroup	Marong Racing Club
Pink Ribbon Breakfasts	Strathfieldsaye Bowls Club
Golden Square Primary School	Jemima's Gift
Dr Harry Little Pre School	Eppalock Primary School
Breast Cancer Network Australia	Carshalton House Auxiliary
South Bendigo Football Netball Club	Catholic College Bendigo
World Dwarf Games in Canada	Bendigo Prospectors Club
Bendigo Animal Welfare Community Services	Bendigo Health Foundation
Bendigo Association of Pharmacy Students	Tarnagulla Primary School
Dunolly Football & Netball Club	Vietnam Veterans Association
Bears Lagoon Serpentine Football Netball Club	Bendigo International Madison

Bendigo UFS Pharmacies Ltd Directors' Report

Your Directors present the financial report of the Bendigo United Friendly Societies Pharmacies Ltd for the financial year ended 30 June 2016.

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

Roslyn Wai

Chairman

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

Roslyn is General Manager Stakeholder Services at Coliban Water in Bendigo. She has 25 years of experience across media, tertiary education, and water sectors in print media, public relations, engagement, marketing, customer service and business management. She has worked in roles in both Australia and overseas.

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

Nicole Cox

Deputy Chair

BBus(Accounting), CPA

Nicole is a Director of many companies including her own business consultancy firm Segue Business Solutions. With more than 20 years experience in business, management and finance, having held various executive positions across a broad spectrum of industries, Nicole is also a graduate of the Australian Institute of Company Directors, having held numerous Board positions including Peter Harcourt, St Luke's Anglicare, and St Laurence CRT, Bendigo Basketball Association.

Nicole is currently a director of the Bendigo Spirit.

Glenn Reilly

Director

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

He has completed the Australian Institute of Company Directors course and has a strong community focus being a proud member of the Rotary Club of Bendigo.

Bendigo UFS Pharmacies Ltd Directors' Report

Geoffrey Cook

Director

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

Geoff has extensive experience in local government, public health, administration, sales and business management. He is currently Director, Corporate Support Services at Bendigo Health.

Geoff has completed the Australian Institute of Company Directors Course.

Kate Hyett

Director

MHSc (Health Science), PGradDip (Health Science),BN ,RN, Grad Cert Health Systems Management, MRNCA, AFACHM, GAICD

Kate has worked in senior managerial positions in health for the past 17 years. She is currently the Director Health Informatics at Bendigo Health. She has a background in nursing and has worked in a variety of fields in metropolitan, rural and remote settings.

Kate was awarded a Victorian Trauma Foundation Fellowship and a national innovation award from ARCHI for her work developing regional trauma systems.

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

Andrew Trewartha

Director

BA(Computing)

Andrew has more than 25 years of experience in Information Technology and has recently taken up a management role with Fixus Technologies, a local software development firm that is actively involved in the Australian health sector, particular through its flagship client information management system that is used in mental health practices nationwide. 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.

Stephen Iser

Director

Stephen is the Managing Director and Board Member (4th Generation) of the family business Hume & Iser Pty Ltd: (Est 1880)

He has over 44 years of experience in the retail and trade industry where he commenced his career in the family business in 1972. Stephen is a member for over 20 years of the National Trade and Retail Advisory Committee with the HoME Group 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 recently 2015/16 fund raising for Very Special Kids (VSK)."

Bendigo UFS Pharmacies Ltd Directors' Report

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

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

Company Secretary

The company secretary is Michael Fleming BBUS(Accounting) GAICD. Appointed to the position of secretary on 4 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.

PRINCIPAL ACTIVITIES

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

OPERATING RESULTS

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

Year Ended 30 June 2016	Year Ended 30 June 2015
\$ 33,512	\$ 3,422

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

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.

Bendigo UFS Pharmacies Ltd Directors' Report

DIRECTORS' BENEFITS

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate, other than interests and benefits disclosed at Note 15.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The company has indemnified all Directors and the Manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as Directors or Manager of the company except where the liability arises out of conduct involving a lack of good faith. Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

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	11	9
Mr Glenn Reilly	11	11
Ms Nicole Cox	11	9
Mr Stephen Iser	11	7
Ms Kate Hyett	11	11
Mr Andrew Trewartha	11	11
Ms Roslyn Wai	11	11

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

	Number of Committee Meetings eligible to attend	Number attended
Mr Glenn Reilly	2	2
Ms Kate Hyett	1	0
Ms Nicole Cox	2	2
Mr Stephen Iser	2	2
Mr Andrew Trewartha	1	1

Bendigo UFS Pharmacies Ltd Directors' Report

NON AUDIT SERVICES

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

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

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

all non-audit services have been reviewed by the Audit and Risk 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 14.

Signed in accordance with a resolution of the Board of Directors at Suite 2, 379 Hargreaves Street, Bendigo on 27th October 2016.



Ms Roslyn Wai
Chairman



Ms Nicole Cox
Deputy Chairman



Lead auditor's 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 financial year ended 30 June 2016 there has been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- any applicable code of professional conduct in relation to the audit.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated this 27th day of October 2016

David Hutchings
Lead Auditor

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337.

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TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30th June 2016

	Notes	2016 \$	2015 \$
Revenues	2	14,930,018	13,929,790
Cost of Goods Sold	3	(9,757,336)	(8,958,826)
Salaries & Employee Benefits Expense		(3,006,112)	(2,917,932)
Occupancy and Associated Costs		(298,621)	(302,154)
Depreciation and Amortisation Expense	3	(249,485)	(234,373)
Borrowing Costs	3	(6,927)	(13,639)
General Administration Expenses		(1,578,025)	(1,499,444)
NET PROFIT BEFORE INCOME TAX		33,512	3,422
Income Tax	4	0	0
NET PROFIT AFTER INCOME TAX		33,512	3,422
TOTAL COMPREHENSIVE PROFIT		33,512	3,422

Balance Sheet as at 30th June 2016

	Notes	2016 \$	2015 \$
CURRENT ASSETS			
Cash Assets	5	14,292	14,292
Trade and Other Receivables	6	771,067	618,006
Inventory		1,268,624	1,173,631
TOTAL CURRENT ASSETS		2,053,983	1,805,929
NON CURRENT ASSETS			
Property, Plant & Equipment	7	2,214,881	2,304,441
Intangibles	8	1,535,000	1,535,000
TOTAL NON CURRENT ASSETS		3,749,881	3,839,441
TOTAL ASSETS		5,803,864	5,645,370
CURRENT LIABILITIES			
Trade and Other Payables	9	1,254,405	1,150,973
Interest Bearing Liabilities	10	368,434	383,340
Provisions	11	427,152	429,074
TOTAL CURRENT LIABILITIES		2,049,991	1,963,387
NON CURRENT LIABILITIES			
Interest Bearing Liabilities	10	43,944	11,027
Provisions	11	59,776	54,315
TOTAL NON CURRENT LIABILITIES		103,720	65,342
TOTAL LIABILITIES		2,153,711	2,028,729
NET ASSETS		3,650,153	3,616,641
MEMBERS FUNDS			
Retained Earnings	12	3,650,153	3,616,641
TOTAL MEMBERS FUNDS		3,650,153	3,616,641

Statement of Changes in Equity for the year ended 30th June 2016

2015	Retained Earnings \$	Total \$
Balance at 1st July 2014	3,613,219	3,613,219
Total Comprehensive Income for the year	3,422	3,422
	3,422	3,422
Balance at 30th June 2015	3,616,641	3,616,641
2016	Retained Earnings \$	Total \$
Balance at 1st July 2015	3,616,641	3,616,641
Total Comprehensive Income for the year	33,512	33,512
	33,512	33,512
Balance at 30th June 2016	3,650,153	3,650,153

Statement of Cashflows for the year ended 30th June 2016

	Notes	2016 \$	2015 \$
Cash flows from operating activities:			
Cash received from customers		14,753,706	13,923,242
Cash paid to suppliers and employees		(14,628,116)	(13,585,519)
Rent received		22,682	22,882
Interest received		569	798
Interest paid		(6,927)	(13,639)
Net cash provided by from operating activities	13	141,914	347,763
Cash flows from investing activities:			
Payments for property, plant & equipment		(159,925)	(103,317)
Net cash used in investing activities		(159,925)	(103,317)
Cash flows from financing activities:			
Net repayment of borrowings		(49,025)	(92,938)
Net cash used in financing activities		(49,025)	(92,938)
Net increase/(decrease) in cash held		(67,036)	151,508
Cash at the beginning of the financial year		(259,162)	(410,670)
Cash at the end of the financial year	13	(326,198)	(259,162)

Notes to the Financial Statements for the year ended 30th June 2016

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.

(a) Revenue

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

(b) Membership Revenue

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.

(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).

Notes to the Financial Statements for the year ended 30th June 2016

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

(d) Goods and services tax

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

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

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

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

Notes to the Financial Statements for the year ended 30th June 2016

(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 2016 was 11,328 (2015:11,770).

(f) Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown in borrowings in the Balance Sheet.

(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 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	40 years
– plant and equipment	2.5 - 40 years
– furniture and fittings	4 - 40 years

Notes to the Financial Statements for the year ended 30th June 2016

(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) Payment terms

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

(m) Receivables and Payables

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

(n) Borrowings

All loans are measured at the principal amount. Interest is recognised as an expense as it accrues.

Notes to the Financial Statements for the year ended 30th June 2016

(o) Employee Benefits

Wages and Salaries, annual leave

Liabilities for wages and salaries and 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 operating statement 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.

(p) 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.

Notes to the Financial Statements for the year ended 30th June 2016

(q) 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 2016 (2015:Nil)

(r) 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. Although the directors anticipate that the adoption of AASB 16 will impact the company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

Notes to the Financial Statements for the year ended 30th June 2016

2016
\$

2015
\$

2 Revenue

Operating activities

Sales Revenue	14,781,626	13,782,392
Memberships	103,186	101,847
Total revenue from operating activities	14,884,812	13,884,239

Non operating activities

Rent Revenue	22,682	22,882
Sundry Income	21,755	21,721
Interest Received	569	798
Rebates	200	150
Total revenue from non-operating activities	45,206	45,551

Total revenue from Ordinary Activities	14,930,018	13,929,790
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3 Profit includes the following expenses:

Cost of Goods Sold	9,757,336	8,958,826
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Depreciation of non-current assets:

- Property	140,968	135,140
- Plant and Equipment	108,517	99,233
	249,485	234,373

Borrowing Expenses

- Interest Paid	6,927	13,639
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Bad Debts	682	1,869
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Loss on Disposal of Assets	0	(538)
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4 Income Tax Expense

(a) The components of tax expense comprise:

Current tax	0	0
Deferred tax	0	0
Income tax expense	0	0

Notes to the Financial Statements for the year ended 30th June 2016

2016
\$

2015
\$

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

Operating profit	33,512	3,422
Prima facie tax on profit @ 30%	10,054	1,027
Add tax effect of:		
- Movement in provision for long service leave	1,118	59
- Movement in provision for annual leave	0	287
- Notional rent expense - inter-entity	7,875	4,676
- Non-deductible entertainment	967	728
- Wage accruals	1,995	824
- Tax losses not brought to account	84,889	91,084
	<u>96,844</u>	<u>97,658</u>
Less tax effect of:		
- Mutual profit	81,412	73,960
- Movement in provision for annual leave	761	0
- Additional building capital allowances	4,637	4,637
- Notional rent income - inter-entity	20,088	20,088
	<u>106,898</u>	<u>98,685</u>
Income tax on operating profit	<u>(0)</u>	<u>(0)</u>

Tax Losses (tax effected)

Opening balance	609,632	521,280
Future income tax benefit not brought to account	84,889	88,352
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>694,521</u>	<u>609,632</u>

As at 30 June 2016, the balance of the gross carried forward tax losses is \$2,315,069 (tax effected: \$694,521) (2015 \$2,032,105 gross, and \$609,632 tax effected)

5 Cash

Cash at Bank and on Hand	14,292	14,292
	<u>14,292</u>	<u>14,292</u>

Notes to the Financial Statements for the year ended 30th June 2016

2016
\$

2015
\$

6 Trade and Other Receivables

Trade Debtors	256,971	205,995
Government - PBS Remittances Outstanding	445,036	324,063
Prepayments	69,060	87,948
	<u>771,067</u>	<u>618,006</u>

7 Property, Plant & Equipment

Plant and Equipment		
At cost	1,328,935	1,181,118
Less accumulated depreciation	(1,013,949)	(905,432)
	<u>314,986</u>	<u>275,686</u>

Buildings		
At cost	2,769,153	2,757,045
Less accumulated depreciation	(1,250,202)	(1,109,234)
	<u>1,518,951</u>	<u>1,647,811</u>

Land		
At cost	380,944	380,944
	<u>380,944</u>	<u>380,944</u>

Total Written Down Amount	<u>2,214,881</u>	<u>2,304,441</u>
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Movements in carrying amounts

Plant and Equipment		
Carrying amount at the start of the year	275,686	272,448
Additions	147,817	103,009
Disposals	0	(538)
Depreciation	(108,517)	(99,233)
Carrying amount at the end of the year	<u>314,986</u>	<u>275,686</u>

Buildings		
Carrying amount at the start of the year	1,647,811	1,782,106
Additions	12,108	845
Disposals	0	0
Depreciation	(140,968)	(135,140)
Carrying amount at the end of the year	<u>1,518,951</u>	<u>1,647,811</u>

Notes to the Financial Statements for the year ended 30th June 2016

	2016 \$	2015 \$
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	2,214,881	2,304,441
8 Intangible Assets		
Goodwill at Fair Value	1,535,000	1,535,000
	1,535,000	1,535,000
9 Trade and Other Payables		
Trade Creditors	923,859	845,338
Other Creditors and Accruals	330,546	305,635
	1,254,405	1,150,973
10 Borrowings		
(a) Current		
Bank Overdraft	340,490	273,454
Bank Loans	8,164	70,344
Other	19,780	39,542
	368,434	383,340
(b) Non-current		
Bank Loans	41,712	1,707
Other Loans	2,232	9,320
	43,944	11,027

The bank loans and overdraft are secured by a first debenture charge from the Bendigo UFS Pharmacies Ltd and the property held at 209 View Street, Bendigo.

Other loans are secured by the underlying asset with fixed interest rates between 5.00% and 6.50%. The repayment terms are between 3 and 5 years.

Notes to the Financial Statements for the year ended 30th June 2016

2016
\$

2015
\$

11 Provisions

(a) Current

Employee entitlements	427,152	429,074
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(b) Non-current

Employee entitlements	59,776	54,315
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Number of employees at the end of the financial year.	77	73
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12 Retained Earnings

Balance at the beginning of the financial year	3,616,641	3,613,219
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Net Profit from ordinary activities after Income Tax	33,512	3,422
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Balance at the end of the financial year	3,650,153	3,616,641
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Notes to the Financial Statements for the year ended 30th June 2016

2016
\$

2015
\$

13 Statements of cashflows

Reconciliation of cash

Cash on Hand	14,292	14,292
Bank Overdraft	(340,490)	(273,454)
	<u>(326,198)</u>	<u>(259,162)</u>

Reconciliation of profit after tax to net cash provided by operating activities

Profit from ordinary activities after income tax	33,512	3,422
Non-cash items:		
- Depreciation	249,485	234,373
Changes in assets and liabilities:		
- Decrease/(Increase) in receivables	(153,061)	17,132
- (Increase)/Decrease in inventories	(94,993)	38,956
- Increase in payables	103,432	50,170
- Increase in provisions	3,539	3,710
Net cashflow provided by operating activities	<u>141,914</u>	<u>347,763</u>

14 Auditor's Remuneration

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

- Auditing the financial accounts	18,705	17,245
- Other services in relation to the company	575	450
	<u>19,280</u>	<u>17,695</u>

Notes to the Financial Statements for the year ended 30th June 2016

2016
\$

2015
\$

15 Related Party Transactions

The names of each person who held the position of Director during the year are:

Ms Roslyn Wai
Ms Nicole Cox
Mr Geoff Cook
Ms Kate Hyett
Mr Stephen Iser
Mr Glenn Reilly
Mr Andrew Trewartha

Directors' Remuneration	86,055	84,780
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The number of Directors of Bendigo UFS Pharmacies Ltd including Executive Directors who received or in respect of whom income is due and receivable from Bendigo UFS Pharmacies Ltd within the following bands is:

\$10,001 – \$20,000	7	7
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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.

16 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.

17 Contingent liabilities

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

18 Segment reporting

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

Notes to the Financial Statements for the year ended 30th June 2016

19 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

2/715 Calder Highway Maiden Gully 3555

20 Financial Risk Management

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

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

(a) Financial Risk Management Policies

Market Risk

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

Price Risk

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

Credit Risk

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

Liquidity Risk

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

Cash flow and fair value interest rate risk

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

Notes to the Financial Statements for the year ended 30th June 2016

(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.

Credit risk

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

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

Financial Instrument	Floating Interest Rate		Fixed Interest rate maturing in						Non interest Bearing		Weighted Average Effective Interest rate	
			1 year or less		Over 1 to 5 years		Over 5 Years					
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash at Bank											0.00%	0.00%
Receivables									771,067	618,006		
Financial Liabilities												
Trade and Other Payables									1,254,405	1,150,973		
Borrowings - Current	368,434	383,340									2.09%	2.48%
Borrowings - Non-current	41,712	1,707			2,232	9,320					1.91%	6.14%

Notes to the Financial Statements for the year ended 30th June 2016

(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 2016, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant, would be as follows:

	2016	2015
	\$	\$
Change in Profit		
Increase in interest rate by 2%	(2,951)	4,988
Decrease in interest rate by 2%	2,951	(4,988)
Change in Equity		
Increase in interest rate by 2%	(2,951)	(4,988)
Decrease in interest rate by 2%	2,951	4,988

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

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

Directors' Declarations

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 15 to 34, 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 2016 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 Roslyn Wai
Chairman



Ms Nicole Cox
Deputy Chairman

Signed on the 27th October 2016



Independent Auditor's Report to the members of Bendigo United Friendly Societies Pharmacies Limited

Report on the Financial Report

We have audited the accompanying financial report, being a special purpose report, of Bendigo United Friendly Societies Pharmacies Limited (the company), which comprises the balance sheet as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial report, are appropriate to meet the requirements of the *Corporations Act 2001* and are appropriate to meet the needs of the members. The directors' responsibility also includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the members. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*.

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337.

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Opinion

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 2016 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards to the extent described in Note 1 and complying with the *Corporations Regulations 2001*.

Basis of accounting

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

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of Bendigo United Friendly Societies Pharmacies Limited for the year ended 30 June 2016 included both in Bendigo United Friendly Societies Pharmacies Limited's annual report and on the website. The directors of Bendigo United Friendly Societies Pharmacies Limited are responsible for the integrity of Bendigo United Friendly Societies Pharmacies Limited's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated this 27th day of October 2016

David Hutchings
Lead Auditor

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