



**Australian Government**

**Australian Industrial Registry**

Level 5, 11 Exhibition Street, Melbourne, VIC 3000  
GPO Box 1994, Melbourne, VIC 3001  
Telephone: (03) 8661 7817  
Fax: (03) 9655 0410  
Email: melbourne@air.gov.au

Mr Harold Zafer  
National Vice President (Finance)  
The Pharmacy Guild of Australia  
PO Box 7036  
CANBERRA BUSINESS CENTRE ACT 2610

Dear Mr Zafer,

**Financial Reports for Year Ended 30 June 2006 - FR2005/435  
Schedule 1 of the Workplace Relations Act 1996 (RAO Schedule)**

Thank you for the financial reports of The Pharmacy Guild of Australia for the year ended 30 June 2006. The documents were lodged in the Industrial Registry on 30 November 2006.

The documents have been filed. No further action is requested.

A copy of the financial report has been placed on the website maintained by the Industrial Registry at <http://www.e-airc.gov.au/175v/financial>.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'R Pfeiffer'.

Robert Pfeiffer  
Assistant Team Manager  
Statutory Services Branch, Melbourne

21 December 2006



The PHARMACY GUILD of AUSTRALIA  
NATIONAL SECRETARIAT

**CERTIFICATION OF VERIFICATION**

**IN ACCORDANCE WITH SECTION 268 OF THE WRA SCHEDULE 1B - RAO**

I, HAROLD DENIS ZAFER, National Vice President (Finance) of The Pharmacy Guild of Australia, hereby certify that:

1. The attached National Annual Report of The Pharmacy Guild of Australia marked "A" incorporates a true copy of the General Purpose Financial Report, Operating Report and Committee of Management's Statement together with the independent Auditor's report for the year ended 30 June 2006 and that the Report was supplied to members on 6 November 2006 via the Pharmacy Guild of Australia website. Members were informed that the annual report was available on the website via the National Community Pharmacy newsletter dated 15 October 2006, which is distributed to all members, and also that printed copies are available free of charge upon request.
2. The National Annual Report of The Pharmacy Guild of Australia incorporating the General Purpose Financial Report, Operating Report and Committee of Management's Statement together with the independent Auditor's report for the year ended 30 June 2006 was adopted by National Council of The Pharmacy Guild of Australia by a resolution carried by a meeting of the National Council held on 28 November 2006.

DATED THIS FIRST DAY OF DECEMBER 2006

  
.....  
**HAROLD DENIS ZAFER**  
**NATIONAL VICE PRESIDENT (FINANCE)**

## THE PHARMACY GUILD OF AUSTRALIA - NATIONAL SECRETARIAT

### OPERATING REPORT

I, HAROLD DENIS ZAFER, being the designated officer responsible for preparing this report for the financial year ended 30 June 2006 of The Pharmacy Guild of Australia - National Secretariat, report as follows:

- (a) **Principal Activities:**
- (i) The Pharmacy Guild of Australia ("the Guild"), is an employers' organisation servicing the needs of proprietors of independent community pharmacies and to represent their interests in industrial matters.
  - (ii) The Guild, functions as a single legal entity and reports under the Workplace Relations (Registration and Accountability of Organisations) Legislation 2003.
  - (iii) The development of Guild policy is the responsibility of the Guild's supreme governing body, the National Council, on which all State and Territory Branches are represented.
  - (iv) The implementation of this policy is overseen by the National Executive through the National Secretariat.
  - (v) The National Council also defines projects or areas of investigation that may include the development of objectives and targets. The Executive Director of the National Secretariat defines these objectives and targets based on the National Council directions and also self generated issues.
  - (vi) These issues are referred to the various National Secretariat Divisions who deliver the projects and services that address the various objectives and targets set for them.
  - (vii) Included in the Annual Report are the various reports compiled by the National Secretariat's Divisional Directors outlining the activities for the year. There were no significant changes in the nature of these activities during the year under review.
- (b) **Significant financial changes:**  
There have been no significant changes in the National Secretariat's principal activities or financial affairs during the period to which this report relates.
- (c) **Members advice:**
- (i) Under Section 174 of the Registration and Accountability of Organisations schedule (RAO) and Rule 36 of the Constitution of the Guild, a member may resign from membership by written notice addressed and delivered to the Branch Director;
  - (ii) The register of members of the organisation was maintained in accordance with the RAO; and
  - (iii) Section 272 of the RAO outlines members and the registrar's rights to certain prescribed information. This information is detailed in Note 2 of the financial statements.
- (d) **Prescribed and other Information:**
- (i) As at 30 June 2006 to which this report relates the number of members of the organisation was 3,770 including Honorary Life Members.
  - (ii) As at 30 June 2006 the total number of employees employed by the reporting entity was 59.
  - (iii) During the reporting period the following persons were members of National Council:
    - S.B. BANKS
    - J.W. BRONGER (retired 29 November 2005)
    - H.W.G. CUTHILL (retired 29 November 2005)
    - P. DIBBEN (elected 29 November 2005 but was on leave of absence from 11 May 2005)
    - J.H. DORNAN
    - J.C. DOWLING
    - R.J.C. FOSTER
    - J. LIAUW (elected 29 November 2005)
    - T.J. LOGAN
    - I.K. MARSHALL
    - P.S. MCBEATH (retired 29 November 2005)
    - Z.L. MULLEN
    - D.S. NOLTE (retired 29 November 2005)
    - K. PEACHEY (elected 29 November 2005)
    - P.W. REID
    - D. SANGHVI (elected 29 November 2005)
    - B. SCHULTZ (elected 29 November 2005)
    - K.S. SCLAVOS
    - T. RILEY (elected 29 November 2005)

P.D. SIMMONS (retired 29 November 2005)  
W.J. SCOTT (retired 29 November 2005)  
I.P. TODD  
H.D. ZAFER  
B. O'LOUGHLIN (acting as alternate National Councillor from 11 May 2005)

(e) **Insurance of Officers:**

During the financial year, the National Secretariat paid insurance to cover all officers of the National Secretariat. The officers of the National Secretariat covered by the insurance policy include all the National Councillors and the Executive Director. Other officers covered by the contract are the management of the National Secretariat. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the National Secretariat.

HAROLD DENIS ZAFER

19 October 2006



**THE PHARMACY GUILD OF AUSTRALIA - NATIONAL SECRETARIAT**

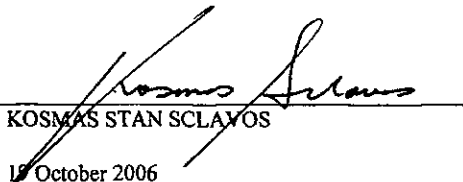
**COMMITTEE OF MANAGEMENT'S STATEMENT**

We, KOSMAS STAN SCLAVOS and, HAROLD DENIS ZAFER being two members of the National Council of The Pharmacy Guild of Australia, do state on behalf of the National Council and in accordance with a resolution passed by the National Council on 18 October 2006 that in relation to the General Purpose Financial Report of the National Secretariat, the opinion of National Council is as follows:

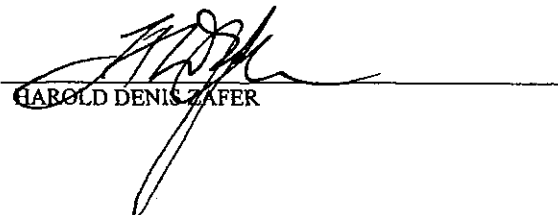
- (a) the attached financial statements and notes comply with the Australian Accounting Standards;
- (b) the financial statements and notes comply with the reporting guidelines of the Industrial Registrar;
- (c) the financial statements and notes give a true and fair view of the financial position of the National Secretariat as at 30 June 2006 and the financial performance and cash flows of the National Secretariat for the year ended 30 June 2006;
- (d) there are reasonable grounds to believe that the National Secretariat will be able to pay its debts as and when they become due and payable;
- (e) during the year to which the attached General Purpose Financial Report relates and since the end of that year:
  - (i) meetings of the National Council were held in accordance with the rules of the organisation; and
  - (ii) the financial affairs of the National Secretariat have been managed in accordance with the rules of the organisation; and
  - (iii) the financial records of the National Secretariat have been kept and maintained in accordance with the Registration and Accountability of Organisations (RAO) Schedule and Regulations; and
  - (iv) to the knowledge of any member of the National Council, there have been no instances where records of the organisation or other documents have not been furnished, or made available, to members or the Registrar in accordance with the requirements of section 272 of the RAO Schedule; and
  - (v) the National Secretariat has complied with any order for inspection of financial records made by the Commissioner under section 273 of the RAO Schedule.

KOSMAS STAN SCLAVOS

19 October 2006



HAROLD DENIS ZAFER



**THE PHARMACY GUILD OF AUSTRALIA - NATIONAL SECRETARIAT  
INCOME STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2006**

	NOTES	2006 \$	2005 \$
<b>CONTINUING OPERATIONS</b>			
Revenue	3	19,535,366	31,109,413
Other income	3	7,707,834	10,183,947
		<u>27,243,200</u>	<u>41,293,360</u>
Remuneration and employee benefits expense	4	(6,577,577)	(6,596,956)
Depreciation		(269,136)	(220,213)
Other expenses	4	(17,372,730)	(29,887,018)
		<u>3,023,757</u>	<u>4,589,173</u>
<b>NET SURPLUS FROM CONTINUING OPERATIONS</b>		<u>3,023,757</u>	<u>4,589,173</u>
<b>NET SURPLUS ATTRIBUTABLE TO MEMBERS OF THE PHARMACY GUILD OF AUSTRALIA</b>		<u>3,023,757</u>	<u>4,589,173</u>

**The Net Surplus consists of:**

Surplus from all Divisions excluding Quality Care Pharmacy Program	1,993,749	3,701,785
Surplus from Quality Care Pharmacy Program	690,815	811,307
Surplus from the National Fighting Fund	339,193	76,081
	<u>3,023,757</u>	<u>4,589,173</u>

**THE PHARMACY GUILD OF AUSTRALIA - NATIONAL SECRETARIAT**  
**BALANCE SHEET**  
**AS AT 30 JUNE 2006**

	NOTES	2006 \$	2005 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	5,934,204	11,744,684
Trade and other receivables	6	3,789,719	3,938,321
Prepayments	7	63,072	86,150
<b>TOTAL CURRENT ASSETS</b>		<u>9,786,995</u>	<u>15,769,155</u>
<b>NON - CURRENT ASSETS</b>			
Investments at fair value	8	2,123,393	-
Other financial assets	9	23,701,163	25,181,163
Property, plant and equipment	10	910,202	821,205
<b>TOTAL NON - CURRENT ASSETS</b>		<u>26,734,758</u>	<u>26,002,368</u>
<b>TOTAL ASSETS</b>		<u>36,521,753</u>	<u>41,771,523</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	6,618,089	13,396,116
Provisions	13	426,382	579,782
<b>TOTAL CURRENT LIABILITIES</b>		<u>7,044,471</u>	<u>13,975,898</u>
<b>NON - CURRENT LIABILITIES</b>			
Interest bearing loans and borrowings	12	-	1,400,000
Provisions	13	137,195	79,295
<b>TOTAL NON - CURRENT LIABILITIES</b>		<u>137,195</u>	<u>1,479,295</u>
<b>TOTAL LIABILITIES</b>		<u>7,181,666</u>	<u>15,455,193</u>
<b>NET ASSETS</b>		<u>29,340,087</u>	<u>26,316,330</u>
<b>MEMBERS FUNDS</b>			
Reserves	14	4,499,726	3,469,718
Accumulated funds	14	24,840,361	22,846,612
		<u>29,340,087</u>	<u>26,316,330</u>

**THE PHARMACY GUILD OF AUSTRALIA - NATIONAL SECRETARIAT  
STATEMENT OF CHANGES TO EQUITY  
FOR THE YEAR ENDED 30 JUNE 2006**

NOTES	Accumulated Funds \$	Quality Care Pharmacy Program Reserve \$	National Fighting Fund Reserve \$	Total \$
<b>Balance at 1 July 2004</b>	19,144,827	1,546,326	1,036,004	21,727,157
Net surplus attributable to Guild	4,589,173	-	-	4,589,173
Transfers from accumulated funds to QCPP reserves	(811,307)	811,307	-	-
Transfers from accumulated funds to National Fighting Fund reserve	(76,081)	-	76,081	-
<b>Balance as at 30 June 2005</b>	<u>22,846,612</u>	<u>2,357,633</u>	<u>1,112,085</u>	<u>26,316,330</u>
Net surplus attributable to Guild	3,023,757	-	-	3,023,757
Transfers from accumulated funds to QCPP reserves	(690,815)	690,815	-	-
Transfers from accumulated funds to National Fighting Fund reserve	(339,193)	-	339,193	-
<b>Balance as at 30 June 2006</b>	<u>24,840,361</u>	<u>3,048,448</u>	<u>1,451,278</u>	<u>29,340,087</u>

**THE PHARMACY GUILD OF AUSTRALIA - NATIONAL SECRETARIAT  
CASHFLOW STATEMENT FOR YEAR ENDED 30 JUNE 2006**

	NOTES	2006 \$	2005 \$
<b>Cash flows from operating activities</b>			
Receipts from operations		14,282,639	15,128,043
Payments to suppliers and employees		(27,872,404)	(38,303,398)
Interest received		1,561,817	1,698,400
Dividend received		-	4,600,000
Grants received		8,657,549	24,593,089
Interest paid		(9,580)	(127,160)
GST received/(paid)		31,595	(877,883)
<b>Net cash flows (used in)/generated from operating activities</b>	5	<u>(3,348,384)</u>	<u>6,711,091</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(497,900)	(235,908)
Proceeds from sale of property, plant and equipment		78,797	17,700
Funds held on trust		(42,993)	31,682
Acquisition of shares in related entities		-	(2,600,001)
Purchase of a controlled entity		-	(1)
Loan to related company		-	(607,499)
Proceeds from related company loan repayment		1,400,000	200,000
Purchase of units in managed funds		(2,000,000)	-
<b>Net cash flows (used in) investing activities</b>		<u>(1,062,096)</u>	<u>(3,194,027)</u>
<b>Cash flows from financing activities</b>			
Repayment of bank loan		(1,400,000)	(200,000)
<b>Net cash flows (used in) financing activities</b>		<u>(1,400,000)</u>	<u>(200,000)</u>
Net (decrease)/increase in cash held		(5,810,480)	3,317,064
Add opening cash brought forward		11,744,684	8,427,620
<b>Closing cash carried forward</b>	5	<u>5,934,204</u>	<u>11,744,684</u>



**THE PHARMACY GUILD OF AUSTRALIA - NATIONAL SECRETARIAT  
NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS  
FOR YEAR ENDED 30 JUNE 2006**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Basis of Preparation**

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Australian Accounting Standards and disclosures required by the Registration and Accountability of Organisations (RAO) (Schedule 1B to the Workplace Relations Act 1996). The financial report has also been prepared on a historical cost basis, except for certain investments, which have been measured at fair value.

The financial report is presented in Australian dollars.

**b) Statement of compliance**

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly. Reconciliation of AIFRS equity and surplus for 30 June 2005 to the balances reported in the 30 June 2005 financial report and at transition to AIFRS are detailed in Note 22.

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 30 June 2006:

AASB Amend-ment	Affected Standard(s)	Nature of change to accounting policy	Application date of standard*	Application date for Guild
2005-4	AASB 139: <i>Financial Instruments: Recognition and Measurement</i> , AASB 132: <i>Financial Instruments: Disclosure and Presentation</i> , AASB 1: <i>First-time adoption of AIFRS</i> , AASB 1023: <i>General Insurance Contracts</i> and AASB 1038: <i>Life Insurance Contracts</i>	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006
2005-5	AASB 1: <i>First-time adoption of AIFRS</i> , AASB 139: <i>Financial Instruments: Recognition and Measurement</i>	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006
2005-10	AASB 132: <i>Financial Instruments: Disclosure and Presentation</i> , AASB 101: <i>Presentation of Financial Statements</i> , AASB 114: <i>Segment Reporting</i> , AASB 117: <i>Leases</i> , AASB 133: <i>Earnings Per Share</i> , AASB 139: <i>Financial Instruments: Recognition and Measurement</i> , AASB 1: <i>First-time adoption of AIFRS</i> , AASB 4: <i>Insurance Contracts</i> , AASB 1023: <i>General Insurance Contracts</i> and AASB 1038: <i>Life Insurance Contracts</i>	No change to accounting policy required. Therefore no impact.	1 January 2007	1 July 2007
2006-2	AASB 1 <i>First-time adoption of AIFRS</i>	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006

**THE PHARMACY GUILD OF AUSTRALIA - NATIONAL SECRETARIAT  
NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS  
FOR YEAR ENDED 30 JUNE 2006**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**b) Statement of compliance (cont'd)**

AASB Amend- ment	Affected Standard(s)	Nature of change to accounting policy	Application date of standard*	Application date for Guild
New standard	AASB 7 <i>Financial Instruments: Disclosures</i>	No change to accounting policy required. Therefore no impact.	1 January 2007	1 July 2007
New standard	UIIG 4 <i>Determining whether an Arrangement contains a Lease</i>	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006

\* Application Date is for the annual reporting periods beginning on or after the date shown in the above table.

**c) Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Guild and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*Rendering of services*

Revenue from the rendering of services is recognised as and when the services are provided.

*Subscriptions*

Subscriptions are issued on the yearly basis at the beginning of the financial year. All subscriptions received during the year are brought to account on the basis of date of receipt.

*Interest*

Revenue is recognised as interest accrues using the effective interest method.

*Dividends*

Revenue is recognised when control of the right to receive the dividend payment is established.

**d) Government Grants**

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

**e) Borrowing costs**

Borrowing costs are recognised as an expense when incurred.

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**THE PHARMACY GUILD OF AUSTRALIA - NATIONAL SECRETARIAT  
NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS  
FOR YEAR ENDED 30 JUNE 2006**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**D) Leases**

*Finance Leases*

Finance leases, which transfer to the Guild substantially all of the risks and benefits incidental to the ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in surplus or deficit.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Guild will obtain ownership by the end of the lease term.

*Operating Leases*

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

**g) Cash and Cash Equivalents**

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**h) Trade and other receivables**

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made where there is objective evidence that the Guild will not be able to collect the debts. Bad debts are written off when identified.

**i) Derecognition of financial assets and financial liabilities**

*Financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Guild retains the right to receive cash flows from the assets, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement;
- The Guild has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Guild has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Guild's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at lower of the original carrying amount of the asset and the maximum amount of consideration received that the Guild could be required to repay.

*Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

**THE PHARMACY GUILD OF AUSTRALIA - NATIONAL SECRETARIAT  
NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS  
FOR YEAR ENDED 30 JUNE 2006**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**j) Impairment of financial assets**

The Guild assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

*Financial assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in surplus or deficit.

The Guild first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in surplus or deficit, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

*Financial assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

*Available-for-sale investments*

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised as surplus or deficit, is transferred from equity to the income statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in surplus. Reversals of impairment losses for debt instruments are reversed through surplus or deficit if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in surplus or deficit.

**k) Taxes**

*Income taxes*

The Pharmacy Guild of Australia is exempt from income tax under section 50-15 of the Income Tax Assessment Act 1997.

*Goods and Services Tax (GST)*

Revenues, expenses and assets are recognised net of the amount of GST except:

- i) where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- ii) 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 Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**THE PHARMACY GUILD OF AUSTRALIA - NATIONAL SECRETARIAT**  
**NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS**  
**FOR YEAR ENDED 30 JUNE 2006**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**l) Property, Plant and Equipment**

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:  
Plant and equipment - 3 to 10 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

*Impairment*

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment 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 an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the income statement.

*Derecognition and disposal*

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in surplus or deficit in the year the asset is derecognised.

**m) Investments and other financial assets**

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through surplus or deficit, directly attributable transaction costs. The Guild determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates the designation at each financial year end.

All regular way purchases and sales of financial assets are recognised at trade date i.e. the date that the Guild commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

*Financial assets at fair value through surplus or deficit*

Financial assets classified as held for trading are included in the category 'financial assets at fair value through surplus or deficit'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in surplus or deficit.

**THE PHARMACY GUILD OF AUSTRALIA - NATIONAL SECRETARIAT  
NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS  
FOR YEAR ENDED 30 JUNE 2006**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**m) Investments and other financial assets (cont'd)**

*Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Guild has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all the fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in surplus or deficit when the investments are derecognised or impaired, as well as through the amortisation process.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in surplus or deficit when the loans and receivables are derecognised or impaired, as well as through the amortised process.

*Available-for-sale investments*

Available-for-sale investments are those non-derivatives financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in surplus or deficit.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

**n) Impairment of assets**

The Guild assesses at each reporting date whether there is an indication that an asset may be impaired. In any such indication exists, or when annual impairment testing for an asset is required, the Guild makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing its value in use, the estimated future cash flows are discounted to their present value using a pre-tax discounted rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

**THE PHARMACY GUILD OF AUSTRALIA - NATIONAL SECRETARIAT**  
**NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS**  
**FOR YEAR ENDED 30 JUNE 2006**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**n) Impairment of assets (cont'd)**

An assessment is also made at each reporting date as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in surplus or deficit unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**o) Trade and other payables**

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Guild prior to the end of the financial year that are unpaid and arise when the Guild becomes obliged to make future payments in respect of the purchase of these goods and services.

**p) Provisions**

Provisions are recognised when the Guild has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Guild expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risk specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as borrowing cost.

**q) Employee leave benefits**

*Wages, salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual and accumulated sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

*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 using the projected unit credit method. Consideration is given to expected future wages and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

**NOTE 2 INFORMATION TO BE PROVIDED TO MEMBERS OR REGISTRAR**

In accordance with the requirements of the Registration and Accountability of Organisations Schedule - RAO (Schedule 1B to the Workplace Relations Act 1996), the attention of members is drawn to the provisions of sub-sections (1), (2), and (3) of section 272 which read as follows:

- (1) A member of a reporting unit, or a Registrar, may apply to the reporting unit for specified prescribed information in relation to the reporting unit to be made available to the person making the application.
- (2) The application must be in writing and must specify the period within which, and the manner in which, the information is to be made available. The period must not be less than 14 days after the application is given to the reporting unit.
- (3) A reporting unit must comply with an application made under subsection (1).

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**NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS**  
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	2006	2005
	\$	\$
<b>NOTE 3 REVENUE</b>		
<b>Revenues from continuing operations</b>		
Membership subscriptions ex branches	4,558,666	4,509,872
Grants received	13,086,288	24,765,780
Income from Quality Care Pharmacy Program (QCPP)		
Membership subscriptions	1,658,137	1,550,850
Sale of QCPP related items	22,995	65,031
Sponsorship income	37,200	50,000
DUSC income	172,080	167,880
	<u>19,535,366</u>	<u>31,109,413</u>
<b>Other income</b>		
Interest received		
Controlled entities	1,243,695	1,468,891
Other corporations	318,122	229,509
Commissions from controlled entity	1,421,076	1,357,996
Dividend income from controlled entity	2,000,000	4,600,000
Distribution income from managed funds	35,951	-
Referral fees from controlled entity	2,112,516	2,025,238
Rent received from branches and other related parties	39,681	45,561
Other income	413,399	456,752
Unrealised gain on managed funds	123,394	-
	<u>7,707,834</u>	<u>10,183,947</u>
	<u>27,243,200</u>	<u>41,293,360</u>

**NOTE 4 EXPENSES**

**Expenses from continuing operations**

**Remuneration and employee benefits expense**

Remuneration to elected officials	880,230	711,528
Remuneration to employees	4,461,799	4,486,907
Superannuation to elected officials	76,209	80,000
Superannuation to employees	564,378	604,011
Provision for annual leave	44,006	123,798
Provision for long service leave	78,310	138,500
Other on-costs (payroll tax and workers compensation expenses)	472,645	452,212
<b>Total remuneration and employee benefits expense</b>	<u>6,577,577</u>	<u>6,596,956</u>

Remuneration and employee benefits expense of \$2,096,063 (2005: \$2,259,232) was recovered from grants received during the year.



**THE PHARMACY GUILD OF AUSTRALIA - NATIONAL SECRETARIAT**  
**NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS**  
**FOR YEAR ENDED 30 JUNE 2006**

	2006	2005
	\$	\$
<b>NOTE 4 EXPENSES (cont'd)</b>		
<b>Other expenses</b>		
Affiliation fees	68,995	79,672
Bad debts expense	-	525,901
Donations	205,900	171,289
Remuneration to auditors		
Audit fees	36,000	33,500
Other services	71,489	98,448
Legal expenses	341,846	952,572
Loss on disposal of fixed assets	60,971	3,802
Consultants expenses	1,076,301	851,307
DUSC expenses	84,000	66,000
Meeting expenses and allowances		
National Council	761,360	698,231
Chairman and committee expenses	243,488	112,064
Other meeting expenses	3,002	6,651
Provision for impairment losses	80,000	-
Grants and subsidies to branches	127,688	237,547
Commissions to branches	364,149	347,213
Administrative expenses	204,823	339,311
Rent paid	650,565	576,372
Interest paid	9,580	127,160
Grants expenses	11,176,060	22,506,548
Expenses from Quality Care Pharmacy Program (QCPP)		
Payments made to AIPM and PSA	-	14,772
Standards materials expenses	10,053	3,755
Travel expenses (local and overseas)	391,556	523,996
Special projects	237,352	431,658
Other expenses	1,167,552	1,179,249
<b>Total other expenses</b>	<u>17,372,730</u>	<u>29,887,018</u>

**NOTE 5 CASH AND CASH EQUIVALENTS**

<b>Guild cash</b>		
Cash at bank and in hand	1,337,803	870,894
Short-term deposits	1,551,595	7,191,169
	<u>2,889,398</u>	<u>8,062,063</u>
<b>Cash held in Trust</b>		
Cash at bank held in Trust	112,129	302,054
Short-term deposits held in Trust	2,932,677	3,380,567
	<u>3,044,806</u>	<u>3,682,621</u>
<b>Total cash</b>	<u>5,934,204</u>	<u>11,744,684</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are deposits which earn interest at the respective short-term deposit rates.

**THE PHARMACY GUILD OF AUSTRALIA - NATIONAL SECRETARIAT**  
**NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS**  
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	2006	2005
	\$	\$

**NOTE 5 CASH AND CASH EQUIVALENTS (CONT'D)**

**Reconciliation to cash flow statement**

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:

Cash at bank and in hand	1,449,932	1,172,948
Short-term deposits	4,484,272	10,571,736
	5,934,204	11,744,684

**Reconciliation of operating surplus to net cash flow from operations:**

Operating surplus	3,023,757	4,589,173
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	269,136	220,213
Loss on disposal of non current assets	60,971	3,802
Provision for impairment losses	80,000	-
Unrealised gain on managed funds	(123,394)	-
<i>Changes in assets and liabilities</i>		
Decrease/(increase) in trade and other receivables	135,256	(923,609)
Decrease in prepayments	23,078	38,181
(Decrease)/increase in trade and other payables	(2,225,310)	2,457,952
(Decrease)/increase in employee benefits	(95,500)	61,610
(Decrease) in income in advance	(200,000)	(33,570)
Increase/(decrease) in net GST payable	132,364	(59,352)
(Decrease)/increase in government grants	(4,428,742)	356,691
Net cash flows (used in)/generated from operating activities	(3,348,384)	6,711,091

**Financing facilities available**

At balance date, the following financing facilities had been negotiated and were available:

<i>Total facilities</i>		
- Bank loan	-	2,000,000
<i>Facilities used</i>		
- Bank loan	-	1,400,000
<i>Facilities unused</i>		
- Bank loan	-	600,000

**NOTE 6 TRADE AND OTHER RECEIVABLES (CURRENT)**

Trade and other receivables	530,484	2,775,782
Amounts receivable from related entities		
Branch debtors	73,311	66,062
Amounts receivable from controlled entities		
Gold Cross Products and Services Pty Ltd	189,556	110,147
Guild Insurance Limited	734,625	713,022
Guild Insurance and Financial Services Holdings Limited	2,001,244	-
Healthlinks.net Pty Ltd	5,760	5,223
Net GST receivable	135,721	268,085
Government grants receivable	119,018	-
	3,789,719	3,938,321
Trade and other receivables includes the following amounts owing by a related entity		
Related entity	1,231	526

Trade receivables are non-interest bearing and are generally on 30-90 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. The amount of allowance/impairment loss has been measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors.

**THE PHARMACY GUILD OF AUSTRALIA - NATIONAL SECRETARIAT**  
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	2006 \$	2005 \$
<b>NOTE 7 PREPAYMENTS (CURRENT)</b>		
Prepayments	63,072	86,150
	<u>63,072</u>	<u>86,150</u>
<b>NOTE 8 INVESTMENTS AT FAIR VALUE (NON-CURRENT)</b>		
<b>At Fair Value</b>		
Investment in Guild Australian Equities Fund	2,123,393	-
	<u>2,123,393</u>	<u>-</u>
<b>NOTE 9 OTHER FINANCIAL ASSETS (NON-CURRENT)</b>		
<b>At Cost</b>		
Shares in controlled entities - unlisted		
Australian Association of Consultant Pharmacy Pty Limited		
2 ordinary shares	2	2
Pharmacy Guild Home Infusion Association Pty Limited		
2 ordinary shares	2	2
GuildNET Pty Limited		
18 ordinary shares	18	18
Guild Insurance & Financial Services Holdings Limited		
3,585,434 ordinary shares	3,585,434	3,585,434
20,000 Redeemable cumulative non participating preference shares	2,000,000	2,000,000
Gold Cross Products and Services Pty Ltd		
402 ordinary shares	804	804
National Pharmacy Television Pty Limited		
1 ordinary share	1	1
Pharmacy Electronic Network Telecommunications And Logistics Pty Ltd		
1 ordinary share	1	1
Healthlinks.net Pty Ltd		
1 ordinary share	1	1
	<u>5,586,263</u>	<u>5,586,263</u>
Unsecured loans to related entity		
Australian Association of Consultant Pharmacy Pty Limited	80,000	80,000
Provision for impairment losses	(80,000)	-
	<u>-</u>	<u>80,000</u>
Unsecured loans to controlled entities		
Guild Insurance & Financial Services Holdings Limited	16,883,860	18,283,860
Gold Cross Products and Services Pty Ltd	411,580	411,580
Healthlinks.net Pty Ltd	819,460	819,460
	<u>18,114,900</u>	<u>19,594,900</u>
	<u>23,701,163</u>	<u>25,181,163</u>

Investments at Cost consist of investments in ordinary and preference shares, and therefore have no fixed maturity date or coupon rate.

The National Secretariat has provided for impairment losses amounting to \$80,000 in relation to the unsecured loan to the Australian Association of Consultant Pharmacy Pty Limited.

The National Secretariat will not recall the unsecured loans to Guild Insurance & Financial Services Holdings Limited until such a time when the entity has surplus funds to meet this liability. In addition, the National Secretariat has entered into a Subordination Agreement with Guild Insurance and Financial Services Holdings Limited.

**THE PHARMACY GUILD OF AUSTRALIA - NATIONAL SECRETARIAT  
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FOR YEAR ENDED 30 JUNE 2006**

	2006 \$	2005 \$
<b>NOTE 10 PROPERTY, PLANT AND EQUIPMENT</b>		
<b>Office equipment - at cost</b>		
As at 1 July, net of accumulated depreciation and impairment	377,330	300,798
Additions	315,292	203,390
Disposals	(37,274)	-
Depreciation	(167,609)	(126,858)
As at 30 June, net of accumulated depreciation and impairment	<u>487,739</u>	<u>377,330</u>
Cost	1,068,248	1,064,092
Accumulated depreciation and impairment	(580,509)	(686,762)
Net carrying amount	<u>487,739</u>	<u>377,330</u>
<b>Motor vehicles - at cost</b>		
As at 1 July, net of accumulated depreciation and impairment	345,449	427,788
Additions	179,249	32,518
Disposals	(102,493)	(21,503)
Depreciation	(101,527)	(93,354)
As at 30 June, net of accumulated depreciation and impairment	<u>320,678</u>	<u>345,449</u>
Cost	524,691	578,597
Accumulated depreciation and impairment	(204,013)	(233,148)
Net carrying amount	<u>320,678</u>	<u>345,449</u>
<b>Artwork - at cost</b>		
As at 1 July, net of accumulated depreciation and impairment	81,800	81,800
Additions	3,359	-
As at 30 June, net of accumulated depreciation and impairment	<u>85,159</u>	<u>81,800</u>
Net carrying amount at beginning and end	<u>85,159</u>	<u>81,800</u>
<b>Antiques - at cost</b>		
As at 1 July, net of accumulated depreciation and impairment	16,626	16,626
As at 30 June, net of accumulated depreciation and impairment	<u>16,626</u>	<u>16,626</u>
Net carrying amount at beginning and end	<u>16,626</u>	<u>16,626</u>
<b>Total Property, Plant and Equipment - at cost</b>		
As at 1 July, net of accumulated depreciation and impairment	821,205	827,012
Additions	497,900	235,908
Disposals	(139,767)	(21,503)
Depreciation	(269,136)	(220,212)
As at 30 June, net of accumulated depreciation and impairment	<u>910,202</u>	<u>821,205</u>
Cost	1,694,724	1,741,115
Accumulated depreciation and impairment	(784,522)	(919,910)
Net carrying amount	<u>910,202</u>	<u>821,205</u>

**Depreciation**

The useful life of plant and equipment was estimated at between 3 to 10 years for both 2005 and 2006.

**THE PHARMACY GUILD OF AUSTRALIA - NATIONAL SECRETARIAT**  
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	2006	2005
	\$	\$
<b>NOTE 11 TRADE AND OTHER PAYABLES (CURRENT)</b>		
Trade and other payables	767,175	849,621
Accrued expenses	996,235	3,002,525
Annual Leave	524,054	613,946
Amounts payable to related entities		
Branch creditors	612,848	668,419
Guild Insurance Limited	31,303	40,272
Guild Legal Limited	4,658	-
Healthlinks.net Pty Ltd	19,800	6,600
Amounts held on trust		
MPA	7,178	50,171
Government grants in advance	3,654,838	7,964,562
Income in advance	-	200,000
	<u>6,618,089</u>	<u>13,396,116</u>
Payables include the following:		
Amounts due to related entity	11,590	660
Legal fees payable	177,462	43,670
	<u>189,052</u>	<u>44,330</u>
Trade and other payables are non-interest bearing and are normally settled on 30 day terms.		
<b>NOTE 12 INTEREST BEARING LOANS AND BORROWINGS (NON CURRENT LIABILITIES)</b>		
Bank loan	-	1,400,000
Drawdown of the bank loan was performed on 26 June 2002. The loan is secured by guarantee and indemnity from Guild Insurance and Financial Services Holdings Limited. This loan was discharged on 5 August 2005.		
<b>NOTE 13 PROVISIONS</b>		
<b>Long Service Leave</b>		
At 1 July	659,077	597,467
Arising during the year	78,310	138,500
Transferred from other related entities	16,996	1,396
Utilised	(190,806)	(78,286)
At 30 June	<u>563,577</u>	<u>659,077</u>
Current	426,382	579,782
Non Current	137,195	79,295
	<u>563,577</u>	<u>659,077</u>
Provisions (Current) include the following		
Employee entitlements in respect of holders of offices	40	140,563

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	2006	2005
	\$	\$
<b>NOTE 14 RESERVES</b>		
<b>(a) Quality Care Pharmacy Program reserve</b>		
Balance at the beginning of year	2,357,633	1,546,326
Transfer from accumulated funds	690,815	811,307
Balance at the end of year	3,048,448	2,357,633
<b>(b) National Fighting Fund reserve</b>		
Balance at the beginning of year	1,112,085	1,036,004
Transfer from accumulated funds	339,193	76,081
Balance at the end of year	1,451,278	1,112,085
<b>Total Reserves</b>	4,499,726	3,469,718
<b>(a) Quality Care Pharmacy Program reserve</b>		
The Quality Care Pharmacy Program reserve was established to promote and fund the Quality Care Pharmacy Program to Guild members.		
<b>(b) National Fighting Fund reserve</b>		
A National referendum was held in April 2002 to seek Guild members' approval to establish a National Fighting Fund. The Funds would be obtained from an increase in annual subscriptions (premises component only) and be used to fund special endeavours required to preserve and protect the long-term interests of members. The Fund would operate under the direct control of the Guild's Executive Committee who would consider each allocation of funds against stringent criteria agreed by the Executive. The referendum was successful and the collection of funds was commenced in the 2002/2003 financial year. The surplus of these funds as at 30 June 2006 are held in a reserve pending future costs relating to this cause. All funds are invested and interest on the funds transferred to the reserve.		
<b>(c) Accumulated Funds</b>		
Balance at the beginning of the year	22,846,612	19,144,827
Net surplus attributable to Guild	3,023,757	4,589,173
Transfer (to) Quality Care Pharmacy Program reserve	(690,815)	(811,307)
Transfer (to) Fighting Fund reserve	(339,193)	(76,081)
Balance at the end of the year	24,840,361	22,846,612

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	2006	2005
	\$	\$

**NOTE 15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Guild's principal financial instruments comprise cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Guild's operations. The Guild has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is, and has been throughout the period under review, the Guild's policy that no trading in financial instruments shall be undertaken. The main risk arising from the Guild's financial instruments is credit risk. The management reviews and agrees policies for managing this risk and is summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

*Credit risk*

The Guild trades only with recognised, creditworthy third parties.

It is the Guild's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Guild's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the Guild and its related entities.

With respect to credit risk arising from the other financial assets of the Guild, which comprise cash and cash equivalents and available-for-sale financial assets, the Guild's exposure to credit risk arises from the default of the counter party, with maximum exposure equal to the carrying amount of these instruments.

Since the Guild trades only with recognised third parties, there is no requirement for collateral.

**NOTE 16 OPERATING LEASE COMMITMENTS**

Assets that are the subject of operating leases include property and motor vehicles. Operating leases for motor vehicles have an average lease term of 3 years and an average implicit interest rate of 7.75%. The operating lease for property has a lease term of 10 years and is for the Guild premises at Barton.

There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

Operating leases (non-cancellable)		
Not later than one year	723,959	699,491
Later than one year and not later than five years	1,797,711	2,412,151
	2,521,670	3,111,642

**THE PHARMACY GUILD OF AUSTRALIA - NATIONAL SECRETARIAT  
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**NOTE 17 RELATED PARTY DISCLOSURES**

- a) The National Council of The Pharmacy Guild of Australia during the financial year comprised:

S.B. BANKS  
J.W. BRONGER (retired 29 November 2005)  
H.W.G. CUTHILL (retired 29 November 2005)  
P. DIBBEN (elected 29 November 2005 but was on leave of absence from 11 May 2006)  
J.H. DORNAN  
J.C. DOWLING  
R.J.C. FOSTER  
J. LIAUW (elected 29 November 2005)  
T.J. LOGAN  
I.K. MARSHALL  
P.S. MCBEATH (retired 29 November 2005)  
Z.L. MULLEN  
D.S. NOLTE (retired 29 November 2005)  
K. PEACHEY (elected 29 November 2005)  
P.W. REID  
D. SANGHVI (elected 29 November 2005)  
B. SCHULTZ (elected 29 November 2005)  
K.S. SCLAVOS  
T. RILEY (elected 29 November 2005)  
P.D. SIMMONS (retired 29 November 2005)  
W.J. SCOTT (retired 29 November 2005)  
I.P. TODD  
H.D. ZAFER  
B. O'LOUGHLIN (acting as alternate National Councillor from 11 May 2006)

- b) The following related party transactions occurred during the financial year:

Transactions with related parties:

- i. During the year, Guild Insurance and Financial Services Holdings Limited repaid \$1,400,000 of its loan to the National Secretariat. The balance of the loan as at 30 June 2006 was \$16,883,860 (2005: \$18,283,860).



**THE PHARMACY GUILD OF AUSTRALIA - NATIONAL SECRETARIAT**  
**NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS**  
**FOR YEAR ENDED 30 JUNE 2006**

	2006 \$	2005 \$
ii. Subscriptions income was received from the following Branches:		
New South Wales	1,553,186	1,571,401
Victoria	1,016,589	1,020,001
Queensland	920,335	882,949
South Australia	374,692	358,956
Western Australia	475,653	463,101
Tasmania	135,498	129,831
Australian Capital Territory	63,385	61,266
Northern Territory	19,328	22,367
	<u>4,558,666</u>	<u>4,509,872</u>
iii. Branch debtors as at 30 June 2006 comprised:		
New South Wales	5,026	14,572
Victoria	19,223	17,112
Queensland	354	7,373
South Australia	-	33
Western Australia	29,403	14,435
Tasmania	13,360	8,207
Australian Capital Territory	2,399	1,242
Northern Territory	3,546	3,088
	<u>73,311</u>	<u>66,062</u>
iv. Branch creditors as at 30 June 2006 comprised:		
New South Wales	214,858	127,627
Victoria	110,138	124,962
Queensland	131,818	166,110
South Australia	46,630	32,937
Western Australia	66,524	66,939
Tasmania	10,421	69,696
Australian Capital Territory	22,493	46,444
Northern Territory	9,966	33,704
	<u>612,848</u>	<u>668,419</u>
v. The National Secretariat has given a subsidy to the following Branches to part fund their operations		
Queensland	-	20,000
Western Australia	-	70,000
Tasmania	27,688	-
Australian Capital Territory	86,061	43,397
Northern Territory	100,000	104,150
	<u>213,749</u>	<u>237,547</u>
vi. Rent charged to Branches and other related parties during the year.	<u>39,681</u>	<u>45,561</u>
vii. During the year the National Secretariat received interest income from Guild Insurance & Financial Services Holdings Limited.	<u>1,217,751</u>	<u>1,442,947</u>

**THE PHARMACY GUILD OF AUSTRALIA - NATIONAL SECRETARIAT  
NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS  
FOR YEAR ENDED 30 JUNE 2006**

	2006 \$	2005 \$
viii. During the year the National Secretariat received income from Guild Insurance Limited.	<u>2,122,516</u>	<u>2,025,238</u>
ix. During the year the National Secretariat received Guild digest income from the Branches	<u>96,212</u>	<u>102,095</u>
x. During the year the National Secretariat received income from Gold Cross Products and Services Pty Ltd.	<u>1,421,076</u>	<u>1,357,996</u>
xi. During the year the National Secretariat paid commissions to the Branches on Gold Cross Products and Services Pty Ltd income.	<u>364,149</u>	<u>347,213</u>
xii. During the year the National Secretariat received dividend income from Guild Insurance & Financial Services Holdings Limited.	<u>2,000,000</u>	<u>4,600,000</u>
xiii. During the year the National Secretariat received income from Gold Cross Products and Services Pty Ltd for their publications	<u>22,600</u>	<u>13,031</u>
xiv. During the year the National Secretariat received income from Guild Insurance Limited for advertising in their publications	<u>15,000</u>	<u>15,000</u>
xv. During the year the National Secretariat received management fee from Healthlinks.net Pty Ltd	<u>51,196</u>	<u>59,547</u>
xvi. During the year the National Secretariat received interest income from Healthlinks.net Pty Ltd	<u>68,287</u>	<u>34,143</u>
xvii. During the year the National Secretariat paid DUSC expenses to Healthlinks.net Pty Ltd	<u>84,000</u>	<u>72,000</u>
xviii. During the year the National Secretariat received interest income from Gold Cross Products and Services Pty Ltd	<u>25,944</u>	<u>25,944</u>

**NOTE 18 NATIONAL COUNCILLORS AND EXECUTIVE DISCLOSURES**

Compensation of National Councillors and key management personnel

Short-term	1,644,816	1,508,872
Post employment	<u>121,653</u>	<u>340,457</u>
	<u>1,766,469</u>	<u>1,849,329</u>

**NOTE 19 CONTINGENT LIABILITIES**

There are no contingent liabilities.

**NOTE 20 SEGMENT REPORTING**

The National Secretariat of The Pharmacy Guild of Australia operates in one business segment being provision of services to Pharmacists and in one geographical segment being within Australia.

**NOTE 21 SUBSEQUENT EVENTS**

There are no subsequent events.

**THE PHARMACY GUILD OF AUSTRALIA - NATIONAL SECRETARIAT  
NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS  
FOR YEAR ENDED 30 JUNE 2006**

**NOTE 22 TRANSITION TO AIFRS**

For all periods up to and including the year ended 30 June 2005, the Guild prepared its financial statements in accordance with Australian generally accepted accounting practice (AGAAP). These financial statements for the year ended 30 June 2006 are the first the Guild is required to prepare in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS).

Accordingly, the Guild has prepared financial statements that comply with AIFRS applicable for periods beginning on or after 1 July 2005 and the significant accounting policies meeting those requirements are described in Note 1. In preparing these financial statements, the Guild has started from an opening balance sheet as at 1 July 2004, the Guild's date of transition to AIFRS, and made those changes in accounting policies and other restatements required by AASB 1 *First-time adoption of AIFRS*.

This note explains the principal adjustments made by the Guild in restating its AGAAP balance sheets as at 1 July 2004 and its previously published AGAAP financial statements for the year ended 30 June 2005.

*Exemptions applied*

AASB 1 allows first-time adopters certain exemptions from the general requirement to apply AIFRS retrospectively.

The Guild has not taken these exemptions.

*Explanation of material adjustments to the income statement, statement of changes to equity and cash flow statement*

There are no material differences between the income statement, statement of changes to equity and cash flow statement presented under AIFRS and the income statement, statement of changes to equity and cash flow statement presented under previous AGAAP.

**THE PHARMACY GUILD OF AUSTRALIA - NATIONAL SECRETARIAT**  
**NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS**  
**FOR YEAR ENDED 30 JUNE 2006**

**NOTE 23 FINANCIAL INSTRUMENTS**

**Fair values**

Financial assets and financial liabilities, both recognised and unrecognised, at balance date, are carried at their fair value. The carrying amounts of the Guild's financial assets and financial liabilities are the same as their fair value.

**Interest Rate Risk**

The following table sets out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

	Weighted Average Effective Interest Rate		Floating Interest Rate Maturing				Fixed Interest Rate Maturing	
			Within 1 Year		Greater than 1 year		Greater than 1 year	
	2006	2005	2006	2005	2006	2005	2006	2005
	%	%	\$	\$	\$	\$	\$	\$
<b>Financial Assets</b>								
Cash	5.49	5.28	1,449,932	1,172,948	-	-	-	-
Short Term Deposits	5.63	5.65	4,484,272	10,571,736	-	-	-	-
<b>Amounts receivable from controlled entity</b>								
Gold Cross Products & Services	6.30	6.30	-	-	-	-	411,580	411,580
GIFSH Limited *	7.14	7.94	-	-	6,000,000	6,000,000	-	-
GIFSH Limited *	-	7.95	-	1,400,000	-	-	-	-
GIFSH Limited *	7.12	7.94	-	-	10,833,551	10,833,551	-	-
Healthlinks.net Pty Ltd	8.33	7.33	-	-	819,460	819,460	-	-
<b>Total Financial Assets</b>			<b>5,934,204</b>	<b>13,144,684</b>	<b>17,653,011</b>	<b>17,653,011</b>	<b>411,580</b>	<b>411,580</b>
<b>Financial Liabilities</b>								
Unsecured loan	-	7.95	-	1,400,000	-	-	-	-

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument. The other financial instruments of the Guild that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

\* Guild Insurance and Financial Services Holdings Limited

## **Independent audit report to members of the Pharmacy Guild of Australia – National Secretariat**

### **Matters relating to the Electronic Presentation of the Audited Financial Report**

This audit report relates to the financial report of the Pharmacy Guild of Australia (the Guild) for the year ended 30 June 2006 included on the Guild's web site. The National Councillors of the Guild are responsible for the integrity of the Guild's web site. We have not been engaged to report on the integrity of the Guild's web site. The audit report refers only to the statements named below. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

### **Scope**

#### *The financial report and National Councillors' responsibility*

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes to equity and accompanying notes to the financial statements, and the committee of management's statement for the Guild, for the year ended 30 June 2006.

The National Councillors of the Guild are responsible for preparing a financial report that presents fairly the financial position and performance of the Guild, and that complies with Accounting Standards in Australia, in accordance with the *Workplace Relations Act 1996*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### *Audit approach*

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the Guild. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Workplace Relations Act 1996*, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Guild's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and

- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the National Councillors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

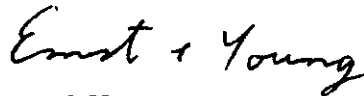
We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the National Councillors and management of the Guild.

**Independence**

We are independent of the Guild, and have met the independence requirements of Australian professional ethical pronouncements. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

**Audit opinion**

In our opinion, the financial report of the Pharmacy Guild of Australia – National Secretariat presents fairly, in accordance with the *Workplace Relations Act 1996*, including Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Guild's financial position as at 30 June 2006, and of its performance as represented by the results of its operations and cash flows for the year then ended.



Ernst & Young



G J Knuckey  
Partner  
Registered Company Auditor  
Member of the Institute of Chartered Accountants in Australia  
Canberra  
19 October 2006