



FAIR WORK
AUSTRALIA

25 July 2012

Dipak Sanghvi
President
The Pharmacy Guild of Australia, Victorian Branch
Guild House
Level 2, 40 Burwood Road
Hawthorn VIC 3122
By email: info@vic.guild.org.au

cc: Michael Hook
Manager - Corporate Services
The Pharmacy Guild of Australia, Victorian Branch
Guild House
Level 2, 40 Burwood Road
Hawthorn VIC 3122
By email: michael.hook@vic.guild.org.au

cc: Fiona Campbell
Ernst & Young
8 Exhibition Street
Melbourne VIC 3000
By email: fiona.campbell@au.ey.com

Dear Mr Sanghvi

Financial Report for The Pharmacy Guild of Australia Victorian Branch for year ended 30 June 2011 FR2011/2586

Further to your correspondence in response to Fair Work Australia's queries regarding the qualification in the auditor's opinion for the general purpose financial report (GPFR) of The Pharmacy Guild of Australia Victorian Branch (the Branch) for the year ended 30 June 2011, I write to advise that the report has been filed. No further action is required with respect to this report. However, as explained below, the Branch is required to remedy the irregularity identified by your auditor in the next financial year.

Auditor's qualification

The opinion of your auditor regarding the GPFR was qualified, stating that she was unable to obtain sufficient audit evidence regarding the profit attributed to the Branch from its interest in the FRED IT Group Pty Limited. In particular she states that she was unable to obtain sufficient audit evidence regarding the recoverable amount of goodwill resulting from the acquisition by FRED IT Group Pty Limited of FRED Retail Pty Limited.

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Under section 332(1) of the RO Act the General Manager of Fair Work Australia is required to investigate where an auditor's report sets out any:

- (a) any defect or irregularity; or
- (b) any deficiency, failure or shortcoming.

Under section 332(2) the General Manager of Fair Work Australia is *not* required to investigate if, after consulting with the Guild and its auditor, the General Manager is satisfied that the matters are trivial or will be remedied in the following financial year.

In response to my queries, your auditor advised that in her view the qualification describes a defect or irregularity in the GPFR. She also advised that the matter was material (not trivial) and she was unable to advise whether the matter will be remedied in the following year.

In response to my queries, Mr Michael Hook on behalf of the PGA Victorian Branch advised, among other things, that although the irregularity is not trivial, the PGA Vic Branch does not believe there will be a further write-off of goodwill. He also advised that the carrying value of the goodwill has no impact on cash flow or the underlying value of the investment and that the figures form only a part of the consolidated results of the PGA Victorian Branch.

As indicated by your auditor, AASB 136 *Impairment of Assets* requires an asset to be carried at no more than the recoverable amount of that asset (paragraph 59). As indicated above your auditor was not able to ascertain the recoverable amount of goodwill resulting from the acquisition by FRED IT Group Pty Limited of FRED Retail Pty Limited. My examination of the financial report indicates that the amount attributed to the assets of the PGA Victorian Branch from its interest in FRED IT GROUP Pty Limited represents a material amount of the Branch's equity. Also note 16(b) to the financial statements discloses that the Branch is financially dependent on FRED IT Group Pty Limited. It follows that the inability to ascertain the recoverable amount of FRED Retail Pty Limited is not trivial.

As advised by Mr Hook, the auditors are expected to form an opinion with respect to the goodwill in September of this year. The Branch is required to ensure that sufficient audit evidence will be available to the auditor of the Branch regarding the recoverable amount of goodwill allocated to FRED Retail Pty Limited. I draw your attention to AASB 13 *Fair Value Measurement* which sets out standards regarding the measurement of assets and liabilities. In particular paragraph 91 requires the disclosure of valuation techniques and inputs used to develop those measurements. Further paragraphs 18-57 of AASB 136 *Impairment of Assets* sets out standards for the measurement of recoverable amounts.

On the basis that the irregularity will be remedied in the next financial year (year ended 30 June 2012), and that sufficient audit evidence will be provided to your auditor, the financial report for the year ended 30 June 2011 has been filed.

I also make the following comments to assist you with the preparation of future financial reports.

Preparation of General Purpose Financial Report from the Branch's records

Section 253 of the RO Act requires the Branch to prepare a GPFR from the financial records kept under subsection 252(1). The records kept under subsection 252(1) are those records specific to the Branch. The GPFR prepared by the Branch for year ended 30 June 2011 is a consolidated report of the Branch and its subsidiaries. As the Branch and its subsidiaries appear to be a single economic activity, preparation of a consolidated GPFR in accordance with AASB 127 is required. I note in previous GPFRs the Branch has prepared a consolidated GPFR which separately discloses the consolidated figures and the parent specific figures. I recommend that the previous practice be reinstated in order to ensure compliance with section 253.

Preparation of a Consolidated GPFR

Note 1(b) identifies the principles of consolidation and note 19 discloses the subsidiaries and associates of the Branch. However on the face of the notes it is not clear which subsidiaries and associates form the consolidated entity. In future financial years please ensure that the subsidiaries and associates which form the consolidated entity are clearly identified.

Disclosure of audit fees

AASB 195 at paragraph 10 requires the financial statements to separately disclose amounts paid to the auditor for audit fees and for non-audit services. In future years please ensure that the financial statements disclose these items.

Disclosure of finance costs

AASB 101(82)(b) requires the statement of comprehensive to include a line item that presents the finance costs for the period. In future years please ensure that the statement of comprehensive income includes this item.

Expenditure Disclosures required by the Reporting Guidelines:

Item 11 of the Reporting Guidelines requires the disclosure of specified items of expenditure, including affiliations (item 11(d)), grants and donations (items (11(f)), legal costs (item 11(j)), fees and allowances in respect of attendance at meetings and conferences (item 11(i)), and meeting expenses (item 11(k)). I have attached a copy of the reporting guidelines for your convenience. In future years please ensure that such items are disclosed either in the statement of comprehensive Income or in the notes to the statement of comprehensive income.

Disclosure of employee benefits to office holders and other employees

The Reporting Guidelines require reporting units to disclose in the income statement or in the notes to the financial statements employee benefits to holders of office (item 11(g)) and employee benefits to other employees (item 11(h)). I note that the statement of comprehensive income does not distinguish between employee benefits for office holders and other employees. In future please ensure that employee benefits for office holders and other employees are disclosed separately.

The Reporting Guidelines also require either the balance sheet or the notes to disclose any liability for employee benefits in respect of office holders and other employees (items 14(c) and 14 (d)). Note 10 discloses these liabilities but does not distinguish between provisions for office holders and other employees. In future years please ensure that provisions for office holders and other employees are disclosed separately.

Notes to the Cash Flow Statement

Reporting Guideline 15 states that 'where another reporting unit of the organisation is the source of cash inflow or the application of a cash outflow, such cash flow should be separately disclosed in the notes to the financial statements and show the name of the other reporting unit concerned'. This is *in addition* to the requirement to disclose capitation fees to the national office in the statement of comprehensive income or the notes to the statements of comprehensive income (Reporting Guideline 11(b)). I note that this has been advised in previous years. In future years please ensure that cash flows to and from the national office and, if relevant any other branches, are disclosed in the notes to the cash flow statement.

If you have any queries I can be contacted on 03 86617929 or via email at eve.anderson@fwa.gov.au

Yours sincerely



Eve Anderson

Principal Advisor

Registered Organisations

Fair Work Australia

Tel: 03 86617929

Email: eve.anderson@fwa.gov.au

ANDERSON, Eve

From: Michael Hook [michael.hook@vic.guild.org.au]
Sent: Friday, 23 December 2011 1:19 PM
To: ANDERSON, Eve
Subject: RE: PGA Vic branch financial report: qualification in auditor's report

Eve,

As discussed, I have summarised the points in relation to your letter as follows:

1. Pharmacy Guild of Australia, Victoria has an investment in a non-controlled entity which is equity accounted.
2. This entity has incurred a qualification with respect to the goodwill of a subsidiary entity.
3. Although the irregularity is not trivial, we don't believe that there will be a further write off of Goodwill, but the auditors are not anticipated to report on the accounts of investment before September 2012 and will form an opinion with respect to the goodwill in the subsidiary at around that time. The opinion to be expressed will be dependent on the forward prospects of the subsidiary and the position taken by the board of directors of the investment at that time.
4. These figures form only a part of the consolidated results of The Pharmacy Guild of Australia, Victoria.
5. The carrying value of the goodwill has no impact on cash flow or the underlying value of the investment (as opposed to the equity accounted value).
6. The expected profit after Tax of Fred IT Group Pty Ltd for the year ending June 2012, is a surplus of around \$1.6 million after tax, which would provide profit share to The Pharmacy Guild of Australia, Victoria of approximately \$780,000. The remaining portion of Goodwill to The Pharmacy Guild of Australia, Victoria is less than \$400,000.
7. The Pharmacy Guild of Australia, Victoria is consolidated into the accounts of our National Body, The Pharmacy Guild of Australia, who are the legal entity.

I hope this answers your queries.

Our office will close from today and I will be back on 3 January 2012. Please discuss when you have had a chance to review and have a Merry Christmas.

Regards

Michael Hook
Manager - Corporate Services

THE PHARMACY GUILD OF AUSTRALIA, VICTORIA

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FAIR WORK
AUSTRALIA

19 December 2011

Michael Hook
Manager Corporate Services
Pharmacy Guild of Australia Victoria Branch
Guild House
Level 2, 40 Burwood Road
HAWTHORN VIC 3122

Dear Mr Hook

Qualification in the financial report of the Victoria Branch of the Pharmacy Guild of Australia for the year ended 30 June 2011 (FR2011/2571)

Thank-you for your calls prior to your leave regarding the qualification in the auditor's report for the PGA Victoria Branch's financial report for the year ended 30 June 2011. Please find attached the response to our query from Ms Fiona Campbell regarding her qualification. As stated in her response, Ms Campbell is of the view that qualification describes a defect or irregularity in the General Purpose Financial report. She also states that in her view the defect or irregularity is not trivial. She further states that she is unable to advise whether the matter will be remedied in the following year.

I request your view as to whether the qualification refers to a defect or irregularity in the General Purpose Financial Report. If you are of the view that it refers to a defect or irregularity in the General Purpose Financial report, please advise whether in your view the defect or irregularity is trivial and/or whether it will be remedied in the following financial year. An explanation of your views is also sought.

If you have any queries I can be contacted on 03 8661 7929 or by email on eve.anderson@fwa.gov.au.

Yours sincerely

Eve Anderson
Team Manager
Tribunal Services and Organisations
Fair Work Australia
Tel: 03 86617929

Email: eve.anderson@fwa.gov.au

ANDERSON, Eve

From: Anne.Roche@au.ey.com
Sent: Monday, 21 November 2011 10:46 AM
To: ANDERSON, Eve
Cc: michael.hoang@au.ey.com; Maurice Sheehan; adeline.lim@au.ey.com
Subject: RESPONSE Re: PGA Vic branch: Qualification in the Auditor's report

This email is to be read subject to the disclaimer below.
This email is to be read subject to the disclaimer below.

Dear Eve

Thank you for the opportunity to discuss this with you last week in detail. I have responded to each of your questions as best I could (in blue text below).

I therefore seek your view as to whether the qualification in your report describes a defect or irregularity in the GPFR, or whether it describes a deficiency, failure or shortcoming referred to in section 257(2) or section 252.

The qualification in our audit opinion describes a defect or irregularity in the General Purpose Financial Report.

If you are of the view that the qualification in your report describes a defect or irregularity in the GPFR or a deficiency, failure or shortcoming, then I also ask your view as to whether the matters are trivial or whether they will be remedied in the following financial year.

In our view, this defect or irregularity in the General Purpose Financial Report was material (not trivial) and therefore needed to be included in our audit report as a qualification. We are unable to advise whether this matter will be remedied in the following year. This will depend on the facts and circumstances at the time of performing our audit and concluding in the form of our 2012 audit opinion.

Please let me know if I can assist with anything further.
Kind regards,
Fiona



Fiona Campbell | Partner | Assurance

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Website: www.ey.com/au

Assistant: Anne Roche

Thank you for considering the environmental impact of printing emails.

**Accounting Firm of the Year, CFO DealBook Awards 2011, 2010 and 2009
Employer of Choice for Women, Equal Opportunity in the Workplace Agency (EOWA), 2011**

From: "ANDERSON, Eve" <Eve.Anderson@fwa.gov.au>
To: "fiona.campbell@au.ey.com" <fiona.campbell@au.ey.com>
Date: 07/11/2011 05:10 PM
Subject: PGA Vic branch: Qualification in the Auditor's report



FAIR WORK
AUSTRALIA

27 October 2011

Mr Dipak Sanghvi
President
The Pharmacy Guild of Australia, Victorian Branch

email: info@vic.guild.org.au

Dear Mr Sanghvi

Re: Financial Report for The Pharmacy Guild of Australia, Victorian Branch for year ended 30 June 2011 – FR2011/2586

I acknowledge receipt of the financial report and designated officer's certificate for The Pharmacy Guild of Australia, Victorian Branch (the Branch) for the year ended 30 June 2011. The report and certificate were lodged with Fair Work Australia on 3 and 12 October 2011 respectively.

The financial report has not been filed.

The following matters require your attention before any action can be taken to file the above report.

The financial report has not been filed as the auditor's opinion is qualified. Your auditor has stated that:

[W]e have been unable to obtain sufficient appropriate audit evidence as to the recoverable amount of goodwill allocated to the cash generating unit of FRED Retail Pty Limited and, accordingly, we have been unable to determine whether the carrying amount exceeds its recoverable amount. In the event that the carrying amount exceeds its recoverable amount, it would be necessary for the carrying amount of the associate to be written down to its recoverable amount. The impact would be a reduction in profit for FRED IT Group Pty Limited and the resulting profit from the associate and investment recognised in The Guild would be reduced to the extent of The Guild's share of any additional impairment.

Under subsection 332(1) of the *Fair Work (Registered Organisations) Act 2009* (the Act), the General Manager is obliged to investigate any defect, irregularity, deficiency, failure or shortcoming disclosed in an auditor's report. However the General Manager is not required to investigate the defect, irregularity, deficiency, failure or shortcoming if after consultation with the Branch and the auditor, the General Manager is satisfied that the defect, irregularity, deficiency, failure or shortcoming is trivial or will be remedied in the following year (s.332(2) of the Act).

Accordingly I seek further information from both the Branch and from your auditor as to the nature and detail of the qualification. This information needs to include the Branch's and the auditor's view, including the rationale for those views, as to whether the qualification is a defect, irregularity, deficiency, failure or shortcoming in the context of subsection 257(7) of the Act. If either the Branch or the auditor considers it to be such, we also seek the Branch's and auditor's opinions as to the materiality of the defect, irregularity, deficiency, failure or shortcoming and/or whether it will be remedied in the following year.

If you wish to discuss any of the matters referred to above could you contact Eve Anderson on (03) 86617929 or email eve.anderson@fwa.gov.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Kevin Donnellan', with a long horizontal stroke extending to the right.

Kevin Donnellan

Tribunal Services and Organisations

Fair Work Australia

Email: kevin.donnellan@fwa.gov.au



The Pharmacy
Guild of Australia

I, Dipak Sanghvi, President of the Victorian Branch of the Pharmacy Guild of Australia, certify that:

1. The auditor's report, the accounts and statements and the Operating Report and the Committee of Management Report in respect to the financial year commencing 1 July 2010 and ending 30 June 2011, were made available to members free of charge on Monday 5 September 2011.
2. The enclosed documents are copies of the auditor's report, the accounts and statements and the Committee of Management Statement, prepared for the Branch in accordance with the Act in respect of the of the year ending 30 June 2011 and are as presented to the Annual General Meeting of the Pharmacy Guild of Australia, Victoria on 27 September 2011.

President

The Pharmacy Guild of Australia, Victoria

Date: 3 October 2011

Victoria

'Guild House' Level 2, 40 Burwood Road Hawthorn VIC 3122
telephone: + 61 3 9810 9999 · facsimile: + 61 3 9819 2542
e-mail: info@vic.guild.org.au · internet: www.guild.org.au/vic

**THE PHARMACY GUILD OF AUSTRALIA
VICTORIA**

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**THE PHARMACY GUILD OF AUSTRALIA
VICTORIA**

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011**

| | Note | Consolidated 2011 \$ | 2010 \$ |
|--|------|----------------------------|------------|
| INCOME | | | |
| Revenue | 2 | 4,791,088 | 5,016,258 |
| Share of profit from Associate | 2 | 239,311 | 892,366 |
| Other income | 2 | 148,297 | 112,218 |
| | | 5,178,696 | 6,020,842 |
| PROJECT PAYMENTS AND OTHER EXPENSES | | | |
| Administration | | 474,450 | 508,480 |
| Building outgoings | | 118,623 | 127,703 |
| Committee fees and allowances | | 21,133 | 12,818 |
| Depreciation | | 157,154 | 162,015 |
| Employee benefits expenses | | 2,092,966 | 2,354,652 |
| Membership contributions to National Council | | 1,173,175 | 1,082,335 |
| National Secretariat contribution | | 50,000 | 87,500 |
| Printing and despatch | | 147,932 | 175,434 |
| Public relation and consultancy | | 63,173 | 40,638 |
| Superannuation | | 278,257 | 299,333 |
| Staff training and trainers fees | | 429,699 | 463,221 |
| Travelling expenses | | 130,190 | 123,013 |
| | | 5,136,752 | 5,437,142 |
| PROFIT FOR THE YEAR | | 41,944 | 583,700 |
| OTHER COMPREHENSIVE INCOME | | | |
| Fair value revaluation of land and buildings | | 125,000 | 100,000 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 166,944 | 683,700 |
| Profit attributable to: | | | |
| Members of the parent entity | | 33,654 | 577,068 |
| Non-controlling interest | | 8,290 | 6,632 |
| | | 41,944 | 583,700 |
| Other comprehensive income attributable to: | | | |
| Members of the parent entity | | 116,710 | 93,368 |
| Non-controlling interest | | 8,290 | 6,632 |
| | | 125,000 | 100,000 |
| Total comprehensive income attributable to: | | | |
| Members of the parent entity | | 150,364 | 670,435 |
| Non-controlling interest | | 16,580 | 13,265 |
| | | 166,944 | 683,700 |

The accompanying notes form part of these financial statements.

**THE PHARMACY GUILD OF AUSTRALIA
VICTORIA**

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011**

| | Note | Consolidated | |
|--------------------------------------|------|-------------------|-------------------|
| | | 2011 \$ | 2010 \$ |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 3 | 1,520,706 | 1,172,360 |
| Trade and other receivables | 4 | 1,283,756 | 1,409,519 |
| Other assets | 5 | 309,453 | 467,115 |
| TOTAL CURRENT ASSETS | | 3,113,915 | 3,048,994 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 6 | 4,586,364 | 4,557,883 |
| Investment property | 7 | 3,875,000 | 3,750,000 |
| Other financial assets | 8 | 3,835,540 | 3,796,228 |
| TOTAL NON-CURRENT ASSETS | | 12,296,904 | 12,104,111 |
| TOTAL ASSETS | | 15,410,819 | 15,153,105 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 9 | 3,131,997 | 2,996,977 |
| Provisions | 10 | 204,497 | 258,043 |
| TOTAL CURRENT LIABILITIES | | 3,336,494 | 3,255,020 |
| NON-CURRENT LIABILITIES | | | |
| Trade and other payables | 9 | 63,787 | 63,787 |
| Provisions | 10 | 230,815 | 221,519 |
| TOTAL NON-CURRENT LIABILITIES | | 294,602 | 285,306 |
| TOTAL LIABILITIES | | 3,631,096 | 3,540,326 |
| NET ASSETS | | 11,779,723 | 11,612,779 |
| EQUITY | | | |
| Accumulated Funds | | 9,938,242 | 9,896,421 |
| Reserves | 17 | 1,327,480 | 1,218,937 |
| Parent interest | | 11,265,722 | 11,115,358 |
| Non-controlling interest | | 514,001 | 497,421 |
| TOTAL EQUITY | | 11,779,723 | 11,612,779 |

The accompanying notes form part of these financial statements

**THE PHARMACY GUILD OF AUSTRALIA
VICTORIA**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011**

| | Consolidated | |
|--|---------------------|------------------|
| | 2011 | 2010 |
| | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts in the course of operations | 5,679,973 | 5,548,400 |
| Payments in the course of operations | (5,143,916) | (5,625,279) |
| Interest received | 47,884 | 40,548 |
| Net GST paid to Australian Taxation Office | (175,981) | (204,374) |
| NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES | 407,960 | (240,705) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Dividends from FRED IT Group Pty Ltd | - | 350,000 |
| Purchase of plant and equipment | (62,315) | (9,121) |
| Proceed on sale of motor vehicle | 2,701 | - |
| NET CASH (OUTFLOW) / INFLOW FROM INVESTING ACTIVITIES | (59,614) | 340,879 |
| Net increase in cash held | 348,346 | 100,174 |
| Cash and cash equivalent at beginning of the financial year | 1,172,360 | 1,072,186 |
| Cash and cash equivalent at the end of the financial year | 1,520,706 | 1,172,360 |

The accompanying notes form part of these financial statements

**THE PHARMACY GUILD OF AUSTRALIA
VICTORIA**

**STATEMENT OF CHANGES OF EQUITY
FOR THE YEAR ENDED 30 JUNE 2011**

| | Fighting Funds Reserve \$ | Revaluation Reserve \$ | Accumulated Funds \$ | Sub-total \$ | Non- controlling interest \$ | Total \$ |
|-------------------------------|--|---------------------------------------|-------------------------------------|-------------------------|---|---------------------|
| At 1 July 2009 | 8,167 | 1,117,402 | 9,319,354 | 10,444,923 | 484,156 | 10,929,079 |
| Profit for the year | - | - | 577,068 | 577,068 | 6,632 | 583,700 |
| Other Comprehensive Income | - | 93,368 | - | 93,368 | 6,632 | 100,000 |
| At 30 June 2010 | 8,167 | 1,210,770 | 9,896,422 | 11,115,359 | 497,421 | 11,612,779 |
| Profit for the year | - | - | 33,654 | 33,654 | 8,290 | 41,944 |
| Other Comprehensive Income | - | 116,710 | - | 116,710 | 8,290 | 125,000 |
| Transfer to Accumulated Funds | (8,167) | - | 8,167 | - | - | - |
| At 30 June 2011 | - | 1,327,480 | 9,938,243 | 11,265,723 | 514,001 | 11,779,723 |

**THE PHARMACY GUILD OF AUSTRALIA
VICTORIA**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

These consolidated financial statements and notes represent those of The Pharmacy Guild of Australia is registered in Australia under the *Fair Work (Registered Organisations) Act 2009*.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The Pharmacy Guild of Australia, Victoria and its controlled entities have elected to early adopt the pronouncements AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements for the annual reporting period beginning 1 July 2010.

The separate financial statements of the parent entity, The Pharmacy Guild of Australia, Victoria, have not been presented within this financial report. The Branch Executive have confirmed and agreed with Fair Work Australia that only the consolidated financial statements are being presented.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board and the *Fair Work (Registered Organisations) Act 2009*.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of land and buildings and investment property.

The financial report was authorised for issue on 2nd September 2011 by the Branch Executive of the entity.

(a) Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by The Pharmacy Guild of Australia, Victoria at the reporting date. A controlled entity is any entity over which The Pharmacy Guild of Australia, Victoria has the power to govern the financial and operating policies so as to obtain benefits from its activities. Control will generally exist when the parent owns, directly or indirectly through entities, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated in full on consolidation. Accounting policies of related entities have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non - Controlling Interest is allocated it's share of distribution from The Guild Properties (Victoria) Unit Trust in the Statement of Comprehensive Income and is presented within equity of The Consolidated Statement of Financial Position, separately from the equity of the members of the parent.

**THE PHARMACY GUILD OF AUSTRALIA
VICTORIA**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

(b) Revenue

Revenue is measured at the fair value of the consideration received or receivable to the extent it is possible that the economic benefits which flow to the Group and the revenue can be reliably measured.

All membership income is recognised in the appropriate financial year to which the membership relates and Government funded training is recognised on a percentage of completion basis per student.

Interest revenue is recognised as interest accrues using the effective interest rate method.

Dividend revenue is recognised when the right to receive a dividend has been established.

All revenue is stated net of amount of goods and services tax (GST).

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at-call with banks and other short-term highly liquid investments with maturities of three months or less.

(d) Trade and Other Receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

(e) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are measured at their fair value, based on annual valuations by external independent valuers.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in other comprehensive income. Decreases that offset previous increases of the same asset are charged against revaluation surpluses directly in other comprehensive income; all other decreases are charged to the statement of comprehensive income.

Plant and equipment

Plant and equipment is measured at cost less accumulated depreciation and any impairment losses.

The carrying amount of plant and equipment is reviewed annually by the Branch Executive to ensure it is not in excess of the recoverable amount from these assets.

All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all plant and equipment including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Depreciation is recognised in the statement of comprehensive income.

Class of Plant and Equipment

Plant and equipment
Motor vehicles

Useful life

5 to 15 years
6 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income.

**THE PHARMACY GUILD OF AUSTRALIA
VICTORIA**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

(f) Investment Property

Investment property are measured initially at cost, including transaction costs. Subsequent to initial recognition investment property is stated at fair value, which is based on active market prices as well as an annual valuation by an external independent valuer. The independent valuation is based on a notional net rental on an "in use" basis for this location. Gain or loss arising from a change in the fair value of the investment property is recognised in the Statement of Comprehensive Income in the year in which it arises.

(g) Investment in Associates

Associate companies are companies in which the Group has significant influence through holding, directly or indirectly, 20% or more of the voting power of the company. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate company. In addition, the Group's share of the profit or loss of the associate company is included in the Group's profit or loss.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent they relate to the Group's investment in the associate.

(h) Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by The Pharmacy Guild of Australia, Victoria during the reporting period which remain unpaid.

The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(i) Unearned and Deferred Revenue

Deferred and unearned revenue relates to revenue received in advance for membership fees which are unearned at year end and presented as liabilities.

(j) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(k) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Contributions are made by the Group to employee superannuation funds and are charged as an expense when incurred.

**THE PHARMACY GUILD OF AUSTRALIA
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

(l) 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 profit or loss, loans and receivables, or available-for-sale investment, as appropriate.

Available-for-sale investment is a non-derivative financial asset that is designated as available-for-sale. After initial recognition available-for-sale investment is 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 profit or loss. The equity comprises units in The Guild Properties (Victoria) Unit Trust which is the owner of 40 Burwood Road, Hawthorn. The units represent 93% and the investment is classified as available for sale in the parent financial statements.

Fair Value

The carrying amount presented in the statement of financial position is at their fair value.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in statement of comprehensive income.

(m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are included in the Statement of Cash Flows on a gross basis, except for the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the ATO. The GST component of financing and investing activities which is recoverable from, or payable to, the ATO is classified as a part of operating cash flows. Accordingly, investing and financing cash flows are presented in the statement of cash flows net of the GST that is recoverable from, or payable to, the ATO.

(n) Income Tax

The Pharmacy Guild of Australia, Victoria is exempt from income tax under Section 50-15 of the *Income Tax Assessment Act 1936*.

(o) Comparative Figures

Where required by Australian Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year. As a consequence of the adoption of the Reduced Disclosure Requirements, the comparative figures for 2010 have been amended to agree with the presentation requirements for 2011.

**THE PHARMACY GUILD OF AUSTRALIA
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

(p) Critical Accounting Estimates and Judgments

The Branch Executive evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Estimates

The Group assesses impairment at the end of each reporting period by evaluating the conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of land and buildings and investment property are reassessed using the higher of fair value and value-in-use calculations which incorporate various key assumptions.

Key Judgements

Key judgements are made in respect of the assessment of the recoverability of trade receivables and the revaluation of the investment property. The Branch Executive have determined that the full amount of trade debtors is recoverable and therefore no provision for impairment has been made. The Branch Executive have also determined that the revaluation of the investment property is reasonable.

**THE PHARMACY GUILD OF AUSTRALIA
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

| | 2011 | 2010 |
|---|------------------|------------------|
| | \$ | \$ |
| NOTE 2: REVENUE AND OTHER INCOME | | |
| Revenue | | |
| Membership contributions | 2,026,606 | 1,855,085 |
| Commissions | 588,698 | 547,303 |
| Interest | 47,884 | 40,548 |
| Other income | 216,278 | 412,597 |
| Rental income Guild Properties | 319,255 | 309,962 |
| Training income | 1,030,717 | 1,149,411 |
| Medication management review project income | - | 169,211 |
| Quality care pharmacy program project income | 561,650 | 532,141 |
| | <u>4,791,088</u> | <u>5,016,258</u> |
| Other Income | | |
| Other rental income | 22,276 | 12,218 |
| Profit from sale of assets | 1,021 | - |
| Gain on revaluation of investment property | 125,000 | 100,000 |
| | <u>148,297</u> | <u>112,218</u> |
| Total Income | <u>4,939,385</u> | <u>5,128,476</u> |
| NOTE 3: CASH AND CASH EQUIVALENTS | | |
| Cash at bank and on hand | <u>1,520,706</u> | <u>1,172,360</u> |
| NOTE 4: TRADE AND OTHER RECEIVABLES | | |
| Trade receivables | 1,232,525 | 1,349,883 |
| Other receivables | 51,231 | 59,636 |
| Total receivables | <u>1,283,756</u> | <u>1,409,519</u> |
| NOTE 5: OTHER ASSETS | | |
| Prepayments | 95,705 | 179,480 |
| Accrued income | 213,748 | 287,635 |
| | <u>309,453</u> | <u>467,115</u> |
| Included in Accrued Income is dividends receivable amounting to \$200,000 (30 June 2010 \$250,000) | | |
| NOTE 6: PROPERTY, PLANT AND EQUIPMENT | | |
| Land and buildings - at beginning of year | 3,750,000 | 3,650,000 |
| Revaluation | 125,000 | 100,000 |
| | <u>3,875,000</u> | <u>3,750,000</u> |
| Plant and equipment at cost | 1,093,578 | 2,024,700 |
| Less accumulated depreciation | (496,223) | (1,324,969) |
| | <u>597,355</u> | <u>699,731</u> |
| Motor vehicles | 190,257 | 200,011 |
| Less accumulated depreciation | (76,248) | (91,859) |
| | <u>114,009</u> | <u>108,152</u> |
| | <u>4,586,364</u> | <u>4,557,883</u> |

**THE PHARMACY GUILD OF AUSTRALIA
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 6: PROPERTY, PLANT AND EQUIPMENT (Continued)

Plant and equipment at cost - during the year, a review of the asset register resulted in a write-off of \$955,327 of assets at cost in the Asset Register. These assets had over past years been fully depreciated to nil and had been disposed of or were no longer in existence. This is the first time that a major review and clean out of the register has occurred. The assets relate to both the Branch and its subsidiary, Pharmacy Computers Australia Pty Ltd.

Movements in carrying amounts:

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year.

| | Land and buildings | Plant and Equipment | Motor Vehicles | Total |
|-------------------------|--------------------|------------------------|----------------|-----------|
| | \$ | \$ | \$ | \$ |
| Balance at 1 July 2009 | 3,650,000 | 822,624 | 138,153 | 4,610,777 |
| Additions | - | 9,121 | - | 9,121 |
| Revaluation | 100,000 | - | - | 100,000 |
| Depreciation expense | - | (132,014) | (30,001) | (162,015) |
| Balance at 30 June 2010 | 3,750,000 | 699,731 | 108,152 | 4,557,883 |
| Additions | - | 24,206 | 38,109 | 62,315 |
| Revaluation | 125,000 | - | - | 125,000 |
| Disposals | - | - | (1,680) | (1,680) |
| Depreciation expense | - | (126,582) | (30,572) | (157,154) |
| Balance at 30 June 2011 | 3,875,000 | 597,355 | 114,009 | 4,586,364 |

NOTE 7: INVESTMENT PROPERTY

| | 2011 \$ | 2010 \$ |
|--------------------------------------|------------|------------|
| Opening balance 1 July | 3,750,000 | 3,650,000 |
| Net gain from fair value adjustments | 125,000 | 100,000 |
| Closing balance 30 June | 3,875,000 | 3,750,000 |

NOTE 8: OTHER FINANCIAL ASSETS

Investments accounted for using the equity method:

| | | |
|-------------------------------------|-----------|-----------|
| Investment in FRED IT Group Pty Ltd | 3,835,540 | 3,796,228 |
|-------------------------------------|-----------|-----------|

The equity interest in FRED IT Group Pty Ltd is 48.59% and has been equity accounted.

Movement during the year in equity accounted investment in associated company:

| | | |
|--|-----------|-----------|
| Balance at beginning of financial year | 3,796,228 | 3,253,863 |
| Add: Share of associated company's profit after income tax | 239,312 | 892,365 |
| Less: Dividend revenue from associated company | (200,000) | (350,000) |
| Balance at end of financial year | 3,835,540 | 3,796,228 |

**THE PHARMACY GUILD OF AUSTRALIA
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 8: OTHER FINANCIAL ASSETS (Continued)

The following illustrates summarised financial information relating to the Group's investment in:

Extract from the Associate's Statement of Financial Position

| | 2011 | 2010 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Current Assets | 4,907,787 | 3,644,947 |
| Non-Current Assets | 14,804,201 | 13,921,712 |
| | <u>19,711,988</u> | <u>17,566,659</u> |
| Current Liabilities | 9,548,602 | 7,658,939 |
| Non-Current | 2,522,958 | 2,348,203 |
| | <u>12,071,560</u> | <u>10,007,142</u> |
| Net Assets | <u>7,640,428</u> | <u>7,559,517</u> |
| Share of Associates Net Assets (48.59%) | <u>3,712,484</u> | <u>3,673,169</u> |

Extract from the Associate's Statement of Comprehensive Income

| | | |
|----------------------|------------|------------|
| Revenue | 24,924,423 | 25,866,294 |
| Net Profit after Tax | 492,511 | 1,836,523 |

NOTE 9: TRADE AND OTHER PAYABLES

Current

| | | |
|------------------|------------------|------------------|
| Trade payables | 857,327 | 765,730 |
| Deferred revenue | 1,502,604 | 1,439,953 |
| Unearned revenue | 772,066 | 791,294 |
| | <u>3,131,997</u> | <u>2,996,977</u> |

Non-Current

| | | |
|--------------------------------|------------------|------------------|
| Security deposit held in trust | 63,787 | 63,787 |
| | <u>3,195,784</u> | <u>3,060,764</u> |

Deferred revenue represents 2011/2012 subscriptions and other deferred revenue invoiced in the subscription year which begins in July 2011.

**THE PHARMACY GUILD OF AUSTRALIA
VICTORIA**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

| | 2011 | 2010 |
|----------------------------|---------|---------|
| | \$ | \$ |
| NOTE 10: PROVISIONS | | |
| Current | | |
| Employee benefits | 204,497 | 258,043 |
| Non-Current | | |
| Employee benefits | 230,815 | 221,519 |
| Total employee benefits | 435,312 | 479,562 |

NOTE 11: CAPITAL AND LEASING COMMITMENTS

There were no capital and leasing commitments as at 30 June 2011 (30 June 2010: NIL).

NOTE 12: CONTINGENT LIABILITIES AND ASSETS

There were no contingent liabilities or assets as at 30 June 2011 (30 June 2010: NIL).

NOTE 13: EVENTS AFTER THE REPORTING PERIOD

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations, the results of those operations, or the state of affairs in future financial years.

NOTE 14: RELATED PARTY DISCLOSURES

(a) Director and Executive Disclosures

The following persons held positions on the Branch Committee or were Directors during the reporting period:

The Pharmacy Guild of Australia, Victoria - D R Sanghvi (President, Director of Goldcross Products & Services Pty Ltd and Guild Insurance Limited), A Tassone, R. Kilpatrick, D S Nolte, R J C Foster (Branch Committee and Director), T E Riley, K Gray, B R Robertson, D McLean, W J Scott (Branch Committee and Director), P Krassaris, G Tambassis, M V Sheehan (Branch Director)

FRED IT Group Pty Limited - W J Scott (Director FRED IT Group Pty Limited), R J C Foster (Director FRED IT Group Pty Limited)

| | 2011 | 2010 |
|---|---------|---------|
| | \$ | \$ |
| (b) Balances with Related Parties | | |
| (i) Amounts payable to Related Parties | | |
| <i>Other Branches - Current</i> | | |
| The Pharmacy Guild of Australia (National Secretariat) | 295,420 | 245,420 |
| <i>Other Related Parties - Current</i> | | |
| Guild Insurance & Financial Services Ltd | -- | 220 |
| (ii) Amounts Receivable from Related Parties | | |
| <i>Other Branches - Current</i> | | |
| The Pharmacy Guild of Australia (National Secretariat) | 100,790 | 52,455 |
| Gold Cross Products and Services Pty Ltd | 30,128 | 33,590 |
| Australian College of Pharmacy Practice, Victorian Branch | 705 | 15,811 |
| <i>Other Related Parties - Current</i> | | |
| Guild Insurance & Financial Services Ltd | 42,589 | 46,862 |

**THE PHARMACY GUILD OF AUSTRALIA
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 14: RELATED PARTY DISCLOSURES (Continued)

Related parties outstanding balances at year end are unsecured, interest free and settlement occurs in cash.

Loans to related parties and the subsidiary are unsecured, interest free and payable on demand, with the exception of the security deposit disclosed in Note 9.

The following transactions took place with related parties during the reporting period:

| | 2011 | 2010 |
|---|-----------|-----------|
| | \$ | \$ |
| <i>The Pharmacy Guild of Australia National Secretariat</i> | | |
| Membership contributions paid by Victorian Branch Terms: 57.88% of gross membership fees received | 1,173,175 | 1,082,335 |
| Dividends paid or payable Terms: 25% of Dividends received from Pharmacy Computers Australia Pty Ltd | 50,000 | 87,500 |
| Other Related Parties | | |
| <i>Pharmacy Computers Australia Pty Ltd</i> | | |
| Dividends received | 200,000 | 350,000 |
| <i>Subsidiaries of the Pharmacy Guild of Australia</i> | | |
| <i>Gold Cross Products and Services Pty Ltd</i> | | |
| Commission paid to Victorian Branch for distribution of its material Terms: Based on membership % applied to gross Division income | 99,055 | 83,524 |
| <i>Guild Insurance Company Ltd.</i> | | |
| Commission received from Guild Insurance for business referred from Victorian Branch members Terms: Percentage of business received. Calculated on normal commercial terms | 432,476 | 402,291 |
| Building costs & maintenance paid by Victorian Branch to Guild Properties Victoria Unit Trust Terms: Normal Commercial Terms | 99,030 | 118,681 |

**THE PHARMACY GUILD OF AUSTRALIA
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 15: KEY MANAGEMENT PERSONNEL COMPENSATION

| | Short-term employee benefits | Post- employment benefits | Other long-term benefits | Total |
|---------------------------|---------------------------------|---------------------------------|-----------------------------|---------|
| Total compensation | | | | |
| | \$ | | \$ | \$ |
| 2011 | 400,187 | - | 105,599 | 505,786 |
| 2010 | 398,144 | - | 99,769 | 497,913 |

The aggregate amount of remuneration received or receivable for Key Management Personnel, being the Branch President and the Branch Director and other Branch Committee allowances.

During the year some Branch Committee members participated as members in the member service provided and accordingly membership fees were paid in accordance with normal terms and conditions.

NOTE 16: FINANCIAL RISK MANAGEMENT

(a) Financial instruments

Financial instruments consist mainly of deposits with banks, accounts receivable and payable.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

| | 2011 \$ | 2010 \$ |
|------------------------------------|------------|------------|
| Financial Assets | | |
| Cash and cash equivalents | 1,520,706 | 1,172,360 |
| Trade and other receivables | 1,283,756 | 1,409,519 |
| Other assets | 213,748 | 287,635 |
| Investment property | 3,875,000 | 3,750,000 |
| Total Financial Assets | 6,893,210 | 6,619,514 |
| Financial Liabilities | | |
| Trade and other payables | 3,195,784 | 3,060,764 |
| Total Financial Liabilities | 3,195,784 | 3,060,764 |
| Net fair values | 3,697,426 | 3,558,750 |

(b) Economic Dependency

The Pharmacy Guild of Australia, Victoria is financially dependent on receiving profits and dividend streams from its associated entity FRED IT Group Pty Ltd. Prior to receiving its share of profits from FRED IT Group Pty Ltd, the Branch made a net loss for the period of \$205,657 (2010 net loss of \$315,298) from total Branch revenues of \$5,178,696 (2010 \$6,020,842).

The share of profit equity accounted for by the Group from FRED IT Group Pty Ltd was \$239,311 as at 30 June 2011 (2010: \$892,366).

**THE PHARMACY GUILD OF AUSTRALIA
VICTORIA**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 17: RESERVES

| | 2011 | 2010 |
|---|------------------|------------------|
| | \$ | \$ |
| (a) Revaluation Reserve | | |
| Opening Balance as at 1 July | 1,210,770 | 1,117,402 |
| Net Gain / (Loss) from fair value adjustments | 116,710 | 93,368 |
| Closing Balance as at 30 June | <u>1,327,480</u> | <u>1,210,770</u> |
| (b) Fighting Fund Reserve | | |
| Opening Balance as at 1 July | 8,167 | 8,167 |
| Transfer to Accumulated funds | (8,167) | - |
| Closing Balance as at 30 June | <u>-</u> | <u>8,167</u> |
| Total Reserves | <u>1,327,480</u> | <u>1,218,937</u> |

The balance of the Fighting Fund Reserve was transferred to Accumulated Funds at balance date.

NOTE 18: PARENT ENTITY INFORMATION

| | 2011 | 2010 |
|---|-------------------|-------------------|
| | \$ | \$ |
| The following information has been extracted from the books and records of the parent and has been prepared in accordance with accounting standard. | | |
| Balance Sheet | | |
| Assets | | |
| Current assets | 6,758,857 | 3,047,086 |
| Non current assets | 8,122,381 | 11,608,618 |
| Total assets | <u>14,881,238</u> | <u>14,655,704</u> |
| Liabilities | | |
| Current liabilities | 3,526,306 | 3,451,946 |
| Non current liabilities | 89,433 | 88,400 |
| Total liabilities | <u>3,615,739</u> | <u>3,540,346</u> |
| Net assets | <u>11,265,499</u> | <u>11,115,358</u> |
| Equity | | |
| Accumulated funds | 8,417,281 | 8,334,004 |
| Asset revaluation reserve | 3,014,774 | 2,781,354 |
| Total equity | <u>11,432,055</u> | <u>11,115,358</u> |
| Statement of Comprehensive Income | | |
| Total (loss) / profit | (83,055) | 483,699 |
| Other comprehensive income | | |
| Fair value adjustment of available for sale investment | 233,419 | 186,735 |
| Total comprehensive income | <u>150,364</u> | <u>670,434</u> |

There were no guarantees, contingent liabilities or contractual commitments.

**THE PHARMACY GUILD OF AUSTRALIA
VICTORIA**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 19: SUBSIDIARIES AND ASSOCIATES

| | Equity Interest | 2011 \$ | 2010 \$ |
|--|-----------------|------------|------------|
| Shareholding in Pharmacy Computers Australia Pty Ltd | 100% | 175,000 | 175,000 |
| Investment in The Guild (Victoria) Computer Unit Trust | 100% | 20 | 20 |
| Investment in FRED IT Group Pty Ltd | 48.59% | 3,835,540 | 3,796,228 |
| The Guild Properties (Victoria) Unit Trust | 93% | 7,235,996 | 7,002,577 |

The Branch has 100% ownership of Pharmacy Computers Australia Pty Ltd as trustee for The Guild (Victoria) Computer Unit Trust. Investment in FRED IT Group Pty Ltd is directly held by Pharmacy Computers Australia Pty Ltd.

The investment in The Guild (Victoria) Computer Unit Trust, Pharmacy Computers Australia Pty Ltd and the FRED IT Group Pty Ltd are all incorporated in Australia.

NOTE 20: INFORMATION TO BE PROVIDED TO MEMBERS OR GENERAL MANAGER

In accordance with the requirements of the *Fair Work (Registered Organisations) Act 2009*, the attention of members is drawn to the provisions of sub sections (1), (2) & (3) of Section 272, which read as follows:

- 1 A member of a reporting unit, or the General Manager, may apply to the reporting unit for specific 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 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).

NOTE 21: BRANCH DETAILS

The registered office and principal place of business is:

40 Burwood Road, Hawthorn VIC 3122

Phone: (03) 98109999
Fax: (03) 98192542
Website: www.guild.org.au/vic
Email: info@vic.guild.org.au

THE PHARMACY GUILD OF AUSTRALIA VICTORIA

OPERATING REPORT

I, DIPAK RAJNIKANT SANGHVI, being the designated officer responsible for preparing this report for the financial year ended 30 June 2011 of The Pharmacy Guild of Australia, Victoria, report as follows:

(a) *Principal Activities:*

- (i) The Pharmacy Guild of Australia, Victoria is an employers' organisation servicing the needs of proprietors of independent community pharmacies and to represent their interests in industrial matters.
- (ii) The Pharmacy Guild of Australia, Victoria assists the National Council and the National Executive of The Pharmacy Guild of Australia ("the Guild") in carrying out the overall policy and objectives of the Guild.
- (iii) Included in the Annual Report are the various reports compiled by The Pharmacy Guild of Australia, Victoria's Branch President, Director and Officers outlining the activities for the financial year. There were no significant changes in the nature of these activities during the financial year under review.

(b) *Significant Financial Changes:*

There have been no significant changes in The Pharmacy Guild of Australia, Victoria financial affairs during the period to which this report relates.

(c) *Members Advice:*

- (i) under Section 174 of the *Fair Work (Registered Organisations) Act 2009* and Rule 36 of the rules 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 *Fair Work (Registered Organisations) Act 2009*; and
- (iii) Section 272 of the *Fair Work (Registered Organisations) Act 2009* outlines members and the General Manager's rights to certain prescribed information.

(d) Officers of the organisation holding the position of a trustee of a superannuation entity, apart from their individual funds, were nil.

(e) *Prescribed and other Information:*

- (i) As at 30 June 2011, to which this report relates, the number of members of the organisation were 913, including honorary life members.
- (ii) As at 30 June 2011, the total number of employees employed by the reporting entity was 28.
- (iii) During the reporting period, the following persons were members of the Branch Committee :

| | | |
|----------------------------|--|----------------|
| Mr D R Sanghvi (President) | Mr R J C Foster (Vice - President Finance) | |
| Mr K Gray | Mr D S Nolte | Mr G Tambassis |
| Mr R Kilpatrick | Ms T E Riley | Mr A Tassone |
| Mr P Krassaris | Mr B R Robertson | |
| Mr D McLean | Mr W J Scott | |

(f) *Insurance of Officers:*

During the financial year, The Pharmacy Guild of Australia, Victoria paid insurance to cover all officers of The Pharmacy Guild of Australia, Victoria. The officers of The Pharmacy Guild of Australia, Victoria covered by the insurance policy include all the committee of management. Other officers covered by the contract are the management of The Pharmacy Guild of Australia, Victoria. 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 Pharmacy Guild of Australia, Victoria.

DIPAK RAJNIKANT SANGHVI

2 September 2011



**THE PHARMACY GUILD OF AUSTRALIA
VICTORIA**

COMMITTEE OF MANAGEMENT STATEMENT

On 2nd September 2011, the Committee of Management of The Pharmacy Guild of Australia, Victoria passed the following resolution in relation to the general purpose financial report (GPFR) of the reporting unit for the financial year ended 30 June 2011.

The Committee of Management declares in relation to the GPFR that, in its opinion:

- (a) the financial statements and notes comply with the Australian Accounting Standards;
- (b) the financial statements and notes comply with the reporting guidelines of the General Manager of Fair Work Australia;
- (c) the financial statements and notes give a true and fair view of the financial performance, financial position and cash flows of The Pharmacy Guild of Australia, Victoria for the financial year to 30 June 2011;
- (d) there are reasonable grounds to believe that The Pharmacy Guild of Australia, Victoria will be able to pay its debts as and when they become due and payable; and
- (e) during the financial year to which the GPFR relates and since the end of that financial year:
 - (i) meetings of the committee of management were held in accordance with the rules of the organisation;
 - (ii) the financial affairs of The Pharmacy Guild of Australia, Victoria have been managed in accordance with the rules of the organisation;
 - (iii) the financial records of The Pharmacy Guild of Australia Victorian Branch have been kept and maintained in accordance with the Fair Work (Registered Organisations) Act 2009 and the Fair Work (Registered Organisations) Regulations 2009;
 - (iv) the financial records of the reporting unit have been kept, as far as practicable, in a consistent manner to each of the other reporting units of the organisation;
 - (v) the information sought in any request of a member of The Pharmacy Guild of Australia, Victoria or the General Manager duly made under section 272 of the Fair Work (Registered Organisations) Act 2009 has been furnished or made available to the member or General Manager of Fair Work Australia; and
 - (vi) no orders have been made by the Commission under section 273 of the Fair Work (Registered Organisations) Act 2009 during the financial year.

For Committee of Management:

DIPAK RAJNIKANT SANGHVI

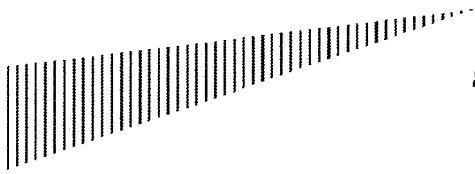
Title of Office held:

BRANCH PRESIDENT

Signature:



2 September 2011



Independent auditor's report to the members of The Pharmacy Guild of Australia - Victoria

We have audited the accompanying financial report of The Pharmacy Guild of Australia - Victoria (The Guild), which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended on that date, a summary of significant accounting policies, other explanatory notes and the Committee of Management Statement of The Guild and the entities it controlled at the financial year's end or from time to time during the financial year.

Branch Committee Members' Responsibility for the Financial Report

The Branch Committee Members of the Guild are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and *Fair Work (Registered Organisations) Act 2009* and for such internal controls as the Branch Committee Members determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. The Branch Committee Members have obtained approval from *FairWork Australia* to prepare the consolidated financial report of The Pharmacy Guild of Australia - Victoria.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Branch Committee Members, as well as evaluating the overall presentation of the financial report.

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 Australian professional accounting bodies.

Basis for Auditor's Qualified Opinion

The financial report includes a profit from associate (FRED IT Group Pty Limited) of \$239,311. FRED IT Group Pty Limited's financial report includes goodwill from the acquisition of a subsidiary, FRED Retail Pty Limited. The carrying value of this goodwill as at 30 June 2011 is \$839,481, being its original cost of \$1,639,481 less impairment losses recognised to date of \$800,000. Australian Accounting Standard AASB 136 *Impairment of Assets* requires an asset to be carried at no more than its recoverable amount. We have been unable to obtain sufficient appropriate audit evidence as to the recoverable amount of goodwill allocated to the cash generating unit of FRED Retail Pty Limited and, accordingly, we have been unable to determine whether the carrying amount exceeds its recoverable amount. In the event that the carrying amount exceeds its recoverable amount, it would be necessary for the carrying amount of the associate to be written down to its recoverable amount. The impact would be a reduction in profit for FRED IT Group Pty Limited and the resulting profit from associate and investment recognised in The Guild would be reduced to the extent of The Guild's share of any additional impairment.

Opinion

In our opinion, except for the effects of such adjustments to the profit from associate and to the carrying value of the investment in associate, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the carrying amount of goodwill and other intangible assets in the associate, the financial report presents fairly, in all material respects, the financial position of the consolidated entity of The Pharmacy Guild Australia - Victoria as of 30 June 2011, and of its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and *Fair Work (Registered Organisations) Act 2009*.

Ernst & Young

Ernst & Young

Fiona M Campbell

Fiona M Campbell
Melbourne
2 September 2011

RCA 320131
FCA 89049