



**Victorian Pharmacy Authority**



Fourth Annual Report  
For the period 1 July 2013 to  
30 June 2014

**VICTORIAN PHARMACY AUTHORITY**

**FOURTH  
ANNUAL REPORT**

**For the period 1 July 2013 to 30 June 2014**

Issued by Authority of the Victorian Pharmacy Authority

**Chair**

Mr Michael Scavone BPharm MPS

**Registrar**

Adjunct Associate Professor Stephen H P Marty BPharm MPS FACP(HC) MAICD

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The Hon. David Davis MP  
Minister for Health  
Department of Health  
Level 20,  
50 Lonsdale Street  
MELBOURNE VIC 3000

Dear Minister

Pursuant to the *Financial Management Act 1994*, the Victorian Pharmacy Authority has the honour to submit for presentation to Parliament this, its Fourth Annual Report.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M Scavone', written in a cursive style.

Michael Scavone  
**Chair**

## Chair's Report

I am pleased to have the opportunity to present my second Annual Report on behalf of the Victorian Pharmacy Authority (VPA).

As you read it you will see that much has been achieved and yet I also recognize that more needs to be done.

The pharmacy profession is undergoing a period of rapid practice change in somewhat difficult economic conditions. It is therefore incumbent on the Authority to ensure that a safe pharmacy service is provided for Victorian consumers at all times.

As Chair I along with the Registrar have been involved in discussions with key stakeholders and other State and Territory Pharmacy Registering Authorities to discuss issues of regulatory concerns and assist with developing nationally consistent approaches to compliance monitoring and procedures.

The VPA pharmacist field team conducts cyclical inspections and visits to all pharmacies and pharmacy departments. While Reports show that most pharmacies are operating at an above optimal level, a few with significant deficiencies are detected. When this occurs the licence holder is requested to attend a Panel Hearing following which there is marked improvement and a willingness to continue to do so.

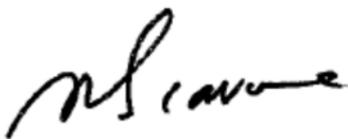
As can be seen from the Financial Statements attached, VPA had a sound year financially and there has been full compliance with all auditing requirements.

During the year VPA fare welled Anthony Tassone and Claire Filson. I wish to thank them for their contributions and conduct at meetings. VPA welcomed Ramon Frederico as a community member and Joseph Calandra as the fourth pharmacist. I look forward to their ongoing support and contributions.

I must also thank other Authority members Esther Alter, Toni Riley and Karen Samuel for their hard work throughout the year.

On behalf of VPA, I would like to express sincere thanks to the Registrar and his team for their commitment, dedication and hard work thus ensuring a successful year for the VPA.

I commend the Report.



**Michael Scavone**  
Chair

## Registrar's Report

This is now the fourth year of operation of the Victorian Pharmacy Authority to administer the provisions of the *Pharmacy Regulation Act 2010*. The Authority continues the role of licensing owners of pharmacies and pharmacy departments and the registration of pharmacy premises and pharmacy departments in the interests of public safety.

The Authority at its May meeting reviewed and amended where necessary all of its policies as follows:

- Privacy Policy
- Members Code of Conduct
- Financial Code of Practice
- Risk Management Policy
- Investment Policy

- Disaster Recovery and Business Continuity
- Purchases and Expenditure
- Corporate Credit Card Policy
- Delegation of Certain Powers

Risk management audits have been a quarterly procedure during the period with reports being considered by the Internal Auditor and the Audit Committee. An analysis of needs has continued to provide improved management of the Authority's records and compliance role, together with statistical reporting. This has included regular assessment of Information Management procedures and updates being made where necessary. This included the installation of a new server and associated peripheral equipment and software. Improvements in online applications and payment procedures have occurred as a result.

Fees were increased by 2.5% in May 2014.

The following matters are noted with respect to the Authority's financial operations:

- The Authority obtained a surplus from revenue against expenditure during the period of \$21,421 resulting from an increase in total income of 1.4% and an increase in total expenditure of 3.37%. The following significant variations from the previous period occurred:
  - Revenue from premises registration and business licence fees increased by 4.34% and revenue from applications for licences decreased by 3.08% and approval of pharmacies increased by 30.74% due to a decrease in new pharmacies being opened but increased alterations being undertaken;
  - Interest on funds invested decreased by 17.59% due to lower interest rates being offered on term deposits;
  - Office sub-rental decreased by 32.07% following departure of the tenant in February 2014;
  - Consulting fees increased by 39.42% due to increased specialist advice being required to considered applications from hospital pharmacy departments;
  - Legal fees decreased by 69.97% as a result of fewer matters requiring legal advice; and
  - Member fees and expenses increased by 49.5% following appointment of an additional member and a small increase in sitting fees.
- No government funds have contributed to reserves.

The Authority is below the threshold required for submission of a Financial Management Compliance Framework Certification in accordance with the requirements of the Victorian Public Sector Financial Management Compliance Framework. Nevertheless a certification was made voluntarily.

The Authority, again, greatly valued the guidance, assistance and leadership provided by the Health Regulation and Reform Branch of the Department of Health, in addition to the cooperation with the Drugs and Poisons Regulation Group which is sincerely appreciated.

All staff were employed pursuant to merit and equity principles and compliance with the Code of Conduct for employees in the Public Sector. They have again achieved excellent results with their professional and diligent approach to their work.



**Stephen Marty**  
Registrar

## 1. Charter and Purpose

### Establishment

The Victorian Pharmacy Authority (“the Authority”) is established pursuant to section 81 of the *Pharmacy Regulation Act 2010* (“the Act”) with the Minister for Health, the Hon David Davis MP as the responsible Minister.

### 2. Objectives, functions, powers and duties

The primary role of the Authority is to administer the Act which provides for the regulation of pharmacy businesses, pharmacy departments and pharmacy depots.

Pursuant to section 82 of the Act the Authority has the following functions—

- (a) to license a person to carry on a pharmacy business or a pharmacy department;
- (b) to register the premises of a pharmacy business, pharmacy department or pharmacy depot;
- (c) to issue standards in relation to the operation of pharmacies, pharmacy businesses, pharmacy departments and pharmacy depots;
- (d) to advise the Minister on any matters relating to its functions;
- (e) when so requested by the Minister, to give to the Minister any information reasonably required by the Minister;
- (f) to keep a public register;
- (g) any other function conferred on the Authority by or under this or any other Act.

The Authority has carried out its statutory obligations under the Act and the major activities are summarised in this report.

### 3. Authority Membership

Pursuant to s 87 of the Act, the Authority consists of six members appointed by the Governor in Council. Four must be pharmacists, one must be an Australian lawyer and one must be a person who is not a registered pharmacist.

Membership of the Authority as at 30 June 2014, was as follows:

#### Registered pharmacists

##### Chair

Mr Michael Scavone BPharm MPS  
Initially appointed: 1 October 2012  
Present term of appointment until: 30 September 2015

##### Member

Ms Karen Samuel BPharm MPharm MSHP  
Initially appointed: 24 August 2010  
Present term of appointment: until 30 June 2016

##### Member

Mr Anthony Tassone BPharm (Hons) AACPA Cert IV (TAA)  
Initially appointed: 30 August 2011  
Present term of appointment: until 30 April 2014, extended by the Minister until 30 June 2014

##### Member

Ms Toni Riley BPharm MPS  
Initially appointed: 1 October 2012  
Present term of appointment: until 30 September 2015

One Australian Lawyer

Ms Esther Alter BEc LLB MBA MAICD

Initially appointed: 24 August 2010

Present term of appointment: until 30 June 2016

One person who is not a registered pharmacist

Ms Claire Filson LLB MBA Grad Dip Applied Corporate Governance

Initially appointed: 10 July 2012

Resigned: 10 December 2013

Mr Ramon Hugh Frederico

Initially appointed: 29 April 2014

Present term of appointment: until 30 June 2015

Members of the Authority are appointed for a period, not exceeding three years, but are eligible for re-appointment upon the expiry of their term of office.

A new member who is a pharmacist has been appointed to replace Mr Tassone with effect from 1 July 2014.

#### **4. Authority Meetings**

During the period 1 July 2013 to 30 June 2014, twelve Authority meetings were held with attendance by Authority members as follows:

<b>Member</b>	<b>Authority Meetings</b>	<b>Leave of Absence</b>
Mr M Scavone	12 of 12	
Ms E Alter	10 of 12	2
Ms C Filson	4 of 6	1
Mr R Frederico	2 of 2	
Ms T Riley	9 of 12	3
Ms K Samuel	11 of 12	1
Mr A Tassone	11 of 12	1

## 5. Organisational Structure

The Authority consists of six members, a Registrar and seven other staff.

The Authority has an Audit Committee with an External Chair and three members.



## 6. Fees

6.1 Fees paid to Authority Members and Panel Members for attendance at meetings were as follows:

Chair	\$287.00
Member	\$223.00

6.2 Schedule of gazetted fees (Effective from 1 May 2014)

PROVISION	FEE (\$)
<b>Licences</b>	
Annual licence – individual	\$204.55
Annual licence – corporate	\$457.65
Annual licence – hospital	\$269.20
<b>Registration</b>	
Annual registration – pharmacy business	\$204.50
Annual registration – pharmacy department	\$204.50
Annual registration – pharmacy depot	\$53.50
<b>Applications</b>	
Application for registration of pharmacy business	\$306.85
Application for registration of pharmacy department	\$376.85
Application for registration of pharmacy depot	\$53.80
Application for approval of alterations to a registered pharmacy business	\$306.85
Application for licence to carry on a pharmacy business	\$242.25
Application for approval to practise in special circumstances section 29(1)(b)	\$107.65
<b>Other fees</b>	
Site re-inspection	\$306.85

The above fees are exempt from GST (Division 81).

## 7. Nature and range of services provided

The table below summarises the activities for the Period 1 July 2013 – 30 June 2014

<b>Applications</b>	<b>Number 2011 - 2012</b>	<b>Number 2012 - 2013</b>	<b>Number 2013 - 2014</b>
<b>Applications for registration of pharmacy premises and pharmacy department premises</b>	<b>132 <sup>*(1)</sup></b>	<b>102 <sup>*(1)</sup></b>	<b>128 <sup>*(1)</sup></b>
<b>Pharmacy Depots</b>	<b>2</b>	<b>1</b>	<b>0</b>
<b>Approval of Pharmacists to supply, compounding or dispensing of medicines other than at a pharmacy or pharmacy department</b>	<b>33</b>	<b>60</b>	<b>58</b>
<b>Licence to carry on a pharmacy business</b>	<b>274 <sup>*(2)</sup></b>	<b>255 <sup>*(2)</sup></b>	<b>206 <sup>*(2)</sup></b>

<sup>\*(1)</sup> Applications for

- new/relocation of pharmacies 50
- alterations 71
- pharmacy department 7

<sup>\*(2)</sup> Licence to carry on a pharmacy business

- pharmacist 156
- company/friendly societies 50

Certain matters are delegated to officers of the Authority to approve subject to set approval criteria and compliance with the Guidelines for Good Pharmacy Practice published by the Authority in May 2013. All other applications and reports were considered by the Authority at its monthly meetings.

The Authority has a set of criteria for approval of pharmacy departments and conducted practice audits against these criteria.

### 7.1 Standards Monitoring:

The Authority supervised the standards monitoring inspection program conducted by Authority Officers.

The inspection program provides for an inspection of each pharmacy at least every 3 years plus targeted inspections in cases of:

- change of ownership,
- new pharmacy premises,
- altered pharmacy premises,
- re-inspections following unsatisfactory inspections.

Inspectors examine security, workload, privacy, equipment, fittings, compliance with legislation and pharmacy practice standards and pay particular attention to storage of controlled drugs, records of supply, opioid replacement therapy and residential aged care service programs. This pro-active process is seen as fundamental to providing public protection and to providing education to pharmacists regarding current requirements.

The employment of an additional pharmacist field officer has in addition to contributing to the Authority's succession planning provided for a marked increase in site inspections of pharmacies and pharmacy departments.

During the period the following site inspections were conducted:

	2011	2012	2013	2014
Inspection on change of licence	88	79	103	84
Registration Inspection	89	115	102	96
Standards monitoring inspection – community pharmacy	323	358	542	675
Standards monitoring inspection – pharmacy department	47	5	26	31
<b>Total inspections</b>	<b>547</b>	<b>557</b>	<b>773</b>	<b>886</b>

Where necessary the Authority invited the proprietors of pharmacies to attend an Authority meeting to discuss inspection reports that indicated a significant deviation from practice standards or the requirements of the Schedule to the Act and subsequently identified action required to ensure compliance.

Privacy in pharmacies:

The Authority continued to note that many pharmacists were not making adequate arrangements for consumer privacy in their pharmacies. The result is frequent unintended breaches of privacy during the sale of medicines and poor pharmaceutical outcomes because pharmacists and consumers are reluctant to exchange private but pertinent information within the hearing of other clients.

Compliance with legislation

The Authority has also noted instances where pharmacists have failed to comply with storage requirements contrary to good pharmaceutical practice and this constitutes a risk. In these instances the licensee/s have been required to attend an interview or a panel hearing at which conditions may have been imposed on their licence and/or premises registration.

The chart shown in Figure 1 indicates the progressive totals of inspections of community pharmacies and hospital pharmacy departments conducted in the standards monitoring program for the past four years.

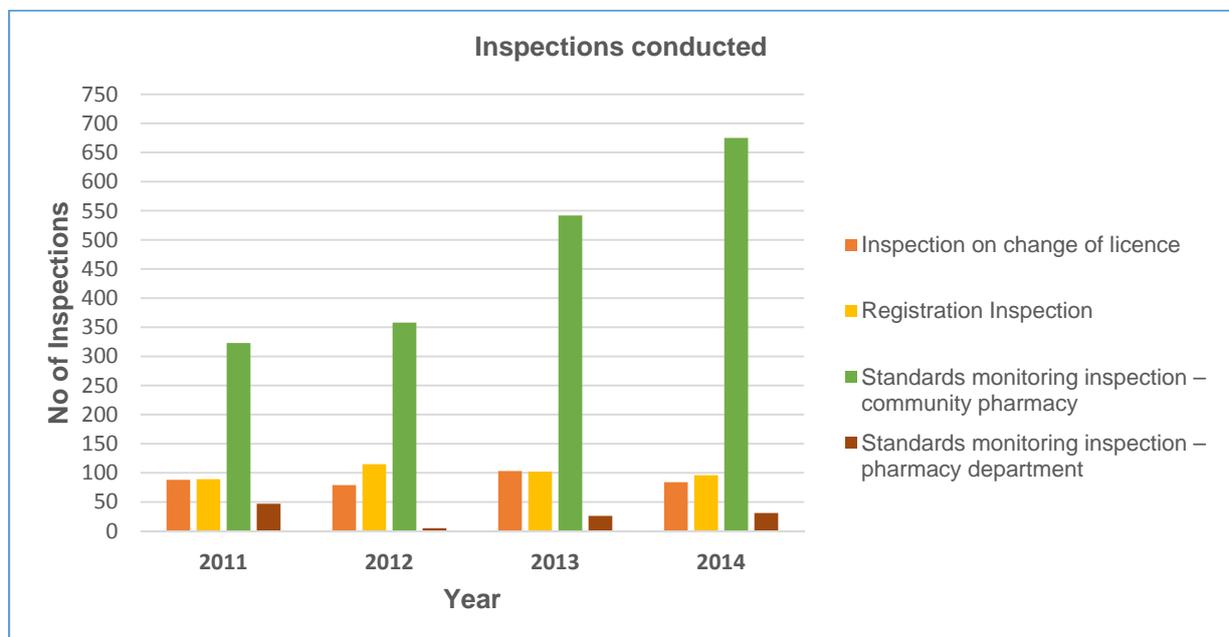


Figure 1

## 7.2 Audit Committee

The Audit Committee consists of an independent chairman with accounting qualifications and three members of the Authority. A quorum comprises the chairman and two other members. The internal auditor and the Registrar attend meetings. The Committee met four times during the reporting period.

## 8. Panel Hearings

Twenty-eight Panel Hearings pursuant to section 57 of the *Pharmacy Regulation Act 2010* were conducted during the period. The hearings considered a total of 203 deficiencies arising from inspections and notifications.

Area of non-compliance	Number of HEARINGS listing deficiencies/28
1. <i>Pharmacy Regulation Act 2010</i> , including the Schedule to the <i>Pharmacy Regulation Act 2010</i>	14
2. Victorian Pharmacy Authority Guidelines	24
3. Pharmacy Board of Australia Guidelines	17
4. DPCS Regulations 2006	(26)
(a) Div 2 – Treatment	1
(b) Div 3 – Supply	0
(c) Div 4 – Storage	19 (S8) 4 (S4)
(d) Div 5 – Records	19 (S8)
(e) Part 4 – Schedule 3 Poisons	5
5. Other: including Pharmacotherapy Policy 2013 (Department of Health), APF, TGA, mandatory warning labels, RUMS	15

- 26 panel hearings (93%) included deficiencies related to breaches of drugs and poisons legislation. Many of these panel hearings were in fact convened after considering investigation reports relating to these deficiencies.
  - 19 hearings involved deficiencies under Division 5 of the Drugs, Poisons and Controlled Substances Regulations 2006 in relation to records for S8 poisons. These comprised failure to keep records pursuant to regulation 40, failure to keep records pursuant to regulation 41(1) (namely that records show the true and accurate balance of each Schedule 8 poison remaining in the person's possession after each transaction), and failure to investigate discrepancies in records pursuant to regulation 43. Many deficiencies under Division 5 involved methadone and other opioid replacement therapies.
  - 19 hearings involved deficiencies under Division 4 of the Drugs, Poisons and Controlled Substances Regulations 2006 in relation to storage of S8 poisons. The majority involved failure to store S8 poisons in a lockable storage facility pursuant to regulation 35, and many controlled drugs safes did not meet the requirement for secure attachment.
  - Four hearings considered deficiencies relating to storage of S4 poisons pursuant to regulation 34. Five hearings considered deficiencies relating to storage and provision of S3 poisons pursuant to regulations 61-63.
  
- 14 hearings (50%) included allegations relating to breaches of the *Pharmacy Regulation Act 2010*. Of the 24 allegations, one related to unapproved alterations to the pharmacy premises. The remaining 23 allegations related to failure to comply with the Schedule to the *Pharmacy Regulation Act 2010* (including clauses requiring premises to be maintained in a clean and hygienic manner, premises to be secure, adequate arrangements in place to ensure identity of medicines being supplied or dispensed to a client of the pharmacy cannot be known by another person present in the pharmacy who is not a person carrying on the pharmacy business or a member of the staff of the business, and that medicines are not re-used after dispensing and after they have left the pharmacy);

- 24 of the 28 hearings (86%) included allegations relating to failure to comply with VPA Guidelines. These included failure to maintain a data logger in the drug refrigerator (20 hearings), failure to store/possess keys to controlled drug safes appropriately (11 hearings), and failure to maintain dedicated prescription reception and counselling points fitted with opaque privacy screens (7 hearings). The Authority reminds pharmacists that the current Guidelines of the VPA are available on the Authority website, as are self-audit forms;
- 17 hearings included allegations relating to failure to comply with PBA Guidelines. Most of these related to failure to comply with PBA Guidelines on specialised supply arrangements, (1) dose administration aids.
- Decisions of panels resulted in 22 licensees being cautioned and 6 licensees were reprimanded. Conditions were placed on licenses following four hearings.

## Financial and other information

### 9. Freedom of Information

Pursuant to Part II of the *Freedom of Information Act 1982*, the Authority has published on its website, details regarding its functions and documents held by the Authority including those available for inspection and/or purchase. Information regarding the application process is also available upon request.

No FOI requests were received during the period of this report.

#### Availability of other information

All records of the former Pharmacy Board of Victoria's operations relating to premises registration and licensing to carry on pharmacy business have been retained and along with those records created during the period are maintained in accordance with the *Public Records Act 1973* at the offices of the Authority.

### 10. Protected Disclosure Act 2012

No disclosures pursuant to Part 2 of the *Protected Disclosure Act 2012* were made during the period.

### 11. Disclosure Index

The annual report of the Victorian Pharmacy Authority is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the Department's compliance with statutory disclosure requirements.

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Legislation	Requirement	Page Reference
<b>Ministerial Directions</b>		
<b>Report of Operations</b>		
<b>Charter and purpose</b>		
FRD 22D	Manner of establishment and the relevant Ministers	6
FRD 22D	Objectives, functions, powers and duties	6
FRD 22D	Nature and range of services provided	8-10

Legislation	Requirement	Page Reference
<b>Management and structure</b>		
FRD 22D	Organisational structure	7
<b>Financial and other information</b>		
FRD 10	Disclosure index	11
FRD 11A	Disclosure of ex-gratia payments	12
FRD 12A	Disclosure of major contracts	
FRD 21B	Responsible person and executive officer disclosures	12
FRD 22D	Application and operation of <i>Protected Disclosure Act 2012</i>	
FRD 22D	Application and operation of <i>Carers Recognition Act 2012</i>	10
FRD 22D	Application and operation of <i>Freedom of Information Act 1982</i>	10
FRD 22CD	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	
FRD 22D	Details of consultancies over \$10,000	
FRD 22D	Details of consultancies under \$10,000	
FRD 22D	Major changes or factors affecting performance	5
FRD 22D	Occupational health and safety	5
FRD 22D	Operational and budgetary objectives and performance against objectives	5
FRD 24C	Reporting of office-based environmental impacts	
FRD 22D	Significant changes in financial position during the year	5
FRD 22D	Statement of availability of other information	10
FRD 22D	Statement on National Competition Policy	
FRD 22D	Subsequent events	41
FRD 22D	Summary of the financial results for the year	13
FRD 22D	Workforce Data Disclosures including a statement on the Application of employment and conduct principles	
FRD 25B	Victorian Industry Participation Policy disclosures	
FRD 29	Workforce Data disclosures	
SD 4.2(g)	Specific information REQUIREMENMTS	
SD 4.2(j)	Sign-off requirements	15
SD 3.4.13	Attestation on Data Integrity	12
SD 4.5.5.1	Ministerial Standing Direction 4.5.5.1 compliance attestation	13
SD 4.5.5	Risk Management compliance attestation	
<b>Financial Statements</b>		
<b>Financial statements required under Part 7 of the FMA</b>		
SD 4.2(a)	Statement of changes in equity	20
SD 4.2(b)	Operating Statement	18
SD 4.2(b)	Balance Sheet	19
SD 4.2(b)	Cash Flow Statement	21

Legislation	Requirement	Page Reference
<b>Other requirements under Standing Directions 4.2</b>		
SD 4.2(a)	Compliance with Australian accounting standards and other authoritative pronouncements	26
SD 4.2(c)	Accountable officer's declaration	15
SD 4.2(c)	Compliance with Ministerial Directions	22
SD 4.2(d)	Rounding of amounts	23
<b>Legislation</b>		
	<i>Freedom of Information Act 1982</i>	10
	<i>Protected Disclosure Act 2012</i>	10
	<i>Carers Recognition Act 2012</i>	
	<i>Victorian Industry Participation Policy Act 2003</i>	
	<i>Building Act 1993</i>	
	<i>Financial Management Act 1994</i>	

#### **Disclosure of *ex-gratia* payments**

No *ex-gratia* payments were made during the period.

#### **Responsible person and executive officer disclosures**

#### **12. Attestation on Data Integrity**

I, Stephen Henry Peter Marty, certify that the Victorian Pharmacy Authority has put in place appropriate internal controls and processes to ensure that reported data reasonably reflects actual performance. The Victorian Pharmacy Authority has critically reviewed these controls and processes during the year.



Stephen Marty  
**Registrar**

Melbourne  
6 August 2014

### 13. Compliance with Australian/New Zealand Risk Management Standard

I, Stephen Henry Peter Marty, certify that the Victorian Pharmacy Authority has risk management processes in place consistent with the Australian/New Zealand Risk Management Standard AS/NZS ISO 31000:2009 and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures. The Authority verifies this assurance and that the risk profile of the Victorian Pharmacy Authority has been critically reviewed within the last twelve months.



Stephen Marty  
**Registrar**

Melbourne  
6 August 2014

### 14. Five Year Summary of Financial Results

#### REPORT OF OPERATIONS

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	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Total Revenue	1,061	1,047	1,029	779	2,259
Total Expenses	1,040	1,006	890	2,001	1,987
<b>Net Result for the year</b>	<b>21</b>	<b>40</b>	<b>139</b>	<b>(1,222)</b>	<b>272</b>
Retained Surplus/(Accumulated Deficit)	845	824	783	644	1,866
Total Assets	2,384	2,363	2,287	2,049	3,461
Total Liabilities	1,024	1,024	989	890	1,080
<b>Net Assets</b>	<b>1,360</b>	<b>1,338</b>	<b>1,298</b>	<b>1,158</b>	<b>2,381</b>
<b>Total Equity</b>	<b>1,360</b>	<b>1,338</b>	<b>1,298</b>	<b>1,158</b>	<b>2,381</b>

**VICTORIAN PHARMACY AUTHORITY**

**FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30 JUNE 2014**

VICTORIAN PHARMACY AUTHORITY

**AUTHORITY MEMBER, ACCOUNTABLE OFFICER AND  
CHIEF FINANCE & ACCOUNTING OFFICER DECLARATION**

The members of the Victorian Pharmacy Authority (the Authority) certify that the attached financial report for the Authority has been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable *Financial Reporting Directions*, Australian Accounting Standards, Australian Accounting Interpretations and other mandatory professional reporting requirements.

The Authority further states that, in its opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes to and forming part of the financial statements, presents fairly the financial transactions during the financial year ended 30 June 2014 and the financial position of the Victorian Pharmacy Authority as at 30 June 2014.

At the time of signing the Authority is not aware of any circumstances which would render any particulars included in the financial report to be misleading or inaccurate.

The Authority authorises the attached financial report for issue on 6 August 2014.



**Michael Scavone**  
**Chairperson**

Melbourne  
6 August 2014



**Stephen Marty**  
**Registrar**

Melbourne  
6 August 2014



**Koshala Nadekumar**  
**Chief Finance and Accounting Officer**  
Melbourne  
6 August 2014

## INDEPENDENT AUDITOR'S REPORT

### To the Members, Victorian Pharmacy Authority

#### *The Financial Report*

The accompanying financial report for the year ended 30 June 2014 of the Victorian Pharmacy Authority which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the Authority Member, Accountable Officer and Chief Finance and Accounting Officer Declaration has been audited.

#### *The Members' Responsibility for the Financial Report*

The Members of the Victorian Pharmacy Authority are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Members determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed 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 audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control 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 control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Members, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## Independent Auditor's Report (continued)

### *Independence*

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

### *Opinion*

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Victorian Pharmacy Authority as at 30 June 2014 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

### *Matters Relating to the Electronic Publication of the Audited Financial Report*

This auditor's report relates to the financial report of the Victorian Pharmacy Authority for the year ended 30 June 2014 included both in the Victorian Pharmacy Authority's annual report and on the website. The Members of the Victorian Pharmacy Authority are responsible for the integrity of the Victorian Pharmacy Authority's website. I have not been engaged to report on the integrity of the Victorian Pharmacy Authority's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE  
7 August 2014

  
for John Doyle  
Auditor-General

**Victorian Pharmacy Authority**

**COMPREHENSIVE OPERATING STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2014**

	Notes	2014	2013
		\$	\$
<b>INCOME</b>			
Revenue from Operating Activities	2	976,084	939,877
Revenue from Non-operating Activities	2	85,728	107,276
<b>TOTAL INCOME</b>		<u>1,061,812</u>	<u>1,047,153</u>
<b>EXPENSES</b>			
Operating expenses	3	(1,040,391)	(1,006,426)
<b>TOTAL EXPENSES</b>		<u>(1,040,391)</u>	<u>(1,006,426)</u>
<b>NET RESULT</b>		<u>21,421</u>	<u>40,727</u>
<b>COMPREHENSIVE RESULT</b>		<u>21,421</u>	<u>40,727</u>

**Victorian Pharmacy Authority****BALANCE SHEET  
AS AT 30 JUNE 2014**

	Notes	2014	2013
		\$	\$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	8	1,288,483	629,272
Receivables and accrued revenue	4	23,566	25,585
Term deposits placed with banks		1,060,995	1,685,258
Prepayments		8,108	19,115
<b>Total Current Assets</b>		<b>2,381,152</b>	<b>2,359,230</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	6	3,432	4,290
<b>Total Non-Current Assets</b>		<b>3,432</b>	<b>4,290</b>
<b>TOTAL ASSETS</b>		<b>2,384,584</b>	<b>2,363,520</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Fees received in advance		723,691	732,534
Payables and accrued expenses		31,617	44,528
Employee Benefits and related on-costs	5	256,203	239,645
<b>Total Current Liabilities</b>		<b>1,011,511</b>	<b>1,016,707</b>
<b>Non-Current Liabilities</b>			
Employee Benefits and related on-costs	5	12,654	7,815
<b>Total Non-Current Liabilities</b>		<b>12,654</b>	<b>7,815</b>
<b>TOTAL LIABILITIES</b>		<b>1,024,165</b>	<b>1,024,522</b>
<b>Net Assets</b>		<b>1,360,419</b>	<b>1,338,998</b>
<b>EQUITY</b>			
Contributed capital		514,490	514,490
Accumulated surplus		845,929	824,508
<b>Total Equity</b>		<b>1,360,419</b>	<b>1,338,998</b>
Commitments for expenditure	10		
Contingent assets and contingent liabilities	14		

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

**Victorian Pharmacy Authority**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2014**

	2014	2013
	\$	\$
<b>Balance at beginning of the financial year</b>	1,338,998	1,298,271
Comprehensive result for the year	21,421	40,727
<b>Balance at end of the financial year</b>	<u>1,360,419</u>	<u>1,338,998</u>
<b>Represented by:</b>		
<b>Contributed Capital</b>		
<b>Balance at beginning of the financial year</b>	514,490	514,490
<b>Balance at end of the financial year</b>	<u>514,490</u>	<u>514,490</u>
<b>Accumulated Surplus</b>		
<b>Balance at beginning of the financial year</b>	824,508	783,781
Net result for the financial year	21,421	40,727
<b>Balance at end of the financial year</b>	<u>845,929</u>	<u>824,508</u>

The above Statement of Changes of Equity should be read in conjunction with the accompanying notes.

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2014**

	Notes	2014	2013
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Fees from registrants		965,480	965,233
Payments to suppliers (GST inclusive) and employees		(1,048,411)	(1,042,042)
Net GST received		32,194	47,556
Interest received		25,802	52,119
Rents received		12,582	18,520
<b>Net cash provided by/(used in) operating activities</b>	7	<u>(12,353)</u>	<u>41,386</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of other financial assets		(145,038)	(650,000)
Redemption of other financial assets		816,602	970,608
<b>Net cash provided by investing activities</b>		<u>671,564</u>	<u>320,608</u>
<b>Net increase in cash and cash equivalents</b>		659,211	361,994
<b>Cash and cash equivalents at beginning of financial year</b>		629,272	267,278
<b>Cash and cash equivalents at end of financial year</b>	8	<u><u>1,288,483</u></u>	<u><u>629,272</u></u>

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These annual financial statements represent the audited general purpose financial statements for the Victorian Pharmacy Authority for the year ended 30 June 2014. The purpose of the report is to provide users with information about the Authority's stewardship of resources entrusted to it.

**(a) Statement of Compliance**

These financial statements are general-purpose financial statements which have been prepared in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards (AASs), which include interpretations issued by the Australian Accounting Standards Board (AASB). They are presented in a manner consistent with the requirements of AASB 101 *Presentation of Financial Statements*.

The financial statements also comply with relevant Financial Reporting Directions (FRDs) issued by the Department of Treasury and Finance (DTF) and relevant Standing Directions (SDs) authorised by the Minister of Finance.

In complying with AASs, the Victorian Pharmacy Authority has, where relevant, applied those paragraphs applicable to not-for-profit entities. The annual financial statements were authorised for issue by the Victorian Pharmacy Authority on 6 August 2014.

**(b) Basis of accounting preparation and measurements**

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2014, and the comparative information presented in these financial statements for the year ended 30 June 2013.

The going concern basis was used to prepare the financial statements.

These financial statements are presented in Australian dollars, the functional and presentation currency of the Victorian Pharmacy Authority.

The financial statements, except for cash flow information, have been prepared using the accrual basis of accounting. Under the accrual basis, items are recognised as assets, liabilities, equity, income or expenses when they satisfy the definitions and recognition criteria for those items, that is they are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

The financial statements are prepared in accordance with the historical cost convention, except for:

- non-current physical assets, which subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses.
- revaluations are made and are re-assessed with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair values;
- the fair value of assets other than land is generally based on their depreciated replacement value.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AASs that have significant effects on the financial statements and estimates relate to:

- Fair value of plant and equipment (refer Note 1 (f))
- Actuarial assumption for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer Note 1 (g))
- Superannuation expenses (refer Note 1 (i))

(c) Reporting Entity

The financial statements include all the controlled activities of the Victorian Pharmacy Authority.

Its principal address is:  
Level 6, 369 Royal Parade  
Parkville Victoria 3052.

A description of the nature of the Victorian Pharmacy Authority's operations and its principal activities is included in the report of operations, which does not form part of these financial statements.

(d) Scope and presentation of financial statements

*Comprehensive operating statement*

Income and expenses in the comprehensive operating statement are classified according to whether or not they arise from 'transactions' or other economic flows. This classification is consistent with the whole of government reporting format and is allowed under AASB 101 *Presentation of Financial Statements*.

*Balance Sheet*

Assets and liabilities are presented in liquidity order with assets aggregated into financial assets and non-financial assets.

Current and non-current assets and liabilities (non-current being those assets or liabilities expected to be recovered or settled more than 12 months after the reporting period) are disclosed in the notes, where relevant.

*Cash flow statement*

Cash flows are classified according to whether or not they arise from operating, investing, or financing activities. This classification is consistent with requirements under AASB 107 *Statement of Cash Flows*.

*Statement of Changes in equity*

The statement of changes in equity presents reconciliations of non-owner and owner changes in equity from opening balances at the beginning of the reporting period to the closing balances at the end of the reporting period. It also shows separately changes due to amounts recognised in other comprehensive results and amounts recognised in other income related to other changes in equity.

*Rounding*

All the amounts have been rounded to the nearest dollar, unless otherwise stated. Figures in the financial statements may not equate due to rounding.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(e) Change in accounting policies

*AASB 13 Fair Value Measurement*

AASB 13 establishes a single source of guidance for all fair value measurements. AASB 13 does not change when the Victorian Pharmacy Authority is required to use fair value, but rather provides guidance on how to measure fair value under Australian Accounting Standards when fair value is required or permitted. The Victorian Pharmacy Authority has considered the specific requirements relating to highest and best use, valuation premise, and principal (or most advantageous) market. The methods, assumptions, processes and procedures for determining fair value were revised and adjusted where applicable. In light of AASB 13, the Victorian Pharmacy Authority has reviewed the fair value principles as well as its current valuation methodologies in assessing the fair value, and the assessment has not materially changed the fair values recognised.

AASB 13 has predominantly impacted the disclosures of the Victorian Pharmacy Authority. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards, including AASB 7 Financial Instruments Disclosures.

The disclosure requirements of AASB 13 apply prospectively and need not be provided for comparative periods, before initial application. Consequently, comparatives of these disclosures have not been provided for 2012-13, except for financial instruments, of which the fair value disclosures are required under AASB 7 Financial Instruments Disclosures.

*AASB 119 Employee Benefits*

In 2013-14, the Victorian Pharmacy Authority has applied AASB 119 Employee Benefits (Sep 2011, as amended), and related consequential amendments for the first time.

The revised AASB 119 changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligation and plan assets. As the current accounting policy is for the Department of Treasury and Finance to recognise and disclose the State's defined benefit liabilities in its financial statements, changes in defined benefit obligations and plan assets will have limited impact on the health service.

The revised standard also changes the definition of short-term employee benefits. These were previously benefits that were expected to be settled within 12 months after the end of the reporting period in which the employees render the related service, however, short-term employee benefits are now defined as benefits expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the related service. As a result, accrued annual leave balances which were previously classified as short-term employee benefits no longer meet this definition and are now classified as long-term employee benefits. This has resulted in a change of measurement for the annual leave provision from an undiscounted to discounted basis.

Management has assessed that the above change in classification which has not materially altered its measurement of the annual leave provision.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(f) Assets

**Cash and Cash Equivalents**

Cash and cash equivalents recognised on the balance sheet comprise cash on hand and cash at bank, deposits at call and highly liquid investments (with an original maturity of 3 months or less), which are held for the purpose of meeting short term cash commitments rather than for investment purposes, which are readily convertible to known amounts of cash with an insignificant risk of changes in value.

**Investments and term deposits**

Term deposits with maturity greater than three months are measured at amortised cost using the effective interest method, less impairment. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period. Where the Authority has the positive intent and ability to hold investments to maturity they are measured at amortised cost less impairment losses. Any interest earned in investments and term deposits is recognised in the comprehensive operating statements as a transaction.

**Prepayments**

Prepayments represent payments in advance of the receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

**Receivables**

Receivables consist of:

- contractual receivables, which include debtors in relation to lease receivable and accrued investment income; and
- statutory receivables, such as Goods and Services Tax (GST) input tax credits recoverable

Receivables that are contractual are classified as financial instruments and categorised as loans and receivables. Statutory receivables are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any accumulated impairment.

**Impairment of financial assets**

At the end of each reporting period, the Authority assesses whether there is objective evidence that a financial asset or group of financial asset is impaired. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

Receivables are assessed for bad and doubtful debts on a regular basis. Bad debts considered as written off and allowances for doubtful receivables are expensed. Bad debt written off by mutual consent and allowances for doubtful debts are classified as 'other comprehensive income' in the net result.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

**Property, Plant and Equipment**

Property, plant and equipment are brought to account initially at cost and subsequently measured at fair value, less accumulated depreciation and impairment. The fair value of property, plant and equipment is normally determined by reference to the asset's depreciated replacement cost or where the infrastructure is held by a not for profit entity, the fair value may be derived from estimates of the present value of future cash flows. For the Authority's property, plant and equipment, existing depreciated historical cost is generally a reasonable proxy for depreciation replacement cost because of the short lives of the assets concerned.

The depreciable amount of the property, plant and equipment is calculated using the straight line method over their estimated useful lives. The estimated useful lives, residual and depreciation method are reviewed at the end of each annual reporting period and adjustments made where appropriate.

The depreciation rates used for each class of assets for current and prior years are:

Furniture, Fixtures and Fittings	10.0%
Plant and Equipment	20.0 - 36.0%
Computer Equipment	20.0 - 36.0%

**Impairment**

Property, plant and equipment are assessed annually for indications of impairment.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their possible recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written-off as an expenses except to the extent that the write-down can be debited to an asset revaluation surplus amount applicable to that same class of asset.

If there is an indication that there has been reversal in the estimate of an asset's recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. This reversal of the impairment loss occurs only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

It is deemed that, in the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash flow is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

**(g) Liabilities**

**Payables**

Payable consist of:

- contractual payables, such as accounts payable. Accounts payable represent liabilities for goods and services provided to the Authority prior to the end of the financial year that are unpaid, and arise when the Authority becomes obliged to make future payments in respect of the purchase of those goods and services; and
- statutory payables, such as goods and services tax and fringe benefits tax payables

Contractual payables are classified as financial instruments and are initially recognised at fair value, and then subsequently carried at amortised cost. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

**Income Received In Advance**

The registration fees receipts relating to periods beyond the current financial year are recognised as a liability and have been disclosed as income received in advance.

**Employee Benefits**

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date.

***Wages and Salaries, Annual Leave and Sick Leave***

Liabilities for wages and salaries, including non-monetary benefits, annual leave, and accumulating sick leave are all recognised in the provision for employee benefits as 'current liabilities'.

Depending on the expectation of the timing of settlement, liabilities for wages and salaries, annual leave and sick leave are measured at:

- Undiscounted value – if the entity expects to wholly settle within 12 months; or
- Present value – if the entity does not expect to wholly settle within 12 months

***Long Service Leave (LSL)***

LSL is recognised in the provision for employee benefits.

***Unconditional LSL*** (representing 10 or more years of continuous service) is disclosed as a current liability even where the Authority does not expect to settle the liability within 12 months because it does not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- Present value – component that the Authority does not expect to wholly settle within 12 months; and
- Undiscounted value – component that the Authority expects to wholly settle within 12 months.

***Conditional LSL*** (representing less than 10 years of continuous service) is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL is measured at present value.

Any gain or loss followed revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bank interest rates which is then recognised as other economic flow.

Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates of Commonwealth Government guaranteed securities in Australia.

***On-costs***

Provision for on-costs (such as workers compensation and superannuation) are recognised together with the provision for employee benefits.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(h) Income Recognition

Income is recognised in accordance with AASB 118 *Revenue* and is recognised as to the extent that it is probable that the economic benefits will flow to the Authority and the income can be reliably measured at fair value. Unearned income at reporting date is reported as income in advance.

Amounts disclosed as revenue are, where applicable, net of returns, allowances and duties and taxes.

- Premises registration and business licence fees  
The registration and licence year is 1 July to 30 June. Accordingly, the registrations and licence fees receipts, which are attributable to the current financial year are recognised as income. Any registration fees received that are attributed to the next financial year are recognised as a liability in the Balance Sheet.
- Office Consolidation of Legislation – Subscription  
The Office Consolidation of Legislation – Subscription receipts are attributable to the current financial year and recognised as income.
- Interest  
Interest income on investments and cash holdings are recognised using effective interest method which allocates the interest over the relevant period.

(i) Expenses Recognition

Expenses are recognised as they are incurred and reported in the financial year to which they relate.

***Employee expenses***

These expenses include all costs related to employment (other than superannuation which is accounted for separately) including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments and WorkCover premiums.

***Defined Contribution superannuation plans***

Contributions to defined contribution superannuation plans are expensed when incurred.

***Income taxes***

Tax effect accounting has not been applied as the Authority is exempt from income tax under Section 50-25 of the *Income Tax Assessment Act 1997*.

***Goods and Services Tax (GST)***

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, the GST payable is recognised as part of the cost of acquisition of the assets as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

Commitments for expenditure and contingent assets and liabilities are also stated inclusive of GST.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(j) Equity

**Contributed Capital**

Consistent with Australian Accounting Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* and FRD 119 *Contributions to Owners*, appropriations for additions to the net asset base have been designated as contributed capital. Other transfers that are in the nature of contributions or distributions that have been designated as contributed capital are also treated as contributed capital.

**Financial instruments**

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Where relevant, for note disclosure purposes, a distinction is made between those financial assets and financial liabilities that meet the definition of financial instruments in accordance with AASB 132 and those that do not.

***Loans and receivables***

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Loans and receivables category includes cash and deposits (refer to Note 8), term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

(k) Leases

A lease is a right to use an asset for an agreed period of time in exchange for payment.

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases of infrastructure, property, plant and equipment are classified as finance infrastructure leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. All other leases are classified as operating leases.

**Entity as lessee**

Operating lease payments, including any contingent rentals, are recognised as an expense in the comprehensive operating statement on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset is not recognised in the balance sheet.

(l) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 10 *Commitments*) at their nominal value and are inclusive of the GST payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(m) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer to Note 14 *Contingent assets and contingent liabilities*) and, if quantifiable, are measured at nominal value. Contingent assets and contingent liabilities are presented inclusive of GST receivable or payable respectively.

(n) Corporate Structure

The Victorian Pharmacy Authority is a statutory body formed under the *Pharmacy Regulation Act 2010*.

(o) Comparative Figures

Where necessary, the previous year's figures have been re-classified to facilitate comparison.

(p) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2014 reporting period

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

<b>Standard / Interpretation</b>	<b>Summary</b>	<b>Standard applicable for annual reporting periods beginning on</b>	<b>Expected Impact on the Authority financial statements</b>
<i>AASB 9 Financial instruments</i>	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> (AASB 139 <i>Financial Instruments: Recognition and Measurement</i> ).	1 January 2017	The preliminary assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss.  While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.
<i>2011-7 Amendments to Australian Accounting Standards arising from AASB 10, 11, 12, 127, 128 [AASB 1,2,3,5,7,9,2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 and 1038 and Interpretations 5,9,16 and 17]</i>	<i>This gives effect to consequential changes arising from the issuance of AASB 10, 11, 12, 127 and 128.</i>	1 January 2014	<i>Impact is expected to be insignificant.</i>
<i>2013-3 Amendments to AASB 136 –Recoverable Amount Disclosures for Non-Financial Assets</i>	<i>It amends the disclosure requirements in AASB 136 to include additional disclosures about the fair value measurement and discount rates when the recoverable amount of impaired assets is based on fair value less costs of disposal.</i>	1 January 2014	<i>Disclosure only.</i>
<i>2013-9C Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</i>	<i>It amends AASB 9 to add Chapter 6 Hedge accounting, to permit “own credit risk” to be applied without applying the other requirements of AASB 9 at the same time, to amend the mandatory effective date of AASB 9 to 1 January 2017 and to amend the reduced disclosure requirements for AASB 7 and AASB 101.</i>	1 January 2015	<i>Disclosure only.</i>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014**

	2014	2013
	\$	\$
<b>2. INCOME</b>		
<b>Revenue from Operating Activities</b>		
Premises registration and business licence fees	813,574	779,701
Application for licence to carry on pharmacy business	48,754	50,303
Office consolidated subscriptions	64,076	71,595
Approval of pharmacies	47,692	36,478
Other operating revenue	1,988	1,800
<b>Total Revenue from Operating Activities</b>	<u>976,084</u>	<u>939,877</u>
<b>Revenue from Non-Operating Activities</b>		
Interest	73,146	88,756
Office sub-rental	12,582	18,520
<b>Total Revenue from Non-Operating Activities</b>	<u>85,728</u>	<u>107,276</u>
<b>Total Income</b>	<u>1,061,812</u>	<u>1,047,153</u>
<b>3. OPERATING EXPENSES</b>		
Salaries	561,452	499,359
Purchase Consolidation of Acts & Regulations	50,817	49,424
Other operating expenses	60,568	59,762
Bank fees	10,408	13,565
Computer software & maintenance	36,913	28,428
Authority member fees and expenses	27,174	25,292
Car expenses – Inspectorial	37,874	28,771
Printing	2,000	1,803
Legal expenses	32,533	83,362
Consulting fees	15,685	11,250
Depreciation	858	4,220
Postage & freight	11,762	12,712
Provision for employee entitlements	52,479	38,760
Rental of premises (i)	109,185	121,728
Subscriptions	4,365	3,900
Web site maintenance	2,964	2,048
Audit fees	8,400	7,800
Telephone	14,954	14,242
<b>Total Operating Expenses</b>	<u>1,040,391</u>	<u>1,006,426</u>

(i) Note: Rental cost above includes outgoings related to the rental premises

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	\$	\$
<b>4. RECEIVABLES AND ACCRUED REVENUE</b>		
Trade receivables	1,761	-
GST receivable	7,162	10,985
Accrued revenue	14,643	14,600
<b>Total receivables and accrued revenue</b>	<u>23,566</u>	<u>25,585</u>
<b>5. EMPLOYEE BENEFITS AND RELATED ON-COSTS</b>		
<b>Current Provisions</b>		
Employee Benefits		
Unconditional and expected to be settled within 12 months	38,629	37,843
Unconditional and expected to be settled after 12 months	217,574	201,802
<b>Total Current Provisions</b>	<u>256,203</u>	<u>239,645</u>
<b>Non-Current Provisions</b>		
Provision for LSL	12,654	7,815
<b>Total Non-Current Provisions</b>	<u>12,654</u>	<u>7,815</u>
<b>Total Provisions</b>	<u>268,857</u>	<u>247,460</u>
<b>Current Employee Benefits and Related On-Costs</b>		
Unconditional LSL entitlement	217,574	201,802
Annual leave entitlement	38,629	37,843
<b>Non-current Employee Benefits and Related On-Costs</b>		
Conditional LSL entitlement	12,654	7,815
<b>Total Employee Benefits and Related On-Costs</b>	<u>268,857</u>	<u>247,460</u>
<b>Movement in Long Service Leave</b>		
Balance at Start of Year	209,617	194,796
Provision made during the year	20,611	14,821
<b>Balance at End of Year</b>	<u>230,228</u>	<u>209,617</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

6. PROPERTY, PLANT AND EQUIPMENT	2014	2013
	\$	\$
Furniture, Fixtures and Fittings at Fair Value	8,580	8,580
Less: Accumulated depreciation	(5,148)	(4,290)
<b>Total Furniture, Fixtures and Fittings</b>	<u>3,432</u>	<u>4,290</u>
<b>Total Property, Plant and Equipment</b>	<u><u>3,432</u></u>	<u><u>4,290</u></u>

Reconciliation of movements

Furniture, Fixtures and Fittings

Balance at 1 July	4,290	5,503
Depreciation	(858)	(1,213)
<b>Balance at 30 June</b>	<u>3,432</u>	<u>4,290</u>
<b>Total carrying amount at end of year</b>	<u><u>3,432</u></u>	<u><u>4,290</u></u>

7. RECONCILIATION OF NET RESULT FOR THE YEAR TO CASH FLOW FROM OPERATING ACTIVITIES	2014	2013
	\$	\$
Net result for the year	21,421	40,727
<i>Add/(Less) :</i>		
Depreciation	858	4,220
Interest income	(47,301)	(49,037)
<i>Movement in assets and liabilities</i>		
Increase/(Decrease) in Provision for employee entitlements	21,397	28,173
Increase/(Decrease) in Payables	(12,911)	(17,957)
Increase/(Decrease) in Fees in advance	(8,843)	25,356
(Increase)/Decrease in Receivables	2,019	10,730
(Increase)/Decrease in Prepayments	11,007	(826)
<b>Net cash provided by/(used in) operating activities</b>	<u><u>(12,353)</u></u>	<u><u>41,386</u></u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	\$	\$
<b>8. CASH AND CASH EQUIVALENTS</b>		
For the purposes of the Cash Flow Statement, cash assets includes cash on hand and in banks, and short term deposits which are readily convertible to cash on hand, and are subject to an insignificant risk of change in value.		
Cash at Bank	86,533	169,380
Deposits – under 3 months maturity	1,201,700	459,641
Petty cash	250	250
<b>Total Cash and Cash Equivalents</b>	<u>1,288,483</u>	<u>629,272</u>
<b>9. AUDITORS' REMUNERATION</b>		
Amounts received or due and receivable by the auditor, the Auditor-General of Victoria, for:		
- auditing of the accounts	<u>8,400</u>	<u>8,000</u>
No other amounts were received by the auditors.		
<b>10. COMMITMENTS FOR EXPENDITURE</b>		
<b>(a) Rental Arrangements</b>		
Not later than one year	96,568	61,313
Later than one year but no later than 5 years	170,061	-
Total (Inclusive GST)	<u>266,629</u>	<u>61,313</u>
<b>Operating Lease Commitments - payable</b>		
Operating lease commitments represent photocopy machine and computer rental as per contract but not included in the accounts		
Not later than one year	11,224	5,285
Later than one year but not later than 5 years	8,560	7,775
Total (Inclusive GST)	<u>19,784</u>	<u>13,060</u>
<b>(b) Operating Lease Commitments - receivable</b>		
Not later than one year	-	13,839
Later than one year but not later than 5 years	-	-
Total (Inclusive GST)	<u>-</u>	<u>13,839</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

11. RESPONSIBLE PERSONS AND EXECUTIVE OFFICERS

In accordance with the Directions from the Minister of Finance under the *Financial Management Act* 1994 the following disclosures are made for the responsible persons for the reporting period.

<b>(a) Responsible Minister</b>		Period
Responsible Minister - The Hon. David Davis MLC, Minister for Health		01/07/13 – 30/06/14
<b>(b) Authority Members &amp; Accountable Officer</b>		
Authority Members	Mr Michael Scavone (Chair)	1/07/13 – 30/06/14
	Mrs Esther Alter	1/07/13 – 30/06/14
	Ms Karen Samuel	1/07/13 – 30/06/14
	Mr Anthony Tassone	1/07/13 – 30/06/14
	Ms Claire Filson	1/07/13 – 10/12/13
	Ms Toni Riley	1/07/13 – 30/06/14
	Mr Ramon Fredrico	29/04/14 - 30/06/14
Registrar	Mr Stephen Marty	1/07/13 – 30/06/14

(c) Remuneration of Responsible Persons Income

	<u>Total Remuneration</u>		<u>Base Remuneration</u>	
	2014 No.	2013 No.	2014 No.	2013 No.
\$1- 10,000	7	8	7	8
\$131,001 – \$140,000	-	-	1	1
\$141,001 – \$150,000	-	1	-	-
\$151,001 - \$160,000	1	-	-	-
\$161,001 - \$170,000	-	-	-	-
Total	8	9	8	9
<b>Total Remuneration</b>	<b>\$182,017</b>	<b>\$168,616</b>	<b>\$154,857</b>	<b>\$151,127</b>

Payments made to Authority Members are for sitting fees and the reimbursement of expenses necessarily incurred in the conduct of the Authority's activities. There are no other related party transactions.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

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12. SUPERANNUATION

Details in relation to superannuation funds are as follows:

- a) The Authority contributes to the MLC Superannuation Fund and a number of other funds on behalf of its employees. There are no superannuation contribution liabilities to the funds at balance date.
- b) The amount of total contributions by the Authority to the Funds during the year amounted to \$65,754 (2013, \$57,975).

	2014	2013
	\$	\$
MLC Superannuation Fund	48,537	45,854
Other Funds	<u>17,217</u>	<u>12,121</u>
Total	<u>65,754</u>	<u>57,975</u>

- c) The basis for calculating contributions is in accordance with the statutory requirement which specifies that contributions of the Authority are calculated as a percentage of the employees' salary. The table below indicates the range of contributions to the superannuation fund.

<u>Superannuation Fund</u>	<u>Employer Contribution Level</u>
MLC	9.25 - 14.25%
Other	9.25 - 14.25%

13. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Victorian Pharmacy Authority's principal financial instruments comprise of:

- Cash Assets
- Term Deposits
- Receivables (excluding statutory receivables)
- Payables (excluding statutory payables)

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 and financial liability are disclosed in Note 1 to the financial statements.

The main purpose in holding financial instruments is to prudentially manage the Authority's financial risks within the government policy parameters.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

## 13. FINANCIAL INSTRUMENTS (cont)

## Categorisation of financial instruments

Details of each category has been disclosed either in the balance sheet or in the notes in accordance with AASB 139.

	Carrying Amount 2014	Carrying Amount 2013
<b>Financial Assets</b>	\$	\$
Cash and Cash Equivalents	1,288,483	629,272
Receivables	16,404	14,600
Term Deposits	1,060,995	1,685,258
<b>Total Financial Assets</b>	<b>2,365,882</b>	<b>2,329,130</b>
<b>Financial Liabilities</b>		
Payables – creditors	31,617	34,757
<b>Total Financial Liabilities</b>	<b>31,617</b>	<b>34,757</b>

## (b) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it is entered into under a contract.

Credit risk in the Authority arises from cash and cash equivalents and deposits with banks. The Authority does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the entity.

Credit risk is managed and reviewed regularly by the Authority. The Authority monitors the credit risk by actively assessing the rating quality and liquidity of counterparties:

- only banks and financial institutions with an 'AA' rating are utilised.

The Authority's exposure to credit risk by ageing periods is set out in the following table.

## Ageing Analysis of Financial Assets as at 30 June

	Carrying Amount	Not Past Due and Not Impaired	Past Due But Not Impaired				Impaired Financial Assets
			Less than 1 month	1-3 Months	3 Months-1 Year	1-5 Years	
<b>2014</b>	\$	\$	\$	\$	\$	\$	\$
<b>Financial Assets</b>							
Cash and Cash Equivalents	1,288,483	1,288,483	-	-	-	-	-
Receivables	16,404	16,404	-	-	-	-	-
Term Deposits	1,060,995	1,060,995	-	-	-	-	-
<b>Total Financial Assets</b>	<b>2,365,882</b>	<b>2,365,882</b>	-	-	-	-	-
<b>2013</b>	\$	\$	\$	\$	\$	\$	\$
<b>Financial Assets</b>							
Cash and Cash Equivalents	629,272	629,272	-	-	-	-	-
Receivables	14,600	14,600	-	-	-	-	-
Term Deposits	1,685,258	1,685,258	-	-	-	-	-
<b>Total Financial Assets</b>	<b>2,329,130</b>	<b>2,329,130</b>	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

## 13. FINANCIAL INSTRUMENTS (cont)

## (c) Liquidity Risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they fall due. The Authority's approach to managing liquidity risk is to ensure, as far possible, that it will always have sufficient liquidity to meet its liabilities as and when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Authority's reputation.

## Maturity Analysis of Financial Liabilities as at 30 June

	Carrying Amount	Contractual Cash Flows	Maturity Dates			
			Less than 1 month	1-3 Months	3 Months-1 Year	1-5 Years
<b>2014</b>	\$	\$	\$	\$	\$	\$
<b>Financial Liabilities</b>						
Payables	31,617	31,617	31,617	-	-	-
<b>Total Financial Liabilities</b>	<b>31,617</b>	<b>31,617</b>	<b>31,617</b>	-	-	-
<b>2013</b>						
<b>Financial Liabilities</b>						
Payables	34,757	34,757	34,757	-	-	-
<b>Total Financial Liabilities</b>	<b>34,757</b>	<b>34,757</b>	<b>34,757</b>	-	-	-

## (d) Market Risk

## Interest Rate Exposure of Financial Instrument

	Weighted Average Effective Interest %	Carrying Amount	Interest Rate Exposure		
			Fixed Interest rate	Variable Interest rate	Non Interest Bearing
<b>2014</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	2.70	1,288,483	1,201,700	86,533	250
Receivables	-	16,404	-	-	16,404
Term Deposits	3.53	1,060,995	1,060,995	-	-
		<b>2,365,882</b>	<b>2,262,695</b>	<b>86,533</b>	<b>16,654</b>
<b>Financial Liabilities</b>					
Payables	-	31,617	-	-	31,617
		<b>31,617</b>			<b>31,617</b>
<b>2013</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	2.70	629,272	359,427	269,845	-
Receivables	-	14,600	-	-	14,600
Term Deposits	4.10	1,685,258	1,685,258	-	-
		<b>2,329,130</b>	<b>2,044,685</b>	<b>269,845</b>	<b>14,600</b>
<b>Financial Liabilities</b>					
Payables	-	34,757	-	-	34,757
		<b>34,757</b>	-	-	<b>34,757</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014**
**13. FINANCIAL INSTRUMENTS (cont)**
*Interest Rate Risk*

Exposure to interest rate risk arises primarily through the Authority's financial assets. Minimisation of risk is achieved by mainly undertaking fixed rate financial instruments. For financial liabilities, the Authority mainly undertakes financial liabilities with relatively even maturity profiles.

**Sensitivity Disclosure Analysis**

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, the Authority believes the following movements are 'reasonably possible' over the next 12 months (Base rates are sourced from the Reserve Bank of Australia).

- A parallel shift of +1% and -1% in market interest rates (AUD)

The following table discloses the impact on net operating result and equity for each category of financial instrument held by Authority at year end as presented to key management personnel, if changes in the relevant risk occur.

	Carrying Amount	Interest Rate Risk			
		-1%		+1%	
		Profit	Equity	Profit	Equity
<b>2014</b>	\$	\$	\$	\$	\$
<b>Financial Assets</b>					
Cash and Cash Equivalents	1,288,483	(12,884)	(12,884)	12,884	12,884
Receivables	16,404	-	-	-	-
Term Deposits	1,060,995	(10,609)	(10,609)	10,609	10,609
<b>Financial Liabilities</b>					
Payables	31,617	-	-	-	-
		<b>(23,493)</b>	<b>(23,493)</b>	<b>23,493</b>	<b>23,493</b>
<b>2013</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	629,272	(6,292)	(6,292)	6,292	6,292
Receivables	14,600	-	-	-	-
Term Deposits	1,685,258	(16,852)	(16,852)	16,852	16,852
<b>Financial Liabilities</b>					
Payables	34,757	-	-	-	-
		<b>(23,144)</b>	<b>(23,144)</b>	<b>23,144</b>	<b>23,144</b>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

13. FINANCIAL INSTRUMENTS (cont)

(e) Fair Value

Financial instruments are required to be classified at fair value based upon the reference of the source of inputs used to derive their fair value. Fair value measurements recognised are categorised into the following levels:

Level 1: quoted prices in active markets

Level 2: quoted prices in non-active markets and inputs other than quoted prices that are observable, either directly or indirectly

Level 3: inputs that are not based on observable market data

The net fair value of all on-balance sheet monetary financial assets and financial liabilities approximates their carrying value. There are no off-balance sheet financial assets or financial liabilities at balance date.

The fair values and net fair values of financial instrument assets and liabilities are determined as follows:

- the fair value of financial instrument assets and liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial instrument assets and liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Authority considers that the carrying amount of financial instrument assets and liabilities recorded in the financial statements to be a fair approximation of their fair values, because of the short-term nature of the financial instruments and the expectation that they will be paid in full.

The following table shows that the fair values of most of the contractual financial assets and liabilities are the same as the carrying amounts.

Comparison between carrying amount and fair value

	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	2014	2014	2013	2013
	\$	\$	\$	\$
<b>Financial Assets</b>				
Cash and Cash Equivalents	1,288,483	1,288,483	629,272	629,272
Receivables	16,404	16,404	14,600	14,600
Term Deposits	1,060,995	1,060,995	1,685,258	1,685,258
<b>Total Financial Assets</b>	<b>2,365,882</b>	<b>2,356,882</b>	<b>2,329,130</b>	<b>2,329,130</b>
<b>Financial Liabilities</b>				
Payables	31,617	31,617	34,757	34,757
<b>Total Financial Liabilities</b>	<b>31,617</b>	<b>31,617</b>	<b>34,757</b>	<b>34,757</b>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

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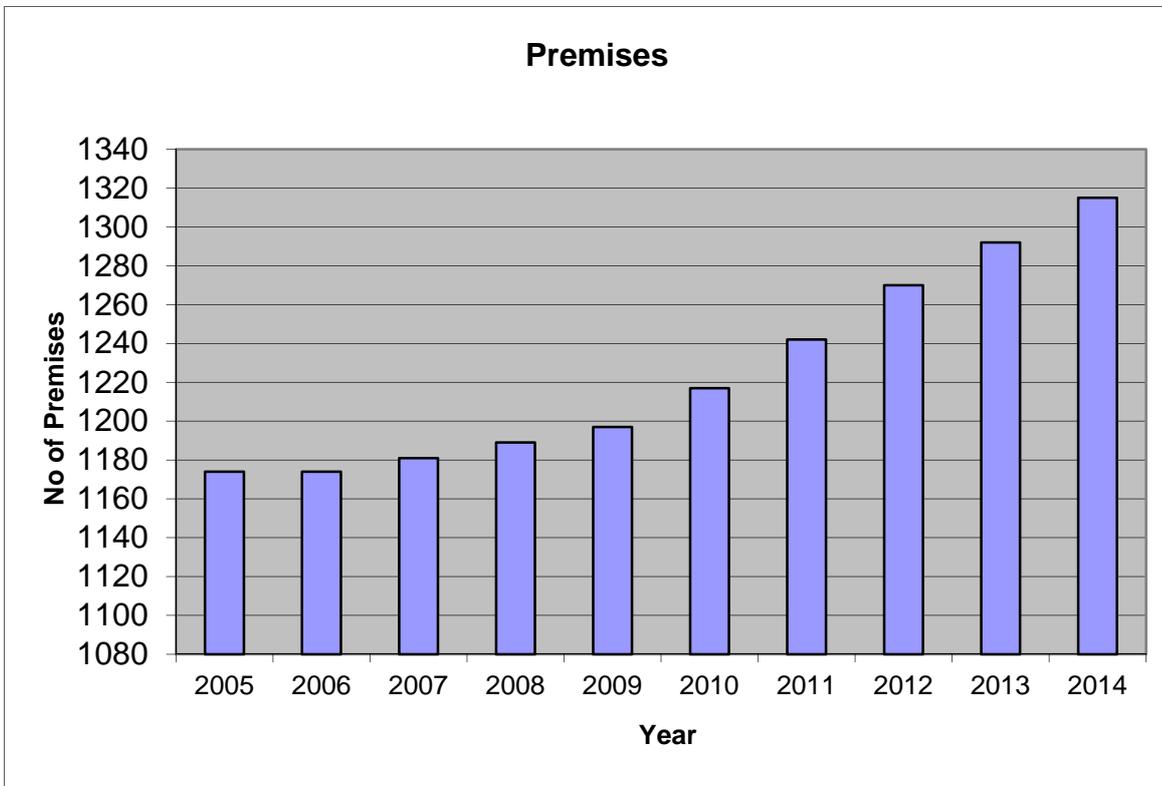
**14. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

There is no contingent liability (2013: \$10,000) and no contingent asset (2013: Nil) as at balance sheet date.

**15. EVENTS SUBSEQUENT TO BALANCE DATE**

There have been no post balance date events that significantly affect the operation, the results, or the state of affairs of the Authority (2013: Nil).

16. Approved Pharmacy Premises Statistics



At 30 June 2013

1,292  
76  
30

At 30 June 2014

1,315  
76  
29

Pharmacies  
Pharmacy Departments  
Pharmacy Depot