National Pharmacies

Annual Report

2024

National Pharmacies

“

Our expert pharmacists have been able to assist worried parents, carers, shift-workers and others in the community who previously would have had to seek help elsewhere.

- National Pharmacies CEO Vito Borrello

National Pharmacies

Caring for People **Enabling** Health **Inspiring** Wellness

At National Pharmacies we're all about people. From our valued members, to the communities we share, to the people we employ and to those we partner with - we stand by our purpose.

Contents

04 Our Members

06 Our Business

08 Our Community

10 Our People

12 Report of Operations

22 Directors' Report

29 Directors' Declaration

30 Auditor's Independence Declaration

31 Auditor's Report

33 Financial Report

Our Members

$27m+

Member savings

400

Free kids' glasses

241k+

Number of Members

600+ Members & staff

National Pharmacies Christmas Pageant

Trusted advice a "huge help" for members

National Pharmacies members Catia Malvaso and Ryan Flint know how important access to the familiar and trusted advice of their local pharmacist can be for first-time parents, especially after hours.

The Adelaide couple are parents to one-year-old Lowen and are regular customers at our National Pharmacies Norwood store.

"When your baby is running a high fever or appears to have had a minor allergic reaction, you worry, and having the advice of your local pharmacist is a huge help and sense of relief," said Ms Malvaso.

National Pharmacies members Ryan Flint and Catia Malvaso with daughter Lowen.

Ms Malvaso has been a member of National Pharmacies for as long as she can remember. First, as a child under her parents' family membership and now as a parent herself.

Her family is among more than 240,000 members who received member savings of more than $27 million in 2023/24.

She said the great range of membership benefits, including optical, were a major attraction, as were the "wonderful staff" and friendly advice.

Ms Malvaso said the operation of one of the state's first 24/7 pharmacies at the Norwood store was an additional comfort for Family Members.

Our Business

3.45m+
Prescriptions dispensed

5
New beauty treatment rooms

21,109
Optical consultations

34.5k
Influenza & COVID-19 vaccinations

450+
UTI & Contraceptive Pill consultations

Feb 24
Opened SA's first 24/7 pharmacy

Norwood store first to serve community round-the-clock

(L-R) National Pharmacies Chief Pharmacist Bec Rogers, South Australian Premier Peter Malinauskas, National Pharmacies CEO Vito Borrello and South Australian Health Minister Chris Picton at the launch of the 24/7 pharmacy at our Norwood store.

More than 8,300 people have walked through the doors of our Norwood store after hours seeking expert health advice, prescriptions and over-the-counter medication and health products since February.

Our Norwood store, in Adelaide, was the first of three community pharmacies to operate 24/7 as part of a $7.5 million State Government three-year initiative to ease pressure on our primary health care system.

Almost 400 people visited our Norwood store after hours in the first week of operating, with more than 240 prescriptions dispensed for medications, including antibiotics and pain relief.

National Pharmacies' CEO Vito Borrello said: "Our expert pharmacists have been able to assist worried parents, carers, shift-workers and others in the community who previously would have had to seek help elsewhere."

Premier Peter Malinauskas has described the 24/7 pharmacy service as "a game-changer for South Australian families and will also relieve pressure on our busy hospitals".

Health Minister Chris Picton said that "emergency departments have been the only walk-in health services open around the clock" prior to the start of the 24/7 pharmacy at our Norwood store.

Our Community

What do a pharmacist, an IT manager and Father Christmas have in common?

The National Pharmacies Christmas Pageant in Adelaide of course!

On Pageant Day, in November 2023, Father Christmas was greeted by our Elizabeth store Pharmacist Anne Trieu and our IT Service Delivery Manager Scott Pelvin as members of the National Pharmacies Pageant Royal Family.

Months earlier, Anne was crowned Queen and Scott was crowned King, paving the way for both to live out their childhood dreams of participating in the Christmas Pageant.

"When I was a child we always used to come to the Pageant and see the floats and then go and see Father Christmas in his Magic Cave," said Scott.

"I wanted to be part of an iconic South Australian tradition and help spread the Christmas good cheer to all the Pageant-goers," he said.

"For many South Australians, the Pageant marks the beginning of the lead up to Christmas and is a chance for the community to come together and celebrate."

Anne said taking part in the Pageant was a privilege and had given her the chance to give back to the South Australian community for providing her parents (Vietnamese refugees) with the opportunity for a new life.

"South Australia helped my parents find a new home – they came to Adelaide in 1981 as refugees with literally nothing but the clothes on their backs and with a hope and a dream for a better life," said Anne.

Queen Anne and King Scott greeting Father Christmas.

The National Pharmacies Pageant Royal Family in 2023 were: Queen Anne Trieu, King Scott Pelvin, Prince James Childs (Senior Manager People and Culture), Prince Matthew Hocking (Principal Pharmacist at our Gawler store), Princess

National Pharmacies Christmas Pageant 2023 King Scott Pelvin (our IT Service Delivery Manager) and Queen Anne Trieu (Pharmacist at our Elizabeth store).

Neesha Crebbin (Dispensary Technician and Relief Coordinator at our Norwood store) and Princess Bronwyn Paynter (WHS & Wellbeing Programs Manager).

The Royal Family is carefully selected from National Pharmacies staff who apply for the role before sitting an interview with a judging panel.

The Royal Family's duties include welcoming Father Christmas on Pageant day and sharing the joy and spirit of the event with communities in the lead up to Pageant day.

More than 100 of our staff and more than 500 members were engaged with activities involving the National Pharmacies Christmas Pageant 2023.

National Pharmacies is the naming rights sponsor of the iconic Adelaide Christmas Pageant until 2034 – including the Pageant's 100th year in 2032.

National Pharmacies

Our People

58%
Women in management roles

905
Employees

230
Staff trained in increased scope of practice

8 years
Average years of service

'Crazy' pace of pharmacy intern's success

Pharmacist Emma Virgin's career trajectory at National Pharmacies is rocketing further skyward than she could ever have imagined.

Within a year of graduating from her Pharmacy degree, the 33-year-old from Adelaide was seconded to Victoria to help set up the new Maryborough store.

Upon her return to Adelaide, she was promoted to Pharmacist in Charge (PIC) of our Christies Beach store and is currently PIC at the National Pharmacies Morphett Vale store.

"Had I been told a year ago that I would be here, I would have said that's absolutely crazy," said Emma.

Emma is among more than 105 Pharmacy graduates selected over the past six years for the National Pharmacies Intern Program. The one-year program supports graduates to gain on the ground experience working at National Pharmacies stores while studying part-time to complete their general registration.

"Having the support of the program, fellow interns and mentors is really important for pharmacists starting out," said Emma.

Pharmacist In Charge Emma Virgin at the National Pharmacies Morphett Vale store.

Report of Operations

The 2024 financial year has been a year of review and realignment for National Pharmacies as we continued to respond to external economic factors and new sector changes, largely due to Federal Government policy, affecting the industry nationwide.

The national housing crisis, continued increases in living and energy costs for households and rising operational costs, in addition to regulatory and government policy challenges, are some of the head winds we have faced.

In response, we diligently reviewed and reset our operating models, adopted more streamlined processes, focused on developing new growth opportunities in health services and membership, and sought to better meet the changing needs of our members, customers and community.

We invested in providing greater access to expert health care and advice, redeveloped our stores, expanded our services and returned benefits to our valued members, who are more engaged in our business than ever before.

National Pharmacies is proud to have worked hard in 2023/24 to future-proof our business, while staying true to our purpose of caring for people, enabling health and inspiring wellness.

Our Dose Administration Aid Packing Facility at our Henley Beach store.

Operations - supporting growth in key areas

Increasing access to affordable health care and expanding the scope of pharmacy practice are among the key drivers of growth across the sector in coming years. This aligns well with our vision to be the destination of choice for innovative health and wellness solutions across our 46 stores in South Australia, Victoria and New South Wales.

Being an industry leader in this space will be critical to future success and supports the Federal Government's Eighth Community Pharmacy Agreement (8CPA), which began in July 2024, to ensure all Australians have access to safe, affordable life-saving medicines and services through community pharmacies.

In February 2024, National Pharmacies was the first in South Australia to open a 24/7 pharmacy, at our Norwood store, as part of a $7.5 million State Government initiative to ease pressure on our primary health care system and hospitals.

We led the industry in providing Adelaide families and individuals with access to the state's first immediate gateway to manage personal health and wellbeing every hour of every day, while also benefiting the wider health network.

Labelled a "game changer" by Premier Peter Malinauskas, in FY24 the 24/7 Norwood National Pharmacies service was visited by more than 8,300 people after-hours since its February opening.

In March 2024, South Australian women were, for the first time, able to access advice and medication for a urinary tract infection (UTI) through their local pharmacy, without needing a doctor's appointment. We were among the first community pharmacies in the state to provide women with fast, convenient and more cost-effective access to prescriptions to treat what can quickly become a very painful condition affecting up to 50 per cent of South Australian women at some time in their life. Immediate access to antibiotic treatment is critical, with UTIs accounting for nearly 9,000 hospital emergency department presentations in South Australia each year.

Our ability to mobilise and train our employees to deliver the new UTI health service quickly and efficiently meant we were able to provide more than 400 UTI consultations across most of our pharmacies from March to 30 June 2024. This equated to supporting more than half of all UTI consultations within pharmacies across the state, highlighting our ability to lead industry change to key stakeholders for the benefit of the wider community.

National Pharmacies was also among the first to provide women with access to a re-supply of the Oral Contraceptive Pill through pharmacies following changes that came into effect in South Australia in May 2024.

Our National Pharmacies Norwood store.

In 2023/24 we provided 18,000 Influenza vaccines, more than 50 per cent (10,000) of these were part of the first year of operating under a fully funded National Immunisation Program (NIP). The NIP offered 600,000 at-risk South Australians access to free Influenza vaccinations through participating community pharmacies, like National Pharmacies.

The free Influenza vaccinations open up access to affordable preventative health care for some of South Australia's most vulnerable people and was another example of our pharmacies helping reduce flu-related emergency department admissions.

These life-saving vaccines were among more than 3.45 million prescriptions dispensed in the 2024 financial year. For the first time, the Federal Government launched 60-day medicine prescribing and dispensing, raising concerns across the industry. The first tranche of 60-day dispensing of Pharmaceutical Benefits Scheme medicines was rolled out in September 2023 to help cut medicine costs for Australians. The new health policy of dispensing two months' supply of medicines has had a significant impact on our income during tough economic times. National Pharmacies dispensed close to 106,000 60-day prescriptions up until 30 June 2024.

In another first in community health, our store in Cumberland Park was the sole community pharmacy involved in a feasibility pilot undertaken by SA Health to explore how community pharmacies can expand and improve access to testing and access to antiviral treatment for respiratory illnesses for high-risk patients. Between October 2023 and May 2024, more than 30 people received consultations at our store and were tested for Respiratory Syncytial Virus (RSV), COVID-19 and

Influenza. The key intention of the pilot was to streamline the process where a patient tests positive for a virus, through to a telehealth GP appointment, and dispensing and delivering relevant medications, such as COVID-19 antivirals, where appropriate. The outcomes of the trial are being finalised.

Throughout 2023/24, we also focused on investing in our stores in key geographical areas with expected population growth and greater needs.

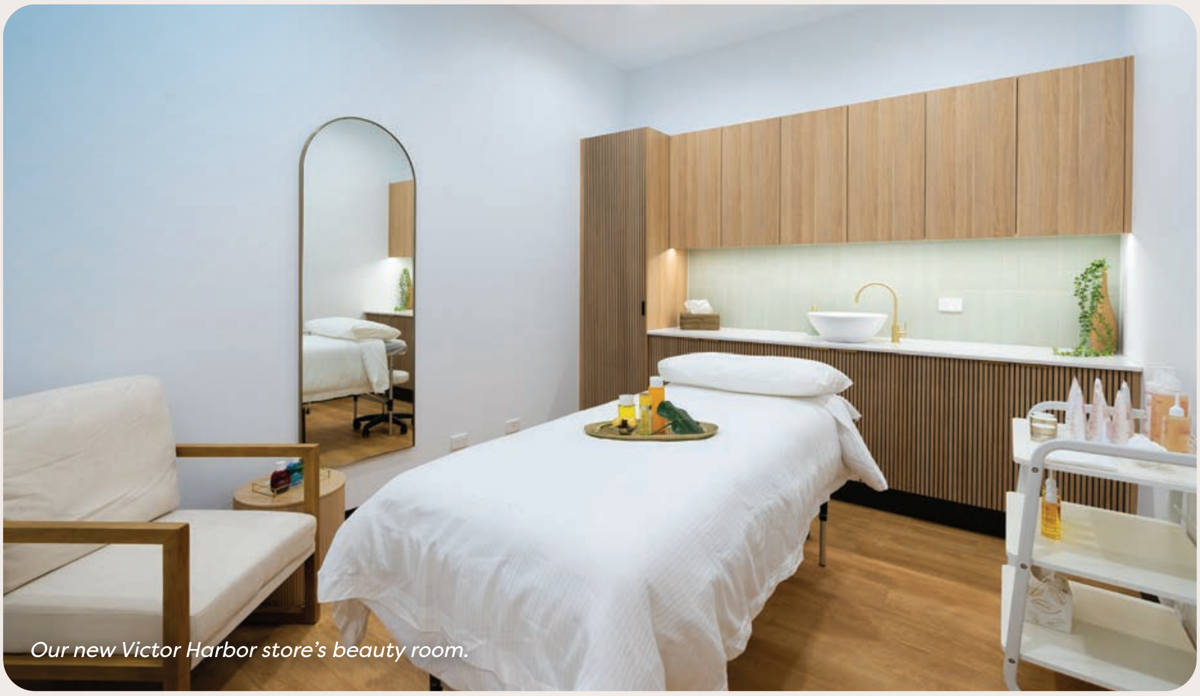
In March 2024, we opened our new Victor Harbor store in South Australia. The store was relocated to a new site and co-located with a medical centre to meet the growing demands of the Fleurieu Peninsula.

The new Victor Harbor store also included the relocation of our Optical by National Pharmacies store, one of 19 operating in South Australia.

A new pharmacy and optical store are planned to open in North Adelaide in 2025, as 200 new residents start to make a nearby, and long-awaited, multi-million-dollar apartment development their home.

A total of more than $1.7 million was invested in store refurbishments, including adding state-of-the art beauty therapy rooms to our recently renovated Norwood store to complement our offerings in unrivalled quality beauty products and wellness services.

Providing a more contemporary bricks and mortar retail experience is part of our vision for growth, relativity and longevity among existing and new members and customers, as is investment in digital transformation.



Our new Victor Harbor store's beauty room.

Our Membership – our promise

Our members are at the heart of what we do at National Pharmacies.

As a member-based organisation, returning benefits and value to our growing number of members is an important part of our purpose for future growth - now more than ever.

In 2023/24, our member base increased to more than 241,000, with member benefits in excess of $27 million.

This result followed a number of initiatives to enhance the membership experience, with gross profit on sales in pharmacy stores up by more than 8 per cent from last year.

A review of our Membership Value Proposition (MVP) was undertaken to reflect the changing needs of our members. With a strategic focus on a 'membership with purpose', the MVP reflects on National Pharmacies' roots as a Friendly Society caring for members since 1911, and our unique position as a trusted health partner with national reach, providing exclusive benefits and savings on expert health advice, medications, quality optical services and specialist beauty services and products.

Further investment in membership support, including IT integration, has given members improved membership renewal journeys and greater access to online services with the launch of our new National Pharmacies app.

Digital reform and expanding IT capabilities, investment in employee training and upskilling and strategic marketing to highlight expertise, value and point of difference will help acquire and retain members, including those expected to transfer from the Pharmacy Saver membership offered by BUPA to a direct membership with National Pharmacies.

A customer receiving quality optical services at our Torrensville store.

The launch of the Opticycle contact lens waste program, aligning with our Pharmacycle medicine blister pack recycling program.

This policy change takes effect from 1 August 2024. While the full outcome of the transition cannot be quantified at this time, early indications of membership transition have been positive. Many members have renewed their memberships directly with National Pharmacies before the policy change date, with feedback highlighting the importance and relevance of our member benefits, our value and our trusted standing and expertise.

Caring for our community and our environment

In November 2023, National Pharmacies led the optical industry in a national-first contact lens waste recycling initiative.

The innovative trial involved Optical by National Pharmacies partnering with Opticycle to recycle empty disposable contact lens blister cases deposited in collection boxes at 10 Optical by National Pharmacies stores in South Australia.

To date, more than 9,000 empty disposable contact lens blister cases have been collected for separation into plastic and aluminum for repurposing into building products, including plastic fence posts and plastic wheel stops and in the production of steel.

The contact lens waste trial followed the ongoing success of National Pharmacies recycling 8.2 million empty medicine blister packs as part of a program that has more than doubled recycling targets since starting in November 2022.

This partnership with Pharmacycle has meant tonnes of pharmaceutical waste have been diverted from landfill and repurposed.

The success of these recycling programs has come from the support of members and customers who have encouraged National Pharmacies to keep expanding the potential of pharmacy waste recycling.

Ensuring our environmental footprint is as light as possible is part of our Environmental, Social and Governance (ESG) commitments. Our ESG policy encourages corporate social responsibility, including supporting the needs of our members and communities through sponsorships and initiatives changing peoples' lives, bringing hope and joy.

Our fifth year as naming rights sponsor of the National Pharmacies Christmas Pageant brought more than 300,000 people, many of them children, to the streets of Adelaide to witness the event that starts Christmas in South Australia. Our agreement has been extended until 2034 – and will include the Pageant's 100th year in 2032.

We also remain a foundational partner of KickStart for Kids, an organisation that provides a breakfast and lunch program for underprivileged children in South Australia and whose services have been in high demand over the past year.

Since 2013, National Pharmacies has proudly contributed corporate and in-store donations from our employees, members and customers to KickStart for Kids, with more than $150,000 donated in the past five years.

In April 2024, we committed to supporting the nation's biggest junior football league as a SANFL naming rights partner for the fourth consecutive year. The competition was on target to reach a record 13,000 participants in 2024. Providing more children every year with an opportunity to participate in sport is a healthy initiative we are proud to be a part of.

Also to be celebrated is our involvement in the Heart of the Nation program founded by former yellow Wiggle Greg Page. National Pharmacies' roll-out of the lifesaving initiative was completed in November 2023 with the installation of 42 Automatic External Defibrillators (AEDs) at our sites across South Australia and Victoria. The AEDs provide our community with 24-hour access to time-critical treatment of sudden cardiac arrest – a killer of up to 33,000 Australians annually.

Our People

As a Friendly Society caring for members for the past 113 years, investment in our people remains at the heart of our continued success.

Our employees – more than 900 across three states – are pivotal in ensuring we continue to evolve to meet the changing needs of our members and our community.

From our pharmacies to our optical stores, distribution centre and administration teams, our people have worked tirelessly this year embracing operational changes, new services, new skills and government initiatives so we can better serve our members, customers and community.

Our employees remain deeply embedded in the communities they serve. More than 100 employees joined more than 500 members from across South Australia in November 2023 to take part in the much-loved 91st National Pharmacies Christmas Pageant.

Our dedicated employees actively participate in supporting our communities outside the workplace and are constantly striving to ensure they are providing the best care, advice and service through training and upskilling.

In 2023/24, more than 80 customer-facing pharmacy employees in South Australia were trained in mental health first aid as part of a State Government-funded initiative. The training aims to improve early identification of mental ill-health and provide appropriate initial support to people experiencing mental ill-health. Almost 45 per cent (or 8.6 million) Australians aged 16-85 have experienced a mental disorder at some time in their life.

More of our dispensary technicians, pharmacy assistants and intern pharmacists are scheduled to undertake mental health first aid training in the second half of 2024. They will be able to provide support and referrals to mental health services, where necessary, to help relieve pressure on Emergency Departments which have experienced a rise in mental health admissions post-COVID-19.

Taking care of our people to take care of our members, customers and community is vitally important as we face increasing demand from an ageing population and an ever-expanding scope of pharmacy practice. This comes at a time when the number of graduating pharmacists across Australia is in decline.

Now more than ever we are working hard to ensure we remain an employer of choice for existing and prospective employees and support them to be future-ready for an expanding industry. It is why we have partnered with the Pharmaceutical Society of Australia to deliver our intern training program for recent pharmacy graduates. Despite the shrinking graduate pool, our intern program has continued to attract an average of 17 interns per year since 2019, with 18 enrolled in this year's program. Interns from the program have gone on to leadership team positions at National Pharmacies. We have also introduced a rural pharmacist internship scholarship, which was allocated to our first student in 2023/24.

Our Future

With Federal and State Governments rapidly supporting the expansion of pharmacy practice, our role as a trusted health partner will strengthen.

Community pharmacies are increasingly becoming part of innovative solutions to help address GP shortages and high patient demand on hospitals by providing greater access to, and more affordable, health care.

This includes the trial of a Post Discharge Medicine Service involving National Pharmacies. National Pharmacies has been on-boarded and trained to provide the pilot service in 2024/25, which aims to reduce avoidable medication-related hospital readmissions from medication adverse events and other medication-related issues.

We will continue to work towards strengthening our relationship with governments, peak bodies and health agencies to ensure community pharmacies can operate to their fullest scope to benefit our members and community.

Collaborating and partnering with like-minded organisations, such as Pharmacycle and Opticycle, to expand and grow in line with our strategic goals and purposes will be an important part of our work in 2024/25.

And we will continue to keep a close watch on the impact of expected legislative changes planned for 1 October 2024, which as a result would permit adults to purchase nicotine-containing vapes (which are not approved by the Therapeutic Goods Association) through community pharmacies without the need for a prescription. We have joined industry peak bodies in echoing our concern over the down-scheduling of nicotine-containing vapes from Prescription Only medicines (Schedule 4) to Pharmacist Only medicines (Schedule 3).

The Board and management of National Pharmacies would like to thank our dedicated employees, our loyal members and customers, and our business and community partners. Your support remains invaluable in our continued purpose to care for people, enable health and inspire wellness.

Pauline Carr
Chair

Vito Borrello
Chief Executive Officer

> **At National Pharmacies, we reinvest our profits into our members and local community by providing savings across all health, beauty and optical products and services and environmental and social impact programs.**
>
> **- National Pharmacies CEO Vito Borrello**

Directors' Report

for the 52 Week Period Ended 30 June 2024

The Directors of Friendly Society Medical Association Limited ("FSMA" or "The Company") and its controlled entities (the Group) submit herewith their report, together with the annual financial report for the 52 week financial period ended 30 June 2024 (2023: 52 week period ended 2 July 2023) and the Independent Auditor's Report thereon.

In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

All Directors are members of Friendly Society Medical Association Limited.

The names and particulars of the Directors of the Company during or since the end of the financial period are:

Pauline Carr

Non-Executive Chairman

BEc, MBA, FAICD, FGIA FCG (CS,CGP)

Experience and Expertise

Ms Carr is an experienced non-executive director and senior executive with extensive commercial, management, compliance and governance expertise acquired over 30 years with Australian and international organisations in a range of sectors.

She joined the Board of FSMA on 23 September 2013 and was appointed Chairman on 26 March 2018.

Current and former Directorships in the past three years

During the year, Ms Carr stepped down from her role as Chancellor of the University of South Australia to become Chancellor of the Transition Council of the new Adelaide University.

She is also a non-executive director of ASX listed companies Highfield Resources Limited and Australian Rare Earths Limited and chairs their Audit and Risk Committees and their Remuneration and Nomination Committees.

Responsibilities

Ms Carr is a member of the People, Culture and Rewards Committee.

Gregory Connor

BEd, SF Fin, FAICD, Life Member and FAIM

Experience and Expertise

Mr Connor is a Management Consultant and founding Director of VUCA Pty Ltd. He joined the Board on 29 March 2010 as a non-executive Director and was appointed Deputy Chairman on 26 March 2018. He has extensive experience in Mutual Organisations, Financial Services, Corporate Governance and Human Resource Management.

Current and former Directorships in the past three years

Current Chairman of Auburn & Lidcombe United Friendly Society Pharmacy Board Limited and a Director of VUCA Pty Ltd.

Formerly Chairman of Abacus Australian Mutuals, Deputy Chairman of Bedford Industries and a Director of AIM SA.

Responsibilities

Mr Connor is a member of the Audit and Risk Committee and the People, Culture and Rewards Committee.

Richard England

FCA, MAICD

Experience and Expertise

Mr England is an experienced non-executive director and chair of both listed and unlisted companies encompassing healthcare, major infrastructure, innovation, agribusiness, banking and insurance. Mr England joined the Board on 1 January 2020.

Current and former Directorships in the past three years

Mr England is Chairman of Hobart International Airport Pty Ltd and a director of Indigenous Art Code Limited, Gardior Pty Ltd, Tasmanian Symphony Orchestra and Agency Projects Limited.

His former Directorships include Japara Healthcare Limited, Bingo Industries Limited, Nanosonics Limited, QANTM Intellectual Property Limited and HBF Health Limited.

Responsibilities

Mr England is Chairman of the Audit and Risk Committee and a member of the People, Culture and Rewards Committee.

Linda Heron

GAICD, MAHRI, MContempLdship

Experience and Expertise

Mrs Heron has over 20 years' experience as a non-executive director across the private and public sectors.

Mrs Heron is currently Interim Executive Director of People and Culture at Goulburn Ovens TAFE and has also held several other senior executive roles, including: Interim Director People and Culture at Flinders University in 2021, establishing the Human Resources function at St Kevin's College in the capacity of Interim Director, Human Resources in 2020, and managing the Human Resources, corporate governance and legal counsel functions at Melbourne Water. She also has extensive retail experience, including leading large operational teams in the Coles Supermarket business and establishing and leading the Organisational Development function within the corporate Human Resources division of ColesMyer.

She joined FSMA on 29 March 2010 as a Non-Executive Director.

Current and former Directorships in the past three years

Mrs Heron is the Director of Heron Human Resources, a business she established to provide expert advice to businesses on strategic Human Resources issues, including change management, leadership and talent development.

She was previously a non-executive Director of the Army and Airforce Canteen Service and Chairman of its Audit Committee.

Responsibilities

Mrs Heron is Chairman of the People, Culture and Rewards Committee and a member of the Audit and Risk Committee.

Executive Leadership Team

Vito Borrello
Chief Executive Officer

Sarah James
General Manager
Operations

Sam Laing
General Manager
Health Services

Kimberley Bolton
General Manager Member & Customer Experience

Rob Quinton
General Manager
Finance

Jeri Tsoukalas
General Manager
People & Technology

Jennifer Taylor
Company Secretary

Principal Activities and Changes

The Group's principal activities during the course of the financial period were those of Retail Community Pharmacy, Community Service Obligation (CSO) Wholesaler and Optical Dispenser. During, or since, the financial period there were no significant changes to the principal activities of the Group.

Review of Operations

In the year to 30 June 2024, the Group focused on implementing a number of major strategic initiatives including the Norwood store being the first 24/7 pharmacy opened in Adelaide and the relocation of the Victor Harbor store. Further, considerable capital investment was made to enhance the Group's IT capability and upgrading the ERP system.

Membership has grown by 2.7%. Revenue during 2023/2024 was $292.5 million, which was a 3.1% increase on the prior year. However, the profit of the Group was impacted by increases in costs and operating expenses.

This was largely driven by a rise in labour costs and operating costs, such as electricity, and a higher CPI rate driving up leases expenses.

Reported underlying earnings was a loss of $5.5 million with corresponding EBIT loss of $1.1 million and EBITDA profit of $9.8 million. Benefits to members over this period were $27.6 million.

The carrying value of goodwill and intangible assets takes into consideration the future profitability of individual pharmacies. The basis for the calculation for this period included the expectation that over the five-year forecasted period we will realise growth in prescription numbers and retail and optical sales. The result is that no impairment is required to reduce the carrying value of Goodwill and Intangible Assets held on the Statement of Financial Position as at 30 June 2024 (2023: $0).

The factors outlined above influenced this period's reported net profit after tax, which was a loss of $5.5 million (2023: loss of $6.1 million).

Issued Capital

The Company is limited by Shares and Guarantee. At 30 June 2024 and at 2 July 2023, the Company had no issued shares.

The Company is limited by a guarantee of $1 per member. At 30 June 2024, the Company had 142,634 Memberships (2023: 138,951).

Changes in State of Affairs

There was no significant change in the state of affairs of the Group during the financial year.

Subsequent Events

On 26 August 2024, the Group entered into a new banking agreement with its existing lender. The new facility and changes to the existing facilities are outlined as follows:

- An additional $3 million Corporate Market Loan expiring on 30 June 2027, with monthly repayments of $25,000.

The loan can be paid down and redrawn at any time.

- The current security over the facility was to be replaced with seven business assets. They are National Pharmacies Findon, National Pharmacies Blackwood, National Pharmacies Mitcham, National Pharmacies Norwood, National Pharmacies Victor Harbor, National Pharmacies Glenunga and National Pharmacies Gawler.
- The term of the existing $1.7 million Corporate Market Loan was extended to 30 June 2027.
- The term of the existing overdraft facility of $13.0 million has been extended to 30 June 2025.
- The bank covenants remain unchanged except for the requirement that the pharmacy stores located at Findon, Blackwood, Mitcham, Norwood, Victor Harbor, Glenunga and Gawler are to be revalued by a bank approved valuer at intervals of not more than three years from 30 September 2024 onwards.
- All the other components of the existing facilities and General Security Agreement remain in place.

Other than the events disclosed above, there have been no events subsequent to the reporting date which would have a material impact on the Group's 30 June 2024 financial statements.

Future Developments

Despite the current economic challenges, such as inflationary pressures and the fluctuations in the retail market, the Company is well positioned to navigate the economic landscape and achieve sustainable growth by leveraging the expertise of its leadership team and implementing more member focused strategies.

Indemnification of Officers and Auditors

During the financial period the Company paid a premium in respect of a contract insuring the Directors of the Company (as named above), the Company Secretary, Ms J Taylor, and all executive officers of the Company and any related body corporate against a liability incurred as such a Director, Secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability cover and the amount of the premium.

The Company has not otherwise, during or since the financial period, indemnified or agreed to indemnify an officer (other than Directors) or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Auditor's Independence Declaration

The auditor's independence declaration is made on page 30 and forms part of this Directors' Report.

Rounding Off of Amounts

The Company is a company of the kind referred to in ASIC Corporations Instrument 2016/191 and in accordance with that Instrument amounts in the Directors' Report and the Financial Report are rounded off to the nearest thousand dollars, unless otherwise stated.

Directors' Meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial period and the number of meetings attended by each director (whilst in their capacity as a director or committee member). During the financial period, 12 Board meetings, 3 Audit and Risk Committee meetings and 3 People, Culture and Rewards Committee meetings were held.

Directors	Board of Directors		Audit and Risk Committee		People, Culture and Rewards Committee	
	Held	**Attended**	**Held**	**Attended**	**Held**	**Attended**
P F Carr	12	12	3	#3	3	3
G J Connor	12	11	3	3	3	3
R A F England	12	12	3	3	3	3
L M Heron	12	11	3	2	3	3

 # Indicates ex officio attendance at a Committee meeting

Signed in accordance with a resolution of the Directors made pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the Directors

P F Carr
Chairman

R A F England
Director

Directors' Declaration

In the opinion of the Directors of Friendly Society Medical Association Limited (the Company):

a. the Company is not publicly accountable;

b. the consolidated financial statements and notes that are set out on pages 33 to 65 are in accordance with the Corporations Act 2001, including:

    i. giving a true and fair view of the financial position of the Group as at 30 June 2024 and of its performance for the financial period ended on that date, and

    ii. complying with Australian Accounting Standards – Simplified Disclosure Requirements and the Corporations Regulations 2001, and

c. the Consolidated Entity Disclosure Statement as at 30 June 2024 is true and correct, and

d. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the Directors

P F Carr
Chairman

R A F England
Director

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Friendly Society Medical Association Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Friendly Society Medical Association Limited for the 52-week period ended 30 June 2024 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Darren Ball
Partner

Adelaide
23 September 2024

KPMG

Independent Auditor's Report

To the members of Friendly Society Medical Association Limited

Opinion

We have audited the ***Financial Report*** of Friendly Society Medical Association Limited (the Company).

In our opinion, the accompanying Financial Report of the Company gives a true and fair view, including of the ***Group's*** financial position as at 30 June 2024 and of its financial performance for the 52-week period then ended, in accordance with the *Corporations Act 2001,* in compliance with *Australian Accounting Standards - Simplified Disclosures* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated Statement of Financial Position as at 30 June 2024;
- Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity, and Consolidated Statement of Cash Flows for the 52 week period then ended;
- Consolidated Entity Disclosure Statement and accompanying basis of preparation as at 30 June 2024;
- Notes, including material accounting policies; and
- Directors Declaration.

The ***Group*** consists of the Company and the entities it controlled at the period end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other Information

Other Information is financial and non-financial information in Friendly Society Medical Association Limited's annual report which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Director's report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

KPMG

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Group, and in compliance with *Australian Accounting Standards - Simplified Disclosures* and the *Corporations Regulations 2001;*
- implementing necessary internal control to enable the preparation of a Financial Report in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Group, and that is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf This description forms part of our Auditor's Report.

KPMG

Darren Ball

Partner

Adelaide

23 September 2024

National Pharmacies

Financial Report

FRIENDLY SOCIETY MEDICAL ASSOCIATION LIMITED

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the 52 Week Period Ended 30 June 2024

	Note	2024 $'000	2023 $'000
Revenue	4(a)	292,541	283,843
Finance costs	4(b)	(4,827)	(4,548)
Other expenses	4(b)	(293,549)	(285,929)
Profit/(Loss) before income tax (expense) / benefit		**(5,835)**	**(6,634)**
Income tax (expense) / benefit	5(a)	344	523
Profit/(Loss) for the period		**(5,491)**	**(6,111)**
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:			
Gain on property revaluation		1,011	2,634
Income tax on items taken directly to or transferred from equity		(344)	(523)
Other comprehensive gain for the period		667	2,111
Total comprehensive profit/(loss) for the period		**(4,824)**	**(4,000)**

Notes to the financial statements are included as pages 39 to 65.

FRIENDLY SOCIETY MEDICAL ASSOCIATION LIMITED

Consolidated Statement of Financial Position as at 30 June 2024

	Note	2024 $'000	2023 $'000
Current Assets			
Cash and cash equivalents	22(a)	1,512	1,445
Trade and other receivables	7	6,074	4,762
Inventories	8	41,864	41,252
Prepayments		2,392	2,279
Total Current Assets		**51,842**	**49,738**
Non-Current Assets			
Property, plant and equipment	9	103,500	99,869
Goodwill	10	5,712	5,712
Other intangible assets	11	4,267	4,892
Total Non-Current Assets		**113,479**	**110,473**
Total Assets		**165,321**	**160,211**
Current Liabilities			
Bank overdraft	22(a)	9,090	3,995
Trade and other payables	12	28,155	25,086
Borrowings	15	11,377	11,039
Other financial liabilities	13	23	24
Provisions	14	8,142	8,084
Total Current Liabilities		**56,787**	**48,228**
Non-Current Liabilities			
Borrowings	15	50,998	49,573
Provisions	14	2,230	2,280
Total Non-Current Liabilities		**53,228**	**51,853**
Total Liabilities		**110,015**	**100,081**
Net Assets		**55,306**	**60,130**
Equity			
Issued capital	16	-	-
Asset Revaluation Reserves	17	12,057	11,390
Retained earnings		43,249	48,740
Total Equity		**55,306**	**60,130**

Notes to the financial statements are included as pages 39 to 65.

FRIENDLY SOCIETY MEDICAL ASSOCIATION LIMITED

Consolidated Statement of Changes in Equity for the 52 Week Period Ended 30 June 2024

	Fully paid ordinary shares $'000	Asset Revaluation Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 3 July 2022	-	9,279	54,851	64,130
Loss for the period	-	-	(6,111)	(6,111)
Other comprehensive income for the period:				
Gain on property revaluation	-	2,634	-	2,634
Tax consequences	-	(523)	-	(523)
Total comprehensive (loss)/income for the period	-	2,111	(6,111)	(4,000)
Balance at 2 July 2023	**-**	**11,390**	**48,740**	**60,130**
Balance at 2 July 2023	-	11,390	48,740	60,130
Loss for the period	-	-	(5,491)	(5,491)
Other comprehensive income for the period:				
Gain on property revaluation	-	1,011	-	1,011
Tax consequences	-	(344)	-	(344)
Total comprehensive (loss)/income for the period	-	667	(5,491)	(4,824)
Balance at 30 June 2024	**-**	**12,057**	**43,249**	**55,306**

Notes to the financial statements are included as pages 39 to 65.

Consolidated Statement of Cash Flows
for the 52 Week Period Ended 30 June 2024

	Note	2024 $'000	2023 $'000
		Inflows/ (Outflows)	
Cash Flows from Operating Activities			
Receipts from customers		293,801	284,892
Payments to suppliers and employees		(289,865)	(282,759)
Member contributions received		7,301	8,292
Interest paid	4(b)	(389)	(224)
Net Cash from Operating Activities		**10,848**	**10,201**
Cash Flows from Investing Activities			
Payments for property, plant and equipment and intangible assets (excluding the payment for assets in below business acquisition)		(6,254)	(6,251)
Payments for business acquisition	24	-	(5,041)
Interest received	4(a)	46	246
Net Cash from/(used in) Investing Activities		**(6,208)**	**(11,046)**
Cash Flows Used in Financing Activities			
Repayment of borrowings		(267)	(267)
Payment of lease liabilities	20(c)	(9,401)	(9,224)
Net Cash used in Financing Activities		**(9,668)**	**(9,491)**
Decrease in cash and cash equivalents held		(5,028)	(10,336)
Cash and cash equivalents at the beginning of the Financial Period		(2,550)	7,786
Cash and cash equivalents / (Bank overdraft) at the end of the Financial Period	22(a)	**(7,578)**	**(2,550)**

Notes to the financial statements are included as pages 39 to 65.

FRIENDLY SOCIETY MEDICAL ASSOCIATION LIMITED

Consolidated Entity Disclosure Statement
as at 30 June 2024

Entity Name	Body corporate, partnership or trust	Place incorporated / formed	% of share capital held directly or indirectly by the company in the body corporate	Australian or Foreign tax resident	Jurisdiction of Foreign tax resident
Friendly Society Medical Association Limited (the Company)	Body corporate	Australia		Australian	N/A
National Pharmacies Australia Pty Ltd	Body corporate	Australia	100%	Australian	N/A

Key Assumptions and Judgement

Determination of Tax Residency

Section 295 (3A) of the Corporation Acts 2001 requires that the tax residency of each entity which is included in the Consolidated Entity Disclosure Statement (CEDS) be disclosed. In the context of an entity which was an Australian resident, "Australian resident" has the meaning provided in the Income Tax Assessment Act 1997. The determination of tax residency involves judgment as the determination of tax residency is highly fact dependent and there are currently several different interpretations that could be adopted, and which could give rise to a different conclusion on residency.

In determining tax residency, the consolidated entity has applied the following interpretations:

Australian tax residency
The consolidated entity has applied current legislation and judicial precedent, including having regard to the Commissioner of Taxation's public guidance in Tax Ruling TR 2018/5

Notes to the financial statements are included as pages 39 to 65.

Notes to the Financial Statements
for the 52 Week Period Ended 30 June 2024

1. Additional Information

Friendly Society Medical Association Limited (the Company) is a public company, incorporated and operating in Australia.

Registered office and principal place of business

52 Gawler Place
Adelaide SA 5000

2. Adoption of New and Revised Accounting Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period. Refer to Note 3 (iii) for details of changes in accounting policies.

Various other Standards and Interpretations were on issue but were not yet effective at the date of authorisation of the financial report. The issue of these Standards and Interpretations do not affect the Group's present policies and operations. The directors anticipate that the adoption of these Standards and Interpretations in future periods will not materially affect the amounts recognised in the financial statements of the Group but may change the disclosure presently made in the financial statements of the Group.

Notes to the Financial Statements for the 52 Week Period Ended 30 June 2024

3. Summary of Accounting Policies

(i) *Statement of Compliance*

The financial report is a general purpose financial report comprising the Company and its subsidiaries (together referred to as the Group) for distribution to the members and for the purpose of fulfilling the requirements of the *Corporations Act 2001.* They have been prepared in accordance with Australian Accounting Standards - Simplified Disclosures made by the Australian Accounting Standards Board and the *Corporations Act 2001.*

The financial report comprises the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a not-for-profit entity.

The financial statements were authorised for issue by the directors on 23 September 2024.

(ii) *Basis of Preparation*

The financial year end for the Group is 30 June 2024 and comprises 52 weeks (2023: 2 July 2023 and comprising 52 weeks).

The financial report has been prepared on the basis of historical cost, except for the revaluation of freehold land and buildings. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial / Directors Reports) Instrument 2016/191, and in accordance with the Instrument amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

In the application of the Group's accounting policies, as set out below, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Determining whether goodwill is impaired requires an estimation of the higher of fair value less costs to sell or the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset the Group takes into account the characteristics of the asset if market participants would take those characteristics into account when pricing the asset at the measurement date.

The carrying amount of goodwill at 30 June 2024 was $5,712,000 (2 July 2023 was $5,712,000). Nil impairment loss was recognised during 2024 (2023: Nil).

Notes to the Financial Statements
for the 52 Week Period Ended 30 June 2024

3. Summary of Accounting Policies (cont'd)

Going Concern

The Group consolidated financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The Group's financial position as at 30 June 2024 included current liabilities of $56,787,000 which exceed current assets of $51,842,000 by $4,945,000. The Group recorded a loss before tax of $5,835,000 (2023: $6,634,000) and incurred net cash outflows from operations of $5,028,000 (2023: $10,336,000) during the period ended 30 June 2024.

The Group's bank overdraft facility, disclosed in Note 22, with a limit of $13,000,000 was drawn to $9,090,000 as at 30 June 2024 (2023: $3,995,000). On 26 August 2024, the Group entered into new banking agreement facilities which included an extension to the expiry date of the bank overdraft facility to 30 June 2025 – refer to Note 27 for a summary of the changes to the funding agreement. Included in the new agreements was a $3.0 million term facility expiring on 30 June 2027.

The Directors have approved a cash flow forecast prepared by the management for the twelve-month period from the date of signing this financial report which indicates that the Group has sufficient funds to meet the Company's minimum ongoing operating commitments. These forecasts assume that the overdraft facility will be available beyond 30 June 2025. The Directors do not currently see any impediment in achieving forecast, meeting existing covenants and extending the Groups facility with the existing lenders beyond 30 June 2025 (or alternatively refinancing if this delivers a benefit to the Group). Should the Group be unable to refinance amounts outstanding at this date, additional funds are able to be realised by selling assets without detriment to the ongoing financial viability of the Group.

Based on the cashflow forecasts, the Directors are of the opinion that the Group is able to meet its obligations as they fall due for at least twelve months from the date of signing this financial report and that the going concern basis is appropriate.

(iii) *Changes in Accounting Policies from 2023*

(a) Deferred tax related to assets and liabilities arising from a single transaction

The Group has adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences, e.g. leases and decommissioning liabilities. For leases and decommissioning liabilities, an entity is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur on or after the beginning of the earliest period presented.

Prior to the Company adopting this amendment to IAS 12, the Group recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets (refer to Note 5) and these were offset in the statement of financial position in accordance with paragraph 74 of IAS 12 resulting in a similar outcome as under the amendments. There was no impact on the opening retained earnings as at 3 July 2023 as a result of the change.

(b) Material accounting policy information

The Group also adopted Disclosure of Accounting Policies (Amendments to IAS 7 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

Notes to the Financial Statements
for the 52 Week Period Ended 30 June 2024

3. Summary of Accounting Policies (cont'd)

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in line with the amendments.

(iv) *Material Accounting Policies*

The following material accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Trade and Other Payables

Trade and other accounts payable are initially recognised at fair value and subsequently measured at amortised cost and are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

(b) Property Plant and Equipment

Land and buildings are measured at fair value. Fair value is determined on the basis of an annual independent valuation prepared by external valuation experts, based on discounted cash flows or capitalisation of net income (as appropriate). The fair values are recognised in the financial statements of the Group, and are reviewed at the end of each reporting period to ensure that the carrying value of land and buildings is not materially different from their fair values.

Any revaluation increase arising on the revaluation of land and buildings is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to the Consolidated Statement of Profit or Loss and Other Comprehensive Income to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land and buildings is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the asset revaluation reserve, net of any related deferred taxes, is transferred directly to retained earnings.

Plant and equipment and leasehold improvements are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis or by diminishing value method, so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following estimated useful lives are used in the calculation of depreciation for the current and comparative period are as follows:

• Buildings	30 years
• Leasehold improvements	2-15 years
• Plant and equipment	2.5-33 years

Notes to the Financial Statements
for the 52 Week Period Ended 30 June 2024

3. Summary of Accounting Policies (cont'd)

(c) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments. Bank overdrafts are shown separately in current liabilities in the statement of financial position.

(d) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, time in lieu, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Contributions to accumulated benefit superannuation benefit plans are expensed when incurred.

(e) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables, which are recognised inclusive of GST.

The net amount of GST recoverable from the taxation authority is included as part of receivables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financial activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(f) Goodwill

Under AASB 136 *Impairment of Assets*, goodwill and intangible assets with indefinite useful lives must be tested annually for impairment.

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill is subsequently measured at its cost less any impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGUs) expected to benefit from the synergies of the business combination. CGUs to which goodwill has been allocated are tested for impairment annually.

The recoverable amount of the CGU at 30 June 2024 was determined based on a value in use calculation. Value in use was determined using cash flow projections based on financial forecasts approved by the Board.

Notes to the Financial Statements
for the 52 Week Period Ended 30 June 2024

3. Summary of Accounting Policies (cont'd)

(g) Income Tax

Current tax
Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period
Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

(h) Debt and Equity Instruments

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(i) Inventories

Inventories on hand consist of finished goods. Inventories are valued at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Notes to the Financial Statements
for the 52 Week Period Ended 30 June 2024

3. Summary of Accounting Policies (cont'd)

(j) Leased Assets

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in AASB 16.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments, including in-substance fixed payments; and
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured where there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Notes to the Financial Statements
for the 52 Week Period Ended 30 June 2024

3. Summary of Accounting Policies (cont'd)

(k) Principles of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income from the effective date of acquisition or up to the effective date of disposal as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

(l) Provisions

Provisions are recognised when the Group has a present obligation, the future sacrifice of economic benefits is probable and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(m) Impairment of Non-financial Assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill and other intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that the asset may be impaired. Any impairment of goodwill is not subsequently reversed.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase (refer Note 3(iv)(b)).

Notes to the Financial Statements
for the 52 Week Period Ended 30 June 2024

3. Summary of Accounting Policies (cont'd)

(n) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods
Revenue from sale of goods is recognised when the performance obligations are satisfied as follows:

- the Group has transferred to the buyer control of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services
Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Interest revenue
Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income
Revenue from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Contributions
Revenue from members' contributions is recognised on an accrual basis.

(o) Financial Instruments

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
1) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
2) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Notes to the Financial Statements
for the 52 Week Period Ended 30 June 2024

3. Summary of Accounting Policies (cont'd)

(o) Financial Instruments (cont'd)

Trade receivables are to be settled within agreed trading terms, typically less than 60 days, and are initially recognised at fair value and then subsequently at amortised cost, less any expected credit loss allowances. Under the "expected credit loss" model, the allowance for credit losses is calculated by considering on a discounted basis the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability weighted outcomes. Significant receivables are individually assessed. Non-significant receivables are not individually assessed; instead, credit loss testing is performed by considering the risk profile of that group of receivables. All allowances for credit losses are recognised in the profit and loss.

Financial assets that are subject to credit risk are assigned to one of three stages and could be reassigned based on changes in asset quality:

- Stage 1 are performing and/or newly originated assets. Provisions for financial assets in stage 1 are established to provide for ECL for a period of 12 months;
- Stage 2 includes financial assets that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised;
- Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised.

(p) Intangible Assets

Intangible assets acquired separately
Intangible assets acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination
Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are measured at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(q) Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of their fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Notes to the Financial Statements
for the 52 Week Period Ended 30 June 2024

3. Summary of Accounting Policies (cont'd)

(q) Business Combinations (cont'd)

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, in any, is recognised in profit or loss. Amounts arising from interest in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 (2008) are recognised at their fair value at the acquisition date, except that assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

Notes to the Financial Statements
for the 52 Week Period Ended 30 June 2024

4. Profit from Operations

	2024 $'000	2023 $'000
(a) Revenue		
Revenue from continuing operations consisted of the following items:		
Revenue from the sale of goods	252,072	245,131
Revenue from the rendering of services	29,402	28,668
Member contributions	7,299	6,905
Rental revenue	460	386
Interest revenue:		
Bank deposits	46	246
Other revenue	3,262	2,507
	292,541	283,843
(b) Profit/(Loss) before income tax		
Finance costs:		
Interest on bank loan	389	224
Lease interest expense	4,438	4,324
	4,827	4,548

Notes to the Financial Statements for the 52 Week Period Ended 30 June 2024

4. Profit from Operations (cont'd)

	2024 $'000	2023 $'000
(b) Profit/(Loss) before income tax (cont'd)		
Other expenses:		
Cost of sales	204,631	202,067
Retail expenses	46,807	43,123
Administration expenses	18,553	18,224
Occupancy expenses	17,777	16,145
Marketing expenses	4,921	4,799
Loss on property revaluations recognised through profit or loss	143	685
Loss on disposal of property, plant and equipment	92	21
Other expenses	625	865
	293,549	285,929
Employee benefit expense:		
Wages and salaries	49,283	45,427
Contributions to superannuation funds	5,479	4,837
Increase / (Decrease) in employee benefits provision	9	764
	54,771	51,028
Depreciation of non-current assets	10,253	9,972
Impairment of non current assets	-	-
Amortisation of customer lists	625	862

Notes to the Financial Statements
for the 52 Week Period Ended 30 June 2024

5. Income Taxes

	2024 $'000	2023 $'000
(a) Income tax recognised in profit or loss		
Tax expense/(income) comprises:		
Current and deferred tax expense/(benefit) relating to the origination and reversal of temporary differences and tax losses	(344)	(523)
Total tax expense/(benefit)	(344)	(523)
The prima facie income tax expense/(benefit) on pre-tax accounting loss from operations reconciles to the income tax expense/(income) in the financial statements as follows:		
Loss before income tax	(5,835)	(6,634)
Income tax revenue calculated at 30% (2023: 30%)	(1,751)	(1,990)
Non-deductible expenses – other	1,382	1,903
Non-deductible expenses – non current assets impairment and amortisation	188	258
Non assessable income and other deductible expenses	(381)	(100)
Prior year derecognition of revenue and capital losses	218	(554)
Adjustments recognised in the current period in relation to prior periods	-	(40)
Income tax expense/(benefit)	(344)	(523)

The tax rate used in the above reconciliation is the corporate tax rate of 30% (2023: 30%) payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

Notes to the Financial Statements
for the 52 Week Period Ended 30 June 2024

5. Income Taxes (con't)

	2024 $'000	2023 $'000
(b) Recognised deferred tax asset		
The deferred tax asset is attributable to the following:		
Trade and other receivables	3	3
Inventories	22	22
Property, plant and equipment	(3,364)	(2,978)
Intangible assets	(1,280)	(1,467)
AASB 16 - Lease Asset	(8,207)	(8,326)
AASB 16 - Lease Liability and make-good provision	10,189	10,053
Trade and other payables	73	64
Employee benefits	1,261	1,277
Other items	45	47
Net deferred tax liability on temporary differences	(1,258)	(1,305)
Tax losses:		
Revenue	6,478	6,307
Capital	2,489	2,489
Total deferred tax on tax losses	8,967	8,796
Total temporary differences on tax losses	7,709	7,491
Revenue losses not recognised	(5,220)	(5,002)
Capital losses not recognised	(2,489)	(2,489)
Net deferred tax asset	-	-
(c) Movement in deferred tax asset		
Opening balance	-	-
Recognised in income	344	523
Recognised in equity (property)	(344)	(523)
Closing balance	-	-

6. Key Management Personnel Remuneration

	2024 $	2023 $
Compensation to directors and other members of Key Management Personnel of the Company and the Group	2,725,586	2,657,799

Key management personnel compensation comprised short term employee benefits, post-employment benefits, other long term benefits and termination benefits.

Notes to the Financial Statements
for the 52 Week Period Ended 30 June 2024

7. Trade and Other Receivables

	2024 $'000	2023 $'000
Current		
Trade receivables (i)	4,734	3,541
Allowance for doubtful debts	(15)	(15)
	4,719	3,526
Net GST receivable from Australian Taxation Office	1,355	1,236
	6,074	4,762

Movement in the allowance for doubtful debts		
Balance at the beginning of the period	15	15
Amounts written off as uncollectable	-	-
Balance at the end of the period	15	15

(i) The average credit period of sales of goods and rendering of services is 30 days (2023: 30 days). No interest is charged on the trade receivables. An allowance has been made for estimated irrecoverable trade receivable amounts arising from the past sale of goods and rendering of services, determined by reference to past default experience.

8. Current Inventories

	2024 $'000	2023 $'000
Inventories at cost	42,001	41,389
Provision	(137)	(137)
Total Closing Inventories	41,864	41,252

Notes to the Financial Statements
for the 52 Week Period Ended 30 June 2024

9. Non-Current Property, Plant and Equipment

	Freehold Land and Buildings at fair value $'000 (i)	Right-of-use Property at cost $'000	Leasehold Improvements at cost $'000	Plant and Equipment at cost $'000	Total $'000
Gross carrying amount					
Balance at 3 July 2022	34,685	58,651	10,675	58,958	162,969
Additions	1,036	2,076	1,316	3,912	8,340
Lease Modifications	-	9,365	-	-	9,365
Disposals	-	-	(159)	(904)	(1,063)
Assets held for Sale	-	-	-	-	-
Net revaluation increments/(decrements)	1,950	-	-	-	1,950
Balance at 2 July 2023	37,671	70,092	11,832	61,966	181,561
Additions	270	4,965	1,584	4,400	11,219
Lease Modifications	-	(3,235)	-	-	(3,235)
Disposals	-	(241)	-	(1,016)	(1,257)
Assets held for Sale	-	-	-	-	-
Net revaluation increments/(decrements)	868	-	-	-	868
Balance at 30 June 2024	38,809	71,581	13,416	65,350	189,156
Accumulated depreciation/amortisation and					
Balance at 3 July 2022	(1,231)	(13,655)	(7,575)	(50,012)	(72,473)
Depreciation expense	(321)	(6,344)	(516)	(2,791)	(9,972)
Lease Modifications	-	(289)	-	-	(289)
Disposals	(1)	-	159	884	1,042
Impairment of non-current assets	-	-	-	-	-
Assets held for Sale	-	-	-	-	-
Balance at 2 July 2023	(1,553)	(20,288)	(7,932)	(51,919)	(81,692)
Depreciation expense	(320)	(6,568)	(686)	(2,679)	(10,253)
Lease Modifications	-	5,263	-	-	5,263
Disposals	-	226	-	800	1,026
Impairment of non-current assets	-	-	-	-	-
Balance at 30 June 2024	(1,873)	(21,367)	(8,617)	(53,799)	(85,656)
Net book value					
As at 2 July 2023	36,118	49,804	3,900	10,047	99,869
As at 30 June 2024	36,936	50,214	4,799	11,551	103,500

There was no depreciation capitalised as part of the cost of other assets.

(i) Land and buildings are revalued to their fair value, based on independent market valuations performed by M3property (2023: M3property), with valuations on four out of total nine properties this year. The valuations are performed based on a Capitalisation of Net Income Valuation methodology, incorporating level 2 observable inputs in accordance with the Fair Value Hierarchy established under AASB 13 *Fair Value Measurement*. The valuations are based on recent sale transactions and other relevant market data. The effective date of revaluation is 30 June 2024 (2023: 30 June 2023).

Notes to the Financial Statements
for the 52 Week Period Ended 30 June 2024

9. Non-Current Property, Plant and Equipment (cont'd)

As a result of the revaluation, land and buildings increased by $868,398 (2023: increased by $1,949,897). Of this $1,011,354 increased the asset revaluation reserve (2023: $2,634,444 increased the asset revaluation reserve) and $142,956 was recognised as an impairment loss (2023: $684,547 as impairment loss) in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

10. Goodwill

	2024 $'000	2023 $'000
Gross carrying amount		
Balance at beginning of the period	33,910	31,496
Additions	-	2,414
Balance at the end of the period	33,910	33,910
Accumulated impairments		
Balance at beginning of the period	(28,198)	(28,198)
Impairments	-	-
Balance at the end of the period	(28,198)	(28,198)
Net book value		
At the beginning of the financial period	5,712	3,298
At the end of the financial period	5,712	5,712

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGUs) expected to benefit from the synergies of the business combination. CGUs to which goodwill has been allocated are tested for impairment annually.

The recoverable amount of the CGU at 30 June 2024 was determined based on the higher of fair value or a value in use calculation. Value in use was determined using cash flow projections based on EBITDA financial forecasts.

An EBITDA financial forecast for each CGU has been determined using the Group sales growth expectations, approved by the Board, applied to Income and Expense rates.

The discount rate applied to the cash flow projections at 30 June 2024 was based on the Group's pre-tax WACC being 14.0% (2023: 13.8%).

The terminal value of each CGU has been calculated using the perpetual growth method. This method assumes the CGU will continue to generate Free Cash Flow at a normalised state in perpetuity. A perpetual growth rate based on an assumed CPI of 3.0% has been applied (2023: 3.5%).

Notes to the Financial Statements
for the 52 Week Period Ended 30 June 2024

11. Other Intangible Assets

	2024 $'000	2023 $'000
Licences	2,143	2,143
Customer lists	2,124	2,749
	4,267	4,892

(a) Licences

	2024 $'000	2023 $'000
Gross carrying amount		
Balance at beginning of the period	3,819	3,819
Additions	-	-
Balance at the end of the period	3,819	3,819
Accumulated amortisation/impairments		
Balance at beginning of the period	(1,676)	(1,676)
Impairment	-	-
Balance at the end of the period	(1,676)	(1,676)
Net book value		
At the beginning of the financial period	2,143	2,143
At the end of the financial period	2,143	2,143

The above relate to pharmacy licences which are considered to have an indefinite useful life as there is no foreseeable limit to the period over which they are expected to generate net cash in-flows for the Group given the indefinite legal right to renew the licences for an insignificant cost.

(b) Customer Lists

	2024 $'000	2023 $'000
Gross carrying amount		
Balance at beginning of the period	23,288	20,874
Additions	-	2,414
Balance at the end of the period	23,288	23,288
Accumulated amortisation/impairments		
Balance at beginning of the period	(20,539)	(19,677)
Amortisation	(625)	(862)
Impairment	-	-
Balance at the end of the period	(21,164)	(20,539)
Net book value		
At the beginning of the financial period	2,749	1,197
At the end of the financial period	2,124	2,749

The useful life used in the above calculation of amortisation is 10 years.

FRIENDLY SOCIETY MEDICAL ASSOCIATION LIMITED

Notes to the Financial Statements
for the 52 Week Period Ended 30 June 2024

12. Current Trade and Other Payables

	2024 $'000	2023 $'000
Trade payables (i)	22,274	17,759
Prepaid membership fees	1,346	1,255
Other payables and accruals	4,535	6,072
	28,155	25,086

(i) The average credit period on purchases is 37 days (2023: 30 days). No interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

13. Current Other Financial Liabilities

	2024 $'000	2023 $'000
Interest bearing loan from Key Management Personnel Related Entity (i)	23	24
	23	24

(i) The current effective interest rate on the loan is 4% (2023: 4%)

14. Current and Non-Current Provisions

	Employee Benefits $'000	Site Restoration (i) $'000	Total $'000
Balance at the beginning of the period	8,761	1,603	10,364
Movements during the period	9	(1)	8
Balance at the end of the period	8,770	1,602	10,372
Disclosed as:			
Current	8,080	62	8,142
Non-Current	690	1,540	2,230
	8,770	1,602	10,372

(i) Site restoration provisions relate to make-good obligations set out within lease contracts recognised in accordance with AASB 16 Leases.

Notes to the Financial Statements
for the 52 Week Period Ended 30 June 2024

15. Current and Non-Current Borrowings

	2024 $'000	2023 $'000
Current		
Current portion of lease liabilities (i)	9,602	8,997
Secured bank loans (ii)(iii)	1,775	2,042
Balance at end of the period	11,377	11,039
Non-Current		
Non-current portion of lease liabilities	50,998	49,573
Secured bank loans (ii)(iii)	-	-
Balance at end of the period	50,998	49,573

(i) The lease liabilities are discounted at an interest rate ranging between 5.5% to 11.5% dependent on the remaining lease term (2023: 4.0% to 11.5%).

(ii) Secured by a Registered Mortgage Debenture over the assets of the Group.

(iii) The facilities comprise a $13,000,000 overdraft facility and $1,775,373 loan facility with the following key terms as at 30 June 2024:
- The current effective interest rate of the loan is 5.59% (2023: 5.17%);
- In accordance with the security arrangement of liabilities, all assets of the Group have been effectively pledged as security, including property, plant and equipment of $53,286,000 (2 July 2023: $50,065,000) and inventories of $41,864,000 (2 July 2023: $41,252,000);
- The facilities expired 30 June 2024. The Group has since signed a new agreement with the bank. Refer to Note 27 Subsequent Events;
- Refer to Note 22(b) for current draw down status of the overdraft facility and loan facility.

16. Issued Capital

The Company is limited by Shares and Guarantee. At 30 June 2024 and at 30 June 2023, the Company had no issued shares.

The Company is limited by a guarantee of $1 per Member. At 30 June 2024, the Company had 142,634 Memberships (2023: 138,951).

17. Asset Revaluation Reserve

	2024 $'000	2023 $'000
Balance at the beginning of the period	11,390	9,279
Increase arising on revaluation of properties	1,011	2,634
Tax consequences	(344)	(523)
Balance at end of the period	12,057	11,390

The asset revaluation reserve arises on the revaluation of land and buildings. Where a revalued land or building is sold the portion of the asset revaluation reserve which relates to that asset, and is effectively realised, is transferred directly to retained profits.

Notes to the Financial Statements
for the 52 Week Period Ended 30 June 2024

18. Commitments for Capital Expenditure

	2024 $'000	2023 $'000
Leasehold improvements	95	35
Building improvements	7	-
Plant & Equipment	12	418
Balance at end of the period	114	453

19. Contingent Liabilities and Assets

The Group has given bank guarantees of $918,000 (2023: $918,000) in relation to leasehold properties. There are no other contingent liabilities or assets as at 30 June 2024 (2023: $nil).

20. Leases

(a) Right-of-use assets

The Group leases retail stores, generally for periods ranging from 5 to 10 years with options to renew the lease after that date. Retail stores provide for annual rent reviews based on CPI or market rents. Each lease is reviewed and its probability of exercising the options is assessed based on the store performance and business strategies.

Right of use assets related to leased properties are presented as property, plant and equipment (Note 9).

	2024 $'000	2023 $'000
Balance at the start of the period	49,804	44,996
Depreciation charge for the period	(6,568)	(6,344)
Additions to right-of-use assets	4,965	2,076
Disposals of right-of-use assets	(15)	-
Modifications to right-of-use assets - annual indexation	2,028	9,076
Balance at the end of the period	50,214	49,804
Recognised within Property, Plant and Equipment	50,214	49,804

(b) Amounts recognised in profit or loss

	2024 $'000	2023 $'000
Interest on lease liabilities	4,438	4,324
Depreciation relating to right-of-use assets	6,568	6,344
Expenses relating to short-term leases	284	3
Balance at the end of the period	11,290	10,671

(c) Amounts recognised in statement of cash flows

	2024 $'000	2023 $'000
Total cash outflow for leases	9,401	9,224

Notes to the Financial Statements
for the 52 Week Period Ended 30 June 2024

20. Leases (cont'd)

(d) Future lease payments

The total of future lease payments (including those lease payments that are not included in the measurement of the lease liability, e.g. for short-term leases and leases of low-value items) are disclosed for each of the following periods:

	2024 $'000	2023 $'000
Less than one year	9,997	9,551
One to five years	39,206	40,830
More than five years	41,388	40,935
Balance at end of the period	90,591	91,316

21. Related Party Disclosures

(a) Transactions with Key Management Personnel

Where Key Management Personnel are members of the Group they pay contributions at normal member rates.

(b) Transactions with Related Parties

(i) No revenue was received from Key Management Personnel Related Entities.

(ii) Aggregate amounts payable to Key Management Personnel Related Entities have been disclosed in Note 13.

(iii) Subscriptions of $Nil (2023: $Nil) were paid to Australian Friendly Society Pharmacies Association.

(iv) Subscriptions of $131,590 (2023: $103,936) were paid to National Pharmaceutical Services Association.

(v) Consultancy Fees of $114,873 (2023: $136,958) were paid to National Pharmaceutical Services Association.

(vi) Interest of $Nil (2022: $Nil) was paid to a Key Management Personnel Related Entity in respect of a loan. Refer to Note 13 for the loan from Key Management Personnel Related Entity.

The above transactions are between Key Management Personnel Related Entities and the Group and occur under normal terms and conditions.

Notes to the Financial Statements for the 52 Week Period Ended 30 June 2024

22. Notes to the Statement of Cash Flows

(a) Reconciliation of Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments. Cash and cash equivalents at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2024 $'000	2023 $'000
Cash	1,512	1,445
Bank overdraft	(9,090)	(3,995)
(Bank overdraft) / Cash	(7,578)	(2,550)

(b) Financing Facilities

Overdraft facility

Facility Limit	13,000	13,000
Amount Drawn	(9,090)	(3,995)
Amount Available	3,910	9,005

Secured bank loan facility

Facility Limit	1,797	2,064
Amount Drawn	(1,775)	(2,042)
Amount Available	22	22

Secured Bank Guarantee

Facility Limit	1,800	1,800
Amount Drawn	(918)	(918)
Amount Available	882	882

The above facilities are subject to annual review and are secured by a Registered Mortgage Debenture over the assets of the Group as at 30 June 2024. A new bank agreement was approved and signed on 26 August 2024. Refer to Note 27 Subsequent Events for more details on the new facilities.

23. Financial Instruments

(a) Material accounting policies

Details of the material accounting policies and methods adopted (including the criteria for recognition, the bases of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Note 3.

(b) Categories of financial instruments

	2024 $'000	2023 $'000
Financial assets		
Loans and Receivables	6,074	4,762
Cash and cash equivalents	1,512	1,445
Total Financial Assets	7,586	6,207

Notes to the Financial Statements
for the 52 Week Period Ended 30 June 2024

23. Financial Instruments (cont'd)

(b) Categories of financial instruments (cont'd)

	2024 $'000	2023 $'000
Financial liabilities		
Trade and other payables	28,155	25,086
Borrowings (including bank overdraft)	71,465	64,607
Other financial liabilities	23	24
Total Financial Liabilities	99,643	89,717

(c) Fair value of financial instruments

The fair value of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the financial statements approximates their fair values.

FRIENDLY SOCIETY MEDICAL ASSOCIATION LIMITED

Notes to the Financial Statements
for the 52 Week Period Ended 30 June 2024

24. Parent Entity Information

	2024 $'000	2023 $'000
(a) Financial Position		
Assets		
Current Assets	51,842	49,738
Non-Current Assets	113,479	110,473
Total Assets	165,321	160,211
Liabilities		
Current Liabilities	56,787	48,228
Non-Current Liabilities	53,228	51,853
Total Liabilities	110,015	100,081
Equity		
Issued Capital	-	-
Retained Earnings	43,249	48,740
Asset Revaluation	12,057	11,390
Total Equity	55,306	60,130
(b) Financial Performance		
Profit/(Loss) for the period	(5,491)	(6,111)
Other comprehensive income	667	2,111
Total comprehensive income/(loss)	(4,824)	(4,000)
(c) Commitments for the acquisition of property, plant and equipment by the parent entity		
Property, Plant & Equipment	114	453

(d) Contingent Liabilities

The Company has given bank guarantees of $833,000 (2023: $833,000) in relation to leasehold properties.

Notes to the Financial Statements
for the 52 Week Period Ended 30 June 2024

25. Controlled Entities

	Country of Incorporation	Ownership Interest 2024 %	Ownership Interest 2023 %
Parent Entity			
Friendly Society Medical Association Limited	Australia		
Controlled Entities			
National Pharmacies Australia Pty Ltd	Australia	100	100

National Pharmacies Australia Pty Ltd has not prepared an audited financial report as the entity is classified as a small proprietary company under the Corporations Act 2001.

26. Auditors' Remuneration

Audit and review services	2024 $	2023 $
Audit and review of financial statements - KPMG	141,308	141,197
Advisory - KPMG	-	97,671
Other Assurance Services - KPMG	20,900	-
	162,208	238,868

27. Subsequent Events

On 26 August 2024, the Group entered into a new banking agreement with its existing lender. The new facility and the changes to the existing facilities are outlined as follows:

(a) An additional Corporate Market Loan:
i) Loan limit $3 million expiring on 30 June 2027;
ii) Monthly repayment $25,000;
iii) The loan can be paid down and redrawn at any time.

(b) The current security over the facility was to be replaced with the below seven business assets.
National Pharmacies Findon, National Pharmacies Blackwood, National Pharmacies Mitcham, National Pharmacies Norwood, National Pharmacies Victor Harbor, National Pharmacies Glenunga and National Pharmacies Gawler.

(c) The term of the existing $1.7 million Corporate Market Loan was extended to 30 June 2027 with a $22,225 monthly repayment.

(d) The term of the existing overdraft facility of $13.0 million has been extended to 30 June 2025.

(e) The bank gurantee facility of $1.8 million remains in place.

(f) The bank convenants remain unchanged except for the folloiwng additional requirements:
The pharmacy stores located at Findon, Blackwood, Mitcham, Norwood, Victor Harbor, Glenunga and Gawler are to be revalued by a bank approved valuer at intervals of not more than 3 years from 30 September 2024 onwards.

(g) All the other components of the existing facilities and General Service Agreement remain in place.

Other than the events disclosed above, there have been no events subsequent to the reporting date which would have a material impact on the Group's 30 June 2024 financial statements (2 July 2023: none).


National
Norwood

Friendly Socety Medical Association Limited
ABN 69 088 347 602

Registered Office
52 Gawler Place Adelaide SA 5000
PO Box 3640 Rundle Mall SA 5000

membersupport@nationalpharmacies.com.au
nationalpharmacies.com.au

National Pharmacies