
2005 GUILD DIGEST

A survey of independent pharmacy operations in Australia
financial year 2003-04

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MISSION STATEMENT

The Pharmacy Guild of Australia is an employers' organisation servicing the needs of proprietors of independent community pharmacies and exists for the protection and betterment of its members and to maintain community pharmacies as the most appropriate primary providers of health care to the community through optimum therapeutic use of drugs, drug management and related services.

This is achieved by:

- operating in an efficient and effective manner and by preserving and maintaining the resources of its members
- providing for the membership strong leadership, effective communication and a high level of representation on all matters in respect of the best interests of members
- monitoring changes in the market place in order to advise members how to maintain or improve business profitability and their professional standing in the community, and
- promoting to the government, the industry and the community the value of the community pharmacist in the health care system.

FOREWORD

This year marks the 33rd edition of the Guild Digest. The *2005 Digest* presents a snapshot of pharmacy operations in Australia for the financial year 2003-04. In the process, it also provides valuable management information to pharmacy owners and managers in a rapidly evolving economic environment.

Community pharmacy in Australia is a dynamic and efficient industry. Practising as health care professionals in a commercial environment places pharmacists in a unique category of service providers in the community. Combining their professional and business skills, community pharmacists are the most accessible and the most cost-effective health care providers in the community.

Not surprisingly, pharmacists remain one of the two highest ranking custodians of community trust and confidence.

Reporting on the penultimate year of the Third Agreement, community pharmacy recorded a modest growth of 3.7%. While the Gross Margin remained firm at 31.2%, the results again bring into focus pharmacy's growing reliance on the dispensary. The Dispensary to Sales ratio continued its upward trend ending the year at 68.2%. On a positive note, the results also suggest a concerted effort by pharmacists to bring expenses under control to accommodate weakening sales. Expenses eased from 22.2% to 21.4% of sales.

Here are the key features of Australian community pharmacy:

- ✦ Community pharmacy is a \$10.9 billion health industry, including \$7.4 billion in prescription sales per year;
- ✦ Community pharmacies dispense 237 million prescriptions annually, including 181.5 million PBS/RPBS subsidised prescriptions;
- ✦ Community pharmacy employs over 40,000 highly skilled staff, the majority of whom are women;
- ✦ Total Dispensary Sales represent around 68.2% of all sales through pharmacies;
- ✦ The average community pharmacy dispenses 48,194 prescriptions per year; and
- ✦ There are now 4,910 community pharmacies, each serving on average a community of 4,075 people across Australia.

In line with our commitment to respond to the changing information requirements of members, the *2005 Digest* has undergone further refinements to provide more meaningful comparisons to the full gamut of pharmacy operations. And continuing the digital evolution, the 2005 edition is again published entirely in digital format. The *2005 Digest CD* complements the internet-based *Guild Digest On-line* and the *Guild Digest Interactive*.

Interest in the Digest remains encouragingly high notwithstanding respondents' more immediate priorities to deal with the challenges of running busy pharmacies. The analyses contained in the *2005 Digest* are based largely on the sample of over 450 participants.

The Guild records its sincere appreciation to all participants in this crucially important and valuable annual survey during a period of intense time pressures. Without their contribution and support this edition of the Digest would not have been possible.

The Guild also recognises the growing support of the pharmacy accounting firms. Three respected accounting firms have lent their tangible support by contributing anonymous information to the Digest on behalf of their pharmacy clients. We formally record our appreciation to **Johnstone Rorke Pharmacy Services, Saccasan Bailey Partners, Smith Peacock & Henshaw, Marshall Michael** and their pharmacy clients.

Special thanks are also extended to National Secretariat staff and, in particular, to Stephen Armstrong and Wendy Ellison for their tireless and outstanding work in the preparation of this vital publication.

VASKEN T DEMIRIAN
ECONOMIC ANALYSIS & IT



THE YEAR IN PHARMACY 2003-04

This edition of the Digest coincides with the fourth year of operation under the Third Guild/-Government Agreement which came into effect on 1 July 2000.

The first Guild/Minister Agreement, spanning the five year period from 1991 to 1995, set the frame for what is widely acknowledged as one of the shining models of successful micro-economic reform of the past decade.

In the course of that Agreement almost 700 pharmacies closed or amalgamated with others. By June 1995, the number of pharmacies remaining in the industry approached 4,949 (from a base of 5,625 in 1990), and while the number of closures have abated, the long term legacy of restructuring will continue to benefit the industry well into the new century. Importantly, micro-economic reform also provided the impetus for pharmacy staff reclassifications, minimum rates adjustments and the development of training programs and career paths for pharmacy assistants.

Building upon the foundations of the earlier Agreement, the Second Agreement from 1995 to 2000, saw the tentative introduction of a limited range of professional services offered by pharmacists in residential care contexts, paving the way to the raft of professional services recognised under the Third Agreement.

In the wider context, the comparatively strong Australian economy continued to outperform nearly all industrialised economies and continued to grow during 2003-04 in terms of all major indicators. The conditions would have impacted favourably on pharmacy along with other small business.

Supported by continued solid growth in employment and income, household consumption posted a healthy growth of 5.6%, continuing the trend of the previous year (4.1%). The Gross Domestic Product continued its robust growth (of around 4%), against the backdrop of struggling outputs in Asian trading partners.

Both business and private investment bounced back with a vengeance while the rate of inflation remained under control within the 2-3% band.

Employment grew by 1.8% resulting in an overall improvement in the Unemployment rate to 5.8% (down from 6.2% in the previous year).

Along with other small businesses, pharmacy was directly influenced by these external economic factors - many positive, some adverse. Among the challenges facing pharmacy were the ongoing implementation issues of the Goods & Services Tax and the Privacy Legislation, while the positives included the commencement of the Third Guild/Government Agreement and the satisfactory conclusion to the COAG Review. The following paragraphs chronicle some of the more significant developments during that period.

1. GUILD/GOVERNMENT AGREEMENT III

The fourth year of the Third Community Pharmacy Agreement saw the continued rollout of programs and further refinement of those already up and running.

During the year, the Medicines Information to Consumers (MIC) program continued to be implemented by community pharmacists around Australia. More than 4,200 pharmacies registered for the program, and a large proportion of these have been claiming the Participation Incentive of 10 cents per claimable script. This is claimed by submitting a Certification Statement every two months to HIC. In return, pharmacists promote the program in their pharmacy and hand out CMI's in accordance with PSA guidelines.

A major evaluation of the MIC program commenced during the year and is expected to be completed in October 2004.

A further professional fee adjustment took effect on 1 July 2004 with pharmacists receiving an additional four cents per ready prepared prescription and seven cents for extemporaneously prepared medicines bringing the level of these fees to \$4.70 and \$6.70 respectively.

2. IMPROVED MONITORING OF ENTITLEMENTS (IME)

Payments to pharmacists for the Improved Monitoring of Entitlements (IME) program - for Medicare card checking - continued during the year at a rate of five cents per claimable prescription. The Government has allocated further funding in its Budget to continue paying pharmacists through the financial year.

Software providers have made changes to dispensary software aimed at improving the checking and recording process in the pharmacy. These changes are now in place and operating satisfactorily in pharmacies.

3. MEDICONNECT – BETTER MEDICATION MANAGEMENT SYSTEM

Early in 2003, the Better Medication Management System (BMMS) underwent a name change in an effort to engage consumers. In all other respects, the core features of *MediConnect* remain unchanged. It is essentially the electronic network which will connect prescribers and community pharmacists in Australia with the aim of improving medication management and ultimately health outcomes for the community.

The Budget announcement of May 2004 signalled a significant shift in the direction and governance of *MediConnect*. Along with an allocation of \$128 million, over four years, the key outcome of that announcement was the integration of *MediConnect* into the *HealthConnect* network as the medicines component of that network.

As a result, the *MediConnect* Development Group, along with all its Working Groups, has now been disbanded pending other consultative arrangements directly with the *HealthConnect* board and its Stakeholder Reference Group.

Notwithstanding these governance changes, the Field Trials in Ballarat and Launceston commenced their second Phase in June 2004. The Trials are expected to continue until December 2004 and are designed to test the more complex functionalities such as optional 'keywords' to be used by consumers, ability to nominate agents and options to 'block' particular medication records at the request of consumers.

A full copy of the *MediConnect* vision, together with periodic updates, may be accessed through www.healthconnect.gov.au.

4. INDUSTRIAL RELATIONS AND TRAINING DIVISION

- **Redundancy Test Case**

On 26 March 2004 the full bench of the AIRC issued its decision in the long running Redundancy Test Case. The decision will affect the Community Pharmacy Award 1998 and Federal Awards for Pharmacy Assistants in VIC, WA and ACT. In each case the relevant union will need to make application for an award variation to have the test case applied.

As a result of the supplementary decision handed down by the Australian Industrial Relations Commission (AIRC) on the Redundancy Case, small businesses with fewer than 15 employees will not be required to take past service into account when calculating severance pay. Employees of small businesses with service prior to 8 June 2004 (the operative date of the AIRC' orders) will therefore not have that service taken into account for the purpose of severance pay. Conversely, the AIRC made it clear that prior service does count for employees of larger businesses (those with at least 15 employees).

The other primary issue on which submissions were made was whether the severance pay scale (applying to employers with at least 15 employees) should be varied to take into account State and Territory long service leave legislation. The AIRC concluded that there should be a single national minimum standard for severance pay in federal awards.

- **2004 National Wage Case Decision - \$19 Increase**

On 5 May 2004, a Full Bench of the AIRC issued its decision in the 2004 National Wage Case. The Commission awarded a \$19 per week increase to all federal award rates of pay. Applications for variation of awards need to be made on an award by award basis. New rates have been operative from the beginning of the first pay period on or after 11 June 2004.

5. QUALITY CARE PHARMACY PROGRAM

The QCPP is a Guild initiative and an industry-owned and developed quality assurance program, which is intended to set minimum standards in the levels of health care service and advice provided to pharmacy customers, and to have those standards independently assessed. More information on QCPP can be found at www.qcpp.com

Of the 4,910 approved pharmacies in Australia, 4,834 have registered for the QCP Program. As at 30 June, there were 4,329 pharmacies accredited. This is an increase of 1,319 on the number of accredited pharmacies reported last year.

A major boost to the Program came in the form of incentives negotiated as part of the Third Guild/Government Agreement. A total of \$50m was made available for this purpose over the life of the Agreement.

The following incentives were provided to pharmacies to gain and maintain accreditation:

- \$2,500 to purchase Program materials (no longer available)
- \$7,500 on accreditation (before 1 January 2004)
- \$3,000 on accreditation (from 1 January 2004 onwards)
- \$2,500 on re-accreditation (after three years)
- \$2,500 on re-assessment (on the sale of an accredited pharmacy)

6. NATIONAL COMMUNITY PHARMACY ALCOHOL AWARENESS CAMPAIGN

The main objectives of the Campaign, funded by the Alcohol Education and Rehabilitation Ltd (AER), were to increase awareness of the concept of a standard drink, the safe level of alcohol consumption, the interaction between some medications and alcohol, and increase recognition by consumers of community pharmacists as providers of public health messages.

The campaign involved a standard drink chart being printed on the inside face of pharmacy repeat prescription folders while the exterior face carried a health message about alcohol consumption. Over five million folders were printed and distributed to community pharmacies in Australia.

7. PRIVACY LEGISLATION

The new privacy legislation came into effect on 21 December 2001. Complying with the new Privacy Principles has greatly increased the administrative burden on pharmacists. The Guild produced a major package of material, including a CD, to assist pharmacists to comply with the new legislation. A further training CD was produced for sale and the Guild has since provided numerous updates to members.

The Guild continues to monitor emerging privacy issues and provide advice to pharmacists as they arise.



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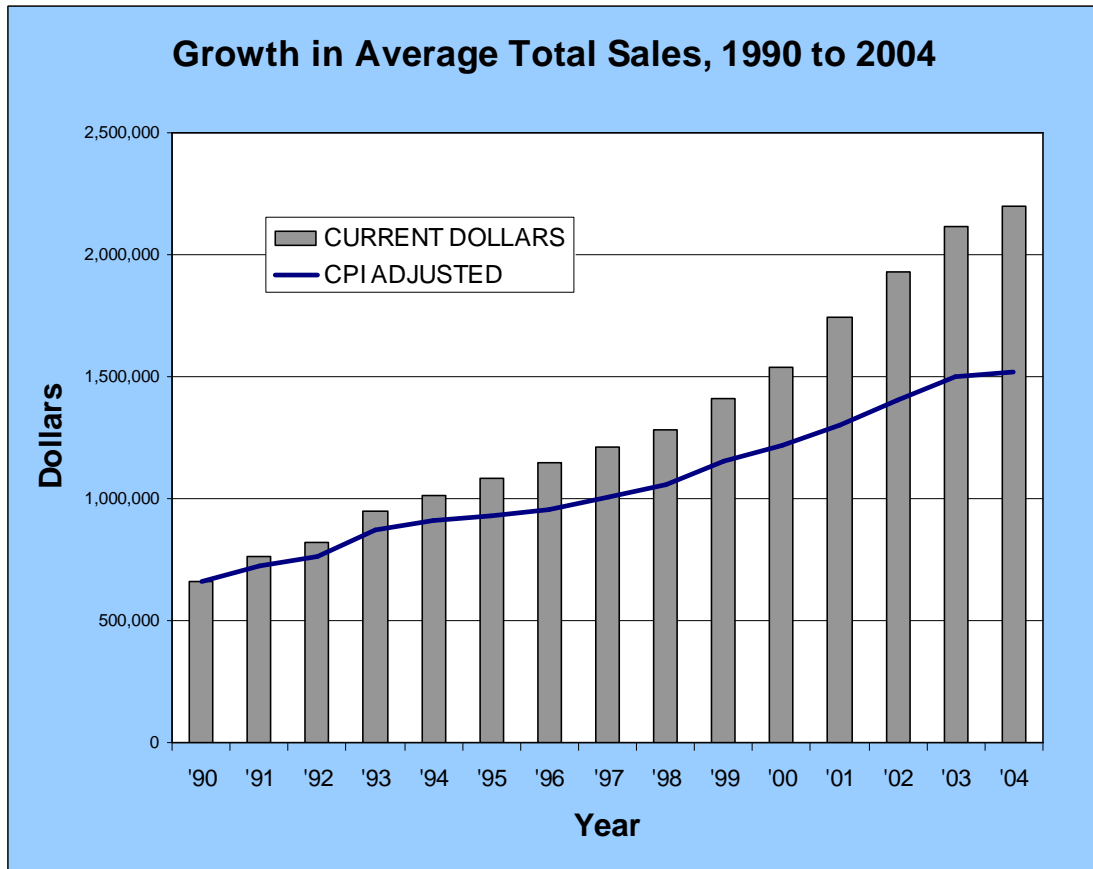
AUSTRALIAN PHARMACIES 1994 - 2004

(Based on all participating pharmacies)

Table 1

	1994 (273) \$	1995 (251) \$	1996 (447) \$	1997 (456) \$	1998 (421) \$	1999 (335) \$	2000 (353) \$	2001 (402) \$	2002 (408) \$	2003 (528) \$	2004 (427) \$
SALES	1,010,419	1,080,581	1,147,981	1,210,464	1,282,542	1,409,642	1,535,955	1,741,104	1,930,960	2,116,736	2,195,552
GROSS MARGIN	341,719	357,589	378,665	400,236	428,819	462,255	508,092	560,521	616,179	660,229	684,059
SALARIES & WAGES	107,978	116,956	127,467	130,383	138,242	155,845	170,301	187,324	210,770	227,379	227,712
RENT	36,045	37,172	37,992	37,758	41,393	46,169	50,075	53,838	60,566	65,566	65,427
OTHER EXPENSES	81,467	82,208	94,409	100,435	112,079	127,258	138,169	156,577	162,343	181,101	179,567
TOTAL EXPENSES	225,490	236,336	259,868	268,576	291,714	329,272	358,545	397,739	433,679	474,046	472,706
TRADING PROFIT	116,229	121,253	118,797	131,660	137,105	132,983	149,547	162,782	182,500	186,183	211,353
COMMISSION RECEIVED	7,264	7,894	8,802	7,052	6,373	6,521	11,118	14,623	17,966	15,276	15,112
TOTAL INCOME	123,493	129,147	127,599	138,712	143,479	139,502	160,665	177,406	200,466	201,459	226,465
PROPRIETORS' SALARIES	73,438	74,258	76,425	79,441	82,182	84,274	85,401	89,189	97,400	104,809	136,619
NET PROFIT/LOSS	50,055	54,889	51,174	59,271	61,297	55,228	68,261	81,973	95,401	89,389	84,023
STOCK CARRIED	117,452	128,995	132,835	126,199	139,513	147,734	153,862	156,662	183,802	186,903	186,409

Chart 1



METHODOLOGY FOR THE 2005 GUILD DIGEST

With the exception of Table 3, the analyses contained in this edition of the Digest are based largely on operating information supplied by 427 respondents weighted according to their stratification by prescription volume.

Table 3 is based on responses from participating pharmacists who submitted operating data for both consecutive years - ie 2002-03 and 2003-04.

Based on annual prescription volumes, the total population of Australian pharmacies was stratified into twenty eight strata – by State and national distribution. The resultant weighting factors were applied to the corresponding strata in the sample. It should be noted that there are significant variations among the states in respect of the distribution of pharmacies within the four strata. The national strata boundaries were defined as follows:

	Prescription Volumes	Number of Pharmacies	Distribution National
Stratum 1	Less than 25,000	1,087	22.1%
Stratum 2	25,000 – 50,000	1,923	39.1%
Stratum 3	50,000 – 75,000	1,060	21.6%
Stratum 4	More than 75,000	841	17.2%
TOTAL		4,910	

The above weighting factors were used to correct expected biases in the responding sample. Similarly, State weighting factors were used to estimate the respective State averages.

The distribution of pharmacies by state and location is given below.

PHARMACY DISTRIBUTION - 2003-04

STATE	METROPOLITAN %	NON-METROPOLITAN %	TOTAL No.	TOTAL %
NSW	73.6	26.4	1,699	34.8
VIC	72.4	27.6	1,160	23.6
QLD	53.1	46.9	953	19.4
SA	69.4	30.6	417	8.5
WA	74.9	25.1	489	10.0
TAS	43.3	56.7	135	2.7
ACT	100.0	---	57	1.2
TOTAL	68.6	31.4	4,910	100.0



SURVEY RESPONSE

A total of 447 questionnaires were received for the 2003-04 financial year. Responses with incomplete information were excluded from the analysis. The final number of responses analysed for the purposes of the main sample was 427. The following table summarises the distribution of respondents by key categories.

RESPONSE BY STATE AND LOCATION

STATE	METROPOLITAN		NON-METROPOLITAN		TOTAL	
	No.	%	No.	%	No.	%
NSW	75	59.5	51	40.5	126	29.5
VIC	43	58.1	31	41.9	74	17.3
QLD	53	42.4	72	57.6	125	29.3
SA/NT	33	80.5	8	19.5	41	9.6
WA	29	76.3	9	23.7	38	8.9
TAS	5	29.4	12	70.6	17	4.0
ACT	6	100.0	0	0.0	6	1.4
TOTAL	244	57.1	183	42.9	427	100.0

The national metropolitan/non-metropolitan distribution of the responding sample indicates a bias in favour of country respondents. To varying degrees, the bias is also evident across all States. However, the weighting methodology employed would substantially correct for the effect of that bias with respect to national and State averages. Caution needs to be exercised in interpreting averages for the smaller States.

Response rates are broadly consistent with the distribution of pharmacies by State, with the exception of Queensland and South Australia which enjoy higher than average response rates.

RESPONSE BY TURNOVER CATEGORY

TURNOVER GROUP \$	2002-03	2003-04
	%	%
Under 500,000	0.9	0.9
500,000 – 1.0 m	15.9	15.7
1.0 m – 1.5 m	22.9	21.5
1.5 m – 2.0 m	16.1	15.9
2.0 m – 2.5 m	13.4	13.6
2.5 m – 3.0 m	10.2	11.7
3.0 m – 3.5 m	6.1	6.8
Over 3.5 m	14.4	13.8

Over the past decade, response has gradually favoured the larger pharmacies. More recently, this trend gained momentum by the restructuring of the industry which effectively reduced the number of smaller pharmacies in the sample. The responding sample for this year's Digest

offers further evidence of this trend. Respondents with annual turnovers greater than \$1.5million represented approximately 62% of the sample in 2003-04 compared with only 9% in 1991-92.

RESPONSE BY WEEKLY PRESCRIPTION VOLUMES

Rx Volume/Week	2002-03 %	2003-04 %
Under 275	5.1	3.5
276 – 375	5.5	4.7
376 – 450	6.8	7.3
451 – 550	10.0	8.0
551 – 650	9.3	11.2
651 – 750	9.7	7.3
751 – 850	10.8	11.7
Over 850	42.8	46.4

The gradual shift towards larger pharmacies is also evident in prescription volumes. In 2003-04 over 75% of respondents dispensed over 550 prescriptions per week compared with 46% of respondents in 1991-92.



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STATISTICAL APPRAISAL OF RESULTS

The annual Guild Digest survey allows pharmacies to assess their current performance compared with others in the Guild. The results can assist management by focusing attention on items for which there are significant differences from the industry norm or benchmark, although even significant differences on their own do not necessarily mean a problem exists.

Standard information has been provided for different categories and locations of pharmacies. This allows more sophisticated comparisons controlling for these factors. For example, pharmacies with larger sales volumes tend to have profits compared with losses for those with smaller volumes, so a large sales volume pharmacy should expect to do somewhat better than the average pharmacy in the same region.

How seriously can pharmacies take the survey findings? One issue is whether the survey results are representative of all Guild pharmacies. Another is what difference between well-run pharmacies might be expected anyway. Lastly, are there enough respondents that the estimates are of adequate precision? These questions are explored in greater detail in the following paragraphs.

REPRESENTATIVENESS OF THE SURVEYED PHARMACIES

A sample of 427 Guild members responded to this year's survey. In an important departure from previous years' methodologies, the current analyses are based on weightings derived from the distribution of Australian pharmacies in accordance with their annual prescription volumes.

Twenty eight strata were defined for the entire population of approved pharmacies using the following volume boundaries – four for each State together with a national stratification. The resultant distribution by prescription volume was applied to the corresponding strata in the sample:

	Rx Volume	Weighting Factors National
Stratum 1	< 25,000	0.221
Stratum 2	25,000 – 50,000	0.391
Stratum 3	50,000 – 75,000	0.216
Stratum 4	75,000 +	0.172

This is a voluntary survey requesting detailed financial questions, so non-response is inevitable and the response rate varied by state.

As the characteristics of the responding pharmacies change from one survey to the next, primarily because of the restructuring that has taken place over the last decade, comparability of the main sample data over time may be a problem. Therefore, comparisons over time may be more meaningful using the data provided by the consecutive year respondents summarised in [Table 3](#). 224 respondents formed part of this category in 2003-04.

EXPECTED DIFFERENCES

Although an average can be calculated for any numerical data, this does not mean that all values are close to that mean. For example, although an average rent can be calculated for a group of respondents, this does not mean that everyone is paying a rent close to the average.

One approach is to show the spread of values for the responding pharmacies using quartiles. This type of analysis is shown in Table 4. One quarter have lower values than the low quartile and one quarter have values greater than the high quartile. The 'normal' value in the tables is the median value. Half the pharmacies have a higher value than the normal value, and half have lower values.

Another approach is to present separate estimates for pharmacies with different characteristics, such as sales volume, geographical location, hours of operation, etc. These are presented throughout the Digest commencing with Table 6.

PRECISION OF THE ESTIMATES

The precision of the estimated averages in the tables depends on the spread of the distribution of values and the number of responding pharmacies. It is commonsense that an average based on 400 pharmacies will be much more precise than an average based on only two pharmacies.

One measure of the precision of an estimate is its standard error. The standard error of a mean can be approximately calculated from the difference between the high and low quartiles. This difference, or *inter-quartile range (IQR)*, is divided by a number which depends on the number of respondents used to estimate the mean:

Number of Respondents used for estimate	Divisor for inter-quartile range
427	28
408	27
400	27
353	26
300	23
200	19
100	14
50	10
20	6
10	4
5	3

For example, the mean Total Expenses as a percentage of Total Revenue (based on 427 respondents) is 21.4%. The inter-quartile range is 7.59 (= 24.42 – 16.83), so the approximate standard error of this estimate is 0.27 (=7.59/28).

Standard statistical theory shows that there is a 95% certainty that the true mean is within twice the standard error of the estimate. In this case, the 95% confidence interval for the mean Total Expenses, based on 427 respondents, is between 20.9% and 21.9% of Total Revenue.

Standard errors and confidence intervals calculated in this way will be slight over-estimates. This is because the standard errors will be lower when the data are stratified for characteristics that explain some of the spread in values.

The estimates here make particular statistical assumptions. These assumptions imply, for example, that the mean and median will be similar. However, they should give adequate estimates even if there are small departures from these assumptions.

USING THIS SURVEY

The statistical characteristics required of a survey depend on what the survey is to be used for. This survey is intended mainly as an aid to management, and its results will be extremely useful for this purpose.

Even large differences for particular items from the norm shown in the tables may not necessarily indicate a problem. Every business is different. For example, paying relatively high rent may reflect an unnecessarily high expense or a conscious decision to pay for a premium location. Conversely, an average rent could reflect paying the right price for the location - or hide paying too much for a poor location.



DEFINITION OF KEY INCOME AND EXPENSE ITEMS IN TABLES

(All financial values are exclusive of GST)

- Sales:** relate to the sale of all products (both prescription and retail) for which goods were purchased at wholesale for the purpose of re-sale at a profit: it excludes commissions, agency fees, dividends and disposal of assets.
- Cost of Goods Sold:** refers to purchases of goods for re-sale at a profit: a fuller definition of Cost of Goods Sold is provided in the *User's Guide to the 2005 Digest* section.
- Percentage shown is of Sales.
- Gross Margin:** is derived by deducting Cost of Goods Sold from Sales.
- Percentage shown is of Sales.
- Commissions Received:** are the proceeds of agency fees, dividends and interest received connected with the business; these are essentially items which do not, involve cost of goods sold and which exclude such income not connected with the pharmacy.
- Gross Margin Plus Commissions:** is the arithmetic total of the Gross Margin and Commissions Received and it represents the Gross Margin from Trading.
- Total Revenue:** is the arithmetic total of Sales and Commissions Received; all Expenses are expressed as a percentage of Total Revenue not Sales) since a portion of all expenses is also incurred in earning Commissions.
- Salaries and Wages:** include wages paid to all staff and locums but exclude proprietors' earnings (since the latter are represented by Proprietors' Notional Salary); percentage shown is of Total Revenue.
- Expenses:** all Expense items are expressed as a percentage of Total Revenue.
- Total Income:** is arrived at by subtracting Total Expenses and Cost of Goods Sold from Total Revenue; it refers to the Trading Profit of the pharmacy which may involve several partners; percentage shown is of Total Revenue.
- Proprietors' Notional Salary:** is a notional estimate of a reasonable professional salary for hours worked by pharmacy proprietors based on actual manager wages. It is adjusted for over-award payments but includes only work performed within the pharmacy. This is consistent with the rationale that a proprietor should expect remuneration at least equivalent to the salary which he/she would otherwise receive for a similar effort as a manager.

Accordingly the calculation of proprietors' notional salary not only reflects normal working hours but also other factors such as leave loading, provision for annual leave, provision for long service leave and sick leave (collectively termed On-costs) and overtime worked.

In 2003-04, the normal hourly rate was estimated at \$42.45 for the first 38 hours - equivalent to an annual salary of \$84,000. Additional hours were calculated at time and a half rate to reflect overtime. A rate of 1.2547 was applied to reflect On-Cost provisions. (Refer also to detailed explanation under Section titled "*Analysis of Survey Results*")

For the purposes of the Digest, no allowance has been made for 'proprietary lead' which is essentially the incentive to invest in a business rather than in an interest bearing investment account.



It is worth noting that where a pharmacy was manager-operated, the proprietor's notional salary was based on the actual number of hours worked by the proprietors in that pharmacy.

The corresponding percentage is expressed as percent of Total Revenue.

Full-Time-Equivalent: is a notional rate which should be interpreted in the particular circumstances of individual pharmacies. It is derived simply by dividing the total hours worked by 38 (the normal award hours) irrespective of the number of hours worked by each partner.

In the case of a sole proprietorship, the number of hours worked clearly relate to a single proprietor. Therefore, the rate simply indicates that the hours worked by the proprietor are the equivalent of 1.18 award weeks (see Table 2). The notional salary of \$136,619 is fully attributable to the single proprietor working 45 hours.

In a partnership, however, where two partners work 38 and 7 hours respectively, the notional salary of \$136,619 should be allocated proportionately according to the hours worked by each partner. Clearly, if proprietors work longer hours, commensurate salaries need to be calculated.

Return on Capital Employed: identifies the economic cost of having funds tied up in business assets rather than being employed elsewhere i.e. the opportunity cost of investment. The Return on Capital Employed is based on an interest rate of 6.0% (10 year Treasury Bonds) less interest paid on borrowed funds.

It should be noted that if the purpose of the exercise was to ascertain the cost of operating a pharmacy, the interest rate on Treasury Bonds would be clearly inadequate. The cost of borrowing the necessary funds would be far greater than is implied in the opportunity return on long term Treasury Bonds.

Important too in such a cost of production exercise would be to include goodwill in funds employed and a risk factor for investing in a business. For the indicative purposes of the Digest which is not a cost of production survey, these two components have been excluded from the calculations.

Net Profit/Loss: is calculated by subtracting Proprietors' Notional Salary and Return on Capital Employed from Total income.

The corresponding percentage is expressed as percent of Total Revenue.

Sales Analysis - Prescriptions: refers to all prescription sales including the income derived from dispensing private prescriptions, prescriptions valued less than the maximum patient contribution, all PBS and RPBS prescriptions and all patient contributions; it excludes OTC items.

The corresponding percentage is expressed as percent of Sales.

Other Sales: include all retail and OTC sales but exclude Commissions Received.

The corresponding percentage is expressed as percent of Sales.

Stock Turn: is the Cost of Goods Sold in a given year divided by the mathematical average of the Opening and Closing stock in the same year. It is a measure of the frequency with which stocks are turned over in the financial year.

Funds Retained in Business: are necessary to re-finance inflation affected inventories and to replace fixtures and other capital equipment. This figure is calculated as the difference between Total Income and the reported Drawings by Proprietors. Where Drawings have not been reported by respondents, they have been excluded from the calculated average.

The corresponding percentage is expressed as percent of Total Revenue.

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AUSTRALIAN PHARMACIES - COMPARISON BETWEEN 2003 AND 2004
(Based on 12 Months of Trading to 30/06/04)

Table 2

	2003 AVERAGES		2004 AVERAGES		AMOUNT AND PERCENT OF CHANGE	
	\$	%	\$	%	\$	%
SALES, EXPENSES & PROFITABILITY						
SALES	2,116,736		2,195,552		78,816	3.72
COST OF GOODS SOLD	1,456,507	68.81	1,511,493	68.84	54,986	3.78
GROSS MARGIN	660,229	31.19	684,059	31.16	23,830	3.61
Commissions Received	15,276		15,112		-164	-1.07
GROSS MARGIN PLUS COMMISSIONS	675,505		699,171		23,666	3.50
TOTAL REVENUE	2,132,015	100.00	2,210,665	100.00	78,650	3.69
EXPENSES						
Salaries and Wages	227,379	10.66	227,712	10.30	333	0.15
Rent Paid	65,566	3.08	65,427	2.96	-139	-0.21
Outgoings - Rental & Rates	2,968	0.14	4,095	0.19	1,127	37.97
Accounting	7,786	0.37	7,126	0.32	-660	-8.48
Advertising	15,719	0.74	16,999	0.77	1,280	8.14
Bank Charges	7,260	0.34	7,140	0.32	-120	-1.65
Computer Expenses	5,935	0.28	5,783	0.26	-152	-2.56
Depreciation	12,684	0.59	12,854	0.58	170	1.34
Electricity, Water, Heating	5,210	0.24	5,159	0.23	-51	-0.98
Insurance	7,487	0.35	7,542	0.34	55	0.73
Interest Paid	26,707	1.25	23,686	1.07	-3,021	-11.31
Leasing Expenses	8,363	0.39	6,824	0.31	-1,539	-18.40
Motor Vehicle Expenses	4,589	0.22	4,502	0.20	-87	-1.90
Postage, Freight, Printing	7,830	0.37	12,292	0.56	4,462	56.99
Repairs, Maintenance, Service	3,532	0.17	3,489	0.16	-43	-1.22
Subs and Registrations	7,241	0.34	7,156	0.32	-85	-1.17
Superannuation	20,010	0.94	20,943	0.95	933	4.66
Telephone	5,511	0.26	5,237	0.24	-274	-4.97
Training	2,066	0.10	2,111	0.10	45	2.18
Abnormal Expenses	2,987	0.14	6,830	0.31	3,843	128.66
Payroll Tax	1,296	0.06	1,145	0.05	-151	-11.65
Workers' Compensation	3,709	0.17	2,930	0.13	-779	-21.00
Other Expenses	22,209	1.04	15,723	0.71	-6,486	-29.20
TOTAL EXPENSES	474,046	22.23	472,706	21.38	-1,340	-0.28
TOTAL INCOME	201,460	9.45	226,465	10.24	25,005	12.41
Less Proprietors' Salary (1) [Full-Time-Equivalents]	104,809	4.92	136,619	6.18	31,810	30.35
Less Return on Capital (2)	7,263	0.34	5,823	0.26	-1,440	-19.83
NET PROFIT/LOSS	89,389	4.19	84,023	3.80	-5,366	-6.00
SALES ANALYSIS						
Prescriptions	1,430,893	67.60	1,496,472	68.16	65,579	4.58
Other Sales	685,844	32.40	699,080	31.84	13,236	1.93
INVENTORY ANALYSIS						
Prescription	69,154	3.24	71,882	3.25	2,728	3.94
Other	117,749	5.52	114,527	5.18	-3,222	-2.74
STOCK CARRIED (Total)	186,903	8.77	186,409	8.43	-494	-0.26
STOCK TURN (On Total Inventory)	7.75		8.44		0.69	8.87
SALES PER INVENTORY DOLLAR						
Prescription	20.69		20.82		0.13	0.61
Other	5.82		6.10		0.28	4.80
STATISTICS						
PHARMACY SIZE (square metres)	151		148		-3	-1.83
PRESCRIPTIONS DISPENSED (Total)	46,825		48,194		1,369	2.92
PRESCRIPTIONS DISPENSED WEEKLY	899		927		28	3.11
TOTAL HOURS OPEN per WEEK	59.9		60.7		0.7	1.24
AV HRS WORKED BY PROPRIETORS/WEEK	45.0		45.0		0.0	-0.04
FUNDS RETAINED IN BUSINESS (3)	44,523	2.09	44,048	1.99	-475	-1.07

(1) Notional Proprietors Salary is based on actual manager's wages and includes on-costs such as a provision for annual leave, long service leave etc.

(2) Return on Capital Employed is based on an opportunity interest rate of 6.0% (10 year Treasury Bonds), less interest paid on borrowed funds.

(3) Funds Retained in Business is calculated as the difference between Total Income and Drawings by Proprietors.

SUMMARY OF PHARMACY PERFORMANCE 2003-04

(Refer to Table 2)

This section compares the results of the 2002-03 and 2003-04 surveys based on the main samples in the two years. It is therefore a comparison of the weighted estimates in the last two years. For further analysis of the movements from one period to the next, it is useful to compare the performance of pharmacies which participated in both years. Those results are summarised in the next section by reference to Table 3.

A major factor which has shaped the results of the past seven years has been the restructuring of the industry. From a base total of 5,625 pharmacies in 1990, the number of approved pharmacies active in 2004 was 4,910 which represents a stabilisation of numbers following the first Agreement.

The restructuring process has produced higher average sales, larger prescription volumes and greater efficiencies in pharmacy management. Average turnover has nearly doubled since 1989-90.

However, caution should be exercised in interpreting these long term results in isolation from both the number and the characteristics of pharmacies which have remained in the industry. To a large extent, the early average increases may be attributed to the falling pharmacy numbers rather than any significant industry-wide growth. On the other hand, as pharmacy numbers have stabilised over the past four years, any recent increases in average indicators would be reasonably expected to reflect industry wide increases.

The following are a few key characteristics of Community Pharmacy in Australia:

- ✦ Community pharmacy is a \$10.9 billion health industry, including \$7.4 billion in prescription sales per year;
- ✦ Community pharmacies dispense 237 million prescriptions annually, including 181.5 million PBS/RPBS subsidised prescriptions;
- ✦ Community pharmacy employs over 40,000 highly skilled staff, the majority of whom are women;
- ✦ Total Dispensary Sales represent around 68.2% of all sales through pharmacies;
- ✦ The average community pharmacy dispenses 48,194 prescriptions per year; and
- ✦ There are now 4,910 community pharmacies, each serving on average a community of 4,075 people across Australia.

Here are the salient results of the 2003-04 financial year:

- Average Total Sales managed a modest increase of 3.7% ending the year on \$2,195,552, in contrast to growth rates in the retail industry generally which grew by 8.9%.

- Cost of Goods Sold grew at a fractionally higher rate at 3.8%, underscoring the key role of COGS in pharmacy turnover.
- Average Gross Margins generally remained static at 31.2% but increased marginally (by 3.6%) in dollar terms.
- In dollar terms, Expenses retreated marginally (– 0.3%) following significant rises over the past five years. This is indicative of expenditure control in the face of softening sales. Expenses ended the year at 21.4% as a percentage of Sales.
- The significant cost increases may be attributed to Advertising (+8.1%), Rental Outgoings (+38.0%), Postage & Printing (+57.0%), while Wages and Rent remained static.
- While representing half of pharmacy overheads, Wages and wage-related expenses showed no significant growth in 2003-04.
- Rental Outgoings jumped nominally by 38%, although this appears to be as a result of more accurate allocation of expenses between rent and outgoings. Combined, the results indicate an increase of 3%.
- Superannuation expenses grew by 4.7%, broadly reflecting the new compulsory contribution rate of 9%.
- Proprietors' Notional Salary increased in line with increases in wages, hours worked and the commercial realities of persistent workforce shortages. Proprietor's salary represented around 6.2% of turnover.
- Significantly, decreases were recorded for Leasing Expenses (-18.4%), Interest Paid (-11.3%) and Accounting (-8.5%).
- The bulk of the increase in sales is attributed to Dispensary Sales which grew by 4.6%. Importantly, the non-Prescription sector also posted a positive growth (+1.9%), albeit at a slower pace than the Dispensary. Consecutive years' respondents reported a much more robust growth in non-prescription sales which points to continuing gains in the sector.
- The comparatively lower growth rate in non-Prescription Sales has in turn pushed the Dispensary Ratio up a notch. The ratio ended the year at 68.2% of Total Sales.
- The average number of prescriptions dispensed in the year grew by 3% to 48,194, while the average prescription price rose by 1.6% from \$30.56 to \$31.05. Similar trends were also reported by the consecutive years' respondents (see Table 3).



AUSTRALIAN PHARMACIES REPORTING IN TWO CONSECUTIVE YEARS 2003 AND 2004
(Based on 12 Months of Trading to 30/06/04)

Table 3

	2003 AVERAGES		2004 AVERAGES		AMOUNT AND PERCENT OF CHANGE	
	\$	%	\$	%	\$	%
SALES, EXPENSES & PROFITABILITY						
SALES	1,813,058		1,996,421		183,363	10.11
COST OF GOODS SOLD	1,250,504	68.97	1,377,067	68.98	126,563	10.12
GROSS MARGIN	562,554	31.03	619,354	31.02	56,800	10.10
Commissions Received	13,059		13,080		21	0.16
GROSS MARGIN PLUS COMMISSIONS	575,612		632,434		56,821	9.87
TOTAL REVENUE	1,826,116	100.00	2,009,501	100.00	183,385	10.04
EXPENSES						
Salaries and Wages	182,222	9.98	194,154	9.66	11,932	6.55
Rent Paid	50,029	2.74	52,825	2.63	2,796	5.59
Outgoings - Rental & Rates	3,099	0.17	3,313	0.16	214	6.91
Accounting	5,082	0.28	5,283	0.26	201	3.96
Advertising	12,377	0.68	12,987	0.65	610	4.93
Bank Charges	5,990	0.33	5,904	0.29	-86	-1.44
Computer Expenses	6,332	0.35	6,632	0.33	300	4.74
Depreciation	9,870	0.54	9,930	0.49	60	0.61
Electricity, Water, Heating	4,172	0.23	4,453	0.22	281	6.74
Insurance	6,673	0.37	7,417	0.37	744	11.15
Interest Paid	16,201	0.89	17,086	0.85	885	5.46
Leasing Expenses	6,420	0.35	6,079	0.30	-341	-5.31
Motor Vehicle Expenses	4,555	0.25	4,622	0.23	67	1.47
Postage, Freight, Printing	6,023	0.33	6,639	0.33	616	10.23
Repairs, Maintenance, Service	3,069	0.17	3,497	0.17	428	13.95
Subs and Registrations	7,242	0.40	7,467	0.37	225	3.11
Superannuation	15,645	0.86	17,195	0.86	1,550	9.91
Telephone	4,470	0.24	4,681	0.23	211	4.72
Training	1,618	0.09	1,748	0.09	130	8.03
Abnormal Expenses	5,390	0.30	6,703	0.33	1,313	24.36
Payroll Tax	443	0.02	596	0.03	153	34.54
Workers' Compensation	2,773	0.15	2,574	0.13	-199	-7.18
Other Expenses	15,837	0.87	13,836	0.69	-2,001	-12.63
TOTAL EXPENSES	375,533	20.56	395,623	19.69	20,090	5.35
TOTAL INCOME	200,079	10.96	236,810	11.78	36,731	18.36
Less Proprietors' Salary (1) [Full-Time-Equivalents]	100,558	5.51	132,423	6.59	31,865	31.69
Less Return on Capital (2)	11,031	0.60	10,824	0.54	-207	-1.87
NET PROFIT/LOSS	88,490	4.85	93,563	4.66	5,073	5.73
SALES ANALYSIS						
Prescriptions	1,277,050	70.44	1,412,717	70.76	135,667	10.62
Other Sales	536,007	29.56	583,704	29.24	47,697	8.90
INVENTORY ANALYSIS						
Prescription	70,821	3.88	74,887	3.73	4,066	5.74
Other	101,491	5.56	105,857	5.27	4,366	4.30
STOCK CARRIED (Total)	172,312	9.44	180,744	8.99	8,432	4.89
STOCK TURN (On Total Inventory)	8.23		8.74		0.51	6.20
SALES PER INVENTORY DOLLAR						
Prescription	18.03		18.86		0.83	4.60
Other	5.28		5.51		0.23	4.36
STATISTICS						
PHARMACY SIZE (square metres)	141		137		-3	-2.33
PRESCRIPTIONS DISPENSED (Total)	42,609		45,531		2,922	6.86
PRESCRIPTIONS DISPENSED WEEKLY	819		876		57	6.96
TOTAL HOURS OPEN per WEEK	57.5		57.4		-0.2	-0.30
AV HRS WORKED BY PROPRIETORS/WEEK	45.9		44.9		-1.0	-2.09
FUNDS RETAINED IN BUSINESS (3)	56,427	3.09	75,334	3.75	18,907	33.51

(1) Notional Proprietors Salary is based on actual manager's wages and includes on-costs such as a provision for annual leave, long service leave etc.

(2) Return on Capital Employed is based on an opportunity interest rate of 6.0% (10 year Treasury Bonds), less interest paid on borrowed funds.

(3) Funds Retained in Business is calculated as the difference between Total Income and Drawings by Proprietors.

COMPARISON OF PHARMACIES RESPONDING IN CONSECUTIVE YEARS

(Refer to Table 3)

Over the past seventeen years, the Digest has included a comparison of performance for those who have responded in two consecutive years. This is particularly important in highlighting movements in key indicators from one year to the next. Indeed, it is perhaps more relevant in assessing movements than the estimates provided in Table 2 (ie the main sample).

It is for this purpose that voluntary participation is encouraged to supplement the annual samples being compared. Since these responses are not restricted to the main sample, the larger their number the more representative the comparisons would be.

A sample of 224 pharmacies responded in both 2002-03 and 2003-04.

The following section offers an overview of the results summarised in Table 3.

- Total Sales increased by 10.1% in contrast to the growth reported by the main sample.
- Cost of Goods Sold also rose by 10.1%. This in turn produced no change in the Gross Margin as a percentage of Sales, at 31.0%, consistent with the findings of the main sample.
- In dollar terms, Total Expenses grew modestly by 5.3%, but eased as percentage of sales from 20.6% to 19.7% in 2003-04.
- Salaries and Wages for the average pharmacy in the comparative sample grew by 6.6%, and, together with wage-related expenses, make up almost half the overheads.
- Rents and Outgoings grew by 5.6% and 6.9% respectively, and, on average represented around 2.8% of Turnover.
- Superannuation expenses grew by 9.9%, broadly reflecting the new compulsory contribution rate of 9%.
- Prescription revenue recorded a strong growth (up by 10.6%).
- Non-Prescription Sales also posted a robust increase (+8.9%), although not sufficient to upset the decade-long growth of the Dispensary Ratio. The Ratio moved up a notch to 70.8%.
- The number of prescriptions dispensed in 2003-04 grew strongly by 6.9% over the previous year's volume (from 42,609 to 45,531), while the average prescription price rose from \$29.97 to \$31.02 (by 3.5%).



AUSTRALIAN PHARMACIES – 2003-04
(Based on 12 Months of Trading to 30/06/04)

Table 4

NATIONAL AVERAGE	2004 AVERAGES		Low	Normal	High
SALES, EXPENSES & PROFITABILITY	\$	%			
SALES	2,195,552		1,631,545	2,445,323	4,035,947
COST OF GOODS SOLD	1,511,493	68.84	67.34	69.38	71.67
GROSS MARGIN	684,059	31.16	27.44	29.89	32.00
Commissions Received	15,112	0.68	0.33	0.66	1.12
GROSS MARGIN PLUS COMMISSIONS	699,171	31.63	28.03	30.43	32.48
TOTAL REVENUE	2,210,665	100.00	100.00	100.00	100.00
EXPENSES					
Salaries and Wages	227,712	10.30	7.59	9.81	12.01
Rent Paid	65,427	2.96	1.44	2.36	3.46
Outgoings - Rental & Rates	4,095	0.19	0.09	0.20	0.41
Accounting	7,126	0.32	0.14	0.26	0.44
Advertising	16,999	0.77	0.16	0.40	1.01
Bank Charges	7,140	0.32	0.21	0.29	0.39
Computer Expenses	5,783	0.26	0.15	0.27	0.47
Depreciation	12,854	0.58	0.17	0.39	0.76
Electricity, Water, Heating	5,159	0.23	0.15	0.21	0.29
Insurance	7,542	0.34	0.23	0.36	0.53
Interest Paid	23,686	1.07	0.25	1.15	2.41
Leasing Expenses	6,824	0.31	0.15	0.40	0.85
Motor Vehicle Expenses	4,502	0.20	0.13	0.27	0.52
Postage, Freight, Printing	12,292	0.56	0.19	0.31	0.43
Repairs, Maintenance, Service	3,489	0.16	0.05	0.11	0.23
Subs and Registrations	7,156	0.32	0.14	0.27	0.47
Superannuation	20,943	0.95	0.60	0.84	1.12
Telephone	5,237	0.24	0.17	0.23	0.31
Training	2,111	0.10	0.01	0.05	0.14
Abnormal Expenses	6,830	0.31	0.00	0.00	0.00
Payroll Tax	1,145	0.05	0.00	0.00	0.00
Workers' Compensation	2,930	0.13	0.05	0.08	0.20
Other Expenses	15,723	0.71	0.18	0.40	0.77
TOTAL EXPENSES	472,706	21.38	16.83	19.95	24.59
TOTAL INCOME	226,465	10.24	6.09	9.87	13.24
Less Proprietors' Salary (1) [Full-Time-Equivalents]	136,619	6.18	4.39	6.71	10.64
Less Return on Capital (2)	5,823	0.26	-0.45	0.68	1.15
NET PROFIT/LOSS	84,023	3.80	-2.09	3.88	9.00
SALES ANALYSIS					
Prescriptions	1,496,472	68.16	1,418,289	2,247,323	553,284
Other Sales	699,080	31.84	1,904,378	347,529	593,702
INVENTORY ANALYSIS					
STOCK CARRIED (Total)	186,409	8.43	99,199	147,000	226,482
STOCK TURN (On Total Inventory)	8.44		7.24	8.84	10.47
SALES PER INVENTORY DOLLAR					
Prescription	20.82		16.54	21.08	27.41
Other	6.10		4.88	6.10	8.51
STATISTICS					
PHARMACY SIZE (square metres)	148		92	141	208
PRESCRIPTIONS DISPENSED (Total)	48,194		28,911	42,615	64,746
PRESCRIPTIONS DISPENSED WEEKLY	927		556	820	1,245
TOTAL HOURS OPEN per WEEK	61		50	56	66
AV HRS WORKED BY PROPRIETORS/WEEK	45		38	48	55
FUNDS RETAINED IN BUSINESS (3)	44,048	1.99	-13,730	15,958	92,518

(1) Notional Proprietors' Salary is based on actual manager's wages and includes on-costs such as a provision for annual leave, long service leave etc.

(2) Return on Capital Employed is based on an opportunity interest rate of 6.0% (10 year Treasury Bonds), less interest paid on borrowed funds.

(3) Funds Retained in Business is calculated as the difference between Total Income and Drawings by Proprietors.

ANALYSIS OF SURVEY RESULTS

Successful businesses are essentially characterised by their ability to:

- secure a reasonable salary for the proprietor(s) commensurate with the hours invested in the job, whether it be serving a customer, planning for the future growth of the business or after hours record-keeping;
- ensure a reasonable return on the funds invested in the business at a rate appropriate to the level of risk involved; (if the recent past is any guide, pharmacy is anything but a low risk business); and
- generate sufficient additional funds to cover the necessary inflationary costs of replacing stock and non-depreciable items as well as the depreciation deficiency on capital items whose replacement costs need to be based on current (and not historical) values.

Community pharmacy is no exception.

Despite its primary health care role, community pharmacy is also a business. As well as being health professionals, pharmacists need to survive in the business environment with all its associated risks and rewards. Profitability is an essential part of that landscape.

Consolidating on the gains of micro-economic reforms and the generally positive economic environment, the overall sales performance of community pharmacy in 2003-04 continued to improve marginally, well behind the growth rate of Retail Turnover generally. The relocation provisions of the previous Agreement were carried forward into the new Agreement, although with significant relaxations of some of the criteria. The central aim remains unchanged: to encourage unviable small pharmacies to relocate to growing and developing areas of population.

The economic conditions remained conducive to growth. While consumer confidence and spending provided much needed boost to Sales, much of the growth in 2003-04 came from dispensary sales. On a positive note, total expenses were brought under control to accommodate the lacklustre sales performance. Importantly, however, while providing a valuable community service, a significant proportion of pharmacies were still unable to achieve a reasonable return on funds invested in their business.

QUARTILE ANALYSIS

Statistical reports should never be considered in isolation as bare facts. They must be interpreted in context and compared by reference to other factors which may be unique to the operation. With this caveat in mind, the following analyses provide a useful guide for decision-making.

Quartiles provide a means of assessing the performance of a particular business relative to a scale of results actually achieved by other respondents. For every revenue, expense, stock and prescription category item listed, each respondent's results are ranked in order of magnitude. The best and the worst results are not shown, but the results are tabulated according to three discrete points in the total sample: low or 1st quartile; normal or 2nd quartile (or median); and high or 3rd quartile. The first quartile simply means that 25% of respondents achieved results less than the value shown for the item. On the other hand, the 3rd or high quartile means that 75% achieved less and 25% achieved greater than the value indicated.

Similarly, the median or 2nd quartile marks the value which one half of the respondents achieved and the other half did not. It is worth noting that the figures in the Low, Normal and High columns represent results from a wide range of pharmacies and the data should be viewed only in terms of their corresponding expense or income items. Strictly speaking, the Salaries and Wages percentage in the Normal Quartile (9.81%) bears no relationship to the Sales figure in the same quartile (\$2,445,323). The correct interpretation is that the Normal Quartile for Salaries and Wages is 9.81% of the Sales figure reported by that median respondent. The Sales figure of \$2,445,323 is independent of the 9.81%. Conversely, the median respondent who reported the Sales figure of \$2,445,323 may have a totally different Salaries and Wages percentage.

When putting these results into benchmarking practice, the general rule of thumb is to aim for:

- Expense results below the low quartile
- Revenue results above the high quartile

An expense result above the high quartile value means that the business needs to examine very closely the causes of the high expense level and to undertake remedial action. Revenue results below the low quartile value require similar urgent attention since they indicate scope for improvement.

Examples

Gross Margin	27%	less than desirable
	35%	excellent
Salaries and Wages	8%	excellent
	15%	room for improvement

However, each result must be viewed in its proper context. With respect to Salaries and Wages, a pharmacy with one part-time staff member may be below this level and still not be achieving efficiencies. At the other end of the spectrum, a manager-operated pharmacy is likely to have a higher salary cost component but may be operating at a highly efficient level. Similarly, higher than average rents do not necessarily suggest an unproductive location.

The quartile range of Gross Margins of 27.39 to 32.00% (compared with 27.94% to 32.18% in 2002-03) suggests a slowing down of the decline in Gross Margins but is consistent with the decade-long downward trend. In 1984-85, Gross Margins ranged from 36.30% to 41.69%.

Total Expense results also show marginal improvements across all quartile ranges. Notwithstanding the aggressive cost control measures of recent years, the present results still point to greater spending possibly encouraged by the generally buoyant economic conditions.

It is worth noting that a 1% fall in expenses (expressed in terms of revenue) directly translates to an increase of 1% in profits.

PROPRIETOR'S NOTIONAL SALARY

As in previous years, the purpose of this calculation is to provide an indication of a reasonable level of professional remuneration for a pharmacy proprietor (or proprietors) for working in the

pharmacy (often for extended hours), taking shorter holidays than employees, bearing the after-hours burden of record-keeping and assuming all the risks associated with investing in and running a business.

The starting base is an employee manager's actual salary for a 38 hour week, adjusted for overtime for any additional hours. To this figure are added on-costs which necessarily form part of labour costs of employing a manager - such things as annual leave, long service leave, superannuation.

The normal hourly rate for managers was estimated at \$42.45, taking into account over-award payments as a result of persistent and widespread shortages in qualified staff. This is equivalent to an annual salary of \$84,000, based on a 38 hour week. Additional hours worked were calculated at time and a half to reflect appropriate overtime. A rate of 1.2547 was then applied to reflect on-cost provisions.

The on-costs were derived as follows:

\$83,881		Annual Salary (38 hour week)
	%	
\$6,452	7.69	Holiday (4 weeks)
\$1,129	1.35	Leave loading (17.5% of 4 weeks)
\$1,613	1.92	Sick leave (1 week)
\$1,398	1.67	Long service leave (3 mths/15 yr)
\$3,226	3.85	Public holidays (2 weeks)
\$7,549	9.00	Superannuation
\$21,368	25.47	Total On-Cost

BREAK-EVEN ANALYSIS

Every business operation involves fixed and variable costs. Fixed costs are those which are incurred regardless of the level of turnover while variable costs are, by definition, those which vary with sales volume. Every dollar of revenue received in a business theoretically has three components:

- variable costs
 - fixed cost contribution
 - profit
- } Expenses

The concept of break-even analysis enables the calculation of a time period necessary to cover the fixed costs of a business from sales revenue after deducting the variable costs. For example, if an item cost \$2 and sells for \$3, there is \$1 available to contribute towards writing off fixed costs and eventually earning a profit.

Last year, the break-even revenue for the average Australian community pharmacy, (with a turnover of \$2,116,736) was \$1,051,053. The variable expense ratio was 82.52% and the break-even sales level was achieved after 181 days.

This financial year (2003-04), using the same method, the variable expense ratio has improved slightly to 81.84%. Applied to a higher turnover level of \$2,195,552, the ratio produces a break-even result of \$1,031,134 achieved after 171 days.

After the break-even point is reached, each extra dollar of revenue contributes to profits since all fixed costs have been met. For the purposes of the following exercise, variable expenses comprise Cost of Goods Sold (COGS), Salaries and Wages, Wage related expenses, Advertising and Other Expenses. The remaining expense items are considered to be fixed costs. The essential components are as follows:

1. SALES	(S)	\$2,195,552
EXPENSES	(E)	\$472,706
COST OF GOODS SOLD	(C)	\$1,511,493
2. TOTAL EXPENSES	(T)	
T = E + C		\$1,984,199
3. VARIABLE EXPENSES	(V)	
* Cost of Goods Sold	\$1,511,493	
* Salaries & Related Costs ⁽¹⁾	\$252,730	
* Advertising	\$16,999	
* Other Expenses	<u>\$15,723</u>	
4. FIXED EXPENSES	(F)	\$1,796,945
F = T - V		\$187,254
5. VARIABLE EXPENSE RATIO (VER)		
VER = $\frac{V}{S}$		$\frac{\$1,796,945}{\$2,195,552} = 0.8184$
6. FIXED EXPENSE RATIO (FER)		
FER = 1 - VER		= 0.1816
7. BREAK-EVEN SALES =	$\frac{F}{FER}$	= $\frac{\$187,254}{0.1816}$
		= \$1,031,134
BREAK-EVEN DAYS =	$\frac{\$1,031,134}{\$2,195,552} \times 365$	= 171

Therefore, break even was achieved after 171 days.

⁽¹⁾ Include: Salaries & Wages, Super, Payroll Tax and Workers' Compensation

PLANNING TOOLS AND PRODUCTIVITY MEASURES

SALES PER SQUARE METRE

This is a useful benchmarking tool to guide merchandising and display. Refer to Table 5 for details according to turnover range. As a general rule, sales productivity by area of selling space tends to increase with turnover and this year turnover per square metre ranged from \$5,116 to \$16,789.

The relationship between Shop Area and Sales is illustrated in Chart 2.

On average, the results point to a 5% improvement in this indicator from \$14,105 last year to \$14,813 in 2003-04.

As in previous years, the results indicate that the most preferred dispensary size (consistent with current dispensary practices) is in the range of 18-22 square metres. Therefore major productivity improvements are still possible in the front-of-shop. This can involve merchandising and display techniques as well as more efficient use of aisle space, etc.

It should be noted that dispensary measurements collected and referred to in the Digest generally exclude any estimates of common areas which may be used by clients while waiting for their prescriptions to be dispensed. For the purposes of the Digest, the dispensary area is essentially defined by its physical boundaries.

TOTAL SALES vs NUMBER OF PRESCRIPTIONS

Additional Sales generated by each prescription averaged around \$14 despite the trend for greater reliance on the Dispensary.

The average prescription generated between \$40 and \$48 in sales revenue. With an average value per prescription of about \$31, each prescription produced between \$9 and \$17 extra revenue in the non-prescription sector.

Turnover Group \$	Average Script Value \$	Sales/Script 2003-04 \$	Script Sales/ Total Sales 2003-04 %
Under 500,000	29.98	47.65	62.9
500,000 – 1.0 m	29.68	40.58	73.1
1.0 m – 1.5 m	29.62	41.06	72.1
1.5 m – 2.0 m	30.08	42.44	70.9
2.0 m – 2.5 m	30.77	45.63	67.4
2.5 m – 3.0 m	30.31	44.56	68.0
3.0 m – 3.5 m	29.65	41.99	70.6
Over 3.5 m	30.95	47.24	64.1
All pharmacies	31.05	45.56	68.2

In practice, customer numbers far exceed the number of prescriptions dispensed. Unpublished Digest data indicates the average number of customers per pharmacy per year is closer to 60,000 (compared with 48,000 dispensed prescriptions). Therefore the average sale per customer may be lower than the Sales per script figures. It is nevertheless important to note that prescriptions contribute significantly to other sales and the important nexus between the two should not be underestimated. The close correlation between the number of prescriptions dispensed and Total Sales is illustrated in Chart 3.

SALES PER \$ OF STAFF WAGES

This is a useful general measure of productivity of staff. Table 5 shows that staff generate between \$9 and \$12 sales revenue per dollar of wages. Two trends are evident. First, with minor exceptions, turnover per dollar of Staff Wages appears inversely proportional to the pharmacy turnover. Second, the gap between metropolitan and country pharmacies has tended to close in recent years both in terms of total Turnover and in terms of sales per dollar of wages paid.

As in previous editions, the following analysis excludes dispensary revenue from the equation to focus on the selling performance of staff. The salary and wages figure includes remuneration for qualified employees who are frequently involved in the selling process, particularly for scheduled or complementary medicines.

\$ Turnover Group	Retail Sales/\$ Wages \$ 2003-04
Under 500,000	3.42
500,000 – 1.0 m	2.88
1.0 m – 1.5 m	3.15
1.5 m – 2.0 m	2.87
2.0 m – 2.5 m	3.26
2.5 m – 3.0 m	3.11
3.0 m – 3.5 m	2.83
Over 3.5 m	3.09
All Pharmacies	3.07

By its very nature, this indicator is sensitive to the changing proportion of dispensary sales to total sales. As pharmacy increases its reliance on dispensary revenue, retail sales per \$ wages will steadily contract. This trend has slowed in recent years with the tentative increases in non-prescription sales.

SALES PER FULL-TIME EMPLOYEE

The results of this year's survey show that each full-time employee generated between \$260,000 and \$480,000 in sales revenue. With minor exceptions, this indicator showed marginal improvement across most turnover categories and an average increase of around 5% on last year's results.

Salaries and wages represent the largest single expense item in community pharmacy. Sales staff therefore have the capacity to significantly influence sale outcomes. The following figures provide a useful benchmark for performance rating.

As with the previous section, it is a useful method to exclude dispensary turnover from the calculation to obtain the retail sector sales per full-time equivalent employee.

\$ Turnover Group	Retail Sales/Full-Time Employee \$ 2003-04
Under 500,000	91,544
500,000 – 1.0 m	109,412
1.0 m – 1.5 m	134,198
1.5 m – 2.0 m	133,954
2.0 m – 2.5 m	127,362
2.5 m – 3.0 m	130,215
3.0 m – 3.5 m	114,764
Over 3.5 m	140,252
All Pharmacies	136,161

This productivity measure is highly sensitive to the composition of the sample with respect to the mix of owner-operated and manager-operated pharmacies. As a rule, the higher the proportion of manager-operated pharmacies in the sample, the lower this productivity ratio will be because the number of hours worked by employees (ie managers) will be higher.

It is also sensitive to the downward trend in the proportion of Retail Sales. Overall, the results point to a marginal improvement of 3% over the previous year's indicator.

RENT PER SQUARE METRE

With minor exceptions, the range of rents paid per square metre varied in direct proportion to pharmacy turnover without the benefit of economies of scale - large pharmacies pay premium rents. Small turnover pharmacies paid on average around \$230 per square metre per annum whereas the average rental for the over \$3m turnover category was closer to \$560 per square metre.

Country pharmacies generally enjoyed cheaper rents than their metropolitan counterparts.

Overall, country pharmacies recorded a substantial increase from \$343.28 to \$392.25 (up by 14.3%) while metropolitan pharmacies reported a drop. The latter appears to be as a result of more accurate allocation of expenses between rent and outgoings rather than any actual decrease in rent.

Also of interest is the fact that larger pharmacies, while paying high rents, do not necessarily benefit from commensurate margins.

TOTAL SALES PER HOUR WORKED

Another productivity benchmark which sheds further light on staff efficiencies is Total Sales per Hour Worked.

Turnover Group \$	Total Sales/Hour Worked 2003-04 \$
Under 500,000	81.33
500,000 – 1.0 m	135.14
1.0 m – 1.5 m	168.03
1.5 m – 2.0 m	178.23
2.0 m – 2.5 m	161.71
2.5 m – 3.0 m	176.82
3.0 m – 3.5 m	170.70
Over 3.5 m	176.59
All Pharmacies	175.85

Overall, the results indicate a robust improvement in productivity of 5% with movements of varying magnitude reported across the categories.



Table 5

SUMMARY OF PRODUCTIVITY MEASURES – 2003-04

TURNOVER RANGE	AVERAGE TURNOVER \$	TURNOVER PER \$ STAFF WAGES	TURNOVER PER FULL TIME EMPLOYEE	TURNOVER PER SQ M SHOP SPACE	RENT \$ PER SQ M SHOP SPACE
UNDER \$500,000	423,384	9.77	260,544	5,116	230.40
\$500,000 - \$1,000,000	822,695	10.83	412,760	10,104	297.85
\$1,000,000 - \$1,500,000	1,276,164	11.41	484,409	12,236	284.15
\$1,500,000 - \$2,000,000	1,752,390	9.88	460,358	13,301	368.87
\$2,000,000 - \$2,500,000	2,266,437	10.06	393,766	14,896	365.76
\$2,500,000 - \$3,000,000	2,755,189	9.81	408,846	15,175	494.49
\$3,000,000 - \$3,500,000	3,347,789	9.71	394,713	15,777	484.53
OVER \$3,500,000	4,543,317	8.68	393,370	16,789	563.65
AUSTRALIA					
ALL PHARMACIES - WEIGHTED	2,210,665	9.71	430,620	14,898	440.91
METROPOLITAN	2,057,561	9.66	454,102	15,178	497.50
COUNTRY	2,365,313	9.78	446,796	15,222	392.25

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GOLD CROSS IDEAS THAT MEAN BUSINESS

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Chart 2

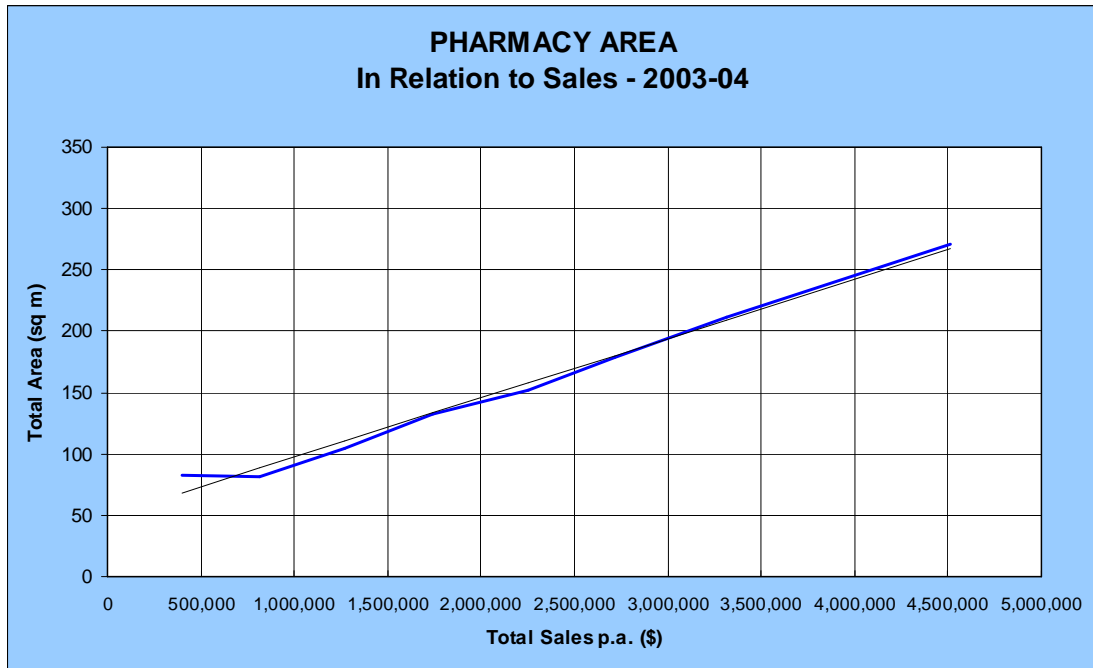
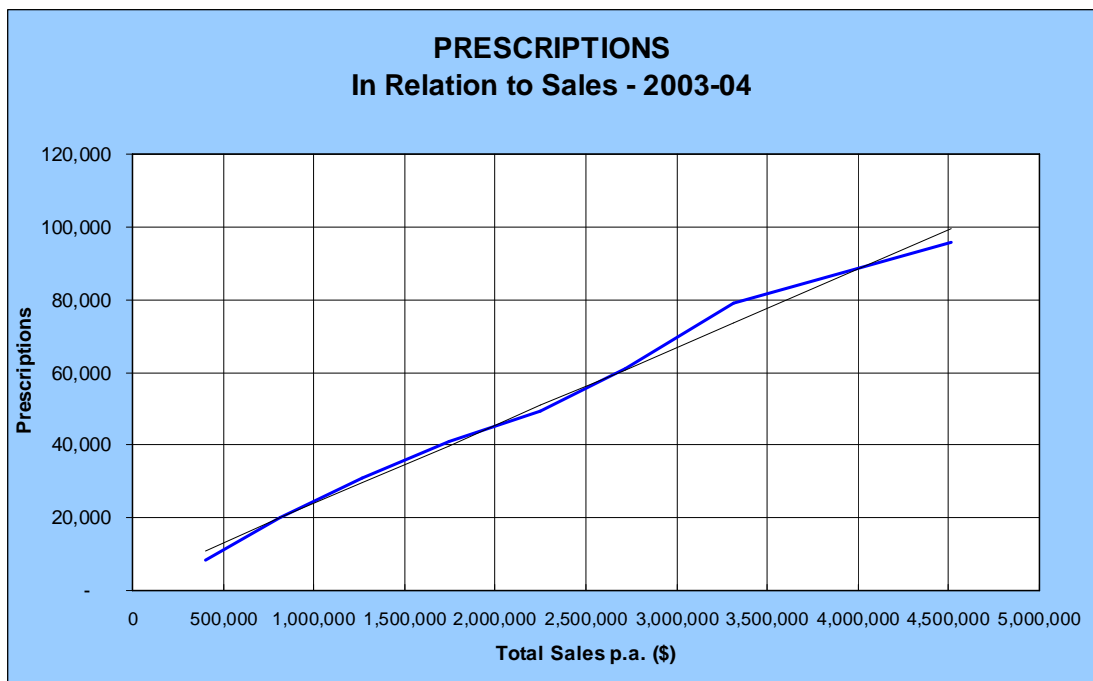


Chart 3



USER'S GUIDE TO THE GUILD DIGEST

Management decisions which result in the successful operation of a pharmacy require more than general and vague impressions of an operation's financial structure. The Digest is designed to enable retail pharmacists to make valuable comparisons of their financial performance against industry benchmarks.

The purpose of this section is to aid in those comparisons by providing a better understanding of the financial data presented. Terms are defined, methods of computation are set out, and notes that aid in the application of the financial statements are given.

OPERATING PERIOD

Extreme movements may be experienced in individual businesses from period to period but as a general rule, unless there are exceptional economic factors, industry movements are small from period to period.

The Digest can therefore be useful to identify short term trends, such as adverse margins or high inventory levels at anytime during the current period. In addition comparisons of digest results can be made at anytime after 30 June 2004 to identify any long term problems such as inappropriate locations.

DIGEST FORMAT

For the purposes of financial management, two major areas are presented:

- a) Operating results for the twelve month period summarised into various charts and tables according to turnover ranges, location and volume of prescription business;
- b) Financial position of the business at a specific point in time, ie 30 June 2004, after the year's trading has been taken into account.

OPERATING RESULTS

Often referred to as the Profit and Loss Account, the operating results present, in a single format, revenue derived from the sale of merchandise and expenses incurred to produce these sales.

All income statement data are reported as percentage of Total Revenue to allow the comparison of each item in its relationship to the total operation.

OPERATING STATEMENT TERMS

Sales include all prescription sales, patient contributions and counter sales. It does not include trade rebates, discounts and commission from Health Funds and other sources.

Gross Margin is obtained by first arriving at the Cost of Goods Sold and deducting the figure from Sales as follows:		
Inventory at the beginning of the year	\$ <input type="text"/>	**
Plus Purchases during the year*	\$ <input type="text"/>	
= Cost of Merchandise	\$ <input type="text"/>	
- Purchase Rebates and Trade Rebates	\$ <input type="text"/>	
- Goods taken for own use	\$ <input type="text"/>	
- Inventory at end of year	\$ <input type="text"/>	
= Cost of Goods Sold	\$ <input type="text"/>	
Sales	\$ <input type="text"/>	
- Cost of Goods Sold	\$ <input type="text"/>	
= Gross Margin	\$ <input type="text"/>	
* Only include merchandise purchased for re-sale.		
** Fill in your own figures as examples.		

Trading Profit/Loss (Trading Income) is determined by deducting all operating expenses from Gross Margin.

THE BALANCE SHEET

The Balance Sheet is a statement of financial position at a given point in time. Balance sheets are expressed as:

$$\text{Assets} = \text{Liabilities} + \text{Owners Equity (Net Worth)}$$

Assets

Current Assets are assets that can usually be converted into cash at short notice.

Fixed Assets, on the other hand, are assets with a long term life which are needed to carry out the normal activities of the business. They also have a depreciable life and are shown at cost less depreciation written off to date.

Goodwill is the price paid to take over the clientele when purchasing a business, less amounts written off over a designated period.

Liabilities

Current Liabilities include all debts which are due within one year from the date of the balance sheet. The main components are normally accounts payable, accrued expenses, overdrafts and provision for tax.

Long Term Liabilities are those which are payable over a number of financial years. They include loans, mortgages and long term provisions such as Long Service Leave.

Net Worth

Net worth is the owners equity in the business and is expressed by the following relationship:

$$\text{Net Worth} = \text{Total Assets} - \text{Total Liabilities}$$

FINANCIAL RATIOS

From an investor's point of view, the pharmacy proprietor must review the balance sheet in order to relate the income produced from the venture to the funds invested in it. The owner must also be prepared to justify the level of expenditure incurred in earning both the income and the return on funds invested. Thus a sound management policy dictates that the proprietor should review both the income and expense statement for an evaluation of operations and the balance sheet for an assessment of financial position and solvency.

The proprietor can judge how effectively the assets are being utilised by relating the asset and liability position to sales and profit figures.

Balance sheet information can be developed into ratios that measure asset usage (return on asset investment); the liquidity of the business, or its ability to meet current obligations (current ratio); and the general solvency of the firm (debt/equity ratio).

It should be noted that the ratios calculated from the financial information are not inflexible determinants of success or failure, but rather, represent indicators of performance at one point in time. It is suggested that these ratios be considered as a group rather than separately.

Liquidity or Short-Term Capitalisation

Liquidity measures the pharmacy's ability to meet its current obligations and reflects the relationship between the business' short-term financial obligations (current liabilities) and the sources of funds available to meet those requirements (current assets).

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Also known as Working Capital Ratio, a ratio of around 2 to 1 for most businesses enables the business to relatively easily meet current obligations. In most cases a ratio higher than this would indicate that the manager is not utilising funds in the most productive way.

Profitability

Profitability is the measuring stick used to evaluate how effective the manager has been in increasing the owner's equity.

$$\text{Net profit on annual sale} = \frac{\text{Net Profit (before tax)}}{\text{Annual Sales}}$$

Year to year comparisons can be made to determine the change in net profit in relation to the change in sales. This measure of profitability is most useful in connection with another standard ratio – return on investment.

$$\begin{array}{l} \text{Return on Investment} \\ \text{(or return on Equity)} \end{array} = \frac{\text{Net Profit (before tax)}}{\text{Net Worth}}$$

Net worth is the amount of owner's equity and is the difference between total assets and total liabilities. The resulting figure is then divided into net profit (before taxes).

Often a more accurate indicator of investment return can be found in the return on total investment.

$$\begin{array}{l} \text{Return on} \\ \text{Total Investment} \end{array} = \frac{\text{Net Profit (before tax)}}{\text{Owner's Equity + Long Term Liabilities}}$$

Net profit on total investment expresses income in relation to the total of the permanent funds invested in the business. It makes no distinction between owner's equity and borrowed capital. The Return on Total Investment ratio is a measure of how well management has used all these permanent funds.

Solvency or Long-Term Capitalisation

Solvency is calculated by lenders in estimating the borrowing potential of a firm. Solvency refers to the ability of a pharmacy to meet the repayment schedule on long-term obligations.

$$\begin{array}{l} \text{Debt Equity Ratio} \\ \text{(or gearing)} \end{array} = \frac{\text{Total Liabilities}}{\text{Net Worth}}$$

A pharmacy in which the total debt exceeds the owner's equity is quite vulnerable if external changes cause a prolonged drop in sales or an unpredictable increase in expenses such as those caused by interest rate rises. When the debt/equity ratio is low in comparison with that in similar operations the pharmacy may not be leveraged to best advantage.

Net Sales to Net Worth

This ratio examines the productivity of equity in terms of generating sales. A high ratio may imply inadequate owner's capitalisation. When the ratio is low, the operation is not obtaining full use of its funds.

Funded Debt to Net Working Capital

A business' ability to borrow is obtained by dividing funded debts, mortgages etc by working capital. When the ratio is low there is less reliance on funded debt for working capital and the owner is in a better financial position to borrow funds.

Age of Debtors

$$\frac{\text{Average Payable Period}}{\text{Payable Period}} = \frac{\text{Outstanding Accounts Payable} \times 365}{\text{Annual Purchases}}$$

This ratio expresses the number of days outstanding in accounts payable and measures the extent to which a business is operating on suppliers' capital. A higher-than-average value may imply that the pharmacy is not taking suppliers' cash discounts.



AUSTRALIAN PHARMACIES – SUMMARY OF SALES VOLUME IN 2003-04
(Based on 12 Months of Trading to 30/06/04)

Table 6

	Up to \$500,000		\$500,000 to \$1,000,000		\$1,000,000 to \$1,500,000		\$1,500,000 to \$2,000,000	
SALES, EXPENSES & PROFITABILITY	\$	%	\$	%	\$	%	\$	%
SALES	399,661		815,888		1,266,106		1,742,075	
COST OF GOODS SOLD	266,782	66.75	556,312	68.18	884,568	69.87	1,208,267	69.36
GROSS MARGIN	132,879	33.25	259,576	31.82	381,538	30.13	533,808	30.64
Commissions Received	23,724		6,806		10,058		10,314	
GROSS MARGIN PLUS COMMISSIONS	156,603		266,382		391,596		544,122	
TOTAL REVENUE	423,384	100.00	822,695	100.00	1,276,164	100.00	1,752,390	100.00
EXPENSES								
Salaries and Wages	43,316	10.23	75,998	9.24	111,864	8.77	177,412	10.12
Rent Paid	19,066	4.50	24,251	2.95	29,637	2.32	48,598	2.77
Outgoings - Rental & Rates	131	0.03	1,936	0.24	2,336	0.18	2,873	0.16
Accounting	2,086	0.49	4,062	0.49	4,330	0.34	6,062	0.35
Advertising	2,540	0.60	2,622	0.32	7,628	0.60	10,198	0.58
Bank Charges	7,097	1.68	3,014	0.37	3,860	0.30	6,292	0.36
Computer Expenses	3,416	0.81	4,197	0.51	4,337	0.34	6,175	0.35
Depreciation	6,092	1.44	4,221	0.51	6,411	0.50	11,944	0.68
Electricity, Water, Heating	2,585	0.61	2,230	0.27	2,868	0.22	3,792	0.22
Insurance	3,525	0.83	5,257	0.64	6,135	0.48	7,215	0.41
Interest Paid	10,037	2.37	7,680	0.93	18,087	1.42	22,908	1.31
Leasing Expenses	6,011	1.42	1,245	0.15	2,813	0.22	3,232	0.18
Motor Vehicle Expenses	5,225	1.23	3,398	0.41	4,223	0.33	5,104	0.29
Postage, Freight, Printing	1,455	0.34	2,584	0.31	7,960	0.62	5,681	0.32
Repairs, Maintenance, Service	1,545	0.36	1,792	0.22	2,327	0.18	2,702	0.15
Subs and Registrations	2,678	0.63	3,885	0.47	5,499	0.43	5,899	0.34
Superannuation	3,026	0.71	6,627	0.81	9,904	0.78	16,859	0.96
Telephone	1,557	0.37	2,782	0.34	3,220	0.25	4,760	0.27
Training	0	0.00	541	0.07	1,188	0.09	1,909	0.11
Abnormal Expenses	8,934	2.11	2,497	0.30	3,036	0.24	6,859	0.39
Payroll Tax	0	0.00	91	0.01	32	0.01	41	0.01
Workers' Compensation	646	0.15	955	0.12	1,732	0.14	2,563	0.15
Other Expenses	8,783	2.07	5,850	0.71	13,281	1.04	14,790	0.84
TOTAL EXPENSES	139,748	33.01	167,713	20.39	252,706	19.80	373,869	21.33
TOTAL INCOME	16,855	3.98	98,669	11.99	138,890	10.88	170,253	9.72
Less Proprietors' Salary (1) [Full-Time-Equivalents]	91,052	21.51	121,496	14.77	132,246	10.36	131,372	7.50
	0.86		1.06		1.18		1.15	
Less Return on Capital (2)	44	0.01	6,463	0.79	700	0.05	1,014	0.06
NET PROFIT/LOSS	-74,241	-17.54	-29,290	-3.56	5,944	0.47	37,867	2.16
SALES ANALYSIS								
Prescriptions	251,504	62.93	596,777	73.14	913,307	72.14	1,236,297	70.97
Other Sales	148,157	37.07	219,111	26.86	352,799	27.86	505,778	29.03
INVENTORY ANALYSIS								
Prescription	27,376	6.47	34,578	4.20	47,813	3.75	63,266	3.61
Other	37,481	8.85	43,210	5.25	57,568	4.51	77,754	4.44
STOCK CARRIED (Total)	64,857	15.32	77,788	9.46	105,381	8.26	141,020	8.05
STOCK TURN (On Total Inventory)	4.37		7.21		8.43		8.54	
SALES PER INVENTORY DOLLAR								
Prescription	9.19		17.26		19.10		19.54	
Other	3.95		5.07		6.13		6.50	
STATISTICS								
PHARMACY SIZE (square metres)	83		81		104		132	
PRESCRIPTIONS DISPENSED (Total)	8,388		20,107		30,837		41,074	
PRESCRIPTIONS DISPENSED WEEKLY	161		387		593		790	
TOTAL HOURS OPEN per WEEK	56		53		52		60	
AV HRS WORKED BY PROPRIETORS/WEEK	33		40		45		44	
FUNDS RETAINED IN BUSINESS (3)	-12,446	-2.94	31,276	3.80	30,338	2.38	25,707	1.47

(1) Notional Proprietors Salary is based on actual manager's wages and includes on-costs such as a provision for annual leave, long service leave etc.

(2) Return on Capital Employed is based on an opportunity interest rate of 6.0% (10 year Treasury Bonds), less interest paid on borrowed funds.

(3) Funds Retained in Business is calculated as the difference between Total Income and Drawings by Proprietors.

AUSTRALIAN PHARMACIES – SUMMARY OF SALES VOLUME IN 2003-04
(Based on 12 Months of Trading to 30/06/04)

Table 6

	\$2,000,000 to \$2,500,000		\$2,500,000 to \$3,000,000		\$3,000,000 to \$3,500,000		Over \$3,500,000	
SALES, EXPENSES & PROFITABILITY	\$	%	\$	%	\$	%	\$	%
SALES	2,251,906		2,740,473		3,317,197		4,514,213	
COST OF GOODS SOLD	1,541,239	68.44	1,885,451	68.80	2,305,726	69.51	3,094,586	68.55
GROSS MARGIN	710,667	31.56	855,022	31.20	1,011,471	30.49	1,419,627	31.45
Commissions Received	14,531		14,715		30,591		29,104	
GROSS MARGIN PLUS COMMISSIONS	725,198		869,737		1,042,062		1,448,731	
TOTAL REVENUE	2,266,437	100.00	2,755,189	100.00	3,347,789	100.00	4,543,317	100.00
EXPENSES								
Salaries and Wages	225,196	9.94	280,843	10.19	344,916	10.30	523,280	11.52
Rent Paid	55,651	2.46	89,780	3.26	102,818	3.07	152,534	3.36
Outgoings - Rental & Rates	3,609	0.16	2,504	0.09	4,757	0.14	12,267	0.27
Accounting	6,624	0.29	8,141	0.30	11,638	0.35	13,180	0.29
Advertising	19,750	0.87	22,142	0.80	26,677	0.80	42,077	0.93
Bank Charges	7,424	0.33	9,652	0.35	10,412	0.31	13,028	0.29
Computer Expenses	6,590	0.29	7,352	0.27	5,943	0.18	7,274	0.16
Depreciation	14,836	0.65	16,795	0.61	20,674	0.62	23,347	0.51
Electricity, Water, Heating	5,697	0.25	6,299	0.23	7,527	0.22	10,664	0.23
Insurance	7,474	0.33	9,363	0.34	9,813	0.29	9,966	0.22
Interest Paid	18,979	0.84	25,482	0.92	46,582	1.39	39,908	0.88
Leasing Expenses	7,545	0.33	12,147	0.44	7,428	0.22	17,765	0.39
Motor Vehicle Expenses	4,782	0.21	3,474	0.13	4,244	0.13	6,013	0.13
Postage, Freight, Printing	19,655	0.87	26,882	0.98	12,805	0.38	18,138	0.40
Repairs, Maintenance, Service	3,941	0.17	4,826	0.18	4,261	0.13	6,121	0.13
Subs and Registrations	9,136	0.40	7,749	0.28	9,754	0.29	10,691	0.24
Superannuation	20,248	0.89	24,111	0.88	36,967	1.10	47,341	1.04
Telephone	5,801	0.26	6,225	0.23	6,905	0.21	9,287	0.20
Training	1,672	0.07	2,733	0.10	2,910	0.09	5,003	0.11
Abnormal Expenses	7,380	0.33	8,415	0.31	16,292	0.49	9,894	0.22
Payroll Tax	477	0.02	966	0.04	2,731	0.08	5,199	0.11
Workers' Compensation	2,537	0.11	3,509	0.13	4,648	0.14	6,343	0.14
Other Expenses	18,002	0.79	17,187	0.62	20,858	0.62	24,352	0.54
TOTAL EXPENSES	473,006	20.87	596,577	21.65	721,559	21.55	1,013,673	22.31
TOTAL INCOME	252,192	11.13	273,160	9.91	320,503	9.57	435,058	9.58
Less Proprietors' Salary (1) [Full-Time-Equivalents]	145,567	6.42	127,310	4.62	156,240	4.67	156,616	3.45
Less Return on Capital (2)	1,29		1,10		1,35		1,38	
	12,668	0.56	7,149	0.26	0	0.00	16,552	0.36
NET PROFIT/LOSS	93,957	4.15	138,701	5.03	164,263	4.98	261,890	5.76
SALES ANALYSIS								
Prescriptions	1,518,571	67.43	1,860,518	67.89	2,342,607	70.62	2,895,413	64.14
Other Sales	733,334	32.57	879,956	32.11	974,591	29.38	1,618,800	35.86
INVENTORY ANALYSIS								
Prescription	78,227	3.45	82,155	2.98	98,947	2.96	124,440	2.74
Other	127,629	5.63	137,518	4.99	166,232	4.97	234,427	5.16
STOCK CARRIED (Total)	205,856	9.08	219,673	7.97	265,179	7.92	358,867	7.90
STOCK TURN (On Total Inventory)	8.11		8.80		8.97		8.73	
SALES PER INVENTORY DOLLAR								
Prescription	19.41		22.65		23.68		23.27	
Other	5.75		6.40		5.86		6.91	
STATISTICS								
PHARMACY SIZE (square metres)	152		182		212		271	
PRESCRIPTIONS DISPENSED (Total)	49,349		61,414		79,005		95,567	
PRESCRIPTIONS DISPENSED WEEKLY	949		1,181		1,519		1,838	
TOTAL HOURS OPEN per WEEK	64		65		67		73	
AV HRS WORKED BY PROPRIETORS/WEEK	49		42		51		53	
FUNDS RETAINED IN BUSINESS (3)	79,264	3.50	8,441	0.31	25,139	0.75	93,473	2.06

(1) Notional Proprietors Salary is based on actual manager's wages and includes on-costs such as a provision for annual leave, long service leave etc.

(2) Return on Capital Employed is based on an opportunity interest rate of 6.0% (10 year Treasury Bonds), less interest paid on borrowed funds.

(3) Funds Retained in Business is calculated as the difference between Total Income and Drawings by Proprietors.

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Chart 4

Trends in Pharmacy Operations, 1985 – 2004

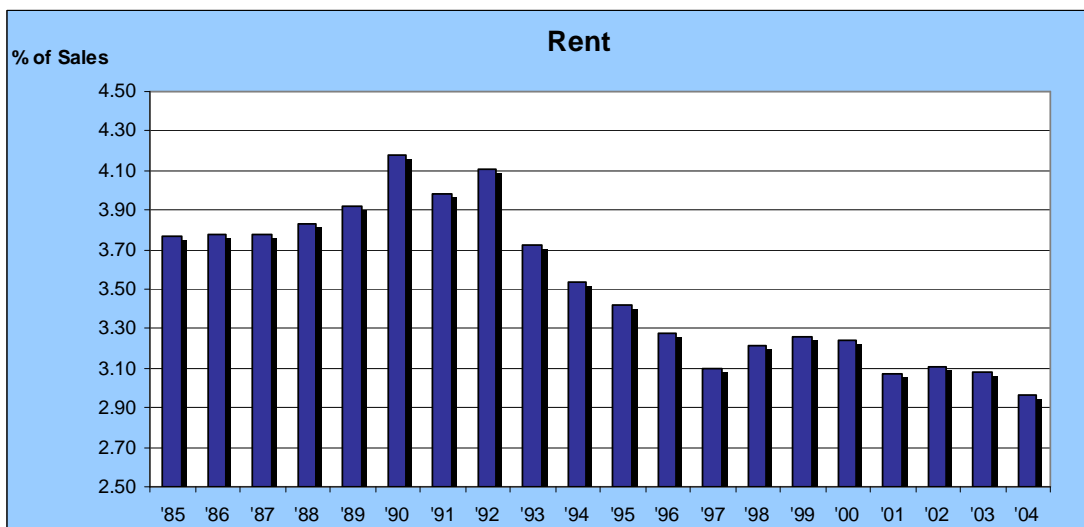
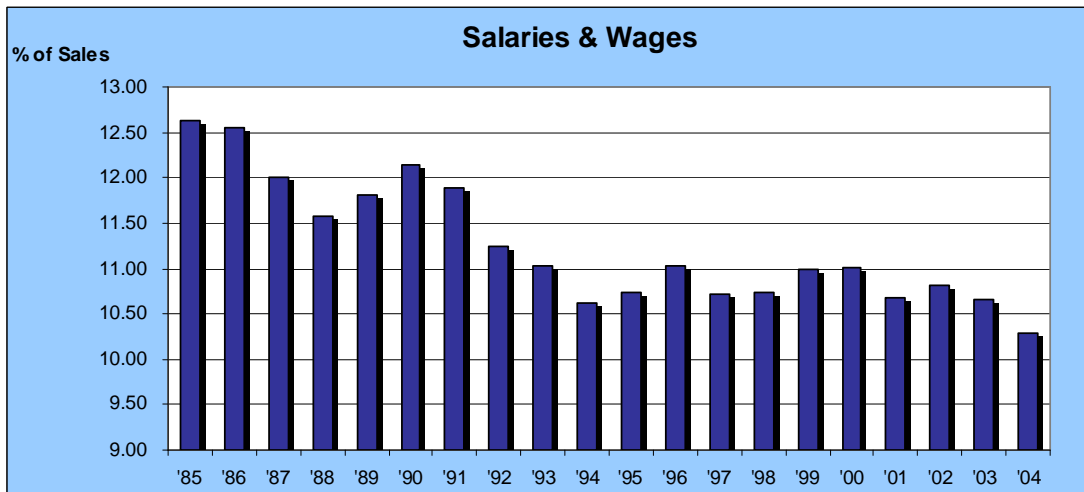
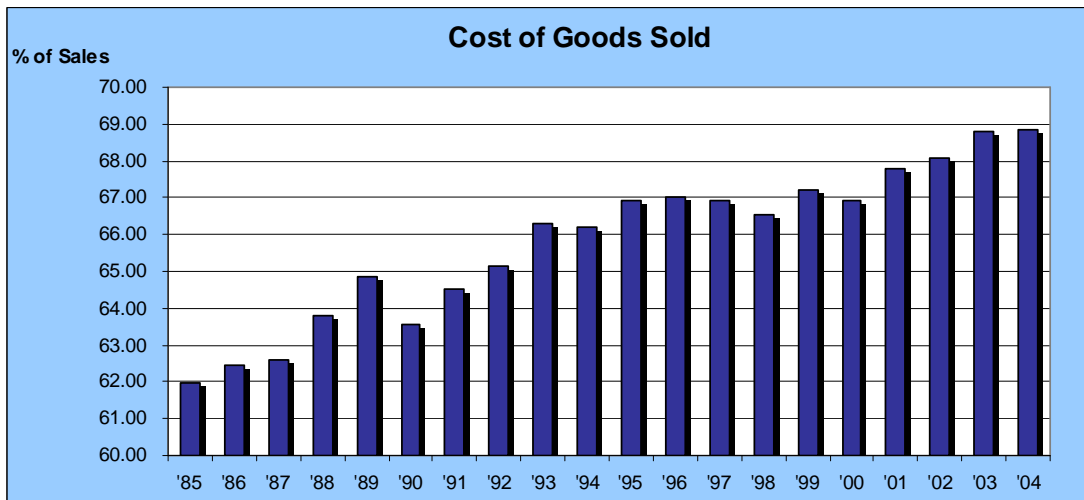
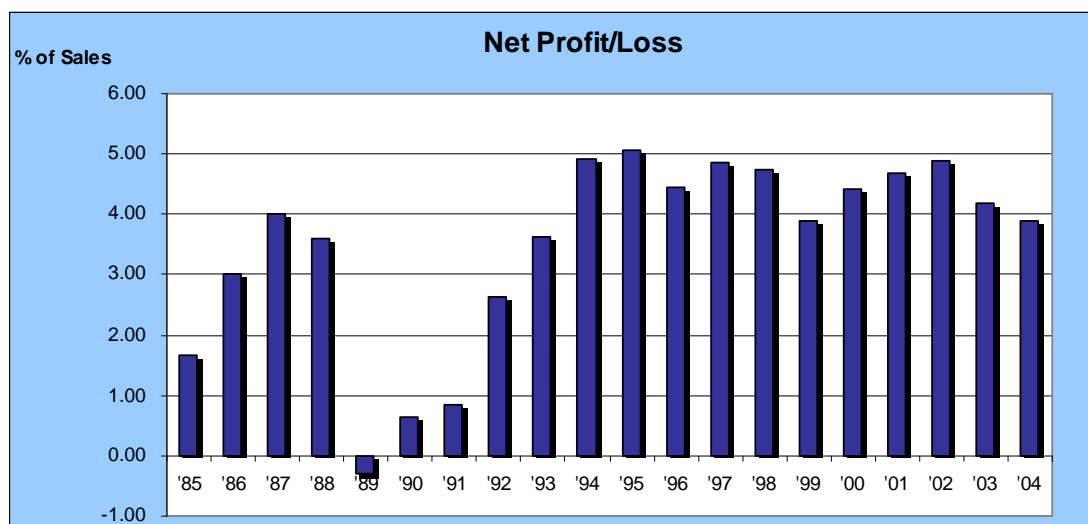
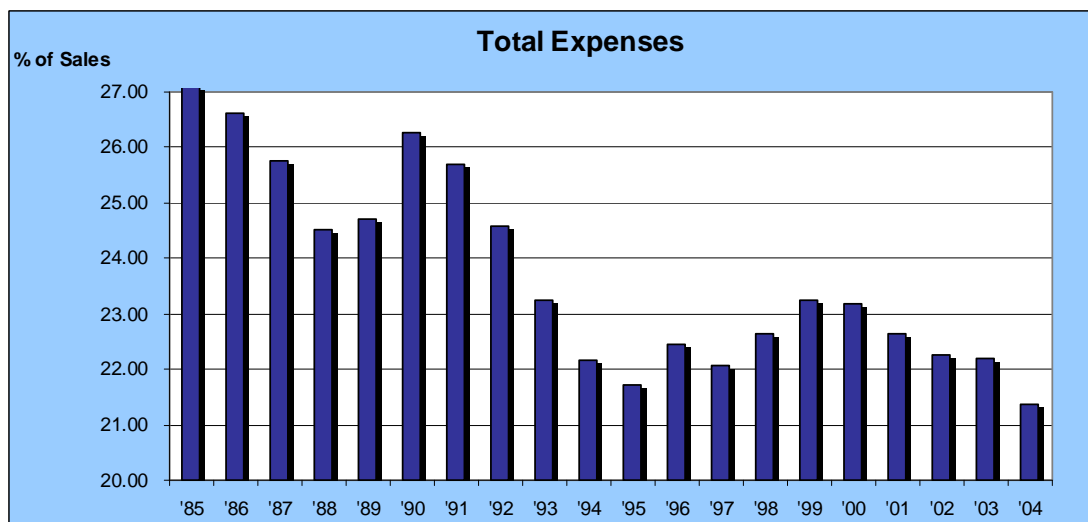
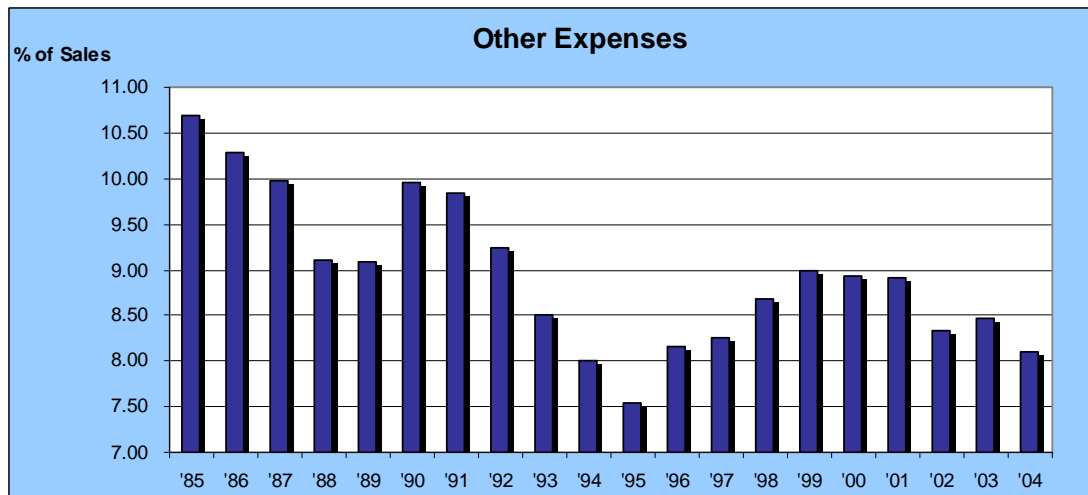


Chart 4 (continued)





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Table 7

COMPARISON OF PERFORMANCE – METROPOLITAN v COUNTRY (Based on 12 months trading to 30/6/04)

	NSW		VIC		QLD		SA		WA		TAS		AUSTRALIA	
	Metro	Country	Metro	Country	Metro	Country	Metro	Country	Metro	Country	Metro	Country	Metro	Country
MAIN INDICATORS														
1. SALES (\$ p.a.)	2,135,938	2,124,962	2,007,494	2,916,537	2,035,380	2,287,583	1,835,158	2,799,203	1,978,929	2,155,084	2,139,137	2,154,125	2,045,188	2,346,693
Percentage of Sales														
2. GROSS MARGIN (%)	29.28	31.51	31.27	30.51	31.64	32.83	31.34	29.72	32.34	32.95	30.46	29.74	30.81	31.66
3. RETAIL SALES (%)	30.55	31.16	27.66	31.83	32.77	35.30	29.02	33.67	35.11	32.24	30.00	30.83	30.80	33.07
4. TOTAL REVENUE (\$ p.a.)	2,145,350	2,140,921	2,018,412	2,941,603	2,049,235	2,304,660	1,850,988	2,830,783	1,989,882	2,170,320	2,160,813	2,171,349	2,061,337	2,365,313
Percentage of Total Revenue														
5. STAFF SALARIES & WAGES	10.09	9.83	9.91	10.47	11.09	10.61	10.60	10.59	9.62	8.83	8.99	9.47	10.34	10.23
6. RENT	3.44	2.82	2.61	1.83	3.48	3.06	3.34	2.26	4.06	2.28	1.25	1.52	3.27	2.58
7. ALL EXPENSE ITEMS	20.72	21.29	20.25	20.24	23.43	22.52	21.20	20.90	21.43	20.09	18.53	17.46	21.43	21.23
8. TOTAL INCOME	8.88	10.72	11.39	10.86	8.48	10.81	10.73	9.60	11.28	13.33	12.62	12.84	9.91	10.97
9. NET PROFIT/LOSS	3.01	3.82	4.54	5.55	0.65	4.70	4.24	3.35	4.80	5.04	5.52	5.42	3.30	4.59
10. TOTAL STOCK CARRIED	8.85	9.83	8.29	8.17	8.30	9.25	8.53	9.83	9.32	8.18	6.86	10.27	8.55	9.31
11. STOCK TURN (PER YEAR)	8.41	8.35	9.11	9.03	8.59	7.63	9.00	7.72	8.01	7.96	10.45	8.92	8.80	8.28
12. PRESCRIPTIONS DISPENSED (p.a.)	49,636	47,203	48,154	64,228	46,170	50,384	45,057	61,552	38,916	44,858	54,487	50,682	47,189	51,855
13. HOURS PHARMACY OPEN/WEEK	62	54	58	57	65	61	63	55	65	57	58	56	62	58
14. HOURS WORKED BY PROPRIETORS	42	48	46	51	50	44	36	55	43	52	50	52	44	48

Table 8

COMPARISON OF PERFORMANCE – REGIONAL SHOPPING CENTRE v NON-REGIONAL SHOPPING CENTRE (Based on 12 months trading to 30/6/04)

	NSW		VIC		QLD		SA		WA		TAS		AUSTRALIA		
	Regional	Non Regional	Regional	Non Regional	Regional	Non Regional	Regional	Non Regional	Regional	Non Regional	Regional	Non Regional	Regional	Non Regional	
MAIN INDICATORS															
1. SALES (\$ p.a.)	3,757,764	1,920,804	3,006,150	2,304,840	3,178,069	2,101,620	2,599,205	1,861,828	I N S U F F I C I E N T S A M P L E T O P U B L I S H	1,965,713	I N S U F F I C I E N T S A M P L E T O P U B L I S H	2,071,420	3,135,697	1,873,553	
Percentage of Sales															
2. GROSS MARGIN (%)	30.56	29.69	30.94	30.93	31.49	32.41	30.40	31.12		32.43		29.88	30.97	30.79	
3. RETAIL SALES (%)	37.74	27.79	29.28	29.95	37.34	33.89	32.18	29.55		34.74		31.76	33.82	28.52	
4. TOTAL REVENUE (\$ p.a.)	3,771,494	1,931,928	3,026,330	2,321,223	3,197,307	2,117,057	2,626,299	1,878,428		1,976,759		2,091,112	3,155,678	1,889,441	
Percentage of Total Revenue															
5. STAFF SALARIES & WAGES	11.20	9.65	10.68	10.10	10.12	10.89	11.52	10.23		9.43		9.47	10.71	9.75	
6. RENT	4.96	2.55	3.27	2.02	4.17	3.12	4.71	2.40		3.39		1.49	4.30	2.41	
7. ALL EXPENSE ITEMS	24.14	19.44	20.73	20.14	20.86	23.13	24.27	19.88		20.68		18.24	22.43	19.70	
8. TOTAL INCOME	6.68	10.65	10.67	11.28	11.04	9.68	6.85	11.86		12.13		12.30	8.98	11.67	
9. NET PROFIT/LOSS	3.06	3.84	5.70	5.03	5.47	2.75	1.59	4.90		4.54		4.93	4.44	4.46	
10. TOTAL STOCK CARRIED	7.55	8.89	7.79	8.62	8.55	8.82	9.21	9.42		9.31		9.36	8.27	8.64	
11. STOCK TURN (PER YEAR)	8.19	9.30	9.16	9.05	8.16	7.95	8.45	8.68		8.02		9.20	8.09	8.84	
12. PRESCRIPTIONS DISPENSED (p.a.)	72,789	45,615	68,501	53,003	62,700	47,503	58,808	45,313		39,084		49,165	66,267	43,657	
13. HOURS PHARMACY OPEN/WEEK	60	57	61	57	60	63	63	61	63	57	61	58			
14. HOURS WORKED BY PROPRIETORS	37	43	54	47	37	46	41	40	46	50	44	43			

NEW SOUTH WALES PHARMACIES – SUMMARY BY LOCATION AND TYPE
(Based on 12 Months of Trading to 30/06/04)

Table 9

	State Averages New South Wales		Sydney Metropolitan		New South Wales Country		Newcastle Wollongong	
SALES, EXPENSES & PROFITABILITY	\$	%	\$	%	\$	%	\$	%
SALES	2,202,962		2,135,938		2,124,962		2,651,801	
COST OF GOODS SOLD	1,539,129	69.87	1,510,471	70.72	1,455,446	68.49	1,905,413	71.85
GROSS MARGIN	663,833	30.13	625,467	29.28	669,516	31.51	746,388	28.15
Commissions Received	12,535		9,412		15,959		12,624	
GROSS MARGIN PLUS COMMISSIONS	676,368		634,879		685,475		759,012	
TOTAL REVENUE	2,215,497	100.00	2,145,350	100.00	2,140,921	100.00	2,664,425	100.00
EXPENSES								
Salaries and Wages	222,212	10.03	216,530	10.09	210,521	9.83	257,904	9.68
Rent Paid	72,041	3.25	73,783	3.44	60,427	2.82	78,300	2.94
Outgoings - Rental & Rates	4,469	0.20	4,493	0.21	3,911	0.18	293	0.01
Accounting	6,312	0.28	5,568	0.26	6,970	0.33	5,283	0.20
Advertising	14,389	0.65	11,321	0.53	16,690	0.78	6,287	0.24
Bank Charges	6,455	0.29	6,509	0.30	5,948	0.28	5,355	0.20
Computer Expenses	6,218	0.28	6,121	0.29	6,071	0.28	9,362	0.35
Depreciation	12,113	0.55	9,259	0.43	15,030	0.70	11,050	0.41
Electricity, Water, Heating	4,145	0.19	3,629	0.17	4,669	0.22	3,652	0.14
Insurance	8,754	0.40	9,590	0.45	7,208	0.34	11,097	0.42
Interest Paid	24,508	1.11	21,054	0.98	26,831	1.25	60,018	2.25
Leasing Expenses	6,126	0.28	5,047	0.24	7,323	0.34	870	0.03
Motor Vehicle Expenses	6,105	0.28	5,612	0.26	6,396	0.30	5,065	0.19
Postage, Freight, Printing	10,502	0.47	10,549	0.49	10,107	0.47	6,492	0.24
Repairs, Maintenance, Service	3,879	0.18	3,821	0.18	3,631	0.17	1,952	0.07
Subs and Registrations	5,843	0.26	4,818	0.22	7,118	0.33	5,818	0.22
Superannuation	18,366	0.83	17,897	0.83	17,629	0.82	18,127	0.68
Telephone	4,905	0.22	4,632	0.22	5,026	0.23	4,361	0.16
Training	2,199	0.10	1,649	0.08	2,799	0.13	2,780	0.10
Abnormal Expenses	4,561	0.21	3,437	0.16	6,333	0.30	0	0.00
Payroll Tax	1,047	0.05	1,094	0.05	837	0.04	0	0.00
Workers' Compensation	5,799	0.26	5,452	0.25	5,845	0.27	6,238	0.23
Other Expenses	15,158	0.68	12,601	0.59	18,588	0.87	6,008	0.23
TOTAL EXPENSES	466,104	21.04	444,466	20.72	455,907	21.29	506,312	19.00
TOTAL INCOME	210,264	9.49	190,413	8.88	229,568	10.72	252,700	9.48
Less Proprietors' Salary (1) [Full-Time-Equivalents]	131,472	5.93	122,771	5.72	141,623	6.62	81,704	3.07
Less Return on Capital (2)	1.17		1.10		1.25		0.77	
	3,696	0.17	3,125	0.15	6,157	0.29	0	0.00
NET PROFIT/LOSS	75,096	3.39	64,517	3.01	81,788	3.82	170,996	7.24
SALES ANALYSIS								
Prescriptions	1,520,386	69.02	1,483,491	69.45	1,462,888	68.84	1,940,254	73.17
Other Sales	682,577	30.98	652,447	30.55	662,074	31.16	711,548	26.83
INVENTORY ANALYSIS								
Prescription	76,161	3.44	81,607	3.80	77,534	3.62	73,837	2.77
Other	117,036	5.28	108,353	5.05	133,004	6.21	120,313	4.52
STOCK CARRIED (Total)	193,197	8.72	189,960	8.85	210,538	9.83	194,150	7.29
STOCK TURN (On Total Inventory)	8.38		8.74		8.35		8.05	
SALES PER INVENTORY DOLLAR								
Prescription	19.96		18.18		18.87		26.28	
Other	5.83		6.02		4.98		5.91	
STATISTICS								
PHARMACY SIZE (square metres)	153		151		141		227	
PRESCRIPTIONS DISPENSED (Total)	50,292		49,636		47,203		70,191	
PRESCRIPTIONS DISPENSED WEEKLY	967		955		908		1,350	
TOTAL HOURS OPEN per WEEK	59		62		54		63	
AV HRS WORKED BY PROPRIETORS/WEEK	44		42		48		29	
FUNDS RETAINED IN BUSINESS (3)	47,235	2.13	46,479	2.17	38,730	1.81	172,115	6.46

(1) Notional Proprietors Salary is based on actual manager's wages and includes on-costs such as a provision for annual leave, long service leave etc.

(2) Return on Capital Employed is based on an opportunity interest rate of 6.0% (10 year Treasury Bonds), less interest paid on borrowed funds.

(3) Funds Retained in Business is calculated as the difference between Total Income and Drawings by Proprietors.

NEW SOUTH WALES PHARMACIES – SUMMARY BY LOCATION AND TYPE
(Based on 12 Months of Trading to 30/06/04)

Table 9

	Canberra		New South Wales North Coast		New South Wales South Coast		Group		No Group	
	\$	%	\$	%	\$	%	\$	%	%	\$
SALES, EXPENSES & PROFITABILITY										
SALES	2,639,795		2,062,372		2,638,105		2,727,730		1,883,726	
COST OF GOODS SOLD	1,849,773	70.07	1,386,696	67.24	1,868,784	70.84	1,919,834	70.38	1,309,250	69.50
GROSS MARGIN	790,022	29.93	675,676	32.76	769,321	29.16	807,896	29.62	574,476	30.50
Commissions Received	26,827		11,786		15,812		17,560		10,419	
GROSS MARGIN PLUS COMMISSIONS	816,849		687,462		785,133		825,456		584,895	
TOTAL REVENUE	2,666,622	100.00	2,074,158	100.00	2,653,917	100.00	2,745,290	100.00	1,894,145	100.00
EXPENSES										
Salaries and Wages	333,518	12.51	213,655	10.30	266,703	10.05	282,214	10.28	190,044	10.03
Rent Paid	55,885	2.10	65,566	3.16	63,435	2.39	79,319	2.89	62,461	3.30
Outgoings - Rental & Rates	64	0.01	5,992	0.29	6,052	0.23	1,798	0.07	5,140	0.27
Accounting	16,992	0.64	8,963	0.43	4,655	0.18	5,867	0.21	6,985	0.37
Advertising	10,531	0.39	22,381	1.08	18,914	0.71	22,515	0.82	9,001	0.48
Bank Charges	11,440	0.43	6,071	0.29	7,990	0.30	7,038	0.26	6,277	0.33
Computer Expenses	4,269	0.16	4,093	0.20	9,026	0.34	8,649	0.32	4,775	0.25
Depreciation	12,154	0.46	11,159	0.54	20,297	0.76	14,215	0.52	10,358	0.55
Electricity, Water, Heating	4,861	0.18	5,151	0.25	3,832	0.14	5,280	0.19	3,517	0.19
Insurance	8,292	0.31	6,693	0.32	8,565	0.32	10,374	0.38	7,794	0.41
Interest Paid	28,498	1.07	27,146	1.31	25,020	0.94	24,969	0.91	22,953	1.21
Leasing Expenses	18,794	0.70	4,160	0.20	4,015	0.15	13,260	0.48	3,377	0.18
Motor Vehicle Expenses	3,196	0.12	4,030	0.19	11,168	0.42	9,207	0.34	4,193	0.22
Postage, Freight, Printing	46,209	1.73	11,675	0.56	8,690	0.33	8,858	0.32	13,502	0.71
Repairs, Maintenance, Service	2,990	0.11	3,016	0.15	4,708	0.18	6,170	0.22	2,550	0.37
Subs and Registrations	14,924	0.56	6,325	0.30	6,668	0.25	9,420	0.34	4,620	0.24
Superannuation	32,021	1.20	19,414	0.94	17,204	0.65	24,066	0.88	15,787	0.83
Telephone	6,293	0.24	4,888	0.24	6,133	0.23	5,859	0.21	4,386	0.23
Training	5,892	0.22	2,735	0.13	3,271	0.12	3,201	0.12	1,848	0.10
Abnormal Expenses	4,020	0.15	4,739	0.23	818	0.03	9,065	0.33	2,448	0.13
Payroll Tax	0	0.00	1,566	0.08	117	0.01	817	0.03	1,006	0.05
Workers' Compensation	12,093	0.45	6,035	0.29	6,894	0.26	7,497	0.27	5,155	0.27
Other Expenses	18,309	0.69	19,214	0.93	19,290	0.73	17,686	0.64	13,950	0.74
TOTAL EXPENSES	651,242	24.42	464,665	22.40	523,467	19.72	577,344	21.03	402,127	21.23
TOTAL INCOME	165,607	6.21	222,797	10.74	261,666	9.86	248,112	9.04	182,768	9.65
Less Proprietors' Salary (1) [Full-Time-Equivalents]	163,334	6.13	151,421	7.30	80,279	3.02	136,988	4.99	129,387	6.83
	1.36		1.30		0.89		1.26		1.13	
Less Return on Capital (2)	396	0.01	2,179	0.11	5,089	0.19	12,138	0.44	232	0.01
NET PROFIT/LOSS	1,877	0.07	69,197	3.34	176,298	6.64	98,986	3.61	53,149	2.81
SALES ANALYSIS										
Prescriptions	1,895,000	71.79	1,408,812	68.31	1,836,346	69.61	1,912,452	70.11	1,297,227	68.86
Other Sales	744,796	28.21	653,560	31.69	801,759	30.39	815,278	29.89	586,499	31.14
INVENTORY ANALYSIS										
Prescription	97,567	3.66	74,009	3.57	111,230	4.19	99,878	3.64	71,778	3.79
Other	114,885	4.31	132,222	6.37	127,543	4.81	140,238	5.11	108,677	5.74
STOCK CARRIED (Total)	212,452	7.97	206,231	9.94	238,773	9.00	240,116	8.75	180,455	9.53
STOCK TURN (On Total Inventory)	9.83		8.27		9.49		9.10		8.43	
SALES PER INVENTORY DOLLAR										
Prescription	19.42		19.04		16.51		19.15		18.07	
Other	6.48		4.94		6.29		5.81		5.40	
STATISTICS										
PHARMACY SIZE (square metres)	120		125		153		191		122	
PRESCRIPTIONS DISPENSED (Total)	64,312		45,393		61,758		63,127		42,892	
PRESCRIPTIONS DISPENSED WEEKLY	1,237		873		1,188		1,214		825	
TOTAL HOURS OPEN per WEEK	64		58		58		59		59	
AV HRS WORKED BY PROPRIETORS/WEEK	52		50		34		48		43	
FUNDS RETAINED IN BUSINESS (3)	7,978	0.30	40,573	1.96	164,636	6.20	91,558	3.34	13,115	0.69

(1) Notional Proprietors Salary is based on actual manager's wages and includes on-costs such as a provision for annual leave, long service leave etc.

(2) Return on Capital Employed is based on an opportunity interest rate of 6.0% (10 year Treasury Bonds), less interest paid on borrowed funds.

(3) Funds Retained in Business is calculated as the difference between Total Income and Drawings by Proprietors.

VICTORIAN PHARMACIES – SUMMARY BY LOCATION AND TYPE
(Based on 12 Months of Trading to 30/06/04)

Table 10

	State Averages Victoria		Victoria Metropolitan		Victoria Country		Group		No Group	
	\$	%	\$	%	\$	%	\$	%		
SALES, EXPENSES & PROFITABILITY										
SALES	2,335,320		2,007,494		2,916,537		2,913,701		1,967,141	
COST OF GOODS SOLD	1,615,249	69.17	1,379,789	68.73	2,026,781	69.49	2,020,686	69.35	1,353,134	68.79
GROSS MARGIN	720,071	30.83	627,705	31.27	889,756	30.51	893,015	30.65	614,007	31.21
Commissions Received	16,692		10,917		25,066		18,279		15,689	
GROSS MARGIN PLUS COMMISSIONS	736,763		638,622		914,822		911,294		629,696	
TOTAL REVENUE	2,352,011	100.00	2,018,412	100.00	2,941,603	100.00	2,931,980	100.0	1,982,831	100.00
EXPENSES										
Salaries and Wages	238,075	10.12	199,999	9.91	308,012	10.47	311,505	10.62	191,919	9.68
Rent Paid	52,070	2.21	52,622	2.61	53,883	1.83	61,210	2.09	46,663	2.35
Outgoings - Rental & Rates	3,789	0.16	3,726	0.18	3,964	0.13	3,895	0.13	3,771	0.19
Accounting	7,605	0.32	7,507	0.37	8,090	0.28	8,343	0.28	7,275	0.37
Advertising	16,706	0.71	11,424	0.57	25,341	0.86	24,549	0.84	11,383	0.57
Bank Charges	7,961	0.34	6,400	0.32	10,347	0.35	8,490	0.29	7,702	0.39
Computer Expenses	6,266	0.27	5,304	0.26	7,593	0.26	7,802	0.27	5,024	0.25
Depreciation	13,483	0.57	9,658	0.48	18,389	0.63	11,343	0.39	14,903	0.75
Electricity, Water, Heating	5,395	0.23	4,392	0.22	7,060	0.24	6,593	0.22	4,637	0.23
Insurance	6,720	0.29	5,934	0.29	7,912	0.27	7,500	0.26	6,170	0.31
Interest Paid	28,135	1.20	24,459	1.21	33,985	1.16	25,444	0.87	30,869	1.56
Leasing Expenses	9,038	0.38	7,014	0.35	12,111	0.41	9,847	0.34	8,588	0.43
Motor Vehicle Expenses	3,963	0.17	3,148	0.16	5,161	0.18	4,489	0.15	3,590	0.18
Postage, Freight, Printing	8,583	0.36	5,512	0.27	13,320	0.45	10,058	0.34	7,756	0.39
Repairs, Maintenance, Service	4,363	0.19	3,676	0.18	5,412	0.18	5,708	0.19	3,354	0.37
Subs and Registrations	7,472	0.32	6,451	0.32	9,246	0.31	10,461	0.36	5,336	0.27
Superannuation	21,272	0.90	17,945	0.89	27,572	0.94	27,443	0.94	17,578	0.89
Telephone	5,551	0.24	4,064	0.20	7,882	0.27	7,151	0.24	4,466	0.23
Training	3,166	0.13	1,923	0.10	5,195	0.18	4,081	0.14	2,660	0.13
Abnormal Expenses	7,079	0.30	11,169	0.55	2,057	0.07	10,091	0.34	5,147	0.26
Payroll Tax	1,969	0.08	1,952	0.10	2,133	0.07	2,135	0.07	1,942	0.10
Workers' Compensation	1,839	0.08	1,579	0.08	2,304	0.08	2,329	0.08	1,523	0.08
Other Expenses	15,132	0.64	12,923	0.64	18,398	0.63	15,010	0.51	15,383	0.78
TOTAL EXPENSES	475,625	20.22	408,781	20.25	595,367	20.24	585,478	19.97	407,638	20.56
TOTAL INCOME	261,138	11.10	229,841	11.39	319,455	10.86	325,816	11.11	222,058	11.20
Less Proprietors' Salary (1) [Full-Time-Equivalents]	141,161	6.00	135,096	6.69	149,463	5.08	142,887	4.87	139,689	7.04
Less Return on Capital (2)	4,388	0.19	3,130	0.16	6,627	0.23	13,201	0.45	0	0.00
NET PROFIT/LOSS	115,589	4.91	91,615	4.54	163,365	5.55	169,728	5.79	82,369	4.25
SALES ANALYSIS										
Prescriptions	1,637,906	70.14	1,452,309	72.34	1,988,160	68.17	2,092,781	71.83	1,341,962	68.22
Other Sales	697,415	29.86	555,186	27.66	928,378	31.83	820,920	28.17	625,179	31.78
INVENTORY ANALYSIS										
Prescription	73,997	3.15	72,920	3.61	87,634	2.98	89,350	3.05	74,984	3.78
Other	112,204	4.77	94,315	4.67	152,684	5.19	163,611	5.58	100,102	5.05
STOCK CARRIED (Total)	186,201	7.92	167,235	8.29	240,318	8.17	252,961	8.63	175,086	8.83
STOCK TURN (On Total Inventory)	8.98		9.11		9.03		8.91		9.27	
SALES PER INVENTORY DOLLAR										
Prescription	22.13		19.92		22.69		23.42		17.90	
Other	6.22		5.89		6.08		5.02		6.25	
STATISTICS										
PHARMACY SIZE (square metres)	162		126		213		205		118	
PRESCRIPTIONS DISPENSED (Total)	53,652		48,154		64,228		66,080		45,879	
PRESCRIPTIONS DISPENSED WEEKLY	1,031		926		1,235		1,271		882	
TOTAL HOURS OPEN per WEEK	58		58		57		58		58	
AV HRS WORKED BY PROPRIETORS/WEEK	48		46		51		50		47	
FUNDS RETAINED IN BUSINESS (3)	58,982	2.51	55,088	2.73	47,896	1.63	92,789	3.16	21,076	1.06

(1) Notional Proprietors Salary is based on actual manager's wages and includes on-costs such as a provision for annual leave, long service leave etc.

(2) Return on Capital Employed is based on an opportunity interest rate of 6.0% (10 year Treasury Bonds), less interest paid on borrowed funds.

(3) Funds Retained in Business is calculated as the difference between Total Income and Drawings by Proprietors.

QUEENSLAND PHARMACIES – SUMMARY BY LOCATION AND TYPE
(Based on 12 Months of Trading to 30/06/04)

Table 11

	State Averages Queensland		Brisbane Metropolitan		Queensland Country		Group		No Group	
	\$	%	\$	%	\$	%	\$	%	\$	%
SALES, EXPENSES & PROFITABILITY										
SALES	2,117,898		2,035,380		2,287,583		2,438,130		2,094,296	
COST OF GOODS SOLD	1,432,801	67.65	1,391,311	68.36	1,536,663	67.17	1,657,623	67.99	1,414,818	67.56
GROSS MARGIN	685,097	32.35	644,069	31.64	750,920	32.83	780,507	32.01	679,478	32.44
Commissions Received	15,345		13,854		17,077		18,317		14,851	
GROSS MARGIN PLUS COMMISSIONS	700,442		657,923		767,997		798,824		694,329	
TOTAL REVENUE	2,133,243	100.00	2,049,235	100.00	2,304,660	100.00	2,456,447	100.0	2,109,147	100.00
EXPENSES										
Salaries and Wages	231,014	10.83	229,203	11.18	244,576	10.61	261,183	10.63	230,431	10.93
Rent Paid	68,920	3.23	71,844	3.51	70,563	3.06	80,755	3.29	67,924	3.22
Outgoings - Rental & Rates	3,786	0.18	5,140	0.25	3,137	0.14	8,363	0.34	2,543	0.12
Accounting	7,550	0.35	5,654	0.28	9,087	0.39	5,280	0.21	8,407	0.40
Advertising	21,607	1.01	19,624	0.96	24,178	1.05	25,810	1.05	21,072	1.00
Bank Charges	7,215	0.34	7,431	0.36	7,262	0.32	5,957	0.24	7,787	0.37
Computer Expenses	4,601	0.22	4,425	0.22	4,786	0.21	7,585	0.31	3,659	0.17
Depreciation	14,892	0.70	15,482	0.76	15,112	0.66	18,144	0.74	14,321	0.68
Electricity, Water, Heating	5,997	0.28	6,237	0.30	5,963	0.26	7,135	0.29	5,731	0.27
Insurance	6,198	0.29	5,538	0.27	6,701	0.29	6,084	0.25	6,249	0.30
Interest Paid	24,403	1.14	20,957	1.02	27,446	1.19	22,833	0.93	25,309	1.20
Leasing Expenses	6,691	0.31	9,521	0.46	4,976	0.22	12,096	0.49	5,190	0.25
Motor Vehicle Expenses	4,567	0.21	4,292	0.21	4,807	0.21	5,018	0.20	4,447	0.21
Postage, Freight, Printing	19,185	0.90	18,933	0.92	17,913	0.78	8,019	0.33	21,751	1.03
Repairs, Maintenance, Service	2,946	0.14	2,803	0.14	3,050	0.13	4,126	0.17	2,556	0.12
Subs and Registrations	7,499	0.35	6,537	0.32	8,277	0.36	7,695	0.31	7,487	0.35
Superannuation	22,385	1.05	22,735	1.11	23,180	1.01	23,633	0.96	22,780	1.08
Telephone	5,343	0.25	5,149	0.25	5,584	0.24	6,290	0.26	5,106	0.24
Training	1,758	0.08	1,532	0.07	2,007	0.09	1,529	0.06	1,897	0.09
Abnormal Expenses	6,313	0.30	4,343	0.21	7,415	0.32	4,975	0.20	6,487	0.31
Payroll Tax	809	0.04	516	0.03	1,121	0.05	711	0.03	915	0.04
Workers' Compensation	1,135	0.05	1,247	0.06	1,111	0.05	1,098	0.04	1,192	0.06
Other Expenses	18,075	0.85	15,057	0.73	20,729	0.90	31,149	1.27	14,095	0.67
TOTAL EXPENSES	492,887	23.11	484,200	23.63	518,978	22.52	555,468	22.61	487,335	23.11
TOTAL INCOME	207,555	9.73	173,723	8.48	249,019	10.81	243,356	9.91	206,994	9.81
Less Proprietors' Salary (1) [Full-Time-Equivalents]	142,904	6.70	154,157	7.52	135,740	5.89	123,999	5.05	149,996	7.11
Less Return on Capital (2)	4,858	0.23	6,202	0.30	5,057	0.22	13,062	0.53	2,890	0.14
NET PROFIT/LOSS	59,793	2.80	13,364	0.65	108,222	4.70	106,295	4.33	54,108	2.57
SALES ANALYSIS										
Prescriptions	1,395,740	65.90	1,368,469	67.23	1,480,039	64.70	1,670,224	68.50	1,354,412	64.67
Other Sales	722,158	34.10	666,911	32.77	807,543	35.30	767,906	31.50	739,883	35.33
INVENTORY ANALYSIS										
Prescription	65,674	3.08	65,623	3.20	71,096	3.08	87,947	3.58	64,191	3.04
Other	118,697	5.56	105,810	5.16	142,143	6.17	147,739	6.01	120,821	5.73
STOCK CARRIED (Total)	184,371	8.64	171,433	8.37	213,239	9.25	235,686	9.59	185,012	8.77
STOCK TURN (On Total Inventory)	8.05		8.59		7.89		8.09		8.18	
SALES PER INVENTORY DOLLAR										
Prescription	21.25		20.85		20.82		18.99		21.10	
Other	6.08		6.30		5.68		5.20		6.12	
STATISTICS										
PHARMACY SIZE (square metres)	136		125		138		165		109	
PRESCRIPTIONS DISPENSED (Total)	47,303		46,170		50,384		53,534		46,970	
PRESCRIPTIONS DISPENSED WEEKLY	910		888		969		1,030		903	
TOTAL HOURS OPEN per WEEK	62		65		61		61		63	
AV HRS WORKED BY PROPRIETORS/WEEK	46		50		44		42		48	
FUNDS RETAINED IN BUSINESS (3)	12,435	0.58	-7,597	-0.37	35,030	1.52	80,100	3.26	-3,291	-0.16

(1) Notional Proprietors Salary is based on actual manager's wages and includes on-costs such as a provision for annual leave, long service leave etc.

(2) Return on Capital Employed is based on an opportunity interest rate of 6.0% (10 year Treasury Bonds), less interest paid on borrowed funds.

(3) Funds Retained in Business is calculated as the difference between Total Income and Drawings by Proprietors.

SOUTH AUSTRALIA PHARMACIES – SUMMARY BY LOCATION AND TYPE
(Based on 12 Months of Trading to 30/06/04)

Table 12

	State Averages South Australia		Adelaide Metropolitan		South Australia Country		Group		No Group	
	\$	%	\$	%	\$	%	\$	%		
SALES, EXPENSES & PROFITABILITY										
SALES	2,120,398		1,835,158		2,799,203		2,267,371		1,740,581	
COST OF GOODS SOLD	1,472,858	69.46	1,259,951	68.66	1,967,391	70.28	1,587,154	70.00	1,178,954	67.73
GROSS MARGIN	647,540	30.54	575,207	31.34	831,812	29.72	680,217	30.00	561,627	32.27
Commissions Received	19,345		15,830		31,580		22,370		14,890	
GROSS MARGIN PLUS COMMISSIONS	666,885		591,037		863,392		702,587		576,517	
TOTAL REVENUE	2,139,743	100.00	1,850,988	100.00	2,830,783	100.00	2,289,741	100.0	1,755,471	100.00
EXPENSES										
Salaries and Wages	229,761	10.74	196,140	10.60	299,852	10.59	246,536	10.77	181,454	10.34
Rent Paid	66,691	3.12	61,818	3.34	64,116	2.26	78,822	3.44	43,096	2.45
Outgoings - Rental & Rates	4,312	0.20	3,815	0.21	6,448	0.23	4,517	0.20	4,110	0.23
Accounting	5,943	0.28	5,309	0.29	6,772	0.24	7,033	0.31	3,928	0.22
Advertising	12,720	0.59	9,030	0.49	25,871	0.91	12,890	0.56	11,651	0.66
Bank Charges	6,251	0.29	5,393	0.29	8,017	0.28	6,543	0.29	5,167	0.29
Computer Expenses	8,357	0.39	7,181	0.39	10,300	0.36	8,015	0.35	7,528	0.43
Depreciation	9,539	0.45	6,899	0.37	16,677	0.59	9,273	0.40	8,267	0.47
Electricity, Water, Heating	5,607	0.26	4,554	0.25	8,699	0.31	5,915	0.26	4,724	0.27
Insurance	7,484	0.35	7,031	0.38	8,411	0.30	7,938	0.35	6,563	0.37
Interest Paid	11,688	0.55	10,870	0.59	12,658	0.45	10,698	0.47	11,821	0.67
Leasing Expenses	6,043	0.28	4,670	0.25	10,729	0.38	8,021	0.35	3,340	0.19
Motor Vehicle Expenses	2,668	0.12	2,445	0.13	4,441	0.16	2,539	0.11	3,176	0.18
Postage, Freight, Printing	7,336	0.34	4,555	0.25	17,093	0.60	5,856	0.26	8,329	0.47
Repairs, Maintenance, Service	3,983	0.19	3,614	0.20	4,100	0.14	5,000	0.22	2,213	0.22
Subs and Registrations	8,212	0.38	7,363	0.40	10,567	0.37	10,140	0.44	5,498	0.31
Superannuation	21,475	1.00	17,502	0.95	30,320	1.07	23,461	1.02	15,998	0.91
Telephone	5,155	0.24	4,276	0.23	8,002	0.28	5,442	0.24	4,495	0.26
Training	1,082	0.05	684	0.04	2,226	0.08	1,420	0.06	481	0.03
Abnormal Expenses	17,553	0.82	16,985	0.92	13,374	0.47	21,079	0.92	10,723	0.61
Payroll Tax	2,861	0.13	3,083	0.17	0	0.00	4,625	0.20	0	0.00
Workers' Compensation	1,759	0.08	1,368	0.07	2,924	0.10	1,757	0.08	1,573	0.09
Other Expenses	11,088	0.52	7,866	0.42	20,022	0.71	12,788	0.56	7,284	0.41
TOTAL EXPENSES	457,569	21.38	392,450	21.20	591,618	20.90	500,309	21.85	351,421	20.02
TOTAL INCOME	209,316	9.78	198,587	10.73	271,774	9.60	202,278	8.83	225,096	12.82
Less Proprietors' Salary (1) [Full-Time-Equivalents]	111,996	5.23	105,365	5.69	150,215	5.31	102,005	4.45	128,139	7.30
Less Return on Capital (2)	1.04		0.95		1.44		0.93		1.18	
	18,275	0.85	14,743	0.80	26,601	0.94	22,156	0.97	13,820	0.79
NET PROFIT/LOSS	79,045	3.69	78,479	4.24	94,958	3.35	78,117	3.41	83,137	4.74
SALES ANALYSIS										
Prescriptions	1,489,013	70.22	1,302,525	70.98	1,856,808	66.33	1,585,220	69.91	1,208,577	69.44
Other Sales	631,386	29.78	532,633	29.02	942,396	33.67	682,152	30.09	532,004	30.56
INVENTORY ANALYSIS										
Prescription	82,281	3.85	83,682	4.52	104,515	3.69	118,220	5.16	65,676	3.74
Other	105,619	4.94	74,263	4.01	173,890	6.14	90,556	3.95	114,122	6.50
STOCK CARRIED (Total)	187,900	8.78	157,945	8.53	278,405	9.83	208,776	9.12	179,798	10.24
STOCK TURN (On Total Inventory)	8.29		9.00		7.72		9.35		7.66	
SALES PER INVENTORY DOLLAR										
Prescription	18.10		15.57		17.77		13.41		18.40	
Other	5.98		7.17		5.42		7.53		4.66	
STATISTICS										
PHARMACY SIZE (square metres)	160		141		209		172		131	
PRESCRIPTIONS DISPENSED (Total)	50,790		45,057		61,552		54,255		41,351	
PRESCRIPTIONS DISPENSED WEEKLY	977		866		1,184		1,043		795	
TOTAL HOURS OPEN per WEEK	62		63		55		65		58	
AV HRS WORKED BY PROPRIETORS/WEEK	39		36		55		36		45	
FUNDS RETAINED IN BUSINESS (3)	65,314	3.05	73,212	3.96	63,432	2.24	28,909	1.26	103,025	5.87

(1) Notional Proprietors Salary is based on actual manager's wages and includes on-costs such as a provision for annual leave, long service leave etc.

(2) Return on Capital Employed is based on an opportunity interest rate of 6.0% (10 year Treasury Bonds), less interest paid on borrowed funds.

(3) Funds Retained in Business is calculated as the difference between Total Income and Drawings by Proprietors.

WESTERN AUSTRALIAN PHARMACIES – SUMMARY BY LOCATION AND TYPE
(Based on 12 Months of Trading to 30/06/04)

Table 13

	State Averages Western Australia		Perth Metropolitan		Western Australian Country		Group		No Group	
	\$	%	\$	%	\$	%	\$	%		
SALES, EXPENSES & PROFITABILITY										
SALES	2,190,416		1,978,929		2,155,084		2,486,293		1,778,515	
COST OF GOODS SOLD	1,479,951	67.56	1,338,896	67.66	1,444,889	67.05	1,669,476	67.15	1,205,152	67.76
GROSS MARGIN	710,465	32.44	640,033	32.34	710,195	32.95	816,817	32.85	573,363	32.24
Commissions Received	12,950		10,953		15,236		11,836		12,035	
GROSS MARGIN PLUS COMMISSIONS	723,415		650,986		725,431		828,653		585,398	
TOTAL REVENUE	2,203,366	100.00	1,989,882	100.00	2,170,320	100.00	2,498,129	100.0	1,790,551	100.00
EXPENSES										
Salaries and Wages	207,188	9.40	191,372	9.62	191,680	8.83	243,084	9.73	164,592	9.19
Rent Paid	79,490	3.61	80,739	4.06	49,388	2.28	103,357	4.14	57,691	3.22
Outgoings - Rental & Rates	4,529	0.21	4,499	0.23	5,748	0.26	4,094	0.16	5,160	0.29
Accounting	6,919	0.31	4,224	0.21	13,586	0.63	7,847	0.31	5,711	0.32
Advertising	14,655	0.67	13,210	0.66	13,034	0.60	21,382	0.86	8,897	0.50
Bank Charges	8,221	0.37	8,271	0.42	6,351	0.29	10,498	0.42	6,421	0.36
Computer Expenses	6,585	0.30	6,025	0.30	9,425	0.43	6,316	0.25	7,098	0.40
Depreciation	12,509	0.57	11,672	0.59	13,121	0.60	14,798	0.59	10,568	0.59
Electricity, Water, Heating	5,687	0.26	5,569	0.28	4,863	0.22	6,944	0.28	4,600	0.26
Insurance	9,857	0.45	8,434	0.42	12,425	0.57	11,289	0.45	8,387	0.47
Interest Paid	26,034	1.18	23,161	1.16	16,945	0.78	32,020	1.28	16,317	0.91
Leasing Expenses	6,163	0.28	7,102	0.36	1,069	0.05	11,072	0.44	2,865	0.16
Motor Vehicle Expenses	2,937	0.13	2,541	0.13	4,641	0.21	3,938	0.16	2,571	0.14
Postage, Freight, Printing	6,035	0.27	4,887	0.25	7,922	0.37	6,868	0.27	4,950	0.28
Repairs, Maintenance, Service	2,738	0.12	2,478	0.12	3,713	0.17	3,121	0.12	2,589	0.32
Subs and Registrations	6,956	0.32	4,689	0.24	12,769	0.59	10,095	0.40	4,787	0.27
Superannuation	23,664	1.07	19,666	0.99	26,405	1.22	27,240	1.09	18,154	1.01
Telephone	5,171	0.23	4,903	0.25	4,896	0.23	6,244	0.25	4,203	0.23
Training	1,444	0.07	1,241	0.06	1,978	0.09	1,612	0.06	1,313	0.07
Abnormal Expenses	8,423	0.38	3,563	0.18	21,276	0.98	10,747	0.43	6,204	0.35
Payroll Tax	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Workers' Compensation	1,888	0.09	1,907	0.10	1,340	0.06	2,184	0.09	1,559	0.09
Other Expenses	16,837	0.76	16,346	0.82	13,445	0.62	32,007	1.28	7,159	0.40
TOTAL EXPENSES	463,931	21.06	426,502	21.43	436,019	20.09	576,756	23.09	351,796	19.65
TOTAL INCOME	259,484	11.78	224,484	11.28	289,412	13.33	251,897	10.08	233,602	13.05
Less Proprietors' Salary (1) [Full-Time-Equivalents]	135,500	6.15	126,344	6.35	166,410	7.67	132,400	5.30	137,618	7.69
	1.19		1.13		1.37		1.22		1.17	
Less Return on Capital (2)	2,082	0.09	2,552	0.13	13,612	0.63	0	0.00	7,777	0.43
NET PROFIT/LOSS	121,902	5.53	95,588	4.80	109,390	5.04	119,497	4.84	88,207	4.93
SALES ANALYSIS										
Prescriptions	1,455,035	66.43	1,284,181	64.89	1,460,239	67.76	1,687,379	67.87	1,137,899	63.98
Other Sales	735,381	33.57	694,748	35.11	694,844	32.24	798,915	32.13	640,616	36.02
INVENTORY ANALYSIS										
Prescription	71,023	3.22	65,466	3.29	99,032	4.56	96,684	3.87	59,448	3.32
Other	102,598	4.66	120,085	6.03	78,589	3.62	142,471	5.70	97,036	5.42
STOCK CARRIED (Total)	173,621	7.88	185,551	9.32	177,621	8.18	239,155	9.57	156,484	8.74
STOCK TURN (On Total Inventory)	8.47		8.01		7.96		8.51		7.67	
SALES PER INVENTORY DOLLAR										
Prescription	20.49		19.62		14.75		17.45		19.14	
Other	7.17		5.79		8.84		5.61		6.60	
STATISTICS										
PHARMACY SIZE (square metres)	133		124		135		159		106	
PRESCRIPTIONS DISPENSED (Total)	44,286		38,916		44,858		50,432		35,067	
PRESCRIPTIONS DISPENSED WEEKLY	851		748		863		970		674	
TOTAL HOURS OPEN per WEEK	64		65		57		67		61	
AV HRS WORKED BY PROPRIETORS/WEEK	45		43		52		47		44	
FUNDS RETAINED IN BUSINESS (3)	73,907	3.35	60,856	3.06	89,802	4.14	127,613	5.11	31,619	1.77

(1) Notional Proprietors Salary is based on actual manager's wages and includes on-costs such as a provision for annual leave, long service leave etc.

(2) Return on Capital Employed is based on an opportunity interest rate of 6.0% (10 year Treasury Bonds), less interest paid on borrowed funds.

(3) Funds Retained in Business is calculated as the difference between Total Income and Drawings by Proprietors.

TASMANIAN PHARMACIES – SUMMARY BY LOCATION AND TYPE
(Based on 12 Months of Trading to 30/06/04)

Table 14

	State Averages Tasmania		Hobart Metropolitan		Tasmanian Country		Group		No Group	
	\$	%	\$	%	\$	%	\$	%		
SALES, EXPENSES & PROFITABILITY										
SALES	2,000,889		2,139,137		2,154,125		2,456,409		1,935,032	
COST OF GOODS SOLD	1,393,977	69.67	1,487,613	69.54	1,513,490	70.26	1,739,057	70.80	1,342,654	69.39
GROSS MARGIN	606,912	30.33	651,524	30.46	640,635	29.74	717,352	29.20	592,378	30.61
Commissions Received	17,058		21,676		17,224		9,933		24,554	
GROSS MARGIN PLUS COMMISSIONS	623,970		673,200		657,859		727,285		616,932	
TOTAL REVENUE	2,017,948	100.00	2,160,813	100.00	2,171,349	100.00	2,466,342	100.0	1,959,586	100.00
EXPENSES										
Salaries and Wages	198,097	9.82	194,268	8.99	205,611	9.47	208,598	8.46	197,849	10.10
Rent Paid	28,586	1.42	26,939	1.25	33,006	1.52	37,778	1.53	26,632	1.36
Outgoings - Rental & Rates	5,057	0.25	3,112	0.14	5,343	0.25	5,420	0.22	4,173	0.21
Accounting	7,590	0.38	7,478	0.35	8,692	0.40	8,091	0.33	8,506	0.43
Advertising	20,339	1.01	16,404	0.76	20,295	0.93	17,024	0.69	20,640	1.05
Bank Charges	6,177	0.31	6,311	0.29	5,963	0.27	5,385	0.22	6,542	0.33
Computer Expenses	3,128	0.16	3,592	0.17	3,086	0.14	5,185	0.21	1,869	0.10
Depreciation	12,571	0.62	12,442	0.58	10,596	0.49	9,175	0.37	12,514	0.64
Electricity, Water, Heating	3,397	0.17	2,989	0.14	3,475	0.16	3,363	0.14	3,310	0.17
Insurance	7,377	0.37	8,807	0.41	7,487	0.34	8,568	0.35	7,391	0.38
Interest Paid	26,067	1.29	44,471	2.06	13,784	0.63	14,767	0.60	28,439	1.45
Leasing Expenses	2,176	0.11	5,854	0.27	908	0.04	56	0.01	3,977	0.20
Motor Vehicle Expenses	3,118	0.15	2,709	0.13	3,414	0.16	4,147	0.17	2,549	0.13
Postage, Freight, Printing	9,410	0.47	8,530	0.39	9,821	0.45	8,781	0.36	9,904	0.51
Repairs, Maintenance, Service	2,357	0.12	1,448	0.07	2,888	0.13	3,102	0.13	2,017	0.43
Subs and Registrations	7,491	0.37	8,322	0.39	6,666	0.31	8,104	0.33	6,487	0.33
Superannuation	16,612	0.82	18,665	0.86	17,011	0.78	19,306	0.78	16,231	0.83
Telephone	5,341	0.26	5,446	0.25	5,537	0.26	6,078	0.25	5,113	0.26
Training	2,175	0.11	956	0.04	2,265	0.10	1,215	0.05	2,346	0.12
Abnormal Expenses	690	0.03	0	0.00	1,597	0.07	2,738	0.11	0	0.00
Payroll Tax	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Workers' Compensation	2,742	0.14	2,493	0.12	2,837	0.13	2,605	0.11	2,828	0.14
Other Expenses	12,015	0.60	19,265	0.89	8,727	0.40	12,278	0.50	11,510	0.59
TOTAL EXPENSES	382,515	18.96	400,499	18.53	379,010	17.46	391,761	15.88	380,828	19.43
TOTAL INCOME	241,455	11.97	272,701	12.62	278,849	12.84	335,524	13.60	236,104	12.05
Less Proprietors' Salary (1) [Full-Time-Equivalents]	148,266	7.35	153,433	7.10	148,584	6.84	137,013	5.56	159,109	8.12
Less Return on Capital (2)	2,905	0.14	0	0.00	12,596	0.58	14,487	0.59	0	0.00
NET PROFIT/LOSS	90,284	4.47	119,268	6.11	117,669	5.42	184,024	7.46	76,995	4.00
SALES ANALYSIS										
Prescriptions	1,352,290	67.58	1,497,348	70.00	1,489,918	69.17	1,904,367	77.53	1,203,518	62.20
Other Sales	648,600	32.42	641,789	30.00	664,208	30.83	552,042	22.47	731,514	37.80
INVENTORY ANALYSIS										
Prescription	58,417	2.89	61,848	2.86	66,970	3.08	77,351	3.14	58,111	2.97
Other	118,243	5.86	86,469	4.00	155,948	7.18	115,419	4.68	139,405	7.11
STOCK CARRIED (Total)	176,660	8.75	148,317	6.86	222,918	10.27	192,770	7.82	197,516	10.08
STOCK TURN (On Total Inventory)	8.30		10.44		8.92		10.41		8.50	
SALES PER INVENTORY DOLLAR										
Prescription	23.15		24.21		22.25		24.62		20.71	
Other	5.49		7.42		4.26		4.78		5.25	
STATISTICS										
PHARMACY SIZE (square metres)	129		118		119		165		72	
PRESCRIPTIONS DISPENSED (Total)	46,774		54,487		50,682		62,167		44,545	
PRESCRIPTIONS DISPENSED WEEKLY	899		1,048		975		1,196		857	
TOTAL HOURS OPEN per WEEK	55		58		56		52		60	
AV HRS WORKED BY PROPRIETORS/WEEK	50		50		52		50		52	
FUNDS RETAINED IN BUSINESS (3)	77,151	3.82	75,964	3.52	72,164	3.32	75,530	3.06	66,379	3.39

(1) Notional Proprietors Salary is based on actual manager's wages and includes on-costs such as a provision for annual leave, long service leave etc.

(2) Return on Capital Employed is based on an opportunity interest rate of 6.0% (10 year Treasury Bonds), less interest paid on borrowed funds.

(3) Funds Retained in Business is calculated as the difference between Total Income and Drawings by Proprietors.

SUMMARY OF MANAGER OPERATED PHARMACIES
(Based on 12 Months of Trading to 30/06/04)

Table 15

	AUSTRALIA Manager Operated		NEW SOUTH WALES		VICTORIA	
SALES, EXPENSES & PROFITABILITY	\$	%	\$	%	\$	%
SALES	2,226,150		2,173,555		2,114,197	
COST OF GOODS SOLD	1,533,861	68.90	1,509,288	69.44	1,430,421	67.66
GROSS MARGIN	692,289	31.10	664,267	30.56	683,776	32.34
Commissions Received	15,194		5,045		22,430	
GROSS MARGIN PLUS COMMISSIONS	707,483		669,312		706,206	
TOTAL REVENUE	2,241,344	100.00	2,178,600	100.00	2,136,627	100.00
EXPENSES						
Salaries and Wages	270,218	12.06	267,159	12.26	227,399	10.64
Rent Paid	73,010	3.26	85,150	3.91	46,250	2.16
Outgoings - Rental & Rates	7,972	0.36	12,507	0.57	9,431	0.44
Accounting	5,377	0.24	5,564	0.26	5,984	0.28
Advertising	11,802	0.53	9,825	0.45	10,857	0.51
Bank Charges	6,914	0.31	7,091	0.33	10,348	0.48
Computer Expenses	6,278	0.28	5,720	0.26	5,150	0.24
Depreciation	8,846	0.39	10,279	0.47	2,868	0.13
Electricity, Water, Heating	4,778	0.21	4,097	0.19	4,517	0.21
Insurance	7,792	0.35	10,951	0.50	5,334	0.25
Interest Paid	17,471	0.78	15,345	0.70	8,642	0.40
Leasing Expenses	5,591	0.25	2,858	0.13	15,781	0.74
Motor Vehicle Expenses	3,938	0.18	6,326	0.29	1,740	0.08
Postage, Freight, Printing	6,781	0.30	4,519	0.21	5,861	0.27
Repairs, Maintenance, Service	4,124	0.18	4,604	0.21	3,588	0.17
Subs and Registrations	6,346	0.28	3,095	0.14	4,184	0.20
Superannuation	23,466	1.05	23,209	1.07	22,760	1.07
Telephone	5,188	0.23	4,852	0.22	4,384	0.21
Training	1,050	0.05	701	0.03	379	0.02
Abnormal Expenses	12,071	0.54	650	0.03	40,945	1.92
Payroll Tax	3,673	0.16	4,084	0.19	1,590	0.07
Workers' Compensation	3,296	0.15	6,451	0.30	1,771	0.08
Other Expenses	12,172	0.54	15,036	0.69	4,470	0.21
TOTAL EXPENSES	508,157	22.67	510,072	23.41	444,232	20.79
TOTAL INCOME	199,326	8.89	159,240	7.31	261,974	12.26
Less Proprietors' Salary (1) [Full-Time-Equivalents]	17,488	0.78	21,820	1.00	17,538	0.82
Less Return on Capital (2)	0.20		0.27		0.17	
	19,044	0.85	13,322	0.61	36,826	1.72
NET PROFIT/LOSS	162,794	7.26	124,098	5.70	207,610	9.72
SALES ANALYSIS						
Prescriptions	1,524,469	68.48	1,413,532	65.03	1,600,184	75.69
Other Sales	701,681	31.52	760,023	34.97	514,013	24.31
INVENTORY ANALYSIS						
Prescription	92,271	4.12	104,937	4.82	61,068	2.86
Other	100,945	4.50	118,244	5.43	95,414	4.47
STOCK CARRIED (Total)	193,216	8.62	223,181	10.24	156,482	7.32
STOCK TURN (On Total Inventory)	8.20		7.00		7.50	
SALES PER INVENTORY DOLLAR						
Prescription	16.52		13.47		26.20	
Other	6.95		6.43		5.39	
STATISTICS						
PHARMACY SIZE (square metres)	150		156		130	
PRESCRIPTIONS DISPENSED (Total)	49,408		45,379		50,927	
PRESCRIPTIONS DISPENSED WEEKLY	950		873		979	
TOTAL HOURS OPEN per WEEK	62		62		60	
AV HRS WORKED BY PROPRIETORS/WEEK	8		10		6	
FUNDS RETAINED IN BUSINESS (3)	32,057	1.43	67,017	3.08	-35,792	-1.68

(1) Notional Proprietors Salary is based on actual manager's wages and includes on-costs such as a provision for annual leave, long service leave etc.

(2) Return on Capital Employed is based on an opportunity interest rate of 6.0% (10 year Treasury Bonds), less interest paid on borrowed funds.

(3) Funds Retained in Business is calculated as the difference between Total Income and Drawings by Proprietors.

SUMMARY OF MANAGER OPERATED PHARMACIES
(Based on 12 Months of Trading to 30/06/04)

Table 15

	QUEENSLAND		SOUTH AUSTRALIA		WESTERN AUSTRALIA	
SALES, EXPENSES & PROFITABILITY	\$	%	\$	%	\$	%
SALES	2,102,170		2,686,697		2,085,868	
COST OF GOODS SOLD	1,430,003	68.03	1,896,087	70.57	1,419,433	68.05
GROSS MARGIN	672,167	31.97	790,610	29.43	666,435	31.95
Commissions Received	19,093		22,354		12,733	
GROSS MARGIN PLUS COMMISSIONS	691,260		812,964		679,168	
TOTAL REVENUE	2,121,263	100.00	2,709,052	100.00	2,098,601	100.00
EXPENSES						
Salaries and Wages	261,828	12.34	360,843	13.32	220,949	10.53
Rent Paid	57,125	2.69	105,311	3.89	85,934	4.09
Outgoings - Rental & Rates	5,148	0.24	5,246	0.19	5,607	0.27
Accounting	2,363	0.11	9,841	0.36	4,185	0.20
Advertising	13,321	0.63	9,986	0.37	11,203	0.53
Bank Charges	4,613	0.22	7,754	0.29	8,607	0.41
Computer Expenses	6,673	0.31	8,559	0.32	5,395	0.26
Depreciation	8,814	0.42	11,158	0.41	8,484	0.40
Electricity, Water, Heating	4,091	0.19	7,997	0.30	5,617	0.27
Insurance	4,896	0.23	9,317	0.34	8,004	0.38
Interest Paid	21,097	0.99	3,746	0.14	52,523	2.50
Leasing Expenses	3,348	0.16	11,355	0.42	0	0.00
Motor Vehicle Expenses	4,478	0.21	609	0.02	1,960	0.09
Postage, Freight, Printing	6,246	0.29	13,196	0.49	4,304	0.21
Repairs, Maintenance, Service	2,485	0.12	9,619	0.36	1,223	0.06
Subs and Registrations	7,439	0.35	15,346	0.57	2,990	0.14
Superannuation	21,851	1.03	30,387	1.12	20,045	0.96
Telephone	5,227	0.25	6,797	0.25	4,048	0.19
Training	1,821	0.09	858	0.03	740	0.04
Abnormal Expenses	1,499	0.07	40,222	1.48	3,763	0.18
Payroll Tax	1,957	0.09	11,854	0.44	0	0.00
Workers' Compensation	1,842	0.09	2,102	0.08	1,847	0.09
Other Expenses	15,307	0.72	8,829	0.33	4,553	0.22
TOTAL EXPENSES	463,467	21.85	690,933	25.50	461,980	22.01
TOTAL INCOME	227,793	10.74	122,031	4.50	217,188	10.35
Less Proprietors' Salary (1) [Full-Time-Equivalents]	20,929	0.99	0	0.00	16,751	0.80
Less Return on Capital (2)	14,622	0.69	44,483	1.64	0	0.00
NET PROFIT/LOSS	192,242	9.06	77,548	2.86	200,437	9.75
SALES ANALYSIS						
Prescriptions	1,421,328	67.61	1,852,853	68.96	1,431,575	68.63
Other Sales	680,842	32.39	833,845	31.04	654,293	31.37
INVENTORY ANALYSIS						
Prescription	77,859	3.67	139,042	5.13	61,982	2.95
Other	91,983	4.34	96,796	3.57	84,220	4.01
STOCK CARRIED (Total)	169,842	8.01	235,838	8.71	146,202	6.97
STOCK TURN (On Total Inventory)	8.91		9.07		8.36	
SALES PER INVENTORY DOLLAR						
Prescription	18.26		13.33		23.10	
Other	7.40		8.61		7.77	
STATISTICS						
PHARMACY SIZE (square metres)	135		196		143	
PRESCRIPTIONS DISPENSED (Total)	46,138		63,335		43,629	
PRESCRIPTIONS DISPENSED WEEKLY	887		1,218		839	
TOTAL HOURS OPEN per WEEK	58		77		61	
AV HRS WORKED BY PROPRIETORS/WEEK	9		0		7	
FUNDS RETAINED IN BUSINESS (3)	99,227	4.68	-73,732	-2.72	5,765	0.27

(1) Notional Proprietors Salary is based on actual manager's wages and includes on-costs such as a provision for annual leave, long service leave etc.

(2) Return on Capital Employed is based on an opportunity interest rate of 6.0% (10 year Treasury Bonds), less interest paid on borrowed funds.

(3) Funds Retained in Business is calculated as the difference between Total Income and Drawings by Proprietors.

SUMMARY OF OWNER OPERATED PHARMACIES
(Based on 12 Months of Trading to 30/06/04)

Table 16

	AUSTRALIA Owner Operated		NEW SOUTH WALES		VICTORIA	
SALES, EXPENSES & PROFITABILITY	\$	%	\$	%	\$	%
SALES	1,978,183		2,051,886		2,248,848	
COST OF GOODS SOLD	1,368,883	69.20	1,441,114	70.23	1,562,723	69.49
GROSS MARGIN	609,300	30.80	610,772	29.77	686,125	30.51
Commissions Received	13,431		12,368		12,784	
GROSS MARGIN PLUS COMMISSIONS	622,731		623,140		698,909	
TOTAL REVENUE	1,991,614	100.00	2,064,254	100.00	2,261,632	100.00
EXPENSES						
Salaries and Wages	189,032	9.48	195,054	9.45	220,307	9.74
Rent Paid	52,429	2.63	56,184	2.72	50,041	2.21
Outgoings - Rental & Rates	3,237	0.16	1,832	0.09	3,025	0.13
Accounting	5,076	0.25	5,087	0.25	5,721	0.25
Advertising	12,348	0.62	11,607	0.56	14,178	0.63
Bank Charges	5,648	0.28	5,357	0.26	6,380	0.28
Computer Expenses	6,511	0.33	6,583	0.32	6,784	0.30
Depreciation	10,175	0.51	9,461	0.46	11,674	0.52
Electricity, Water, Heating	4,427	0.22	3,705	0.18	4,980	0.22
Insurance	7,369	0.37	8,546	0.41	6,598	0.29
Interest Paid	17,939	0.90	19,848	0.96	24,182	1.07
Leasing Expenses	6,807	0.34	7,046	0.34	8,068	0.36
Motor Vehicle Expenses	4,859	0.24	6,080	0.29	4,197	0.19
Postage, Freight, Printing	6,328	0.32	6,796	0.33	7,682	0.34
Repairs, Maintenance, Service	3,444	0.17	3,589	0.17	4,373	0.19
Subs and Registrations	6,857	0.34	6,453	0.31	7,893	0.35
Superannuation	17,043	0.85	16,276	0.79	18,978	0.84
Telephone	4,699	0.24	4,477	0.22	5,473	0.24
Training	1,798	0.09	2,112	0.10	2,747	0.12
Abnormal Expenses	6,007	0.30	5,288	0.26	4,220	0.19
Payroll Tax	477	0.02	313	0.02	1,341	0.06
Workers' Compensation	2,658	0.13	5,356	0.26	1,621	0.07
Other Expenses	16,911	0.85	16,044	0.78	16,345	0.72
TOTAL EXPENSES	392,081	19.66	403,094	19.53	436,809	19.31
TOTAL INCOME	230,650	11.58	220,046	10.66	262,100	11.59
Less Proprietors' Salary (1) [Full-Time-Equivalents]	146,746	7.36	141,856	6.87	150,082	6.64
Less Return on Capital (2)	1.31		1.27		1.37	
	8,562	0.43	6,585	0.32	6,013	0.27
NET PROFIT/LOSS	75,342	3.78	71,605	3.47	106,005	4.69
SALES ANALYSIS						
Prescriptions	1,403,269	70.94	1,471,084	71.69	1,593,387	70.85
Other Sales	574,914	29.06	580,802	28.31	655,460	29.15
INVENTORY ANALYSIS						
Prescription	72,127	3.62	77,520	3.76	72,290	3.20
Other	100,858	5.06	100,100	4.85	112,854	4.99
STOCK CARRIED (Total)	172,985	8.67	177,620	8.60	185,144	8.19
STOCK TURN (On Total Inventory)	8.43		9.34		9.25	
SALES PER INVENTORY DOLLAR						
Prescription	19.46		18.98		22.04	
Other	5.70		5.80		5.81	
STATISTICS						
PHARMACY SIZE (square metres)	142		145		163	
PRESCRIPTIONS DISPENSED (Total)	45,613		48,175		51,005	
PRESCRIPTIONS DISPENSED WEEKLY	877		926		981	
TOTAL HOURS OPEN per WEEK	57		57		55	
AV HRS WORKED BY PROPRIETORS/WEEK	50		48		52	
FUNDS RETAINED IN BUSINESS (3)	75,484	3.79	73,249	3.55	64,992	2.87

(1) Notional Proprietors Salary is based on actual manager's wages and includes on-costs such as a provision for annual leave, long service leave etc.

(2) Return on Capital Employed is based on an opportunity interest rate of 6.0% (10 year Treasury Bonds), less interest paid on borrowed funds.

(3) Funds Retained in Business is calculated as the difference between Total Income and Drawings by Proprietors.

SUMMARY OF OWNER OPERATED PHARMACIES
(Based on 12 Months of Trading to 30/06/04)

Table 16

	QUEENSLAND		SOUTH AUSTRALIA		WESTERN AUSTRALIA		TASMANIA	
SALES, EXPENSES & PROFITABILITY	\$	%	\$	%	\$	%	\$	%
SALES	1,839,946		1,822,360		1,787,226		1,741,764	
COST OF GOODS SOLD	1,251,965	68.04	1,251,338	68.67	1,199,377	67.11	1,228,902	70.56
GROSS MARGIN	587,981	31.96	571,022	31.33	587,849	32.89	512,862	29.44
Commissions Received	15,611		18,354		10,292		9,623	
GROSS MARGIN PLUS COMMISSIONS	603,592		589,376		598,141		522,485	
TOTAL REVENUE	1,855,557	100.00	1,840,714	100.00	1,797,518	100.00	1,751,387	100.00
EXPENSES								
Salaries and Wages	180,489	9.65	178,115	9.68	163,305	9.09	138,397	7.90
Rent Paid	52,675	2.82	51,110	2.78	60,187	3.35	21,796	1.24
Outgoings - Rental & Rates	4,569	0.24	3,577	0.19	5,326	0.30	3,126	0.18
Accounting	4,821	0.26	4,591	0.25	5,159	0.29	4,048	0.23
Advertising	13,929	0.74	11,690	0.64	10,784	0.60	8,179	0.47
Bank Charges	5,336	0.29	5,398	0.29	6,755	0.38	4,226	0.24
Computer Expenses	5,822	0.31	7,859	0.43	7,051	0.39	3,650	0.21
Depreciation	11,841	0.63	8,135	0.44	10,490	0.58	6,016	0.34
Electricity, Water, Heating	5,365	0.29	4,404	0.24	4,814	0.27	2,310	0.13
Insurance	6,062	0.32	6,794	0.37	8,758	0.49	6,528	0.37
Interest Paid	14,159	0.76	13,140	0.71	15,057	0.84	11,639	0.66
Leasing Expenses	7,953	0.43	4,686	0.25	6,304	0.35	900	0.05
Motor Vehicle Expenses	5,308	0.28	3,393	0.18	3,588	0.20	3,491	0.20
Postage, Freight, Printing	5,743	0.31	5,179	0.28	5,105	0.28	5,186	0.30
Repairs, Maintenance, Service	3,406	0.18	2,423	0.13	2,887	0.16	2,250	0.13
Subs and Registrations	6,520	0.35	6,419	0.35	6,957	0.39	7,518	0.43
Superannuation	17,164	0.92	17,092	0.93	17,407	0.97	13,482	0.77
Telephone	4,714	0.25	4,362	0.24	4,463	0.25	4,267	0.24
Training	1,201	0.06	1,041	0.06	1,167	0.06	1,261	0.07
Abnormal Expenses	6,675	0.36	11,695	0.64	7,181	0.40	0	0.00
Payroll Tax	164	0.01	569	0.03	0	0.00	0	0.00
Workers' Compensation	766	0.04	1,436	0.08	1,666	0.09	1,722	0.10
Other Expenses	23,534	1.26	10,115	0.55	17,697	0.98	11,381	0.65
TOTAL EXPENSES	388,217	20.75	363,222	19.73	372,109	20.70	261,373	14.92
TOTAL INCOME	215,735	11.61	226,154	12.29	226,032	12.57	261,112	14.91
Less Proprietors' Salary (1) [Full-Time-Equivalents]	156,347	8.36	135,739	7.37	144,291	8.03	149,288	8.52
Less Return on Capital (2)	1,36		1,25		1,27		1,37	
	11,801	0.63	11,795	0.64	9,160	0.51	11,276	0.64
NET PROFIT/LOSS	47,227	2.55	78,620	4.27	72,581	4.04	100,548	5.74
SALES ANALYSIS								
Prescriptions	1,305,429	70.95	1,302,041	71.45	1,199,869	67.14	1,275,718	73.24
Other Sales	534,517	29.05	520,319	28.55	587,357	32.86	466,046	26.76
INVENTORY ANALYSIS								
Prescription	64,274	3.44	78,996	4.29	73,514	4.09	61,510	3.51
Other	98,817	5.28	102,694	5.58	94,940	5.28	75,562	4.31
STOCK CARRIED (Total)	163,091	8.72	181,690	9.87	168,454	9.37	137,072	7.83
STOCK TURN (On Total Inventory)	7.95		8.35		8.03		9.87	
SALES PER INVENTORY DOLLAR								
Prescription	20.31		16.48		16.32		20.74	
Other	5.41		5.07		6.19		6.17	
STATISTICS								
PHARMACY SIZE (square metres)	131		145		124		111	
PRESCRIPTIONS DISPENSED (Total)	42,717		44,508		35,894		42,824	
PRESCRIPTIONS DISPENSED WEEKLY	821		856		690		824	
TOTAL HOURS OPEN per WEEK	60		58		61		51	
AV HRS WORKED BY PROPRIETORS/WEEK	52		48		48		52	
FUNDS RETAINED IN BUSINESS (3)	78,753	4.24	94,351	5.13	76,189	4.24	97,459	5.56

(1) Notional Proprietors Salary is based on actual manager's wages and includes on-costs such as a provision for annual leave, long service leave etc.

(2) Return on Capital Employed is based on an opportunity interest rate of 6.0% (10 year Treasury Bonds), less interest paid on borrowed funds.

(3) Funds Retained in Business is calculated as the difference between Total Income and Drawings by Proprietors.

AVERAGE NUMBER OF EMPLOYEES PER RESPONDENT AND AVERAGE HOURS WORKED
(Based on 12 months trading to 30/6/04)

Table 17

STATE AVERAGES

EMPLOYEES	NSW	VIC	QLD	SA	WA	TAS	AUST
PROPRIETORS :							
Full Time	0.9	1.0	0.7	0.9	0.9	0.9	0.9
Part Time & Casual	0.3	0.4	0.3	0.2	0.4	0.4	0.3
Hours worked per week	42.6	47.3	41.7	39.3	43.4	48.8	45.0
MANAGERS :							
Full Time	0.1	0.1	0.3	0.2	0.1	0.1	0.2
Part Time & Casual	0.1	0.2	0.1	0.3	0.0	0.0	0.1
Hours worked per week	6.5	7.2	14.0	10.6	6.8	5.7	9.2
PHARMACISTS IN CHARGE :							
Full Time	0.2	0.2	0.2	0.2	0.4	0.1	0.2
Part Time & Casual	1.2	0.6	0.5	0.9	0.7	0.2	0.8
Hours worked per week	24.0	15.4	15.8	20.8	24.5	8.4	20.5
OTHER QUALIFIED :							
Full Time	0.2	0.1	0.2	0.2	0.2	0.6	0.2
Part Time & Casual	0.4	0.5	0.3	0.3	0.4	0.6	0.4
Hours worked per week	11.5	9.9	12.4	9.3	9.9	22.4	12.1
PHARMACY ASSISTANTS :							
Full Time	0.5	0.5	0.7	0.7	0.5	0.1	0.5
Part Time & Casual	0.9	0.8	0.4	0.4	0.3	0.4	0.6
Hours worked per week	35.8	31.0	33.7	32.5	22.8	14.3	34.1
SALES & OTHER STAFF :							
Full Time	1.2	1.9	1.8	1.5	1.9	1.4	1.6
Part Time & Casual	4.3	4.6	3.0	2.9	2.6	3.1	3.7
Hours worked per week	110.0	130.9	107.7	113.1	113.3	113.9	120.8
TOTAL STAFF :							
Full Time	3.0	3.7	3.9	3.6	4.0	3.4	3.5
Part Time & Casual	7.2	7.1	4.6	4.9	4.4	4.7	5.9
Hours worked per week	230.4	241.7	225.3	225.4	220.6	213.5	240.1

AVERAGE NUMBER OF EMPLOYEES PER RESPONDENT AND AVERAGE HOURS WORKED
(Based on 12 months trading to 30/6/04)

Table 18

BY TURNOVER CATEGORY (\$)

EMPLOYEES	UNDER 500,000	500,000 -1.0M	1.0M -1.5M	1.5M -2.0M	2.0M -2.5M	2.5M -3.0M	3.0M -3.5M	OVER 3.5M
PROPRIETORS :								
Full Time	0.5	0.8	0.9	0.8	1.0	0.8	0.9	0.8
Part Time & Casual	0.5	0.3	0.2	0.3	0.3	0.4	0.4	0.5
Hours worked per week	32.8	39.8	44.3	42.1	48.5	39.1	45.1	47.2
MANAGERS :								
Full Time	0.0	0.0	0.0	0.1	0.2	0.3	0.2	0.4
Part Time & Casual	0.0	0.1	0.1	0.1	0.2	0.1	0.0	0.1
Hours worked per week	0.0	8.0	4.4	5.5	10.7	13.5	6.4	20.4
PHARMACISTS IN CHARGE :								
Full Time	0.3	0.1	0.1	0.2	0.2	0.2	0.3	0.6
Part Time & Casual	0.5	0.4	0.5	1.1	0.8	1.3	1.4	1.1
Hours worked per week	27.5	9.8	9.5	18.4	18.1	26.6	38.0	43.5
OTHER QUALIFIED :								
Full Time	0.0	0.0	0.1	0.1	0.3	0.2	0.3	0.4
Part Time & Casual	0.0	0.1	0.3	0.4	0.4	0.4	0.8	0.9
Hours worked per week	0.0	2.0	6.5	10.0	14.5	11.7	26.9	29.1
PHARMACY ASSISTANTS :								
Full Time	0.0	0.2	0.3	0.3	0.5	1.1	0.8	1.4
Part Time & Casual	0.5	0.2	0.4	0.6	0.5	0.7	0.8	1.6
Hours worked per week	7.0	13.1	20.7	23.2	30.4	53.5	46.6	76.8
SALES & OTHER STAFF :								
Full Time	0.0	0.5	0.7	1.0	1.9	3.0	2.8	4.1
Part Time & Casual	2.0	1.7	2.3	3.4	4.0	3.9	6.0	8.6
Hours worked per week	27.3	43.5	59.6	89.0	145.7	151.2	210.7	274.6
TOTAL STAFF :								
Full Time	0.8	1.7	2.2	2.5	4.1	5.6	5.2	7.7
Part Time & Casual	3.5	2.9	3.8	5.8	6.3	6.7	9.3	12.9
Hours worked per week	94.5	116.1	144.9	188.1	267.8	295.6	373.7	491.6

AUSTRALIAN PHARMACIES – WEEKLY PRESCRIPTION VOLUME
(Based on 12 Months of Trading to 30/06/04)

Table 19

	Up to 200		201 - 300		301 - 400		401 - 500	
SALES, EXPENSES & PROFITABILITY	\$	%	\$	%	\$	%	\$	%
SALES	502,221		744,050		858,315		1,079,369	
COST OF GOODS SOLD	316,805	63.08	507,335	68.19	585,977	68.27	746,456	69.16
GROSS MARGIN	185,416	36.92	236,715	31.81	272,338	31.73	332,913	30.84
Commissions Received	19,507		5,676		8,396		9,188	
GROSS MARGIN PLUS COMMISSIONS	204,923		242,391		280,734		342,101	
TOTAL REVENUE	521,728	100.00	749,726	100.00	866,711	100.00	1,088,557	100.00
EXPENSES								
Salaries and Wages	55,001	10.54	84,997	11.34	81,017	9.35	95,818	8.80
Rent Paid	34,970	6.70	31,884	4.25	24,555	2.83	34,903	3.21
Outgoings - Rental & Rates	4,178	0.80	2,353	0.31	2,054	0.24	2,998	0.28
Accounting	2,713	0.52	3,528	0.47	3,103	0.36	5,313	0.49
Advertising	1,370	0.26	3,889	0.52	4,301	0.50	5,035	0.46
Bank Charges	3,405	0.65	4,429	0.59	3,099	0.36	4,017	0.37
Computer Expenses	3,616	0.69	3,708	0.49	5,651	0.65	4,077	0.37
Depreciation	9,759	1.87	2,805	0.37	7,468	0.86	7,860	0.72
Electricity, Water, Heating	3,080	0.59	2,224	0.30	2,930	0.34	3,282	0.30
Insurance	5,998	1.15	5,800	0.77	4,787	0.55	5,223	0.48
Interest Paid	9,496	1.82	9,579	1.28	8,947	1.03	11,747	1.08
Leasing Expenses	1,316	0.25	2,052	0.27	3,018	0.35	2,113	0.19
Motor Vehicle Expenses	5,081	0.97	3,388	0.45	2,783	0.32	3,915	0.36
Postage, Freight, Printing	1,922	0.37	1,797	0.24	2,729	0.31	3,199	0.29
Repairs, Maintenance, Service	2,371	0.45	1,655	0.22	3,167	0.37	1,998	0.18
Subs and Registrations	3,687	0.71	4,799	0.64	3,660	0.42	4,806	0.44
Superannuation	4,820	0.92	7,447	0.99	7,050	0.81	8,445	0.78
Telephone	2,568	0.49	3,422	0.46	2,704	0.31	3,239	0.30
Training	186	0.04	920	0.12	865	0.10	599	0.06
Abnormal Expenses	179	0.03	4,620	0.62	3,085	0.36	2,226	0.20
Payroll Tax	0	0.00	269	0.04	67	0.01	0	0.00
Workers' Compensation	728	0.14	917	0.12	1,011	0.12	1,505	0.14
Other Expenses	7,439	1.43	4,351	0.58	3,823	0.44	11,467	1.05
TOTAL EXPENSES	163,880	31.41	190,832	25.45	181,873	20.98	223,785	20.56
TOTAL INCOME	41,043	7.87	51,559	6.88	98,861	11.41	118,316	10.87
Less Proprietors' Salary (1) [Full-Time-Equivalents]	127,707	24.48	93,204	12.43	120,257	13.88	154,850	14.23
Less Return on Capital (2)	1,639	0.31	4,180	0.56	6,264	0.72	6,924	0.64
NET PROFIT/LOSS	-88,303	-16.93	-45,825	-6.11	-27,660	-3.19	-43,458	-3.99
SALES ANALYSIS								
Prescriptions	217,674	43.34	448,953	60.34	588,394	68.55	715,992	66.33
Other Sales	284,547	56.66	295,097	39.66	269,920	31.45	363,377	33.67
INVENTORY ANALYSIS								
Prescription	21,537	4.13	35,125	4.69	37,330	4.31	39,011	3.58
Other	68,919	13.21	59,185	7.89	44,361	5.12	62,500	5.74
STOCK CARRIED (Total)	90,456	17.34	94,310	12.58	81,691	9.43	101,511	9.33
STOCK TURN (On Total Inventory)	3.95		5.45		6.75		7.68	
SALES PER INVENTORY DOLLAR								
Prescription	10.11		12.78		15.76		18.35	
Other	4.13		4.99		6.08		5.81	
STATISTICS								
PHARMACY SIZE (square metres)	76		82		93		91	
PRESCRIPTIONS DISPENSED (Total)	6,547		13,835		18,526		23,365	
PRESCRIPTIONS DISPENSED WEEKLY	126		266		356		449	
TOTAL HOURS OPEN per WEEK	58		53		51		55	
AV HRS WORKED BY PROPRIETORS/WEEK	46		32		40		52	
FUNDS RETAINED IN BUSINESS (3)	8,346	1.60	-13,046	-1.74	6,672	0.77	25,200	2.31

(1) Notional Proprietors Salary is based on actual manager's wages and includes on-costs such as a provision for annual leave, long service leave etc.

(2) Return on Capital Employed is based on an opportunity interest rate of 6.0% (10 year Treasury Bonds), less interest paid on borrowed funds.

(3) Funds Retained in Business is calculated as the difference between Total Income and Drawings by Proprietors.

AUSTRALIAN PHARMACIES – WEEKLY PRESCRIPTION VOLUME
(Based on 12 Months of Trading to 30/06/04)

Table 19

	501 - 600		601 - 700		701 - 800		801 - 900	
SALES, EXPENSES & PROFITABILITY	\$	%	\$	%	\$	%	\$	%
SALES	1,276,181		1,414,148		1,667,565		1,995,145	
COST OF GOODS SOLD	876,547	68.69	985,312	69.68	1,140,267	68.38	1,363,589	68.35
GROSS MARGIN	399,634	31.31	428,836	30.32	527,298	31.62	631,556	31.65
Commissions Received	10,895		8,671		10,004		11,848	
GROSS MARGIN PLUS COMMISSIONS	410,529		437,507		537,302		643,404	
TOTAL REVENUE	1,287,076	100.00	1,422,818	100.00	1,677,569	100.00	2,006,993	100.00
EXPENSES								
Salaries and Wages	127,527	9.91	131,961	9.27	161,434	9.62	197,695	9.85
Rent Paid	40,448	3.14	31,933	2.24	41,433	2.47	57,363	2.86
Outgoings - Rental & Rates	3,482	0.27	1,578	0.11	1,895	0.11	1,618	0.08
Accounting	3,630	0.28	5,004	0.35	6,188	0.37	6,882	0.34
Advertising	11,517	0.89	5,602	0.39	11,012	0.66	15,139	0.75
Bank Charges	4,809	0.37	4,518	0.32	5,194	0.31	7,856	0.39
Computer Expenses	6,017	0.47	5,035	0.35	4,549	0.27	5,423	0.27
Depreciation	10,434	0.81	7,978	0.56	8,797	0.52	12,463	0.62
Electricity, Water, Heating	3,185	0.25	2,835	0.20	3,609	0.22	4,876	0.24
Insurance	7,138	0.55	6,799	0.48	6,949	0.41	7,121	0.35
Interest Paid	14,230	1.11	18,983	1.33	25,135	1.50	24,022	1.20
Leasing Expenses	3,541	0.28	2,947	0.21	4,484	0.27	6,508	0.32
Motor Vehicle Expenses	4,177	0.32	5,020	0.35	4,663	0.28	3,395	0.17
Postage, Freight, Printing	4,775	0.37	15,581	1.10	6,810	0.41	19,796	0.99
Repairs, Maintenance, Service	2,103	0.16	1,939	0.14	3,350	0.20	3,182	0.16
Subs and Registrations	5,904	0.46	4,007	0.28	7,257	0.43	7,241	0.36
Superannuation	11,897	0.92	11,934	0.84	16,096	0.96	17,243	0.86
Telephone	3,554	0.28	3,996	0.28	4,303	0.26	5,083	0.25
Training	1,688	0.13	997	0.07	1,522	0.09	1,842	0.09
Abnormal Expenses	3,228	0.25	2,201	0.15	8,409	0.50	5,337	0.27
Payroll Tax	33	0.01	0	0.00	117	0.01	385	0.02
Workers' Compensation	2,181	0.17	1,806	0.13	1,889	0.11	2,603	0.13
Other Expenses	13,968	1.09	6,662	0.47	16,044	0.96	17,123	0.85
TOTAL EXPENSES	289,467	22.49	279,317	19.63	351,141	20.93	430,197	21.43
TOTAL INCOME	121,062	9.41	158,190	11.12	186,161	11.10	213,207	10.62
Less Proprietors' Salary (1) [Full-Time-Equivalents]	129,314	10.05	118,409	8.32	131,459	7.84	134,219	6.69
Less Return on Capital (2)	3,907	0.30	5,120	0.36	0	0.00	1,971	0.10
NET PROFIT/LOSS	-12,159	-0.94	34,661	2.44	54,702	3.43	77,017	3.84
SALES ANALYSIS								
Prescriptions	885,534	69.39	1,025,923	72.55	1,174,079	70.41	1,354,759	67.90
Other Sales	390,647	30.61	388,224	27.45	493,486	29.59	640,387	32.10
INVENTORY ANALYSIS								
Prescription	47,306	3.68	53,561	3.76	61,253	3.65	70,035	3.49
Other	75,366	5.86	64,769	4.55	78,107	4.66	107,231	5.34
STOCK CARRIED (Total)	122,672	9.53	118,330	8.32	139,360	8.31	177,266	8.83
STOCK TURN (On Total Inventory)	7.36		8.64		8.67		8.38	
SALES PER INVENTORY DOLLAR								
Prescription	18.72		19.15		19.17		19.34	
Other	5.18		5.99		6.32		5.97	
STATISTICS								
PHARMACY SIZE (square metres)	104		136		117		152	
PRESCRIPTIONS DISPENSED (Total)	29,074		33,732		39,291		43,985	
PRESCRIPTIONS DISPENSED WEEKLY	559		649		756		846	
TOTAL HOURS OPEN per WEEK	55		53		57		61	
AV HRS WORKED BY PROPRIETORS/WEEK	43		40		44		45	
FUNDS RETAINED IN BUSINESS (3)	32,575	2.53	24,963	1.75	53,536	3.19	49,121	2.45

(1) Notional Proprietors Salary is based on actual manager's wages and includes on-costs such as a provision for annual leave, long service leave etc.

(2) Return on Capital Employed is based on an opportunity interest rate of 6.0% (10 year Treasury Bonds), less interest paid on borrowed funds.

(3) Funds Retained in Business is calculated as the difference between Total Income and Drawings by Proprietors.

AUSTRALIAN PHARMACIES – WEEKLY PRESCRIPTION VOLUME
(Based on 12 Months of Trading to 30/06/04)

Table 19

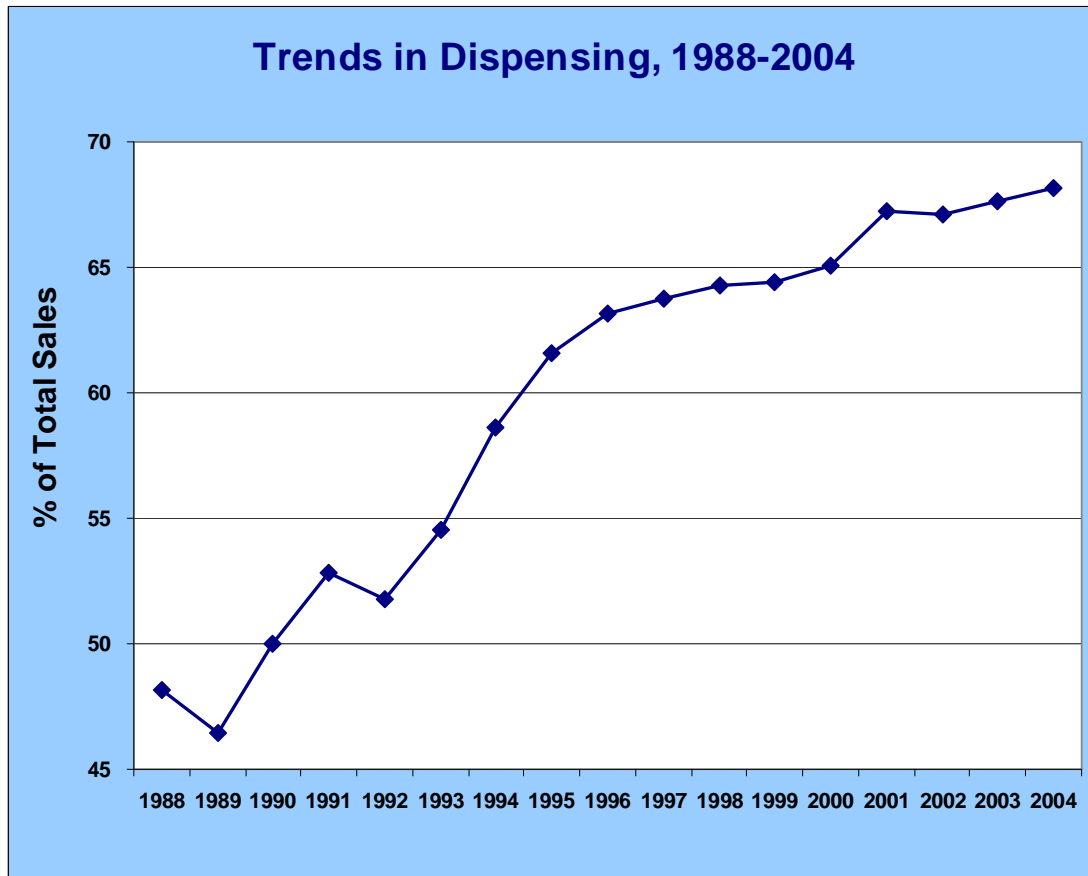
	901 – 1,000		1,000 – 1,100		1,100 – 1,200		OVER 1,200	
SALES, EXPENSES & PROFITABILITY	\$	%	\$	%	\$	%	\$	%
SALES	2,195,561		2,584,386		2,403,567		3,781,687	
COST OF GOODS SOLD	1,531,180	69.74	1,766,299	68.35	1,672,241	69.57	2,608,348	68.97
GROSS MARGIN	664,381	30.26	818,087	31.65	731,326	30.43	1,173,339	31.03
Commissions Received	15,264		15,110		17,961		25,753	
GROSS MARGIN PLUS COMMISSIONS	679,645		833,197		749,287		1,199,092	
TOTAL REVENUE	2,210,825	100.00	2,599,496	100.00	2,421,528	100.00	3,807,440	100.00
EXPENSES								
Salaries and Wages	229,291	10.37	292,551	11.25	216,609	8.95	409,799	10.76
Rent Paid	72,620	3.28	91,814	3.53	68,581	2.83	110,254	2.90
Outgoings - Rental & Rates	4,641	0.21	5,627	0.22	3,224	0.13	7,571	0.20
Accounting	7,487	0.34	7,496	0.29	6,456	0.27	11,480	0.30
Advertising	19,496	0.88	24,382	0.94	19,661	0.81	30,854	0.81
Bank Charges	7,070	0.32	8,655	0.33	9,322	0.38	10,621	0.28
Computer Expenses	6,985	0.32	5,977	0.23	6,588	0.27	7,132	0.19
Depreciation	17,518	0.79	18,126	0.70	16,193	0.67	18,046	0.47
Electricity, Water, Heating	6,347	0.29	5,956	0.23	4,108	0.17	8,515	0.22
Insurance	9,477	0.43	7,377	0.28	7,267	0.30	9,712	0.26
Interest Paid	19,509	0.88	28,027	1.08	25,462	1.05	35,845	0.94
Leasing Expenses	6,887	0.31	6,554	0.25	5,233	0.22	13,665	0.36
Motor Vehicle Expenses	5,640	0.26	4,628	0.18	5,831	0.24	5,216	0.14
Postage, Freight, Printing	59,973	2.71	7,974	0.31	7,687	0.32	15,632	0.41
Repairs, Maintenance, Service	5,338	0.24	3,226	0.12	3,365	0.14	5,345	0.14
Subs and Registrations	7,043	0.32	7,139	0.27	7,585	0.31	10,205	0.27
Superannuation	18,848	0.85	28,008	1.08	18,874	0.78	37,945	1.00
Telephone	5,904	0.27	5,726	0.22	5,154	0.21	7,889	0.21
Training	1,710	0.08	2,275	0.09	2,911	0.12	3,793	0.10
Abnormal Expenses	3,589	0.16	8,238	0.32	5,222	0.22	12,700	0.33
Payroll Tax	1,196	0.05	1,983	0.08	0	0.00	3,255	0.09
Workers' Compensation	2,764	0.13	3,408	0.13	2,908	0.12	5,136	0.13
Other Expenses	19,632	0.89	23,270	0.90	17,459	0.72	20,741	0.54
TOTAL EXPENSES	538,963	24.38	598,417	23.02	465,701	19.23	801,352	21.05
TOTAL INCOME	140,682	6.36	234,780	9.03	283,586	11.71	397,740	10.45
Less Proprietors' Salary (1) [Full-Time-Equivalents]	129,747	5.87	140,285	5.40	138,967	5.74	150,235	3.95
Less Return on Capital (2)	1,115		1,21		1,21		1,32	
	11,494	0.52	7,838	0.30	2,707	0.11	11,028	0.29
NET PROFIT/LOSS	-559	-0.03	86,657	3.33	141,912	5.86	236,477	6.21
SALES ANALYSIS								
Prescriptions	1,501,826	68.40	1,645,226	63.66	1,714,297	71.32	2,587,897	68.43
Other Sales	693,736	31.60	939,160	36.34	689,271	28.68	1,193,790	31.57
INVENTORY ANALYSIS								
Prescription	75,249	3.40	74,413	2.86	70,137	2.90	115,712	3.04
Other	117,348	5.31	169,474	6.52	96,959	4.00	184,978	4.86
STOCK CARRIED (Total)	192,597	8.71	243,887	9.38	167,096	6.90	300,690	7.90
STOCK TURN (On Total Inventory)	7.94		8.10		10.05		9.18	
SALES PER INVENTORY DOLLAR								
Prescription	19.96		22.11		24.44		22.37	
Other	5.91		5.54		7.11		6.45	
STATISTICS								
PHARMACY SIZE (square metres)	163		125		172		231	
PRESCRIPTIONS DISPENSED (Total)	49,092		54,585		59,110		86,767	
PRESCRIPTIONS DISPENSED WEEKLY	944		1,050		1,137		1,669	
TOTAL HOURS OPEN per WEEK	65		66		58		69	
AV HRS WORKED BY PROPRIETORS/WEEK	44		46		46		50	
FUNDS RETAINED IN BUSINESS (3)	-17,979	-0.81	3,322	0.13	87,308	3.61	84,617	2.22

(1) Notional Proprietors Salary is based on actual manager's wages and includes on-costs such as a provision for annual leave, long service leave etc.

(2) Return on Capital Employed is based on an opportunity interest rate of 6.0% (10 year Treasury Bonds), less interest paid on borrowed funds.

(3) Funds Retained in Business is calculated as the difference between Total Income and Drawings by Proprietors.

Chart 5



AUSTRALIAN PHARMACIES – PERCENTAGE PRESCRIPTION/TOTAL SALES
(Based on 12 Months of Trading to 30/06/04)

Table 20

	Less Than 50%		50 - 60%		60 - 70%		70 - 80%		80% or More	
SALES, EXPENSES & PROFITABILITY	\$	%	\$	%	\$	%	\$	%		
SALES	2,620,519		2,499,721		2,400,800		1,864,016		1,927,664	
COST OF GOODS SOLD	1,739,426	66.38	1,704,955	68.21	1,655,936	68.97	1,298,503	69.66	1,331,272	69.06
GROSS MARGIN	881,093	33.62	794,766	31.79	744,864	31.03	565,513	30.34	596,392	30.94
Commissions Received	23,850		14,660		17,003		13,887		9,136	
GROSS MARGIN PLUS COMMISSIONS	904,943		809,426		761,867		579,400		605,528	
TOTAL REVENUE	2,644,369	100.00	2,514,381	100.00	2,417,803	100.00	1,877,903	100.0	1,936,801	100.00
EXPENSES										
Salaries and Wages	326,935	12.36	279,265	11.11	254,450	10.52	184,546	9.83	174,743	9.02
Rent Paid	139,977	5.29	117,747	4.68	67,974	2.81	45,464	2.42	41,260	2.13
Outgoings - Rental & Rates	8,261	0.31	8,148	0.32	4,366	0.18	2,662	0.14	2,935	0.15
Accounting	7,696	0.29	9,183	0.37	8,181	0.34	6,091	0.32	5,002	0.26
Advertising	31,340	1.19	28,808	1.15	19,680	0.81	11,296	0.60	9,026	0.47
Bank Charges	12,450	0.47	9,134	0.36	8,024	0.33	5,318	0.28	5,249	0.27
Computer Expenses	5,711	0.22	6,455	0.26	5,186	0.21	6,160	0.33	6,042	0.31
Depreciation	26,753	1.01	21,674	0.86	14,699	0.61	8,466	0.45	6,687	0.35
Electricity, Water, Heating	9,118	0.34	6,527	0.26	5,792	0.24	4,132	0.22	3,245	0.17
Insurance	7,601	0.29	10,414	0.41	7,640	0.32	6,719	0.36	7,354	0.38
Interest Paid	28,081	1.06	36,915	1.47	27,366	1.13	17,733	0.94	16,501	0.85
Leasing Expenses	10,608	0.40	10,560	0.42	8,408	0.35	4,558	0.24	4,077	0.21
Motor Vehicle Expenses	3,783	0.14	3,681	0.15	4,722	0.20	4,222	0.22	5,330	0.28
Postage, Freight, Printing	9,020	0.34	48,936	1.95	12,471	0.52	6,172	0.33	6,264	0.32
Repairs, Maintenance, Service	4,605	0.17	3,571	0.14	3,603	0.15	3,063	0.16	3,568	0.26
Subs and Registrations	9,087	0.34	5,545	0.22	7,803	0.32	6,442	0.34	6,671	0.34
Superannuation	32,944	1.25	23,496	0.93	23,191	0.96	16,840	0.90	16,832	0.87
Telephone	7,128	0.27	6,934	0.28	5,664	0.23	4,379	0.23	4,125	0.21
Training	3,166	0.12	2,395	0.10	2,532	0.10	1,702	0.09	1,261	0.07
Abnormal Expenses	1,632	0.06	5,829	0.23	3,396	0.14	9,149	0.49	12,681	0.65
Payroll Tax	2,878	0.11	2,138	0.09	1,508	0.06	607	0.03	109	0.01
Workers' Compensation	3,903	0.15	3,535	0.14	2,889	0.12	2,749	0.15	2,571	0.13
Other Expenses	14,307	0.54	13,474	0.54	16,313	0.67	15,153	0.81	15,980	0.83
TOTAL EXPENSES	706,987	26.74	664,362	26.42	515,860	21.34	373,623	19.90	357,512	18.46
TOTAL INCOME	197,956	7.49	145,064	5.77	246,007	10.17	205,777	10.96	248,016	12.81
Less Proprietors' Salary (1) [Full-Time-Equivalents]	168,405	6.37	123,931	4.93	144,490	5.98	127,740	6.80	130,488	6.74
Less Return on Capital (2)	8,326	0.31	7,171	0.29	3,404	0.14	7,133	0.38	8,983	0.46
NET PROFIT/LOSS	21,225	0.80	13,962	0.56	98,113	4.06	70,904	3.78	108,545	5.60
SALES ANALYSIS										
Prescriptions	1,125,942	42.97	1,391,617	55.67	1,586,136	66.07	1,399,817	75.10	1,605,623	83.29
Other Sales	1,494,576	57.03	1,108,104	44.33	814,664	33.93	464,199	24.90	322,042	16.71
INVENTORY ANALYSIS										
Prescription	65,229	2.47	81,795	3.25	81,894	3.39	67,317	3.58	79,095	4.08
Other	261,535	9.89	201,283	8.01	124,075	5.13	86,652	4.61	68,590	3.54
STOCK CARRIED (Total)	326,764	12.36	283,078	11.26	205,969	8.52	153,969	8.20	147,685	7.63
STOCK TURN (On Total Inventory)	5.92		6.62		8.82		9.06		9.98	
SALES PER INVENTORY DOLLAR										
Prescription	17.26		17.01		19.37		20.79		20.30	
Other	5.71		5.51		6.57		5.36		4.70	
STATISTICS										
PHARMACY SIZE (square metres)	131		210		151		140		110	
PRESCRIPTIONS DISPENSED (Total)	37,125		44,524		55,219		45,036		50,948	
PRESCRIPTIONS DISPENSED WEEKLY	714		856		1,062		866		980	
TOTAL HOURS OPEN per WEEK	68		63		63		57		56	
AV HRS WORKED BY PROPRIETORS/WEEK	57		41		47		43		44	
FUNDS RETAINED IN BUSINESS (3)	-5,157	-0.20	-28,950	-1.15	24,743	1.02	53,226	2.83	90,162	4.66

(1) Notional Proprietors Salary is based on actual manager's wages and includes on-costs such as a provision for annual leave, long service leave etc.

(2) Return on Capital Employed is based on an opportunity interest rate of 6.0% (10 year Treasury Bonds), less interest paid on borrowed funds.

(3) Funds Retained in Business is calculated as the difference between Total Income and Drawings by Proprietors.

AUSTRALIAN PHARMACIES – WEEKLY HOURS OPEN
(Based on 12 Months of Trading to 30/06/04)

Table 21

	Less Than 50		50 - 70		70 - 84		84 or More	
SALES, EXPENSES & PROFITABILITY	\$	%	\$	%	\$	%	\$	%
SALES	1,501,544		2,019,012		3,500,926		3,054,986	
COST OF GOODS SOLD	1,052,686	70.11	1,393,789	69.03	2,384,233	68.10	2,037,829	66.71
GROSS MARGIN	448,858	29.89	625,223	30.97	1,116,693	31.90	1,017,157	33.29
Commissions Received	12,491		13,868		23,669		14,826	
GROSS MARGIN PLUS COMMISSIONS	461,349		639,091		1,140,362		1,031,983	
TOTAL REVENUE	1,514,035	100.00	2,032,881	100.00	3,524,595	100.00	3,069,812	100.00
EXPENSES								
Salaries and Wages	138,001	9.11	198,588	9.77	416,347	11.81	352,689	11.49
Rent Paid	26,389	1.74	61,255	3.01	136,636	3.88	75,101	2.45
Outgoings - Rental & Rates	2,068	0.14	3,406	0.17	9,452	0.27	5,543	0.18
Accounting	4,567	0.30	6,679	0.33	12,960	0.37	6,308	0.21
Advertising	7,960	0.53	14,694	0.72	38,110	1.08	17,899	0.58
Bank Charges	4,216	0.28	6,469	0.32	12,560	0.36	10,303	0.34
Computer Expenses	6,147	0.41	5,718	0.28	5,016	0.14	6,601	0.22
Depreciation	6,599	0.44	12,361	0.61	23,937	0.68	13,029	0.42
Electricity, Water, Heating	3,266	0.22	4,486	0.22	9,320	0.26	7,987	0.26
Insurance	6,383	0.42	7,383	0.36	9,314	0.26	8,667	0.28
Interest Paid	13,457	0.89	23,023	1.13	45,102	1.28	13,052	0.43
Leasing Expenses	4,900	0.32	6,238	0.31	10,147	0.29	10,948	0.36
Motor Vehicle Expenses	4,505	0.30	4,805	0.24	4,138	0.12	2,581	0.08
Postage, Freight, Printing	5,949	0.39	14,734	0.72	14,606	0.41	8,467	0.28
Repairs, Maintenance, Service	2,875	0.19	3,096	0.15	4,848	0.14	5,782	0.19
Subs and Registrations	6,491	0.43	6,677	0.33	7,607	0.22	11,610	0.38
Superannuation	12,707	0.84	17,988	0.88	40,442	1.15	29,094	0.95
Telephone	3,897	0.26	5,010	0.25	7,632	0.22	6,140	0.20
Training	1,669	0.11	1,772	0.09	3,765	0.11	2,596	0.08
Abnormal Expenses	5,047	0.33	7,248	0.36	3,013	0.09	18,772	0.61
Payroll Tax	148	0.01	542	0.03	3,679	0.10	4,141	0.13
Workers' Compensation	1,895	0.13	2,800	0.14	4,877	0.14	3,180	0.10
Other Expenses	14,351	0.95	14,957	0.74	20,105	0.57	14,044	0.46
TOTAL EXPENSES	283,485	18.72	429,930	21.15	843,612	23.94	634,533	20.67
TOTAL INCOME	177,864	11.75	209,161	10.29	296,750	8.42	397,450	12.95
Less Proprietors' Salary (1) [Full-Time-Equivalents]	113,446	7.49	144,160	7.09	167,782	4.76	86,818	2.83
	1.03		1.26		1.43		0.79	
Less Return on Capital (2)	8,734	0.58	4,966	0.24	0	0.00	26,661	0.87
NET PROFIT/LOSS	55,684	3.68	60,035	2.95	128,968	3.75	283,971	9.25
SALES ANALYSIS								
Prescriptions	1,101,505	73.36	1,407,833	69.73	2,125,479	60.71	2,117,029	69.30
Other Sales	400,040	26.64	611,179	30.27	1,375,447	39.29	937,957	30.70
INVENTORY ANALYSIS								
Prescription	55,237	3.65	72,873	3.58	95,770	2.72	113,681	3.70
Other	64,962	4.29	107,927	5.31	215,199	6.11	131,725	4.29
STOCK CARRIED (Total)	120,199	7.94	180,800	8.89	310,969	8.82	245,406	7.99
STOCK TURN (On Total Inventory)	8.74		8.68		8.00		9.71	
SALES PER INVENTORY DOLLAR								
Prescription	19.94		19.32		22.19		18.62	
Other	6.16		5.66		6.39		7.12	
STATISTICS								
PHARMACY SIZE (square metres)	122		144		197		158	
PRESCRIPTIONS DISPENSED (Total)	36,911		46,313		72,248		68,389	
PRESCRIPTIONS DISPENSED WEEKLY	710		891		1,389		1,315	
TOTAL HOURS OPEN per WEEK	47		58		79		89	
AV HRS WORKED BY PROPRIETORS/WEEK	39		48		54		30	
FUNDS RETAINED IN BUSINESS (3)	44,163	2.92	40,041	1.97	-2,872	-0.08	149,983	4.89

(1) Notional Proprietors Salary is based on actual manager's wages and includes on-costs such as a provision for annual leave, long service leave etc.

(2) Return on Capital Employed is based on an opportunity interest rate of 6.0% (10 year Treasury Bonds), less interest paid on borrowed funds.

(3) Funds Retained in Business is calculated as the difference between Total Income and Drawings by Proprietors.

AUSTRALIAN PHARMACIES – BALANCE SHEET 2003-04

Table 22

	30 June 2003 (527 Pharmacies)		30 June 2004 (427 Pharmacies)		Amount and % of Change	
	\$	%	\$	%	\$	%
Assets	566,169	26.56	491,816	22.23	-74,353	-13.13
Liabilities	756,850	35.50	616,646	27.87	-140,204	-18.52
Net Worth	-190,681	-8.94	-124,830	-5.64	65,851	-34.53
Total Revenue	2,132,015	100.00	2,210,665	100.00	78,650	3.69
Trading Profit	201,460	9.45	226,465	10.24	25,005	12.41

**AUSTRALIAN PHARMACIES – BALANCE SHEET 2003-04
BY TURNOVER GROUP**

Table 23

	Under \$500,000		\$500,000 - \$1.0M		\$1.0M - \$1.5M		\$1.5M - \$2.0M	
	\$	%	\$	%	\$	%	\$	%
Assets	168,015	37.70	235,713	29.00	313,122	24.60	396,317	22.70
Liabilities	116,416	26.10	179,531	22.10	371,925	29.30	543,570	31.10
Net Worth	51,600	11.60	56,182	6.90	-58,803	-4.60	-147,253	-8.40
Total Revenue	445,691	100.00	811,602	100.00	1,270,803	100.00	1,747,620	100.00
Trading Profit	-20,973	-4.70	75,776	9.30	122,781	9.70	164,095	9.40

	\$2.0M - \$2.5M		\$2.5M - \$3.0M		\$3.0M - \$3.5M		OVER \$3.5M	
	\$	%	\$	%	\$	%	\$	%
Assets	527,444	23.40	544,010	19.80	732,870	21.90	941,007	20.60
Liabilities	552,251	24.50	769,557	28.00	1,144,436	34.20	1,168,180	25.60
Net Worth	-24,807	-1.10	-225,547	-8.20	-411,566	-12.30	-227,174	-5.00
Total Revenue	2,255,347	100.00	2,756,860	100.00	3,346,034	100.00	4,564,799	100.00
Trading Profit	224,218	9.90	262,128	9.50	299,191	8.90	406,893	8.90

TABLE 24

BENEFIT PRESCRIPTION STATISTICS, STATES AND TERRITORIES - 2003/2004

Benefit prescriptions	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUSTRALIA
(\$'000)									
COMMONWEALTH GOVERNMENT									
PAYMENTS ON BENEFIT PRESCRIPTIONS									
General	281,010	208,266	150,179	64,703	80,014	17,107	5,201	17,651	824,131
Concessional	1,096,240	801,936	579,948	271,907	277,572	88,744	10,258	36,409	3,163,014
Safety Net (a)	367,806	247,470	184,582	84,300	78,850	30,417	1,725	9,373	1,004,523
TOTAL (b)	1,745,056	1,257,672	914,709	420,910	436,436	136,268	17,184	63,433	4,991,668
PATIENT CONTRIBUTION ON BENEFIT PRESCRIPTIONS									
General	182,143	129,721	96,124	38,904	51,057	11,508	3,424	11,883	524,763
Concessional	141,931	104,520	76,323	35,934	36,628	12,073	1,340	4,303	413,053
TOTAL (b)	324,074	234,241	172,447	74,838	87,685	23,581	4,764	16,186	937,816
TOTAL BENEFIT PRESCRIPTION COST	2,069,130	1,491,913	1,087,156	495,748	524,121	159,849	21,948	79,619	5,929,484
DISSECTION OF COSTS (c)									
Cost of Ingredients and containers	1,637,343	1,180,145	859,038	391,252	414,860	125,211	17,585	64,162	4,689,597
Suppliers' remuneration	431,787	311,768	228,118	104,496	109,261	34,638	4,363	15,457	1,239,887
Total	2,069,130	1,491,913	1,087,156	495,748	524,121	159,849	21,948	79,619	5,929,484
BENEFIT PRESCRIPTIONS ('000)									
General	7,790	5,548	4,111	1,664	2,184	492	147	508	22,443
Concessional	37,854	27,876	20,360	9,581	9,769	3,218	357	1,149	110,165
Safety Net (a)	11,878	8,154	6,047	2,783	2,591	1,036	55	283	32,827
Total (b)	57,522	41,578	30,518	14,028	14,544	4,746	559	1,940	165,435
AVERAGE TOTAL COST PER PRESCRIPTION									
General	59.45	60.92	59.91	62.26	60.01	58.16	58.67	58.14	60.10
Concessional	32.71	32.52	32.23	32.13	32.16	31.33	32.49	35.43	32.46
Safety Net (a)	30.97	30.35	30.52	30.29	30.43	29.36	31.36	33.12	30.60
Total	35.97	35.88	35.62	35.34	36.04	33.68	39.26	41.04	35.84

(a) Safety Net figures include payments made for PBS prescriptions dispensed for holders of Pharmaceutical Benefits Entitlement Cards (Safety Net Cards).

(b) As per Department of Health and Ageing statistics on payments to approved persons.

(c) Estimate only. Actual dissection of costs by State was not prepared for 2003/04

Source: Commonwealth Department of Health and Ageing.

TABLE 25

COST OF PHARMACEUTICAL BENEFITS, 1997-98 TO 2003-04

(\$'000)

Year ending June 30:	1998	1999	2000	2001	2002	2003	2004
COMMONWEALTH GOVERNMENT							
PAYMENTS ON BENEFIT PRESCRIPTIONS (a)							
General	411,856	469,041	521,014	662,096	691,204	750,544	824,131
Safety Net	98,613	106,618	107,013	128,174	148,499	169,805	190,683
Concessional (b)	1,576,058	1,739,535	2,000,633	2,359,645	2,569,368	2,747,330	2,972,332
Concessional Safety Net	439,989	467,079	547,829	660,301	778,412	907,524	1,004,523
TOTAL COMMONWEALTH PAYMENTS	2,526,517	2,782,273	3,176,489	3,810,216	4,187,483	4,575,203	4,991,669
PATIENT CONTRIBUTIONS							
General Benefit Prescriptions	294,364	318,219	345,585	392,430	426,973	470,555	524,763
Concessional Benefit Prescriptions	276,440	283,118	306,182	351,732	379,074	389,188	413,053
TOTAL PATIENT CONTRIBUTIONS	570,804	601,333	651,768	744,162	806,048	859,744	937,816
Total cost of benefit prescriptions (including patients' contributions)	3,097,322	3,383,606	3,828,256	4,554,378	4,993,531	5,434,947	5,929,485
Commonwealth Government payments through miscellaneous services	258,950	287,468	311,727	347,902	396,387	477,352	570,500
Total cost of pharmaceutical benefits	3,356,271	3,671,078	4,139,983	4,902,280	5,389,918	5,912,299	6,499,985
Total Commonwealth Government payments	2,785,467	3,069,741	3,488,216	4,186,000	4,583,870	5,052,555	5,562,169

(a) Sourced from PBS claims processing at HIC and Department of Health and Ageing

(b) Prescriptions supplied to persons eligible to receive Concessional pharmaceutical benefits.

TABLE 26

PHARMACEUTICAL BENEFITS YEAR ENDED 30 JUNE 2004

ANALYSIS OF PAYMENTS MADE TO APPROVED CHEMISTS, DOCTORS AND PRIVATE HOSPITALS FOR PRESCRIPTION BENEFITS (INCLUDING PATIENTS' CONTRIBUTIONS)

State	Ingredient and container cost	Suppliers' Remuneration	Total Cost
	(\$'000)	(\$'000)	(\$'000)
NSW	1,637,343	431,787	2,069,130
VIC	1,180,145	311,768	1,491,913
QLD	859,038	228,118	1,087,156
SA	391,252	104,496	495,748
WA	414,860	109,261	524,121
TAS	125,211	34,638	159,849
NT	17,585	4,363	21,948
ACT	64,162	15,457	79,619
TOTAL	4,689,597	1,239,887	5,929,484

- NOTE: (1) Estimated dissection between ingredient costs and remuneration by State.
 (2) Includes mark-up on wholesale price and professional fees but does not include discounts allowed to pharmacists by wholesalers and manufacturers.
 (3) All figures relate only to prescriptions which have been subsidised by the Government through the Pharmaceutical Benefits Scheme. Non PBS prescriptions are not included.

TABLE 27

REPATRIATION PHARMACEUTICAL BENEFITS

Year	Cost \$	Number of prescriptions	Average cost per prescription \$	% Change
1971/72	19,046,307	6,629,477	2.87	
1972/73	20,016,887	6,518,103	3.07	6.89%
1973/74	21,121,909	6,357,947	3.32	8.18%
1974/75	22,761,634	6,538,902	3.48	4.78%
1975/76	29,991,915	7,089,899	4.23	21.52%
1976/77	31,253,962	7,786,899	4.01	-5.12%
1977/78	33,427,821	7,662,328	4.36	8.69%
1978/79	35,553,066	7,484,528	4.75	8.88%
1979/80	38,984,952	8,116,373	4.80	1.12%
1980/81	44,921,391	8,997,730	4.99	3.94%
1981/82	54,851,219	9,661,876	5.68	13.71%
1982/83	61,029,969	9,816,044	6.22	9.52%
1983/84	66,087,396	10,585,324	6.24	0.42%
1984/85	77,089,793	11,248,654	6.85	9.77%
1985/86	86,507,716	11,515,486	7.51	9.62%
1986/87	94,829,444	11,153,714	8.50	13.18%
1987/88	85,725,923	9,008,826	9.52	11.92%
1988/89	80,879,482	7,914,298	10.22	7.39%
1989/90	83,684,977	7,593,329	11.02	7.84%
1990/91	86,043,778	7,224,499	11.91	8.07%
1991/92	92,947,647	6,654,306	13.97	17.28%
1992/93	92,202,894	5,876,127	15.69	12.34%
1993/94	98,671,107	5,686,939	17.35	10.58%
1994/95	104,193,758	5,449,513	19.12	10.20%
1995/96	122,888,989	6,515,884	18.86	-1.36%
1996/97	197,146,559	9,208,882	21.41	13.51%
1997/98	204,715,632	9,928,485	20.62	-3.69%
1998/99	229,869,461	10,690,911	21.50	4.28%
1999/00	272,323,263	12,045,595	22.61	5.15%
2000/01	325,142,363	13,099,032	24.82	9.79%
2001/02	371,279,280	14,243,945	26.07	5.01%
2002/03	425,885,375	15,362,564	27.72	6.36%
2003/04	456,299,564	15,627,475	29.20	5.33%
2004/05	465,740,225	15,734,655	29.60	1.37%

SOURCE: Commonwealth Department of Veterans' Affairs.

TABLE 28

PHARMACEUTICAL BENEFITS
PRESCRIPTIONS AND DERIVED STATISTICS FOR THE YEAR ENDED 30 JUNE 2004

State	Number of Prescriptions			Average Cost Per Prescription				
	Total	For General Patients	For Concessional Patients	For Safety Net Patients	Total \$	For General Patients \$	For Concessional Patients \$	For Safety Net Patients \$
NSW	57,522,388	7,790,195	37,853,942	11,878,251	35.97	59.45	32.71	30.97
VIC	41,577,645	5,547,817	27,875,745	8,154,083	35.88	60.92	32.52	30.35
QLD	30,517,672	4,111,448	20,359,067	6,047,157	35.62	59.91	32.23	30.52
SA	14,028,160	1,663,521	9,581,763	2,782,876	35.34	62.26	32.13	30.29
WA	14,544,454	2,183,571	9,770,130	2,590,753	36.04	60.01	32.16	30.43
TAS	4,745,820	492,052	3,217,650	1,036,118	33.68	58.16	31.33	29.36
NT	559,466	146,531	357,576	55,359	39.26	58.67	32.49	31.36
ACT	1,939,520	508,203	1,148,611	282,706	41.04	58.14	35.43	33.12
TOTAL	165,435,125	22,443,338	110,164,484	32,827,303	35.84	60.10	32.46	30.60

Note: Concessional figures include Pensioner prescriptions which attract the co-payment.

TABLE 29

**STRUCTURE OF PHARMACISTS' REMUNERATION
PHARMACEUTICAL BENEFITS SCHEME**

From	To	RP ITEMS		EP ITEMS	
		Professional Fee \$	Markup on Wholesale Price %	Professional Fee \$	Markup on Wholesale Price %
1 January 1972	30 April 1972	0.39	33 1/3	0.64	50
1 May 1972	30 September 1972	0.42	33 1/3	0.64	50
1 October 1972	30 November 1972	0.44	33 1/3	0.64	50
1 December 1972	31 December 1972	0.45	33 1/3	0.64	50
1 January 1973	30 June 1973	0.50	33 1/3	0.72	50
1 July 1973	31 December 1973	0.61	33 1/3	0.83	50
1 January 1974	30 June 1974	0.68	33 1/3	0.90	50
1 July 1974	30 June 1975	0.84	33 1/3	1.06	50
1 July 1975	30 June 1976	0.90	33 1/3	1.12	50
1 July 1976	31 December 1976	1.02	33 1/3	1.24	50
1 January 1977	30 June 1977	1.07	33 1/3	1.29	50
1 July 1977	31 July 1978	1.21	33 1/3	1.43	50
1 August 1978	30 April 1980	1.35	25	1.95	33 1/3
1 May 1980	30 June 1980	1.31 *	25	1.91 *	33 1/3
1 July 1980	30 November 1980	1.31 1.39	25	1.91 1.99	33 1/3
1 December 1980	31 December 1980	1.26 1.34	25	1.89 1.97	33 1/3
1 January 1981	30 June 1981	1.26 1.44	25	1.89 2.07	33 1/3
1 July 1981	31 December 1981	1.51	25	2.14	33 1/3
1 January 1982	30 June 1982	1.66	25	2.29	33 1/3
1 July 1982	31 December 1983	1.73	25	2.54	33 1/3
1 January 1984	30 June 1984	1.98	25	2.89	33 1/3
1 July 1984	30 June 1985	2.13	25	3.09	33 1/3
1 July 1985	31 December 1985	2.30	25	3.33	33 1/3
1 January 1986	30 June 1986	2.35	25	3.40	33 1/3
1 July 1986	31 August 1986	2.40	25	3.47	33 1/3
1 September 1986	31 May 1987	2.46	25	3.56	33 1/3
1 June 1987	30 June 1988	2.50	25	3.62	33 1/3
1 July 1988	31 July 1988	2.59	25	3.76	33 1/3
1 August 1988	31 January 1989	2.64	25	3.83	33 1/3
1 February 1989	31 December 1989	2.59	25	3.76	33 1/3
1 January 1990	30 June 1990	2.54	25	3.68	33 1/3
1 July 1990	31 December 1990	2.57	25	3.72	33 1/3
1 January 1991	31 July 1992	3.43	10 **	4.96	10 **
1 August 1992	31 December 1992	3.57	10 **	5.16	10 **
1 January 1993	30 June 1993	3.69	10 **	5.34	10 **
1 July 1993	31 December 1993	3.75	10 **	5.43	10 **
1 January 1994	30 June 1994	3.83	10 **	5.55	10 **
1 July 1994	31 December 1994	3.98	10 **	5.77	10 **
1 January 1995	30 June 1995	4.06	10 **	5.89	10 **
1 July 1995	30 June 1996	4.27	10 **	6.10	10 **
1 July 1996	30 June 1997	4.29	10 **	6.13	10 **
1 July 1997	30 June 1998	4.34	10 **	6.20	10 **
1 July 1998	30 June 1999	4.34	10 **	6.20	10 **
1 July 1999	30 June 2000	4.39	10 **	6.27	10 **
1 July 2000	30 January 2001	4.40	10 ***	6.28	10 ***
1 February 2001	30 June 2001	4.50	10 ***	6.38	10 ***
1 July 2001	30 September 2001	4.53	10 ***	6.44	10 ***
1 October 2001	30 January 2002	4.68	10 ***	6.59	10 ***
1 February 2002	30 June 2002	4.58	10 ***	6.49	10 ***
1 July 2002	30 June 2003	4.62	10 ***	6.56	10 ***
1 July 2003	30 June 2004	4.66	10 ***	6.63	10 ***
1 July 2004	30 June 2005	4.70	10 ***	6.70	10 ***
1 July 2005		4.75	10 ***	6.78	10 ***

* Revised Fees as determined by the Pharmaceutical Benefits Remuneration Tribunal.

** 10% Mark-up applies to items with approved price to pharmacists of less than \$180.00.
\$18.00 Mark-up applies to items with approved price to pharmacists of between \$180.00 and \$360.00.
5% Mark-up applies to items with approved price to pharmacists of more than \$360.00.

*** 10% Mark-up applies to items with approved price to pharmacists of less than \$180.00.
\$18.00 Mark-up applies to items with approved price to pharmacists of between \$180.00 and \$450.00.
4% Mark-up applies to items with approved price to pharmacists of more than \$450.00.

TABLE 30

CHANGES IN THE LEVEL OF PATIENT CONTRIBUTION

Date of Change	Amount general	Percentage of average cost of a "general" benefit	Amount concessional	Percentage of average cost of a "concessional" benefit
March 1960	\$0.50	22 %		
November 1971	\$1.00	40 %		
September 1975	\$1.50	51 %		
March 1976	\$2.00	59 %		
July 1978	\$2.50	60 %		
September 1979	\$2.75	60 %		
December 1981	\$3.20	62 %		
January 1983	\$4.00	69 %	\$2.00	34 %
July 1985	\$5.00	73 %	\$2.00	32 %
July 1986	\$5.00	64 %	\$2.00	29 %
November 1986	MAX \$10.00	54 %	\$2.50	27 %
July 1988	MAX \$11.00	51 %	\$2.50	27 %
July 1989	MAX \$11.00	53 %	\$2.50	25 %
July 1990	MAX \$11.00	49 %	\$2.50	23 %
November 1990	MAX \$15.00	55 %	\$2.50	21 %
August 1991	MAX \$15.70	57 %	\$2.50	21 %
October 1991	MAX \$15.70	57 %	\$2.60	22 %
August 1992	MAX \$15.90	45 %	\$2.60	20 %
August 1993	MAX \$16.00	47 %	\$2.60	18 %
August 1994	MAX \$16.20	45 %	\$2.60	16 %
August 1995	MAX \$16.80	45 %	\$2.60	15 %
August 1996	MAX \$17.40	43 %	\$2.70	14 %
January 1997	MAX \$20.00	44 %	\$3.20	16 %
January 1999	MAX \$20.30	40 %	\$3.20	14 %
January 2000	MAX \$20.60	40 %	\$3.30	14 %
January 2001	MAX \$21.90	42 %	\$3.50	14 %
January 2002	MAX \$22.40	42 %	\$3.60	14 %
January 2003	MAX \$23.10	40 %	\$3.70	13 %
January 2004	MAX \$23.70	39 %	\$3.80	12 %
January 2005	MAX \$28.60	48 %	\$4.60	14 %

TABLE 31

P B S REMUNERATION PER PRESCRIPTION

Year	Average Price per prescription \$	Mark-up*	Average professional fee \$	Total remuneration * \$	Remuneration as % of Ave. Price	Annual Volume of prescriptions (⁰⁰⁰)
1970/71	2.21	0.48	0.34	0.82	37.10	71,487
1971/72	2.46	0.51	0.38	0.89	36.18	72,442
1972/73	2.64	0.56	0.47	1.01	38.26	74,676
1973/74	2.78	0.53	0.65	1.18	42.45	87,288
1974/75	2.99	0.54	0.83	1.37	45.82	97,674
1975/76	3.28	0.60	0.88	1.48	45.12	101,117
1976/77	3.71	0.66	1.04	1.70	45.82	89,705
1977/78	3.93	0.66	1.22	1.88	47.84	93,167
1978/79	4.16	0.59 **	1.35	1.94	46.63	92,963
1979/80	4.38	0.62	1.36	1.98	45.21	89,075
1980/81	4.53 4.65 @	0.66	1.30 1.42 @	1.96 2.08 @	43.27	94,397
1981/82	5.08	0.68	1.62	2.30	45.28	103,574
1982/83	5.61	0.77	1.77	2.54	45.28	105,540
1983/84	5.96	0.79	1.90	2.69	45.13	108,385
1984/85	6.32	0.80	2.14	2.94	46.52	120,829
1985/86	7.01	0.94	2.33	3.27	46.65	119,842
1986/87	8.79 @@	1.26	2.48	3.74	42.55	102,762
1987/88	10.37 @@	1.57	2.53	4.10	39.54	100,901
1988/89	11.51 @@	1.78	2.64	4.42	38.40	100,586
1989/90	12.54 @@	1.99	2.57	4.56	36.40	104,979
1990/91	13.82 @@	1.84	2.84	4.68	33.86	96,300
1991/92	15.46 @@	1.10 **	3.43	4.53	29.30	94,121
1992/93	16.78 @@	1.20	3.60	4.79	28.55	105,953
1993/94	18.18 @@	1.31	3.85	5.16	28.38	115,041
1994/95	19.71 @@	1.43	4.06	5.49	27.85	118,046
1995/96	21.49 @@	1.57	4.27	5.84	27.18	124,205
1996/97	23.19 @@	1.72	4.29	6.01	25.92	123,434
1997/98	24.88 @@	1.87	4.34	6.21	24.96	124,483
1998/99	26.38 @@	1.95	4.34	6.29	23.84	128,348
1999/00	27.82 @@	2.07	4.39	6.46	23.23	137,585
2000/01	30.86 @@	2.34	4.44	6.78	21.96	147,571
2001/02	32.32 @@	2.46	4.53	6.99	21.62	154,530
2002/03	34.28 @@	2.62	4.62	7.24	21.13	158,548
2003/04	35.84 @@	2.69	4.66	7.35	20.51	165,435
2004/05	37.27 @@	2.80	4.70	7.50	20.12	169,877

* Excludes wholesalers' surcharges, discounts and rebates.

** Percentage mark-up changed.

@ Adjusted for retrospective payments.

@@ Not adjusted for General category items under the maximum patient contribution.

TABLE 32

HIGHEST GOVERNMENT COST PBS DRUGS BY GENERIC NAME

(Year ended 30 June 2004)

Ranking	Drug Name	Prescriptions	% of Total Scripts	Government Cost (\$)	% of Total Cost
1	ATORVASTATIN	6,629,408	4.01	368,554,153	7.38
2	SIMVASTATIN	5,526,791	3.34	333,669,341	6.68
3	OMEPRAZOLE	4,109,223	2.48	177,662,792	3.56
4	SALMETEROL and FLUTICASONE	2,508,244	1.52	152,343,064	3.05
5	OLANZAPINE	678,390	0.41	145,619,364	2.92
6	PRAVASTATIN	1,949,376	1.18	114,253,847	2.29
7	CLOPIDOGREL	1,369,634	0.83	108,117,378	2.17
8	ESOMEPRAZOLE	2,051,597	1.24	100,249,623	2.01
9	ROFECOXIB	2,819,111	1.70	87,811,844	1.76
10	ALENDRONIC ACID	1,701,990	1.03	87,403,280	1.75
11	PANTOPRAZOLE	2,037,525	1.23	85,330,042	1.71
12	CELECOXIB	2,988,227	1.81	79,066,117	1.58
13	INSULIN (HUMAN)	398,460	0.24	75,089,362	1.50
14	VENLAFAXINE	1,615,790	0.98	72,403,802	1.45
15	SERTRALINE	2,487,169	1.50	70,709,816	1.42
16	IRBESARTAN	3,116,535	1.88	65,284,235	1.31
17	IRBESARTAN with HYDROCHLOROTHIAZ	2,640,518	1.60	60,775,672	1.22
18	RAMIPRIL	2,625,971	1.59	54,801,695	1.10
19	AMLODIPINE BESYLATE	2,169,597	1.31	50,274,246	1.01
20	SALBUTAMOL	2,994,658	1.81	45,858,446	0.92
21	CITALOPRAM	1,718,789	1.04	44,684,014	0.90
22	PERINDOPRIL	2,358,909	1.43	42,901,225	0.86
23	TIOTROPIUM BROMIDE	578,834	0.35	42,315,436	0.85
24	GOSERELIN	53,559	0.03	41,887,280	0.84
25	VALACICLOVIR	227,702	0.14	41,203,800	0.83
26	PAROXETINE	1,263,133	0.76	39,399,084	0.79
27	RITUXIMAB	19,829	0.01	37,225,784	0.75
28	INTERFERON BETA-1b	31,929	0.02	37,173,869	0.74
29	LANSOPRAZOLE	842,805	0.51	36,977,843	0.74
30	LATANOPROST	1,226,993	0.74	35,350,549	0.71
31	CARVEDILOL	376,375	0.23	34,188,567	0.68
32	MORPHINE	820,040	0.50	34,079,157	0.68
33	RABEPRAZOLE	864,542	0.52	33,451,099	0.67
34	PERINDOPRIL and INDAPAMIDE	1,411,208	0.85	33,235,350	0.67
35	INTERFERON BETA-1a	27,774	0.02	33,195,931	0.67
36	IPRATROPIUM BROMIDE	737,813	0.45	31,342,305	0.63
37	METFORMIN HYDROCHLORIDE	2,445,487	1.48	31,323,081	0.63
38	RISPERIDONE	226,256	0.14	31,017,317	0.62
39	RANITIDINE HYDROCHLORIDE	1,565,831	0.95	30,053,601	0.60
40	DILTIAZEM HYDROCHLORIDE	1,331,605	0.80	29,912,849	0.60
41	FLUOXETINE HYDROCHLORIDE	867,965	0.52	27,570,222	0.55
42	FAMCICLOVIR	94,863	0.06	27,284,581	0.55
43	FELODIPINE	1,339,626	0.81	27,165,781	0.54
44	QUETIAPINE	130,785	0.08	27,156,781	0.54
45	LAMOTRIGINE	213,988	0.13	25,251,714	0.51
46	TRAMADOL	1,622,303	0.98	24,052,043	0.48
47	DONEPEZIL	152,324	0.09	23,747,524	0.48
48	GLUCOSE INDICATOR--BLOOD	486,496	0.29	23,372,283	0.47
49	FLUTICASONE	762,596	0.46	22,951,148	0.46
50	OXYCODONE	721,213	0.44	22,714,178	0.46
		76,939,786	46.51	3,307,462,515	66.26

TABLE 33

MOST FREQUENTLY PRESCRIBED PBS DRUGS BY GENERIC NAME

(Year ended 30 June 2004)

Ranking	Drug Name	Prescriptions	% of Total Scripts	Government Cost (\$)	% of Total Cost
1	ATORVASTATIN	6,629,408	4.01	368,554,153	7.38
2	SIMVASTATIN	5,526,791	3.34	333,669,341	6.68
3	PARACETAMOL	4,123,605	2.49	21,377,721	0.43
4	OMEPRAZOLE	4,109,223	2.48	177,662,792	3.56
5	IRBESARTAN	3,116,535	1.88	65,284,235	1.31
6	SALBUTAMOL	2,994,658	1.81	45,858,446	0.92
7	CELECOXIB	2,988,227	1.81	79,066,117	1.58
8	ATENOLOL	2,856,440	1.73	20,458,579	0.41
9	ROFECOXIB	2,819,111	1.70	87,811,844	1.76
10	IRBESARTAN with HYDROCHLOROTHIAZ	2,640,518	1.60	60,775,672	1.22
11	RAMIPRIL	2,625,971	1.59	54,801,695	1.10
12	SALMETEROL and FLUTICASONE	2,508,244	1.52	152,343,064	3.05
13	CODEINE with PARACETAMOL	2,490,992	1.51	18,328,672	0.37
14	SERTRALINE	2,487,169	1.50	70,709,816	1.42
15	METFORMIN HYDROCHLORIDE	2,445,487	1.48	31,323,081	0.63
16	PERINDOPRIL	2,358,909	1.43	42,901,225	0.86
17	AMOXYCILLIN	2,343,193	1.42	16,862,334	0.34
18	AMLODIPINE BESYLATE	2,169,597	1.31	50,274,246	1.01
19	ESOMEPRAZOLE	2,051,597	1.24	100,249,623	2.01
20	TEMAZEPAM	2,038,271	1.23	8,073,248	0.16
21	PANTOPRAZOLE	2,037,525	1.23	85,330,042	1.71
22	PRAVASTATIN	1,949,376	1.18	114,253,847	2.29
23	CEPHALEXIN	1,785,290	1.08	14,422,099	0.29
24	CITALOPRAM	1,718,789	1.04	44,684,014	0.90
25	WARFARIN	1,718,226	1.04	8,717,821	0.17
26	ALENDRONIC ACID	1,701,990	1.03	87,403,280	1.75
27	TRAMADOL	1,622,303	0.98	24,052,043	0.48
28	VENLAFAXINE	1,615,790	0.98	72,403,802	1.45
29	DIAZEPAM	1,589,987	0.96	6,474,423	0.13
30	RANITIDINE HYDROCHLORIDE	1,565,831	0.95	30,053,601	0.60
31	PERINDOPRIL and INDAPAMIDE	1,411,208	0.85	33,235,350	0.67
32	CLOPIDOGREL	1,369,634	0.83	108,117,378	2.17
33	FELODIPINE	1,339,626	0.81	27,165,781	0.54
34	DILTIAZEM HYDROCHLORIDE	1,331,605	0.80	29,912,849	0.60
35	AMOXYCILLIN with CLAVULANIC ACID	1,313,162	0.79	17,396,532	0.35
36	PAROXETINE	1,263,133	0.76	39,399,084	0.79
37	LATANOPROST	1,226,993	0.74	35,350,549	0.71
38	FRUSEMIDE	1,188,827	0.72	6,608,999	0.13
39	OXAZEPAM	1,177,820	0.71	4,083,146	0.08
40	ASPIRIN	1,124,396	0.68	4,137,906	0.08
41	ROXITHROMYCIN	1,058,988	0.64	10,275,282	0.21
42	LISINOPRIL	1,035,731	0.63	20,260,083	0.41
43	ENALAPRIL MALEATE	1,030,090	0.62	21,135,320	0.42
44	ISOSORBIDE MONONITRATE	1,028,358	0.62	14,179,870	0.28
45	VERAPAMIL HYDROCHLORIDE	1,020,168	0.62	14,344,161	0.29
46	GLICLAZIDE	984,921	0.60	12,544,294	0.25
47	MELOXICAM	973,400	0.59	22,548,914	0.45
48	METOPROLOL TARTRATE	957,432	0.58	7,879,129	0.16
49	NIFEDIPINE	924,401	0.56	18,682,017	0.37
50	GLYCERYL TRINITRATE	923,755	0.56	19,889,127	0.40
		101,312,701	61.24	2,761,326,647	55.32

TABLE 34

POPULATION TO PHARMACY RATIOS IN AUSTRALIA

YEAR (30 JUNE)	POPULATION *	NUMBER OF PHARMACIES	POPULATION : PHARMACY RATIO
1970	12,663,469	5,876	2,155
1975	13,893,000	5,566	2,496
1980	14,695,400	5,417	2,713
1985	15,788,300	5,484	2,879
1986	16,018,400	5,549	2,887
1987	16,263,300	5,559	2,926
1988	16,532,200	5,609	2,947
1989	16,814,400	5,612	2,996
1990	17,065,100	5,625	3,034
1991	17,284,000	5,351	3,230
1992	17,489,100	5,091	3,435
1993	17,656,400	5,018	3,519
1994	17,847,400	4,980	3,584
1995	18,063,300	4,949	3,650
1996	18,310,714	4,953	3,697
1997	18,532,247	4,954	3,741
1998	18,730,359	4,952	3,782
1999	18,871,800	4,942	3,819
2000	19,080,200	4,925	3,874
2001	19,334,200	4,925	3,926
2002	19,657,400	4,926	3,991
2003	19,757,900	4,907	4,026
2004	20,009,000	4,910	4,075
2005	20,229,800	4,921	4,111

TABLE 35

TRENDS IN POPULATION TO PHARMACY RATIOS

30 JUNE 2004				30 JUNE 2005			
STATE OR TERRITORY	POPULATION ('000)	NUMBER OF PHARMACIES	POPULATION/ PHARMACY	POPULATION ('000)	NUMBER OF PHARMACIES	POPULATION/ PHARMACY	% Change in Population to Pharmacy Ratios
NSW	6,716.3	1,699	3,953	6,760.0	1,702	3,972	0.5
VIC	4,948.0	1,160	4,266	5,002.3	1,165	4,294	0.7
QLD	3,840.1	953	4,029	3,919.5	952	4,117	2.2
SA	1,531.4	389	3,937	1,537.9	391	3,933	-0.1
WA	1,969.0	489	4,027	1,998.4	492	4,062	0.9
TAS	480.0	135	3,556	484.0	134	3,612	1.6
NT	198.7	28	7,096	200.8	27	7,437	4.8
ACT	322.6	57	5,660	324.3	58	5,591	-1.2
AUSTRALIA	20,008.7	4,910	4,075	20,229.8	4,921	4,111	0.9

TABLE 36

PHARMACIES DISPENSING PHARMACEUTICAL BENEFITS
STATES AND TERRITORIES 1991 TO 2005

(Number at 30 June)

STATE OR TERRITORY	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
NSW	1,900	1,795	1,759	1,745	1,736	1,731	1,729	1,727	1,724	1,723	1,722	1,727	1,709	1,699	1,702
VIC	1,328	1,261	1,245	1,225	1,213	1,200	1,190	1,181	1,169	1,159	1,161	1,159	1,160	1,160	1,165
QLD	991	946	936	935	931	942	952	959	959	954	951	948	944	953	952
SA	421	399	392	390	386	386	385	383	386	386	387	385	386	389	391
WA	470	460	458	456	457	467	470	474	477	478	479	480	484	489	492
TAS	148	145	144	144	142	143	144	143	140	140	140	140	139	135	134
NT	27	25	25	26	26	26	27	27	28	28	28	30	28	28	27
ACT	66	60	59	59	58	58	57	58	59	57	57	57	57	57	58
AUSTRALIA	5,351	5,091	5,018	4,980	4,949	4,953	4,954	4,952	4,942	4,925	4,925	4,926	4,907	4,910	4,921

Source: Commonwealth Department of and Health and Ageing

TABLE 37

PRICING AND EARNING INDICES

YEAR	CONSUMER PRICE INDEX (a)				AVERAGE (b) WEEKLY EARNINGS	
	ALL GROUPS		PHARMACEUTICALS		\$ AMOUNT	% CHANGE
	INDEX	% CHANGE	INDEX	% CHANGE		
1980-81	100.0		100.0		281.40	
JUNE 82	114.5	14.5	116.7	16.7	316.00	12.3
JUNE 83	127.3	11.2	137.3	17.7	347.30	9.9
JUNE 84	132.3	3.9	146.6	6.7	383.80	10.5
JUNE 85	141.1	6.7	154.0	5.1	397.20	3.5
JUNE 86	153.0	8.4	177.0	14.9	425.50	7.1
JUNE 87	167.2	9.3	202.4	14.4	450.90	6.0
JUNE 88	179.0	7.1	221.4	9.4	481.70	6.8
JUNE 89	192.6	7.6	233.5	5.4	519.10	7.8
JUNE 90	207.4	7.7	246.4	5.6	555.80	7.1
JUNE 91	214.4	3.4	261.0	5.9	569.90	2.5
JUNE 92	217.0	1.2	267.7	2.6	597.40	4.8
JUNE 93	221.1	1.9	274.2	2.4	612.50	2.5
JUNE 94	224.9	1.7	279.8	2.0	625.10	2.1
JUNE 95	235.0	4.5	287.9	2.9	652.70	4.4
JUNE 96	242.3	3.1	297.2	3.2	671.50	2.9
JUNE 97	243.1	0.3	311.5	4.8	687.10	2.3
JUNE 98	244.7	0.7	313.8	0.7	714.50	4.0
JUNE 99	247.3	1.1	311.8	-0.7	735.10	2.6
JUNE 00	255.3	3.2	314.5	0.9	760.00	3.4
JUNE 01	270.6	6.0	327.7	4.2	789.40	3.9
JUNE 02	278.3	2.8	331.2	1.1	826.10	4.6
JUNE 03	285.8	2.7	341.1	3.0	872.10	5.6
JUNE 04	292.8	2.5	349.2	2.4	898.10	3.0
JUNE 05	300.1	2.5	367.1	5.1	944.30	5.1

(a) Weighted average of eight capital cities. (1980-81 = 100.0)

(b) All Males.

Chart 6

