
2008 GUILD DIGEST

A survey of independent pharmacy operations in Australia
financial year 2006-07

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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 36th edition of the Guild Digest. The *2008 Digest* presents a snapshot of pharmacy operations in Australia for the financial year 2006-07. 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 vibrant and efficient industry. Practising as health care professionals in a commercial environment, pharmacists are placed in a unique niche of service providers in the community. Combining their professional and management 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 first full year of the Fourth Agreement, community pharmacy recorded turnover growth of just 3%. While there was an increase in percentage gross margin, most of that growth was eroded by increases in expenses, producing a net profit increase of 11% following a reduction of 2% in 2005-06. The Dispensary to Sales ratio continued its upward trend ending the year at a historical high of 70.2%, once again bringing into focus pharmacy's growing reliance on the dispensary. Non-prescription sales posted an increase of 2%. There was a modest increase of 3% in dispensary sales value, in line with near zero growth in subsidised PBS/RPBS volumes.

Here are the key features of Australian community pharmacy:

- ✦ Community pharmacy is a \$12.3 billion health industry, including \$8.6 billion in prescription sales per year;
- ✦ Community pharmacies dispense 248 million prescriptions annually, including 182 million PBS/RPBS subsidised prescriptions;
- ✦ Community pharmacy employs over 50,000 highly skilled staff, the majority of whom are women;
- ✦ Total Dispensary Sales represent around 70.2% of all sales through pharmacies;
- ✦ The average community pharmacy dispenses 49,738 prescriptions per year; and
- ✦ As at 30 June 2007 there were 4,992 community pharmacies, each serving on average a community of 4,196 people across Australia.

The 2008 edition of the Digest is again published entirely in digital format. The **2008 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 **2008 Digest** are based largely on the sample of over 350 participating pharmacies.

The Guild records its sincere appreciation to all participants in this crucially important annual survey during a period of uncertainty and 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 **Saccasan Bailey Partners (a member of the Guild Group)**, **Johnston Rorke Pharmacy Services**, **MSI Taylor Pharmacy Services** and their pharmacy clients.

Thanks are extended to National Secretariat staff, in particular, Sailesh Ram and Dianne Murphy for their dedication and outstanding work in the preparation of this edition.

STEPHEN ARMSTRONG
DIVISIONAL MANAGER, ECONOMIC ANALYSIS & e-HEALTH



THE YEAR IN PHARMACY 2006-07

SUMMARY

The Fourth Community Pharmacy Agreement was signed on 16 November 2005 following delayed and protracted negotiations that forced an extension of the Third Agreement beyond its original 30 June 2005 completion date. This edition of the Digest covers the first full year of the Fourth Agreement.

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 next 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, with more to follow in the Fourth Agreement period.

The major change to structure of PBS pricing and remuneration through the Fourth Agreement is the introduction of the Community Service Obligation pool of \$150m per annum. Payments from the pool are made to eligible wholesale distributors of PBS medicines who meet specified service standards. The intention is to remunerate pharmaceutical wholesalers for the additional cost they incur in providing the full range of PBS medicines, as compared to those wholesalers who distribute and supply a lesser range of PBS products.

The introduction of the CSO coincided with a reduction in the PBS wholesaler margin from 10% to 7%, and a reduction in the level of pharmacist markup, from 4% to a flat \$40, for drugs costing more than \$1,000.

On 1 January 2005, the government raised the level of the patient co-payment for concessional prescriptions by 21%, from \$3.80 to \$4.60, and for general prescriptions by 24%, from \$23.70 to \$28.60. These were the largest co-payment increases applied since 1986. PBS volume growth dropped from an average of 4% in the previous three years to a decline of 1% in calendar year 2005. The extent of the link between the co-payment increases and the decline in PBS prescriptions dispensed is a matter for debate that is beyond the scope of this commentary. Certainly there have been other contributing factors, including real time entitlement checking of PBS benefits through PBS Online, Medicare Card recording of all prescriptions, Government campaigns encouraging patients not to hoard medicines and other measures reducing inappropriate use and misuse of medicines.

THE ECONOMY

In the wider context, the comparatively strong Australian economy continued to outperform nearly all industrialised economies and continued to grow during 2006-07 in terms of all major indicators.

The Gross Domestic Product recorded a very respectable growth of 4.4%, with total retail turnover increasing by 6.4%. Business investment showed no signs of abating, growing by almost 12%. The rate of inflation moderated from the previous year's 4% to end the year at 2.2%.

Employment grew by 2.7% resulting in an overall improvement in the unemployment rate to 4.3% by June 2007 (from 4.9% one year earlier).

FOURTH COMMUNITY PHARMACY AGREEMENT

Remuneration

The Fourth Agreement, while retaining the basic remuneration structure of mark up and fee for the pharmacist, includes several important changes. The first provides for increases in the dispensing fee – from 1 December 2005 the fee increased by 19 cents from \$4.75 to \$4.94. A further 21 cent increase applied from 1 July 2006 when the dispensing fee increased to \$5.15. The fee remained at \$5.15 throughout the 2006-07 financial year.

The other change to pharmacists' remuneration concerns the level of mark up. From 1 July 2006, items with an approved price to pharmacist above \$1000 attract a flat dollar mark up of \$40. The remaining mark up components remain unchanged, i.e. 10% for items priced below \$180.01, 18% between \$180.01 and \$450 and 4% between \$450.01 and \$1000.

A major change to remuneration arrangements in the Fourth Agreement concerns the wholesaler margin. From 1 July 2006, the wholesaler margin reduced from 10 per cent to 7 per cent (equivalent to a 7.52 per cent mark up). At the same time eligible wholesalers are able to access the newly established CSO funding pool of \$150 million per annum.

Importantly, the mechanism of risk-sharing under the new Agreement has been simplified to include only movements in PBS prescription volumes.

Professional Services

A total of \$568 million has been set aside for Fourth Agreement professional pharmacy programs and services. These include a continuation of the Third Agreement Medication Review programs and rural programs as well as the Quality Care Pharmacy Program and the Research and Development Program. In addition, a number of new programs under the broad heading of 'Better Community Health' will be rolled out during the Fourth Agreement. These include funding for dose administration aids, a patient medication profiling service, a practice change and education incentive scheme, pilot programs for diabetes and asthma disease state management, counselling for dispensing of emergency contraception, and initiatives for the prevention of communicable diseases. As well, additional funding has been set aside for expanded pharmacy programs for Aboriginal and Torres Strait Islanders.

Location Rules

For the most part the location rules that applied during the previous Agreement were retained, including the provision that prevents pharmacies from being located within supermarkets.

There was some relaxation in the rules to allow for pharmacy relocations (under carefully defined circumstances) into some small shopping centres, large medical centres and large one pharmacy towns. The rules were also amended to address anomalies that had been identified during the Third Agreement.

QUALITY CARE PHARMACY PROGRAM

Financial incentive arrangements for the QCPP under the Fourth Community Pharmacy Agreement were announced in February 2007. Pharmacies that gain accreditation under the QCPP will now be entitled to a “Quality Maintenance Allowance” (QMA) and annual payments will be made to accredited pharmacies based on the volume of prescriptions a pharmacy dispense each year. The minimum QMA payment an accredited pharmacy will receive each year will be \$3000.

In March 2007, the Guild launched e-QCPP, an innovative new tool designed exclusively to support and guide pharmacies through QCPP 2nd edition accreditation. The web-based system was designed to save pharmacies time, reduce paperwork and streamline a pharmacy’s accreditation process.

As at November 2007, a total of 4,832 pharmacies were registered with the Quality Care Pharmacy Program and a total of 3,752 (77.6 per cent) were accredited with the Program.

PBS REFORM

In May 2006 the Government signaled its intention to undertake further reform of the PBS aimed at reigning in further the cost of the Scheme. Following the announcement, the Guild responded to the proposal stressing in particular the recent signing of the Fourth Agreement, the slowdown in PBS growth to levels not seen for at least a decade, and the devastating effect that the proposal would have on the sector.

In November 2006 a revised PBS Reform package was announced. The reforms are the most significant since the PBS was introduced almost 60 years ago, and include mandatory 25% price reductions across about half of the PBS (by volume), smaller price reductions on many other drugs, and a new system of price disclosure under which the PBS price of individual drugs will be reduced in line with any movements in the market price. At the same time, there is to be a restructure of pharmacy remuneration, with increases in the level of markup on low priced drugs and very high priced drugs, a small dispensing fee increase, a new fee to encourage dispensing of premium-free brands, and an incentive for pharmacies to claim PBS payments through Medicare Australia’s new PBS Online system.

The first changes as a result of this package did not take place until 1 July 2007 (beyond the scope of the 2008 Guild Digest). Since 1 July 2007 pharmacies have been entitled to a 40 cent incentive for every script submitted to Medicare Australia via online claiming. PBS Online take-up increased from below 200 in July 2006 to over 4400 by June 2007 – a spectacular outcome,

not without its challenges, but indicative of the willingness of community pharmacy to adopt new technologies.





Two committed organisations
working together to
support every pharmacist.

The Guild Group and The Pharmacy Guild of Australia work together for the benefit of every pharmacist. Profits from the Guild Group are invested back into The Pharmacy Guild to protect the profession. By working together we're able to form a stronger, more cohesive picture of health for you and your community.

You can rest easy knowing the Guild Group can look after you and your business by providing advice that matters, with a diverse and expert range of insurance, legal, accounting, funds management and financial services. With a focus on helping your business to grow in size and value, we care for you and your pharmacy.

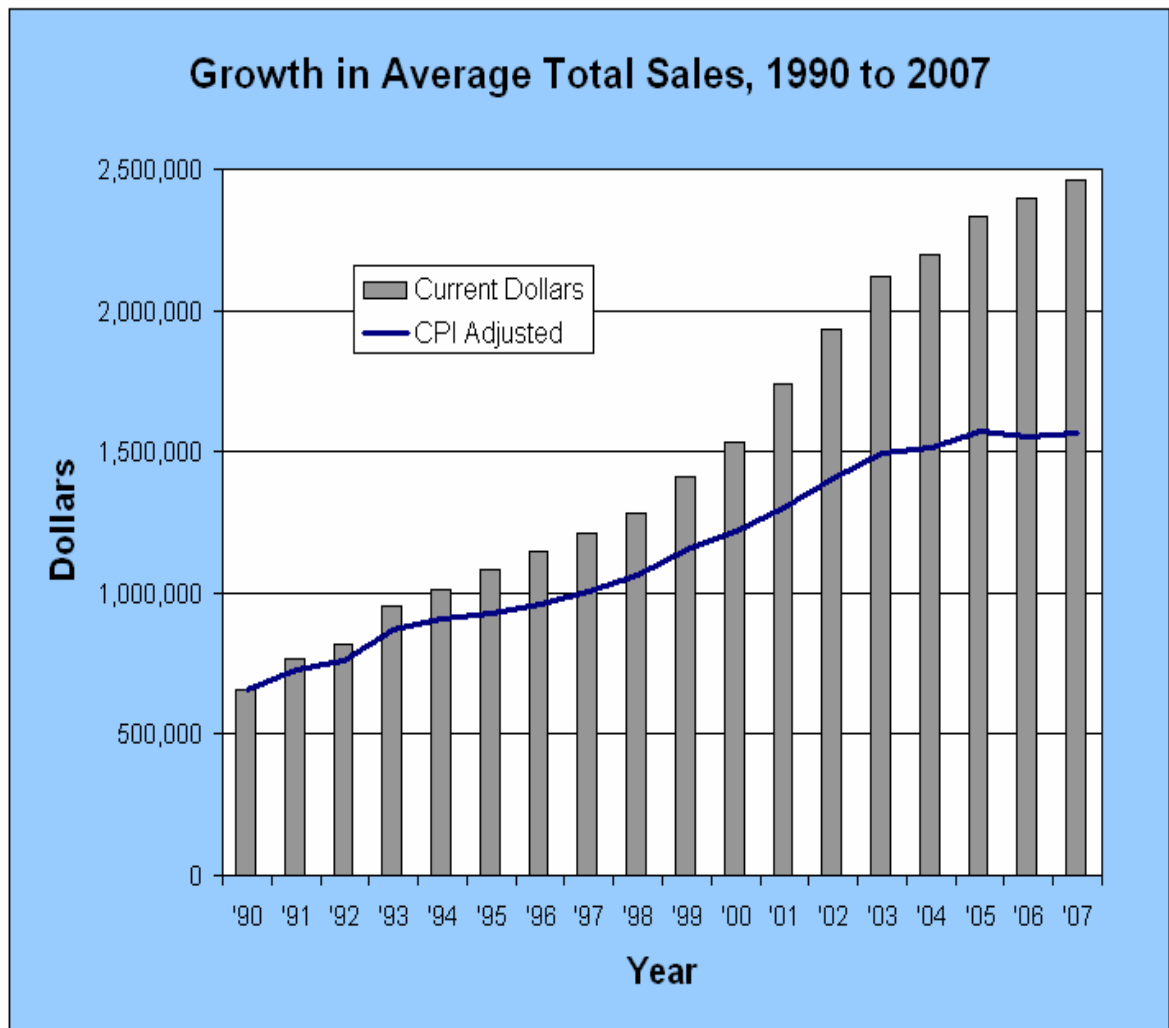
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AUSTRALIAN PHARMACIES 1997 - 2007
(Based on all participating pharmacies)

Table 1

	1997 (456) \$	1998 (421) \$	1999 (335) \$	2000 (353) \$	2001 (402) \$	2002 (408) \$	2003 (528) \$	2004 (427) \$	2005 (418) \$	2006 (385) \$	2007 (353) \$
SALES	1,210,464	1,282,542	1,409,642	1,535,955	1,741,104	1,930,960	2,116,736	2,195,552	2,334,145	2,394,030	2,464,443
GROSS MARGIN	400,236	428,819	462,255	508,092	560,521	616,179	660,229	684,059	722,192	756,166	797,473
SALARIES & WAGES	130,383	138,242	155,845	170,301	187,324	210,770	227,379	227,712	254,689	263,115	280,355
RENT	37,758	41,393	46,169	50,075	53,838	60,566	65,566	65,427	73,183	77,862	85,460
OTHER EXPENSES	100,435	112,079	127,258	138,169	156,577	162,343	181,101	179,567	191,412	205,955	225,749
TOTAL EXPENSES	268,576	291,714	329,272	358,545	397,739	433,679	474,046	472,706	519,284	546,932	591,564
TRADING PROFIT	131,660	137,105	132,983	149,547	162,782	182,500	186,183	211,353	202,908	209,234	205,909
COMMISSION RECEIVED	7,052	6,373	6,521	11,118	14,623	17,966	15,276	15,112	14,445	23,721	30,681
TOTAL INCOME	138,712	143,479	139,502	160,665	177,406	200,466	201,459	226,465	217,353	232,955	236,590
PROPRIETORS' SALARIES	79,441	82,182	84,274	85,401	89,189	97,400	104,809	136,619	142,167	160,349	156,316
NET PROFIT/LOSS	59,271	61,297	55,228	68,261	81,973	95,401	89,389	84,023	69,820	68,626	76,252
STOCK CARRIED	126,199	139,513	147,734	153,862	156,662	183,802	186,903	186,409	197,893	204,134	219,388

Chart 1



METHODOLOGY FOR THE 2008 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 353 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 2005-06 and 2006-07.

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 30,000	1,526	30.6%
Stratum 2	30,000 – 55,000	1,792	35.9%
Stratum 3	55,000 – 90,000	1,188	23.8%
Stratum 4	More than 90,000	486	9.7%
TOTAL		4,992	

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.

SURVEY RESPONSE

A total of 368 questionnaires were received for the 2006-07 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 353. 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 &						
ACT	76	45.0	70	38.0	146	41.4
VIC	20	11.8	20	10.9	40	11.3
QLD	44	26.0	68	37.0	112	31.7
SA/NT	11	6.5	8	4.3	19	5.4
WA	15	8.9	9	4.9	24	6.8
TAS	3	1.8	9	4.9	12	3.4
TOTAL	169	47.9	184	52.1	353	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 reasonably consistent with the distribution of pharmacies by State, with the exception of Queensland and New South Wales which enjoy higher than average response rates, and Victoria which is lower than average.

RESPONSE BY TURNOVER CATEGORY

The turnover ranges used for Table 6, and other related tables, have been updated for this year's Digest to ensure a more even distribution across the categories.

TURNOVER GROUP	2006-07
\$	%
Under 1.0 m	9.9
1.0 m – 1.5 m	18.7
1.5 m – 2.0 m	14.4
2.0 m – 2.5 m	13.9
2.5 m – 3.0 m	11.6
3.0 m – 4.0 m	14.2
4.0 m – 5.0 m	9.6
Over 5.0 m	7.6

Over the past decade, response has gradually favoured the larger pharmacies. The responding sample for this year's Digest continues this trend. Respondents with annual sales greater than \$1.5 million represented approximately 71% of the sample in 2006-07 compared with only 18% in 1994-95.

RESPONSE BY WEEKLY PRESCRIPTION VOLUMES

The weekly prescription volume ranges used for Table 19, and other related tables, have been updated for this year's Digest to ensure a more even distribution across the categories.

Rx Volume/Week	2006-07 %
Up to 400	7.9
401 - 600	17.8
601 - 800	16.1
801 - 1,000	17.0
1,000 - 1,200	11.3
1,201 - 1,400	8.8
1,400 - 2,000	15.3
Over 2,000	5.7

The gradual shift towards larger pharmacies is also reflected in prescription volumes. In 2006-07 over 74% of respondents dispensed over 600 prescriptions per week.



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 353 Guild members responded to this year's survey. 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	< 30,000	0.3057
Stratum 2	30,000 – 55,000	0.3588
Stratum 3	55,000 – 90,000	0.2380
Stratum 4	90,000 +	0.0974

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. 137 respondents formed part of this category in 2006-07.

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 350 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
400	27
353	26
350	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 353 respondents) is 23.7%. The inter-quartile range is 7.67 (= 27.06 – 19.39), so the approximate standard error of this estimate is 0.30 (=7.67/26).

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 353 respondents, is between 23.1% and 24.3% 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 2008 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 2006-07, the normal hourly rate was estimated at \$49.85 for the first 38 hours - equivalent to an annual salary of \$98,504. 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 1.19 award weeks (see Table 2). The notional salary of \$156,316 is attributable to the proprietors working a combined 45 hours per week.

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 7.0% (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 2006 AND 2007
(Based on 12 Months of Trading to 30/06/07)

Table 2

	2006 AVERAGES		2007 AVERAGES		AMOUNT AND PERCENT OF CHANGE	
SALES, EXPENSES & PROFITABILITY	\$	%	\$	%	\$	%
SALES	2,394,030		2,464,443		70,413	2.94
COST OF GOODS SOLD	1,637,864	68.41	1,666,971	67.64	29,107	1.78
GROSS MARGIN	756,166	31.59	797,473	32.36	41,307	5.46
Commissions Received	23,721		30,681		6,960	29.34
GROSS MARGIN PLUS COMMISSIONS	779,887		828,153		48,266	6.19
TOTAL REVENUE	2,417,751	100.00	2,495,124	100.00	77,373	3.20
EXPENSES						
Salaries and Wages	263,115	10.88	280,355	11.24	17,240	6.55
Rent Paid	77,862	3.22	85,460	3.43	7,598	9.76
Outgoings - Rental & Rates	3,376	0.14	3,048	0.12	-328	-9.72
Accounting	8,628	0.36	9,314	0.37	686	7.95
Advertising	18,558	0.77	20,022	0.80	1,464	7.89
Bank Charges	7,242	0.30	7,748	0.31	506	6.99
Computer Expenses	6,446	0.27	6,723	0.27	277	4.30
Depreciation	15,547	0.64	17,292	0.69	1,745	11.22
Electricity, Water, Heating	5,851	0.24	6,640	0.27	789	13.49
Insurance	9,380	0.39	8,144	0.33	-1,236	-13.17
Interest Paid	31,754	1.31	36,132	1.45	4,378	13.79
Leasing Expenses	5,579	0.23	5,059	0.20	-520	-9.32
Motor Vehicle Expenses	5,120	0.21	4,459	0.18	-661	-12.91
Postage, Freight, Printing	8,188	0.34	9,145	0.37	957	11.68
Repairs, Maintenance, Service	4,154	0.17	3,946	0.16	-208	-5.01
Subs and Registrations	8,009	0.33	7,535	0.30	-474	-5.91
Superannuation	24,041	0.99	26,343	1.06	2,302	9.57
Telephone	5,606	0.23	5,872	0.24	266	4.74
Training	2,587	0.11	3,169	0.13	582	22.48
Abnormal Expenses	5,797	0.24	3,119	0.12	-2,678	-46.20
Payroll Tax	1,799	0.07	2,724	0.11	925	51.44
Workers' Compensation	3,412	0.14	3,090	0.12	-322	-9.43
Other Expenses	24,884	1.03	36,226	1.45	11,342	45.58
TOTAL EXPENSES	546,932	22.62	591,564	23.71	44,632	8.16
TOTAL INCOME	232,956	9.64	236,589	9.48	3,633	1.56
Less Proprietors' Salary (1) [Full-Time-Equivalents]	160,349 1.17	6.63	156,316 1.19	6.26	-4,033	-2.51
Less Return on Capital (2)	3,980	0.16	4,020	0.16	40	1.01
NET PROFIT/LOSS	68,626	2.84	76,252	3.06	7,626	11.11
SALES ANALYSIS						
Prescriptions	1,676,970	70.05	1,731,362	70.25	54,392	3.24
Other Sales	717,060	29.95	733,082	29.75	16,022	2.23
INVENTORY ANALYSIS						
Prescription	71,246	2.95	82,088	3.29	10,842	15.22
Other	132,888	5.50	137,300	5.50	4,412	3.32
STOCK CARRIED (Total)	204,134	8.44	219,388	8.79	15,254	7.47
STOCK TURN (On Total Inventory)	8.20		7.60		-0.60	-7.34
SALES PER INVENTORY DOLLAR						
Prescription	23.54		21.09		-2.45	-10.40
Other	5.40		5.34		-0.06	-1.12
STATISTICS						
PHARMACY SIZE (square metres)	151		150		-1	-0.42
PRESCRIPTIONS DISPENSED (Total)	48,736		49,738		1,002	2.06
PRESCRIPTIONS DISPENSED WEEKLY	935		954		19	2.02
TOTAL HOURS OPEN per WEEK	59.9		58.2		-1.69	-2.82
AV HRS WORKED BY PROPRIETORS/WEEK	44		45.3		0.94	2.11
FUNDS RETAINED IN BUSINESS (3)	87,905	3.64	111,326	4.46	23,421	26.64

(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 7% (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

2006-07

(Refer to Table 2)

This section compares the results of the 2005-06 and 2006-07 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.

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

- ✦ Community pharmacy is a \$12.3 billion health industry, including \$8.6 billion in prescription sales per year;
- ✦ Community pharmacies dispense 248 million prescriptions annually, including 182 million PBS/RPBS subsidised prescriptions;
- ✦ Community pharmacy employs about 50,000 highly skilled staff, the majority of whom are women;
- ✦ Total Dispensary Sales represent around 70.2% of all sales through pharmacies;
- ✦ The average community pharmacy dispenses 49,738 prescriptions per year; and
- ✦ As at 30 June 2007 there were 4,992 community pharmacies, each serving on average a community of 4,196 people across Australia.

Here are the salient results of the 2006-07 financial year:

- Average Total Sales posted an increase of 2.9%, ending the year on \$2,464,443.
- Cost of Goods Sold grew at a fractionally lower rate at 1.8%.
- As a result, Average Gross Margins rose from 31.6% to 32.4% and by 5.5% in dollar terms.
- Expenses jumped both in dollar terms (up by 8.2%) and as a percentage of sales. Expenses ended the year at 23.7% as a percentage of Sales. This is the highest level since 1991-92, just three years after touching an all time low in 2003-04. This reflects both a rapid rise in expenses and a slowdown in sales growth.
- Total Income recorded a small increase of \$3,633 or 1.6%.

-
- The significant cost increases may be attributed primarily to Salaries and Wages (+6.6%), and Rent (+9.8%).
 - While the percentage growth in Salaries and Wages was lower than the overall rise in costs, it still represented over one-third of the total expenditure growth in dollar terms.
 - Rental jumped on average by 9.8%, despite a 0.4% drop in the average shop size of respondents.
 - Superannuation expenses grew by 9.6%, broadly reflecting the growth in salary expenses.
 - Proprietors' Notional Salary decreased by 2.5% despite a 2.1% increase in the average number of hours worked. This can be explained by a lower proportion of overtime hours (hours in excess of a 38 hour week). This may be due to the gradual exit of older proprietors from the active workforce. Proprietor's salary represented around 6.3% of turnover.
 - The majority of the increase in Sales is attributed to an increase in prescription volume of 2.1%. Sales for non-Prescription sector also posted a small growth of 2.2%, albeit at a slower pace than the Dispensary sales growth of 3.2%.
 - The comparatively lower growth rate in non-Prescription Sales has in turn pushed the Dispensary Ratio up a notch, continuing the long term trend. The ratio ended the year at an all-time high of 70.3% of Total Sales.



AUSTRALIAN PHARMACIES REPORTING IN TWO CONSECUTIVE YEARS 2006 AND 2007
(Based on 12 Months of Trading to 30/06/07)

Table 3

	2006 AVERAGES		2007 AVERAGES		AMOUNT AND PERCENT OF CHANGE	
SALES, EXPENSES & PROFITABILITY	\$	%	\$	%	\$	%
SALES	2,323,433		2,441,272		117,839	5.07
COST OF GOODS SOLD	1,599,083	68.82	1,665,633	68.23	66,550	4.16
GROSS MARGIN	724,350	31.18	775,639	31.77	51,289	7.08
Commissions Received	14,518		15,570		1,052	7.24
GROSS MARGIN PLUS COMMISSIONS	738,868		791,209		52,341	7.08
TOTAL REVENUE	2,337,951	100.00	2,456,842	100.00	118,891	5.09
EXPENSES						
Salaries and Wages	247,299	10.58	271,049	11.03	23,750	9.60
Rent Paid	54,576	2.33	59,166	2.41	4,590	8.41
Outgoings - Rental & Rates	2,647	0.11	2,999	0.12	352	13.29
Accounting	7,489	0.32	7,725	0.31	236	3.15
Advertising	15,677	0.67	17,851	0.73	2,174	13.87
Bank Charges	6,012	0.26	6,442	0.26	430	7.15
Computer Expenses	8,144	0.35	8,372	0.34	229	2.81
Depreciation	12,443	0.53	12,142	0.49	-301	-2.42
Electricity, Water, Heating	5,248	0.22	5,668	0.23	419	7.99
Insurance	8,725	0.37	8,055	0.33	-670	-7.68
Interest Paid	20,935	0.90	23,445	0.95	2,511	11.99
Leasing Expenses	4,255	0.18	4,412	0.18	158	3.71
Motor Vehicle Expenses	5,168	0.22	5,194	0.21	26	0.50
Postage, Freight, Printing	8,451	0.36	8,742	0.36	291	3.44
Repairs, Maintenance, Service	4,115	0.18	3,767	0.15	-348	-8.46
Subs and Registrations	8,782	0.38	7,997	0.33	-785	-8.94
Superannuation	22,684	0.97	25,020	1.02	2,336	10.30
Telephone	5,306	0.23	5,359	0.22	53	1.00
Training	2,560	0.11	3,133	0.13	573	22.38
Abnormal Expenses	6,891	0.29	6,737	0.27	-153	-2.23
Payroll Tax	1,979	0.08	3,281	0.13	1,302	65.80
Workers' Compensation	3,112	0.13	2,850	0.12	-263	-8.44
Other Expenses	17,420	0.75	24,176	0.98	6,755	38.78
TOTAL EXPENSES	479,917	20.53	523,581	21.31	43,664	9.10
TOTAL INCOME	258,951	11.08	267,628	10.89	8,677	3.35
Less Proprietors' Salary (1) [Full-Time-Equivalents]	137,533	5.88	142,780	5.81	5,247	3.82
Less Return on Capital (2)	14,304	0.61	15,216	0.62	912	6.37
NET PROFIT/LOSS	107,114	4.58	109,632	4.46	2,518	2.35
SALES ANALYSIS						
Prescriptions	1,718,848	73.98	1,813,230	74.27	94,382	5.49
Other Sales	604,585	26.02	628,042	25.73	23,457	3.88
INVENTORY ANALYSIS						
Prescription	71,751	3.07	74,739	3.04	2,988	4.16
Other	99,964	4.28	110,495	4.50	10,531	10.54
STOCK CARRIED (Total)	171,715	7.34	185,234	7.54	13,519	7.87
STOCK TURN (On Total Inventory)	9.31		8.99		-0.32	-3.44
SALES PER INVENTORY DOLLAR						
Prescription	23.96		24.26		0.31	1.27
Other	6.05		5.68		-0.36	-6.02
STATISTICS						
PHARMACY SIZE (square metres)	147		147		0.13	0.09
PRESCRIPTIONS DISPENSED (Total)	49,790		51,702		1,911	3.84
PRESCRIPTIONS DISPENSED WEEKLY	955		992		37	3.84
TOTAL HOURS OPEN per WEEK	56.10		56.60		0.50	0.90
AV HRS WORKED BY PROPRIETORS/WEEK	41.80		41.30		-0.50	-1.13
FUNDS RETAINED IN BUSINESS (3)	107,174	4.58	83,805	3.41	-23,369	-21.8

(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 7% (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 twenty years, the Digest has included a comparison of performance for pharmacies which 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 137 pharmacies responded in both 2005-06 and 2006-07.

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

- Total Sales increased by 5.0%, a little higher than the growth reported by the main sample (Table 2).
- Cost of Goods Sold rose by 4.2%. Consistent with the findings of the main sample, this in turn produced a higher Gross Margin as a percentage of Sales, at 31.8%.
- Total Expenses grew significantly by 9.1% in dollar terms and also edged up marginally as a percentage of sales from 20.5% to 21.3% in 2006-07. This movement was also in line with the main sample.
- Due in most part to the increase in Gross Margin, Total Income rose by over 3.4%, which is significantly lower than the growth rate of 13.9% for 2005-06.
- Salaries and Wages for the average pharmacy in the comparative sample grew by 9.6%, and, together with wage-related expenses, make up over half the operating expenses.
- Rents and Outgoings grew by 8.4%, and, on average represented around 2.4% of turnover.
- Prescription revenue recorded respectable growth (up by 5.5%), while non-Prescription Sales posted a 3.9% increase, both slightly higher than the results of Table 2. The dispensary ratio for consecutive year respondents, at 74.3%, is also higher than for the complete sample but also showed an increase compared with 2005-06.
- The number of prescriptions dispensed in 2006-07 grew by 3.8% over the previous year's volume (from 49,790 to 51,702), while the average prescription price rose from \$34.54 to \$35.10 (by 1.6%).



AUSTRALIAN PHARMACIES – 2006-07
(Based on 12 Months of Trading to 30/06/07)

Table 4

NATIONAL AVERAGE	2007 AVERAGES		Low	Normal	High
SALES, EXPENSES & PROFITABILITY	\$	%			
SALES	2,464,443		1,433,706	2,356,768	3,404,805
COST OF GOODS SOLD	1,666,971	67.64	65.59	67.66	69.47
GROSS MARGIN	797,473	32.36	30.53	32.34	34.41
Commissions Received	30,681	1.23	0.07	0.43	1.21
GROSS MARGIN PLUS COMMISSIONS	828,153	33.19	30.91	32.90	35.15
TOTAL REVENUE	2,495,124	100.00	100.00	100.00	100.00
EXPENSES					
Salaries and Wages	280,355	11.24	8.79	11.08	12.96
Rent Paid	85,460	3.43	1.62	2.70	4.09
Outgoings - Rental & Rates	3,048	0.12	0.00	0.00	0.12
Accounting	9,314	0.37	0.17	0.29	0.55
Advertising	20,022	0.80	0.16	0.42	1.04
Bank Charges	7,748	0.31	0.18	0.25	0.36
Computer Expenses	6,723	0.27	0.16	0.27	0.43
Depreciation	17,292	0.69	0.24	0.52	0.90
Electricity, Water, Heating	6,640	0.27	0.17	0.24	0.32
Insurance	8,144	0.33	0.22	0.31	0.43
Interest Paid	36,132	1.45	0.00	0.56	2.30
Leasing Expenses	5,059	0.20	0.00	0.00	0.19
Motor Vehicle Expenses	4,459	0.18	0.00	0.09	0.28
Postage, Freight, Printing	9,145	0.37	0.16	0.29	0.46
Repairs, Maintenance, Service	3,946	0.16	0.06	0.12	0.21
Subs and Registrations	7,535	0.30	0.15	0.25	0.40
Superannuation	26,343	1.06	0.74	0.94	1.17
Telephone	5,872	0.24	0.17	0.23	0.31
Training	3,169	0.13	0.02	0.08	0.18
Abnormal Expenses	3,119	0.12	0.00	0.00	0.00
Payroll Tax	2,724	0.11	0.00	0.00	0.00
Workers' Compensation	3,090	0.12	0.04	0.10	0.18
Other Expenses	36,226	1.45	0.23	0.53	1.73
TOTAL EXPENSES	591,564	23.71	19.39	22.89	27.06
TOTAL INCOME	236,589	9.48	5.55	10.46	14.61
Less Proprietors' Salary (1) [Full-Time-Equivalents]	156,316 1.19	6.26	135,401	174,205	205,297
Less Return on Capital (2)	4,020	0.16	-0.74	0.42	1.49
NET PROFIT/LOSS	76,252	3.06	-1.40	3.06	8.39
SALES ANALYSIS					
Prescriptions	1,731,362	70.25	1,070,471	1,602,776	2,401,090
Other Sales	733,082	29.75	290,641	589,626	1,019,267
INVENTORY ANALYSIS					
STOCK CARRIED (Total)	219,388	8.79	6.37	7.88	9.70
STOCK TURN (On Total Inventory)	7.60		6.82	8.39	10.44
SALES PER INVENTORY DOLLAR					
Prescription	21.09		17.85	23.97	30.36
Other	5.34		4.27	5.29	6.54
STATISTICS					
PHARMACY SIZE (square metres)	150		99	156	201
PRESCRIPTIONS DISPENSED (Total)	49,738		31,151	46,185	68,980
PRESCRIPTIONS DISPENSED WEEKLY	954		597	886	1,323
TOTAL HOURS OPEN per WEEK	58		51	57	66
AV HRS WORKED BY PROPRIETORS/WEEK	45		39	47	60
FUNDS RETAINED IN BUSINESS (3)	111,326	4.46	0	82,020	213,823

(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 7% (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 2006-07 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.

Much of the growth in 2006-07 came from dispensary sales. Moreover, most of the growth in dollar gross margin plus commissions (+\$48,000) was absorbed by increases in overhead expenses (+\$45,000). After proprietor's salary and the return on capital were accounted for, community pharmacy reported a moderate increase in net profit of \$7,600 (11%).

QUARTILE ANALYSIS (Table 4)

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 (11.08%) bears no relationship to the Sales figure in the same quartile (\$2,356,768). The correct interpretation is that the Normal Quartile for Salaries and Wages is 11.08% of the Sales figure reported by that median respondent. The Sales figure of \$2,356,768 is independent of the 11.08%. Conversely, the median respondent who reported the Sales figure of \$2,356,768 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
	36%	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 the 8% rate 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 (approaching 15%) 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 30.53% to 34.41% (compared with 29.02% to 32.89% in 2005-06) suggests a reversal of the decline in percentage Gross Margins.

By contrast, Total Expense results show increases of more than 1.0% across all quartile ranges. Notwithstanding the aggressive cost control measures of recent years, the present results point to greater outlays attributable in the main to Wages and Rent.

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

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 \$49.85, taking into account over-award payments as a result of shortages in qualified staff. This is equivalent to an annual salary of \$98,504, 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:

\$98,504		Annual Salary (38 hour week)
	%	
\$7,575	7.69	Holiday (4 weeks)
\$1,330	1.35	Leave loading (17.5% of 4 weeks)
\$1,891	1.92	Sick leave (1 week)
\$1,645	1.67	Long service leave (3 mths/15 yr)
\$3,792	3.85	Public holidays (2 weeks)
\$8,865	9.00	Superannuation
\$25,099	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 \$2,394,030) was \$1,202,394. The variable expense ratio was 82.44% and the break-even sales level was achieved after 183 days.

This financial year (2006-07), using the same method, the variable expense ratio has increased slightly to 82.60%. Applied to a higher turnover level of \$2,464,443, the ratio produces a break-even result of \$1,280,785, achieved after 190 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)	\$2,464,443	
EXPENSES	(E)	\$591,564	
COST OF GOODS SOLD	(C)	\$1,666,971	
2. TOTAL EXPENSES	(T)		
T = E + C			\$2,258,535
3. VARIABLE EXPENSES	(V)		
* Cost of Goods Sold		\$1,666,971	
* Salaries & Related Costs ⁽¹⁾		\$312,513	
* Advertising		\$20,022	
* Other Expenses		<u>\$36,226</u>	
			\$2,035,731
4. FIXED EXPENSES	(F)		
F = T - V			\$222,804
5. VARIABLE EXPENSE RATIO (VER)			
VER = $\frac{V}{S}$		$\frac{\$2,035,731}{\$2,464,443}$	= 0.8260
6. FIXED EXPENSE RATIO (FER)			
FER = 1 - VER			= 0.1740
7. BREAK-EVEN SALES =	$\frac{F}{FER}$	=	$\frac{\$222,804}{0.1740}$
		=	\$1,280,785
BREAK-EVEN DAYS =	$\frac{\$1,280,785}{\$2,464,443} \times 365$	=	190

Therefore, break even was achieved after 190 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 \$ 9,960 to \$25,180.

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

On average, the results point to a 2.3% improvement in this indicator from \$16,006 last year to \$16,390 in 2006-07.

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 \$15 despite the trend towards greater reliance on the Dispensary.

The average prescription generated between \$42 and \$59 in sales revenue. With an average value per prescription of about \$35, each prescription produced between \$10 and \$22 extra revenue in the non-prescription sector.

Turnover Group	Average Script Value	Sales/Script	Script Sales/ Total Sales
\$	\$	\$	%
Under \$1,000,000	32.78	42.49	77.1
\$1,000,000 - \$1,500,000	33.68	43.36	77.6
\$1,500,000 - \$2,000,000	34.44	44.86	76.8
\$2,000,000 - \$2,500,000	34.46	48.06	71.7
\$2,500,000 - \$3,000,000	34.55	49.48	69.8
\$3,000,000 - \$4,000,000	34.76	48.00	72.4
\$4,000,000 - \$5,000,000	34.33	51.35	66.9
Over \$5,000,000	37.29	59.42	62.8
All Pharmacies - Weighted	34.81	49.55	70.3
Metropolitan	34.69	50.74	68.4
Country	34.93	48.52	72.0

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 almost 62,000 (compared with 49,700 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 \$8 and \$10 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 \$
Under \$1,000,000	1.92
\$1,000,000 - \$1,500,000	2.21
\$1,500,000 - \$2,000,000	2.18
\$2,000,000 - \$2,500,000	2.54
\$2,500,000 - \$3,000,000	2.61
\$3,000,000 - \$4,000,000	2.40
\$4,000,000 - \$5,000,000	2.77
Over \$5,000,000	
All Pharmacies	2.61

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 EQUIVALENT EMPLOYEE

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

As with the previous section, the following table excludes dispensary turnover from the calculation to obtain the retail sector sales per full-time equivalent employee.

\$ Turnover Group	Retail Sales/Full-Time Equivalent Employee \$
Under \$1,000,000	86,760
\$1,000,000 - \$1,500,000	106,730
\$1,500,000 - \$2,000,000	103,494
\$2,000,000 - \$2,500,000	109,740
\$2,500,000 - \$3,000,000	123,275
\$3,000,000 - \$4,000,000	109,846
\$4,000,000 - \$5,000,000	115,050
Over \$5,000,000	180,785
All Pharmacies	132,716

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.

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 (see Table 5). Small turnover pharmacies paid on average around \$360-\$410 per square metre per annum whereas the average rental for the \$3m-\$4m category was close to \$540 and for the over \$5m turnover category was just over \$970 per square metre.

Country pharmacies generally enjoyed cheaper rents (at an average of \$413 per square metre) than their metropolitan counterparts (around \$773 per square metre).

Also of interest is the market reality that larger pharmacies, while paying high rents (particularly in large shopping centres), 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 \$
Under \$1,000,000	135.02
\$1,000,000 - \$1,500,000	168.75
\$1,500,000 - \$2,000,000	173.14
\$2,000,000 - \$2,500,000	161.70
\$2,500,000 - \$3,000,000	173.07
\$3,000,000 - \$4,000,000	173.45
\$4,000,000 - \$5,000,000	156.89
Over \$5,000,000	216.15
All Pharmacies	185.71



Table 5**SUMMARY OF PRODUCTIVITY MEASURES – 2006-07**

TURNOVER RANGE	AVERAGE TURNOVER \$	TURNOVER PER \$ STAFF WAGES	TURNOVER PER FULL TIME EQUIVALENT EMPLOYEE	TURNOVER PER SQ M SHOP SPACE	RENT \$ PER SQ M SHOP SPACE
UNDER \$1,000,000	790,925	8.58	272,536	9,960	412.93
\$1,000,000 - \$1,500,000	1,272,177	9.96	335,480	12,480	362.81
\$1,500,000 - \$2,000,000	1,779,716	9.54	347,902	15,879	436.30
\$2,000,000 - \$2,500,000	2,303,190	9.05	322,679	15,554	471.75
\$2,500,000 - \$3,000,000	2,819,380	8.77	347,169	16,330	574.47
\$3,000,000 - \$4,000,000	3,488,443	8.80	346,510	17,288	539.31
\$4,000,000 - \$5,000,000	4,509,547	8.45	313,512	17,966	687.10
OVER \$5,000,000	6,594,394	8.62	433,299	25,180	970.99
AUSTRALIA					
ALL PHARMACIES - WEIGHTED	2,464,443	8.79	367,401	16,390	568.36
METROPOLITAN	2,610,468	8.96	452,770	17,656	773.27
COUNTRY	2,701,627	8.82	350,592	16,401	413.01

Chart 2

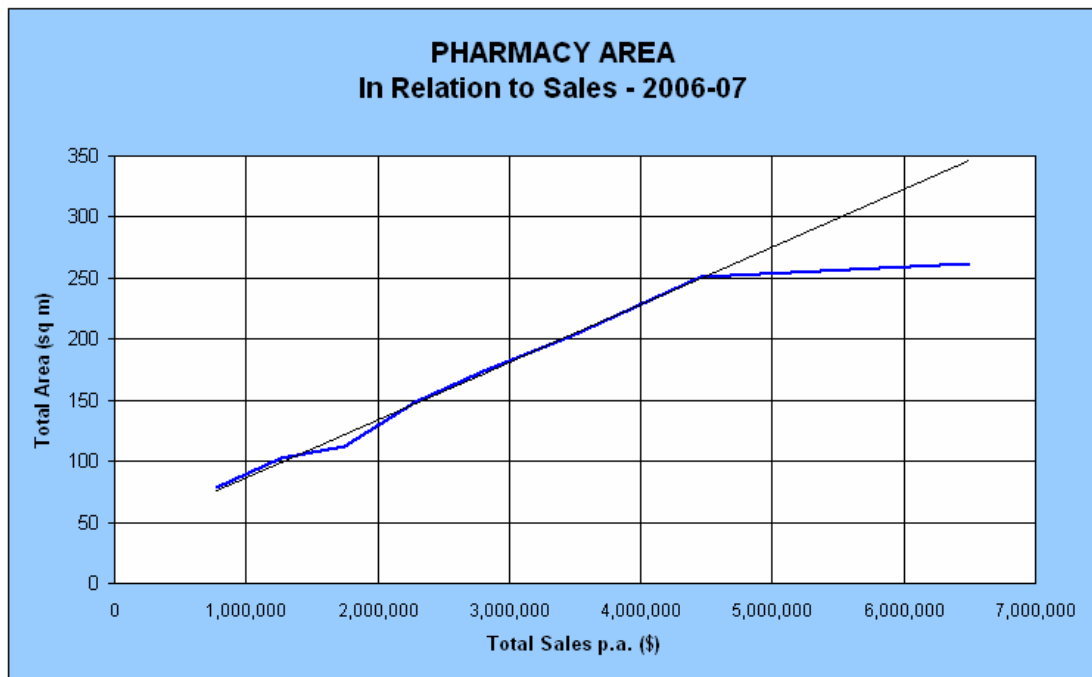
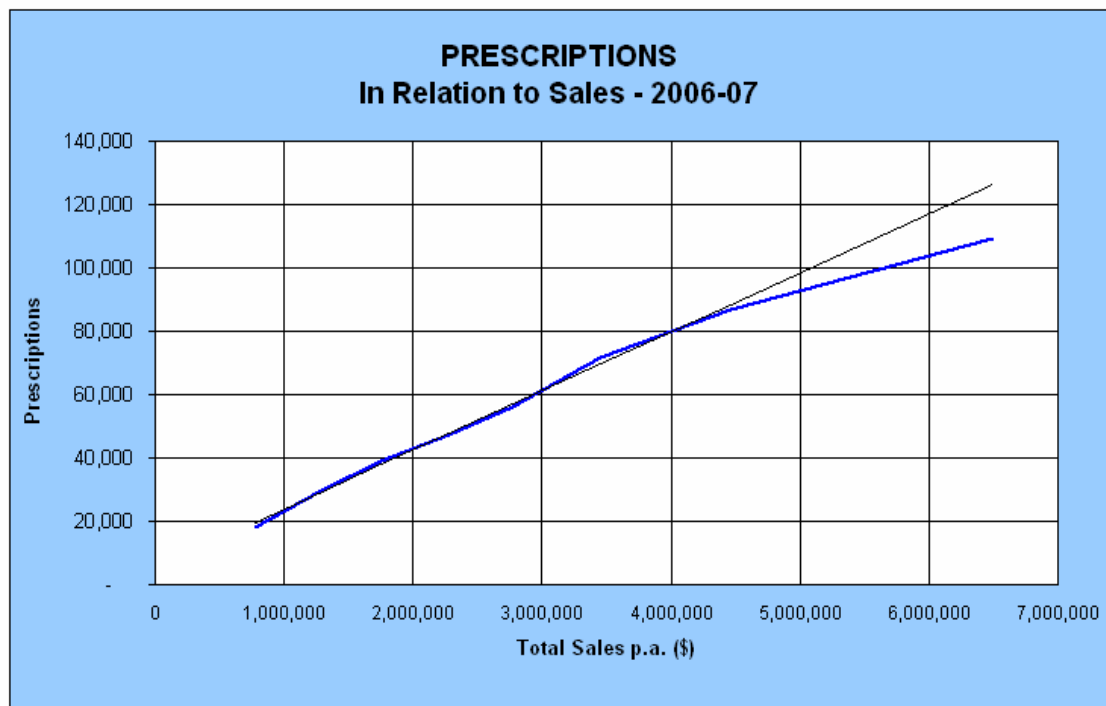


Chart 3



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 2007 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 2006, 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 those 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	\$	**
Plus Purchases during the year*	\$	
= Cost of Merchandise	\$	
- Purchase Rebates and Trade Rebates	\$	
- Goods taken for own use	\$	
- Inventory at end of year	\$	
= Cost of Goods Sold	\$	
Sales	\$	
- Cost of Goods Sold	\$	
= Gross Margin	\$	
* 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 2006-07
(Based on 12 Months of Trading to 30/06/07)

Table 6

	Up to \$1,000,000		\$1,000,000 to \$1,500,000		\$1,500,000 to \$2,000,000		\$2,000,000 to \$2,500,000	
SALES, EXPENSES & PROFITABILITY	\$	%	\$	%	\$	%	\$	%
SALES	774,394		1,264,461		1,750,268		2,280,218	
COST OF GOODS SOLD	521,866	67.39	856,749	67.76	1,187,630	67.85	1,551,552	68.04
GROSS MARGIN	252,528	32.61	407,712	32.24	562,639	32.15	728,666	31.96
Commissions Received	16,531		7,716		29,447		22,972	
GROSS MARGIN PLUS COMMISSIONS	269,059		415,428		592,086		751,638	
TOTAL REVENUE	790,925	100.00	1,272,177	100.00	1,779,716	100.00	2,303,190	100.00
EXPENSES								
Salaries and Wages	92,197	11.66	127,679	10.04	186,509	10.48	254,497	11.05
Rent Paid	32,792	4.15	36,985	2.91	48,900	2.75	69,857	3.03
Outgoings - Rental & Rates	789	0.10	1,502	0.12	1,070	0.06	2,870	0.12
Accounting	3,227	0.41	4,980	0.39	7,682	0.43	10,341	0.45
Advertising	3,394	0.43	5,759	0.45	9,284	0.52	13,956	0.61
Bank Charges	2,355	0.30	3,650	0.29	6,023	0.34	6,762	0.29
Computer Expenses	3,845	0.49	5,259	0.41	5,735	0.32	6,797	0.30
Depreciation	8,634	1.09	7,993	0.63	11,787	0.66	16,368	0.71
Electricity, Water, Heating	2,885	0.36	3,032	0.24	4,632	0.26	5,827	0.25
Insurance	4,751	0.60	5,965	0.47	6,820	0.38	8,141	0.35
Interest Paid	10,501	1.33	24,880	1.96	27,163	1.53	35,245	1.53
Leasing Expenses	693	0.09	4,097	0.32	3,918	0.22	4,017	0.17
Motor Vehicle Expenses	2,727	0.34	3,963	0.31	4,206	0.24	7,108	0.31
Postage, Freight, Printing	1,854	0.23	4,423	0.35	5,066	0.28	8,460	0.37
Repairs, Maintenance, Service	1,566	0.20	2,260	0.18	3,587	0.20	3,380	0.15
Subs and Registrations	4,429	0.56	5,878	0.46	6,768	0.38	7,081	0.31
Superannuation	9,006	1.14	12,889	1.01	18,171	1.02	24,301	1.06
Telephone	2,804	0.35	3,553	0.28	5,187	0.29	5,733	0.25
Training	849	0.11	1,149	0.09	1,765	0.10	3,857	0.17
Abnormal Expenses	-	0.00	1,561	0.12	1,048	0.06	1,869	0.08
Payroll Tax	125	0.02	423	0.03	842	0.05	1,512	0.07
Workers' Compensation	1,041	0.13	1,275	0.10	2,146	0.12	2,830	0.12
Other Expenses	26,523	3.35	16,518	1.30	27,093	1.52	36,192	1.57
TOTAL EXPENSES	216,986	27.43	285,672	22.46	395,401	22.22	537,001	23.32
TOTAL INCOME	52,073	6.58	129,756	10.20	196,685	11.05	214,637	9.32
Less Proprietors' Salary (1) [Full-Time-Equivalents]	109,994 0.86	13.91	146,121 1.14	11.49	145,750 1.19	8.19	155,137 1.26	6.74
Less Return on Capital (2)	9,360	1.18	0	0.00	2,044	0.11	4,680	0.20
NET PROFIT/LOSS	-67,281	-8.51	-16,365	-1.29	48,892	2.75	54,821	2.38
SALES ANALYSIS								
Prescriptions	597,448	77.15	981,908	77.65	1,343,647	76.77	1,635,064	71.71
Other Sales	176,945	22.85	282,553	22.35	406,622	23.23	645,154	28.29
INVENTORY ANALYSIS								
Prescription	71,940	9.10	49,899	3.92	71,475	4.02	71,245	3.09
Other	58,268	7.37	58,292	4.58	122,905	6.91	113,672	4.94
STOCK CARRIED (Total)	130,208	16.46	108,192	8.50	194,380	10.92	184,917	8.03
STOCK TURN (On Total Inventory)	4.01		7.92		6.11		8.39	
SALES PER INVENTORY DOLLAR								
Prescription	8.30		19.68		18.80		22.95	
Other	3.04		4.85		3.31		5.68	
STATISTICS								
PHARMACY SIZE (square metres)	79		102		112		148	
PRESCRIPTIONS DISPENSED (Total)	18,226		29,162		39,015		47,445	
PRESCRIPTIONS DISPENSED WEEKLY	350		559		748		910	
TOTAL HOURS OPEN per WEEK	52		52		56		58	
AV HRS WORKED BY PROPRIETORS/WEEK	33		44		45		48	
FUNDS RETAINED IN BUSINESS (3)	13,157	1.66	48,199	3.79	82,243	4.62	112,303	4.88

(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 7% (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 2006-07
(Based on 12 Months of Trading to 30/06/07)

Table 6

	\$2,500,000 to \$3,000,000		\$3,000,000 to \$4,000,000		\$4,000,000 to \$5,000,000		Over \$5,000,000	
SALES, EXPENSES & PROFITABILITY	\$	%	\$	%	\$	%	\$	%
SALES	2,777,308		3,450,773		4,459,262		6,499,903	
COST OF GOODS SOLD	1,864,301	67.13	2,334,750	67.66	2,989,317	67.04	4,433,318	68.21
GROSS MARGIN	913,007	32.87	1,116,023	32.34	1,469,945	32.96	2,066,584	31.79
Commissions Received	42,072		37,669		50,285		94,491	
GROSS MARGIN PLUS COMMISSIONS	955,078		1,153,692		1,520,230		2,161,075	
TOTAL REVENUE	2,819,380	100.00	3,488,443	100.00	4,509,547	100.00	6,594,394	100.00
EXPENSES								
Salaries and Wages	321,426	11.40	396,252	11.36	533,662	11.83	765,432	11.61
Rent Paid	99,182	3.52	108,822	3.12	172,462	3.82	254,291	3.86
Outgoings - Rental & Rates	3,038	0.11	5,819	0.17	5,850	0.13	6,449	0.10
Accounting	10,377	0.37	11,324	0.32	15,625	0.35	21,769	0.33
Advertising	28,685	1.02	27,652	0.79	43,232	0.96	71,724	1.09
Bank Charges	8,277	0.29	10,115	0.29	13,096	0.29	23,639	0.36
Computer Expenses	8,251	0.29	8,828	0.25	9,713	0.22	9,329	0.14
Depreciation	22,433	0.80	15,220	0.44	26,673	0.59	57,127	0.87
Electricity, Water, Heating	8,124	0.29	7,917	0.23	13,415	0.30	16,629	0.25
Insurance	9,757	0.35	9,958	0.29	11,212	0.25	14,365	0.22
Interest Paid	42,500	1.51	44,150	1.27	52,760	1.17	91,557	1.39
Leasing Expenses	3,833	0.14	6,842	0.20	6,306	0.14	17,685	0.27
Motor Vehicle Expenses	2,808	0.10	4,394	0.13	5,361	0.12	6,437	0.10
Postage, Freight, Printing	13,173	0.47	13,282	0.38	16,815	0.37	24,193	0.37
Repairs, Maintenance, Service	3,448	0.12	5,954	0.17	6,226	0.14	9,792	0.15
Subs and Registrations	7,147	0.25	9,715	0.28	10,792	0.24	13,672	0.21
Superannuation	29,823	1.06	36,544	1.05	48,251	1.07	71,230	1.08
Telephone	7,454	0.26	7,121	0.20	8,924	0.20	11,792	0.18
Training	4,304	0.15	4,014	0.12	6,155	0.14	8,667	0.13
Abnormal Expenses	4,857	0.17	5,640	0.16	11,757	0.26	3,780	0.06
Payroll Tax	2,718	0.10	4,609	0.13	7,324	0.16	11,980	0.18
Workers' Compensation	2,763	0.10	4,478	0.13	6,069	0.13	9,425	0.14
Other Expenses	46,464	1.65	34,660	0.99	56,290	1.25	95,634	1.45
TOTAL EXPENSES	690,843	24.50	783,308	22.45	1,087,972	24.13	1,616,599	24.51
TOTAL INCOME	264,235	9.37	370,384	10.62	432,258	9.59	544,477	8.26
Less Proprietors' Salary (1) [Full-Time-Equivalents]	158,357 1.32	5.62	174,134 1.40	4.99	191,009 1.54	4.24	220,599 1.83	3.35
Less Return on Capital (2)	0	0.00	11,895	0.34	21,456	0.48	897	0.01
NET PROFIT/LOSS	105,879	3.76	184,355	5.28	219,793	4.87	322,980	4.90
SALES ANALYSIS								
Prescriptions	1,939,360	69.83	2,498,874	72.41	2,981,477	66.86	4,079,766	62.77
Other Sales	837,948	30.17	951,899	27.59	1,477,785	33.14	2,420,137	37.23
INVENTORY ANALYSIS								
Prescription	74,189	2.63	98,002	2.81	157,671	3.50	155,980	2.37
Other	153,996	5.46	193,357	5.54	227,608	5.05	333,814	5.06
STOCK CARRIED (Total)	228,186	8.09	291,358	8.35	385,279	8.54	489,794	7.43
STOCK TURN (On Total Inventory)	8.17		8.01		7.76		9.05	
SALES PER INVENTORY DOLLAR								
Prescription	26.14		25.50		18.91		26.16	
Other	5.44		4.92		6.49		7.25	
STATISTICS								
PHARMACY SIZE (square metres)	173		202		251		262	
PRESCRIPTIONS DISPENSED (Total)	56,134		71,891		86,843		109,394	
PRESCRIPTIONS DISPENSED WEEKLY	1,077		1,379		1,665		2,098	
TOTAL HOURS OPEN per WEEK	60		63		71		68	
AV HRS WORKED BY PROPRIETORS/WEEK	50		53		58		70	
FUNDS RETAINED IN BUSINESS (3)	130,652	4.63	153,216	4.39	239,294	5.31	315,157	4.78

(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 7% (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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Insurance

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Guild Insurance Limited AFSL No. 233791. You should consider the relevant Product Disclosure Statement (PDS) for these products in deciding whether to acquire, or continue to hold any of these products. You can obtain the relevant PDS by contacting Guild Insurance on 1800 810 213.

Chart 4

Trends in Pharmacy Operations, 1986 – 2007

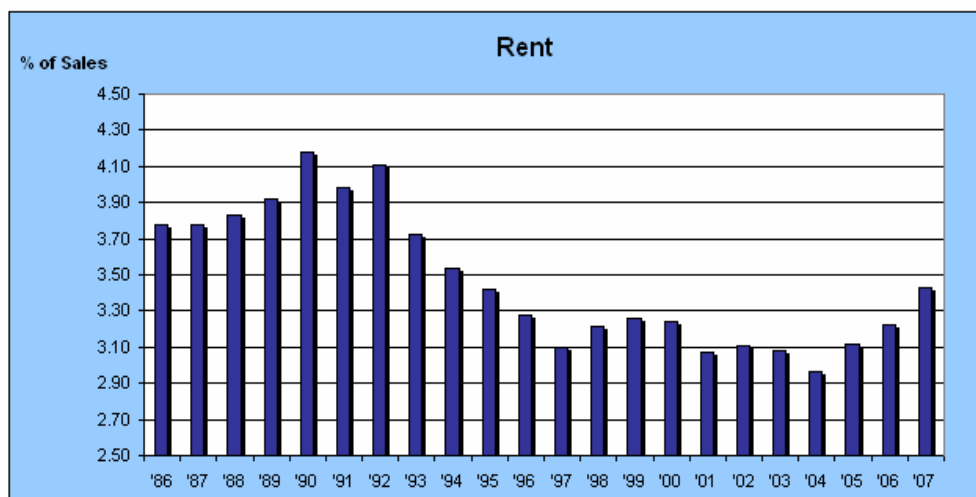
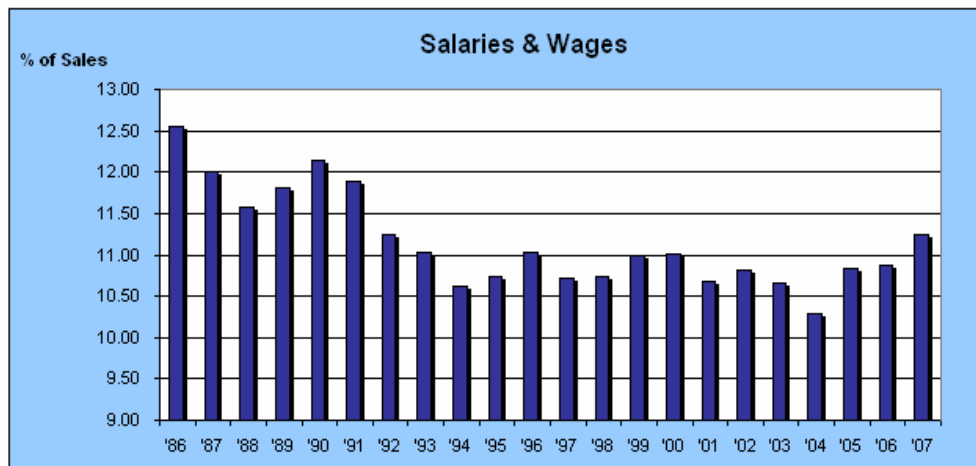
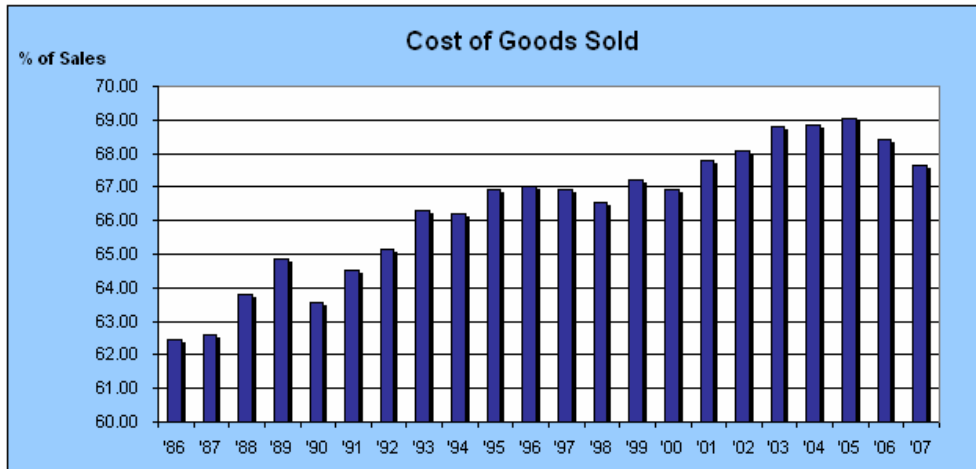
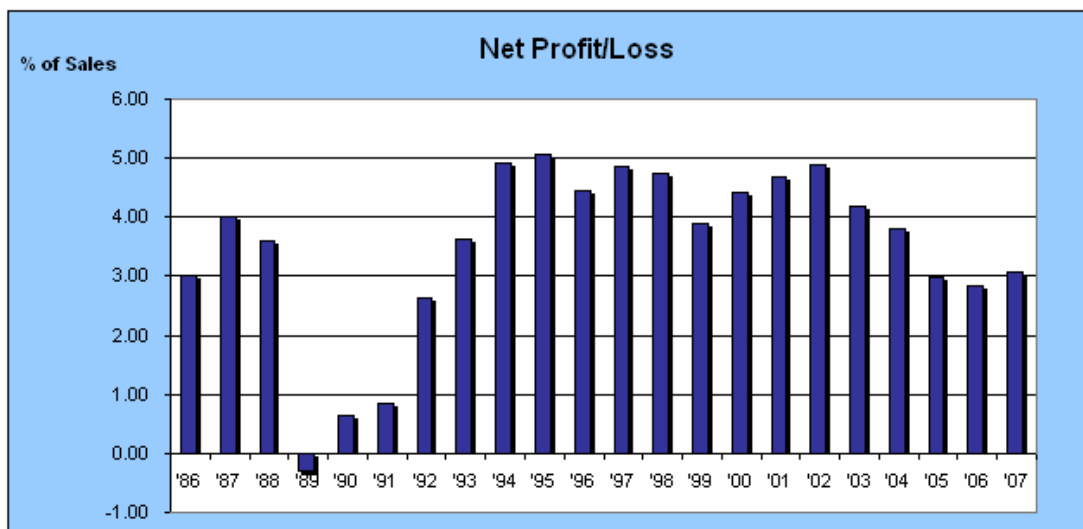
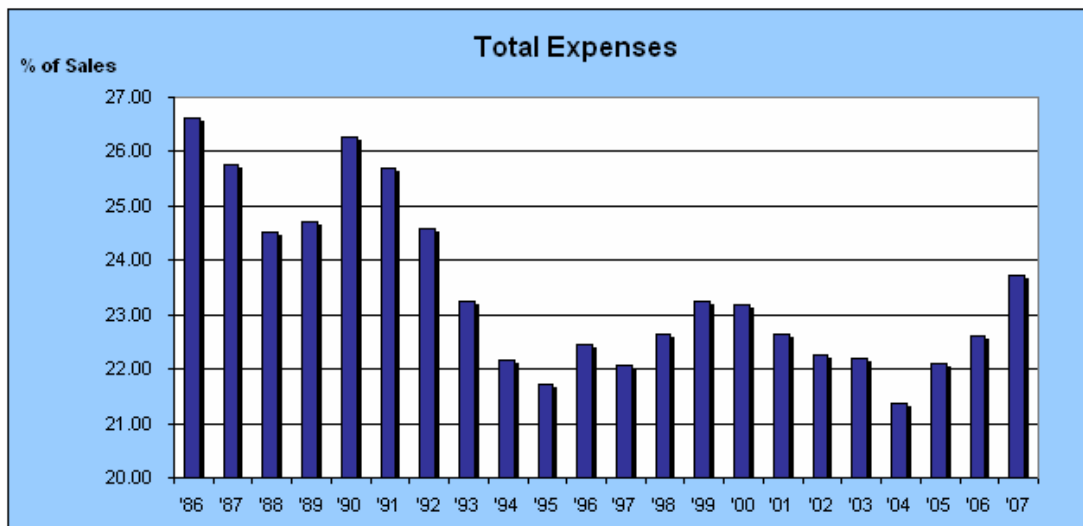
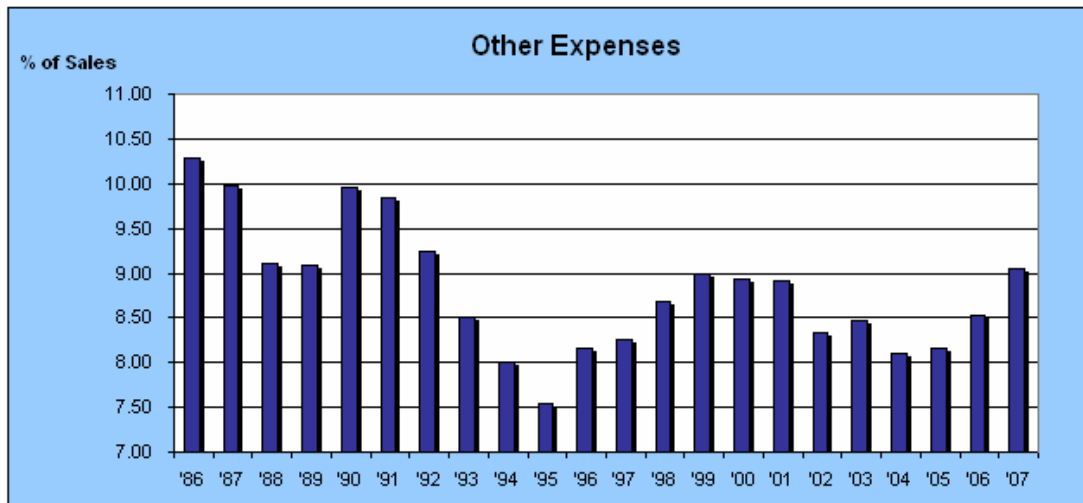


Chart 4 (continued)



COMPARISON OF PERFORMANCE – METRO v COUNTRY & BANNER GROUP
(Based on 12 Months of Trading to 30/06/07)

Table 7

	Metro		Country		Group		No Group	
	\$	%	\$	%	\$	%	\$	%
SALES, EXPENSES & PROFITABILITY								
SALES	2,577,844		2,668,595		3,212,013		2,368,181	
COST OF GOODS SOLD	1,741,274	67.55	1,808,354	67.76	2,184,138	68.00	1,597,652	67.46
GROSS MARGIN	836,570	32.45	860,241	32.24	1,027,875	32.00	770,528	32.54
Commissions Received	32,624		33,032		25,294		36,146	
GROSS MARGIN PLUS COMMISSIONS	869,193		893,273		1,053,169		806,674	
TOTAL REVENUE	2,610,468	100.00	2,701,627	100.00	3,237,307	100.00	2,404,326	100.00
EXPENSES								
Salaries and Wages	291,411	11.16	306,299	11.34	380,326	11.75	263,646	10.97
Rent Paid	114,328	4.38	68,033	2.52	113,733	3.51	79,677	3.31
Outgoings - Rental & Rates	3,737	0.14	2,623	0.10	3,466	0.11	3,015	0.13
Accounting	9,925	0.38	9,672	0.36	10,230	0.32	9,601	0.40
Advertising	18,887	0.72	24,104	0.89	33,828	1.04	16,269	0.68
Bank Charges	9,228	0.35	7,276	0.27	9,735	0.30	7,534	0.31
Computer Expenses	6,753	0.26	7,224	0.27	9,059	0.28	6,097	0.25
Depreciation	18,594	0.71	17,537	0.65	20,653	0.64	16,894	0.70
Electricity, Water, Heating	7,137	0.27	6,815	0.25	8,383	0.26	6,348	0.26
Insurance	8,553	0.33	8,319	0.31	9,616	0.30	7,911	0.33
Interest Paid	42,316	1.62	33,794	1.25	35,231	1.09	38,996	1.62
Leasing Expenses	4,444	0.17	6,173	0.23	7,928	0.24	4,220	0.18
Motor Vehicle Expenses	3,399	0.13	5,639	0.21	4,499	0.14	4,606	0.19
Postage, Freight, Printing	8,534	0.33	10,970	0.41	11,053	0.34	9,266	0.39
Repairs, Maintenance, Service	4,011	0.15	4,309	0.16	5,320	0.16	3,662	0.15
Subs and Registrations	6,843	0.26	8,672	0.32	9,200	0.28	7,188	0.30
Superannuation	27,315	1.05	28,786	1.07	34,963	1.08	25,070	1.04
Telephone	5,741	0.22	6,481	0.24	6,835	0.21	5,820	0.24
Training	2,658	0.10	4,108	0.15	3,927	0.12	3,195	0.13
Abnormal Expenses	3,959	0.15	3,071	0.11	8,567	0.26	1,268	0.05
Payroll Tax	2,965	0.11	3,074	0.11	6,467	0.20	1,512	0.06
Workers' Compensation	3,337	0.13	3,291	0.12	4,305	0.13	2,878	0.12
Other Expenses	38,088	1.46	37,358	1.38	37,467	1.16	37,810	1.57
TOTAL EXPENSES	642,163	24.60	613,628	22.71	774,795	23.93	562,482	23.39
TOTAL INCOME	227,031	8.70	279,645	10.35	278,374	8.60	244,191	10.16
Less Proprietors' Salary (1)	157,943	6.05	160,509	5.94	154,825	4.78	161,245	6.71
[Full-Time-Equivalents]	1.20		1.22		1.19		1.22	
Less Return on Capital (2)	0.00	0.00	11,864	0.44	16,207	0.50	0.00	0.00
NET PROFIT/LOSS	69,088	2.65	107,271	3.97	107,342	3.32	82,946	3.45
SALES ANALYSIS								
Prescriptions	1,762,390	68.37	1,921,120	71.99	2,206,428	68.69	1,687,367	71.25
Other Sales	815,454	31.63	747,475	28.01	1,005,585	31.31	680,814	28.75
INVENTORY ANALYSIS								
Prescription	83,360	3.19	87,693	3.25	94,038	2.90	80,770	3.36
Other	129,372	4.96	157,062	5.81	162,622	5.02	136,847	5.69
STOCK CARRIED (Total)	212,732	8.15	244,755	9.06	256,660	7.93	217,617	9.05
STOCK TURN (On Total Inventory)	8.19		7.39		8.51		7.34	
SALES PER INVENTORY DOLLAR								
Prescription	21.14		21.91		23.46		20.89	
Other	6.30		4.76		6.18		4.97	
STATISTICS								
PHARMACY SIZE (square metres)	148		165		179		147	
PRESCRIPTIONS DISPENSED (Total)	50,807		55,003		62,632		48,785	
PRESCRIPTIONS DISPENSED WEEKLY	974		1,055		1,201		936	
TOTAL HOURS OPEN per WEEK	61		58		60		58	
AV HRS WORKED BY PROPRIETORS/WEEK	46		46		45		46	
FUNDS RETAINED IN BUSINESS (3)	111,314	4.26	131,894	4.88	109,081	3.37	127,812	5.32

(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 7% (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 PERFORMANCE – LOCATION & TYPE OF PHARMACY
(Based on 12 Months of Trading to 30/06/07)

Table 8

	Shopping Centre		Strip or Isolated		Medical Centre		Servicing Nursing Homes (80+ beds)	
	\$	%	\$	%	\$	%	\$	%
SALES, EXPENSES & PROFITABILITY								
SALES	2,945,629		2,307,008		1,714,163		3,859,645	
COST OF GOODS SOLD	1,994,960	67.73	1,568,485	67.99	1,135,893	66.27	2,656,042	68.82
GROSS MARGIN	950,669	32.27	738,523	32.01	578,270	33.73	1,203,604	31.18
Commissions Received	19,790		22,175		22,844		26,458	
GROSS MARGIN PLUS COMMISSIONS	970,459		760,698		601,114		1,230,062	
TOTAL REVENUE	2,965,419	100.00	2,329,183	100.00	1,737,007	100.00	3,886,104	100.00
EXPENSES								
Salaries and Wages	332,707	11.22	256,375	11.01	208,292	11.99	476,390	12.26
Rent Paid	122,577	4.13	58,066	2.49	40,319	2.32	54,886	1.41
Outgoings - Rental & Rates	3,706	0.12	1,574	0.07	1,793	0.10	3,077	0.08
Accounting	9,310	0.31	8,309	0.36	6,549	0.38	14,633	0.38
Advertising	20,759	0.70	16,059	0.69	5,703	0.33	33,289	0.86
Bank Charges	9,020	0.30	6,125	0.26	7,092	0.41	9,213	0.24
Computer Expenses	9,128	0.31	7,275	0.31	7,895	0.45	9,443	0.24
Depreciation	16,181	0.55	13,473	0.58	9,003	0.52	19,298	0.50
Electricity, Water, Heating	7,307	0.25	5,557	0.24	3,664	0.21	9,431	0.24
Insurance	8,894	0.30	8,461	0.36	5,524	0.32	11,604	0.30
Interest Paid	31,410	1.06	36,827	1.58	28,452	1.64	70,055	1.80
Leasing Expenses	9,525	0.32	4,259	0.18	1,477	0.09	4,385	0.11
Motor Vehicle Expenses	4,529	0.15	5,020	0.22	7,067	0.41	9,919	0.26
Postage, Freight, Printing	9,396	0.32	8,600	0.37	6,072	0.35	13,814	0.36
Repairs, Maintenance, Service	4,904	0.17	3,991	0.17	3,104	0.18	5,910	0.15
Subs and Registrations	7,972	0.27	6,961	0.30	7,579	0.44	12,397	0.32
Superannuation	31,481	1.06	25,172	1.08	17,372	1.00	47,170	1.21
Telephone	5,964	0.20	5,715	0.25	5,657	0.33	8,710	0.22
Training	2,980	0.10	2,932	0.13	2,104	0.12	3,774	0.10
Abnormal Expenses	6,586	0.22	2,470	0.11	6,112	0.35	1,483	0.04
Payroll Tax	4,588	0.15	3,167	0.14	1,966	0.11	7,097	0.18
Workers' Compensation	4,079	0.14	3,428	0.15	1,046	0.06	5,035	0.13
Other Expenses	31,782	1.07	39,281	1.69	25,617	1.47	59,266	1.53
TOTAL EXPENSES	694,784	23.43	529,097	22.72	409,460	23.57	890,280	22.91
TOTAL INCOME	275,676	9.30	231,602	9.94	191,654	11.03	339,781	8.74
Less Proprietors' Salary (1) [Full-Time-Equivalents]	149,163	5.03	149,722	6.43	144,909	8.34	170,848	4.40
	1.18		1.13		1.08		1.11	
Less Return on Capital (2)	14,886	0.50	0.00	0.00	0.00	0.00	0.00	0.00
NET PROFIT/LOSS	111,626	3.76	81,879	3.52	46,746	2.69	168,934	4.35
SALES ANALYSIS								
Prescriptions	2,007,295	68.14	1,682,927	72.95	1,435,914	83.77	2,828,412	73.28
Other Sales	938,334	31.86	624,081	27.05	278,249	16.23	1,031,233	26.72
INVENTORY ANALYSIS								
Prescription	97,428	3.29	88,454	3.80	72,875	4.20	118,274	3.04
Other	135,833	4.58	122,723	5.27	40,267	2.32	142,657	3.67
STOCK CARRIED (Total)	233,262	7.87	211,177	9.07	113,142	6.51	260,931	6.71
STOCK TURN (On Total Inventory)	8.55		7.43		10.04		10.18	
SALES PER INVENTORY DOLLAR								
Prescription	20.60		19.03		19.70		23.91	
Other	6.91		5.09		6.91		7.23	
STATISTICS								
PHARMACY SIZE (square metres)	169		147		87		209	
PRESCRIPTIONS DISPENSED (Total)	58,228		47,753		45,515		78,536	
PRESCRIPTIONS DISPENSED WEEKLY	1,117		916		873		1,506	
TOTAL HOURS OPEN per WEEK	59		56		62		57	
AV HRS WORKED BY PROPRIETORS/WEEK	45		43		41		42	
FUNDS RETAINED IN BUSINESS (3)	143,518	4.84	78,051	3.35	101,748	5.86	96,256	2.48

(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 7% (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.

NSW PHARMACIES – SUMMARY BY LOCATION AND TYPE
(Based on 12 Months of Trading to 30/06/07)

Table 9

	State Averages Weighted		Metro		Country		Group		No Group	
	\$	%	\$	%	\$	%	\$	%	\$	%
SALES, EXPENSES & PROFITABILITY										
SALES	2,537,516		2,843,005		2,868,143		3,618,623		2,525,676	
COST OF GOODS SOLD	1,739,506	68.55	1,950,669	68.61	1,966,266	68.56	2,502,882	69.17	1,723,163	68.23
GROSS MARGIN	798,009	31.45	892,336	31.39	901,877	31.44	1,115,741	30.83	802,513	31.77
Commissions Received	24,601		31,127		26,094		26,600		29,626	
GROSS MARGIN PLUS COMMISSIONS	822,611		923,463		927,971		1,142,341		832,138	
TOTAL REVENUE	2,562,117	100.00	2,874,132	100.00	2,894,237	100.00	3,645,223	100.00	2,555,302	100.00
EXPENSES										
Salaries and Wages	287,098	11.21	315,574	10.98	333,224	11.51	427,654	11.73	279,338	10.93
Rent Paid	89,954	3.51	136,432	4.75	61,533	2.13	148,554	4.08	79,802	3.12
Outgoings - Rental & Rates	1,529	0.06	2,283	0.08	1,404	0.05	1,844	0.05	1,869	0.07
Accounting	10,771	0.42	13,302	0.46	9,912	0.34	12,153	0.33	11,471	0.45
Advertising	17,027	0.66	19,920	0.69	20,713	0.72	30,775	0.84	15,782	0.62
Bank Charges	8,262	0.32	11,310	0.39	7,118	0.25	11,064	0.30	8,539	0.33
Computer Expenses	7,219	0.28	6,835	0.24	8,439	0.29	9,016	0.25	6,994	0.27
Depreciation	17,114	0.67	21,745	0.76	16,125	0.56	21,530	0.59	17,981	0.70
Electricity, Water, Heating	6,196	0.24	6,933	0.24	6,817	0.24	9,632	0.26	5,689	0.22
Insurance	9,604	0.37	10,920	0.38	9,229	0.32	12,273	0.34	9,175	0.36
Interest Paid	41,312	1.61	49,243	1.71	40,327	1.39	43,472	1.19	45,613	1.79
Leasing Expenses	5,608	0.22	4,587	0.16	8,593	0.30	11,711	0.32	4,263	0.17
Motor Vehicle Expenses	4,932	0.19	4,162	0.14	6,656	0.23	5,380	0.15	5,349	0.21
Postage, Freight, Printing	9,366	0.37	10,516	0.37	10,210	0.35	11,573	0.32	9,850	0.39
Repairs, Maintenance, Service	4,536	0.18	4,807	0.17	5,438	0.19	6,511	0.18	4,505	0.18
Subs and Registrations	6,905	0.27	6,728	0.23	8,275	0.29	8,077	0.22	7,208	0.28
Superannuation	28,165	1.10	30,140	1.05	33,269	1.15	39,442	1.08	28,275	1.11
Telephone	5,997	0.23	6,389	0.22	6,830	0.24	7,719	0.21	6,118	0.24
Training	2,751	0.11	2,831	0.10	3,541	0.12	3,222	0.09	3,150	0.12
Abnormal Expenses	1,145	0.04	1,823	0.06	738	0.03	1,949	0.05	1,024	0.04
Payroll Tax	3,543	0.14	3,999	0.14	4,535	0.16	8,988	0.25	2,215	0.09
Workers' Compensation	4,909	0.19	5,425	0.19	5,527	0.19	7,032	0.19	4,801	0.19
Other Expenses	40,660	1.59	48,000	1.67	40,834	1.41	48,899	1.34	42,694	1.67
TOTAL EXPENSES	614,603	23.99	723,903	25.19	649,288	22.43	888,471	24.37	601,706	23.55
TOTAL INCOME	208,008	8.12	199,559	6.94	278,684	9.63	253,870	6.96	230,432	9.02
Less Proprietors' Salary (1) [Full-Time-Equivalents]	163,817	6.39	174,611	6.08	168,013	5.81	171,698	4.71	171,340	6.71
	1.27		1.35		1.27		1.32		1.30	
Less Return on Capital (2)	0	0.00	0	0.00	8,887	0.31	11,751	0.32	0	0.00
NET PROFIT/LOSS	44,191	1.72	24,948	0.87	101,784	3.52	70,421	1.93	59,092	2.31
SALES ANALYSIS										
Prescriptions	1,803,350	71.07	1,923,997	67.67	2,135,386	74.45	2,441,550	67.47	1,845,810	73.08
Other Sales	734,166	28.93	919,008	32.33	732,756	25.55	1,177,074	32.53	679,866	26.92
INVENTORY ANALYSIS										
Prescription	92,239	3.60	94,242	3.28	90,105	3.11	115,568	3.17	85,379	3.34
Other	120,614	4.71	154,750	5.38	126,283	4.36	153,267	4.20	132,678	5.19
STOCK CARRIED (Total)	212,853	8.31	248,992	8.66	216,388	7.48	268,835	7.37	218,057	8.53
STOCK TURN (On Total Inventory)	8.17		7.83		9.09		9.31		7.90	
SALES PER INVENTORY DOLLAR										
Prescription	19.55		20.42		23.70		21.13		21.62	
Other	6.09		5.94		5.80		7.68		5.12	
STATISTICS										
PHARMACY SIZE (square metres)	149		157		163		180		151	
PRESCRIPTIONS DISPENSED (Total)	50,784		54,658		59,601		66,380		52,994	
PRESCRIPTIONS DISPENSED WEEKLY	974		1,048		1,143		1,273		1,016	
TOTAL HOURS OPEN per WEEK	57		60		56		61		57	
AV HRS WORKED BY PROPRIETORS/WEEK	48		51		48		50		50	
FUNDS RETAINED IN BUSINESS (3)	95,174	3.71	108,842	3.79	117,743	4.07	112,581	3.09	113,337	4.44

(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 7% (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 30/06/07)

Table 10

	State Averages Weighted		Metro		Country		Group		No Group	
	\$	%	\$	%	\$	%	\$	%	\$	%
SALES, EXPENSES & PROFITABILITY										
SALES	2,444,761		2,221,623		2,870,450		2,925,242		2,270,251	
COST OF GOODS SOLD	1,675,801	68.55	1,533,484	69.03	1,949,852	67.93	1,989,305	68.00	1,561,569	68.78
GROSS MARGIN	768,960	31.45	688,139	30.97	920,598	32.07	935,938	32.00	708,682	31.22
Commissions Received	15,323		4,692		28,896		22,794		12,431	
GROSS MARGIN PLUS COMMISSIONS	784,283		692,831		949,495		958,732		721,113	
TOTAL REVENUE	2,460,083	100.00	2,226,315	100.00	2,899,347	100.00	2,948,037	100.00	2,282,681	100.00
EXPENSES										
Salaries and Wages	276,981	11.26	250,131	11.24	329,219	11.35	328,220	11.13	261,643	11.46
Rent Paid	47,322	1.92	53,546	2.41	42,602	1.47	46,980	1.59	48,869	2.14
Outgoings - Rental & Rates	3,552	0.14	3,609	0.16	3,814	0.13	4,661	0.16	3,021	0.13
Accounting	8,613	0.35	8,307	0.37	9,650	0.33	9,211	0.31	8,810	0.39
Advertising	16,712	0.68	9,015	0.40	27,747	0.96	27,166	0.92	11,993	0.53
Bank Charges	7,604	0.31	7,648	0.34	8,412	0.29	8,502	0.29	7,687	0.34
Computer Expenses	7,282	0.30	6,447	0.29	8,518	0.29	8,375	0.28	6,834	0.30
Depreciation	11,163	0.45	8,189	0.37	15,182	0.52	13,314	0.45	10,501	0.46
Electricity, Water, Heating	5,475	0.22	4,410	0.20	6,920	0.24	6,143	0.21	5,318	0.23
Insurance	6,727	0.27	7,004	0.31	6,929	0.24	7,755	0.26	6,393	0.28
Interest Paid	26,147	1.06	31,169	1.40	23,723	0.82	22,287	0.76	31,198	1.37
Leasing Expenses	4,282	0.17	5,282	0.24	3,027	0.10	2,847	0.10	5,106	0.22
Motor Vehicle Expenses	4,790	0.19	2,382	0.11	7,371	0.25	4,057	0.14	5,473	0.24
Postage, Freight, Printing	10,346	0.42	7,350	0.33	14,718	0.51	13,912	0.47	8,941	0.39
Repairs, Maintenance, Service	4,528	0.18	3,676	0.17	5,687	0.20	4,424	0.15	4,868	0.21
Subs and Registrations	7,450	0.30	6,460	0.29	8,903	0.31	10,195	0.35	5,853	0.26
Superannuation	28,080	1.14	25,493	1.15	33,324	1.15	34,471	1.17	25,727	1.13
Telephone	5,125	0.21	4,712	0.21	5,960	0.21	6,044	0.21	4,822	0.21
Training	2,698	0.11	1,513	0.07	4,364	0.15	4,218	0.14	2,008	0.09
Abnormal Expenses	1,819	0.07	2,160	0.10	1,389	0.05	1,860	0.06	1,712	0.08
Payroll Tax	2,648	0.11	2,629	0.12	2,624	0.09	2,039	0.07	3,054	0.13
Workers' Compensation	2,394	0.10	2,184	0.10	2,777	0.10	2,495	0.08	2,470	0.11
Other Expenses	19,429	0.79	12,607	0.57	28,894	1.00	32,715	1.11	12,049	0.53
TOTAL EXPENSES	511,168	20.78	465,922	20.93	601,755	20.75	601,888	20.42	484,348	21.22
TOTAL INCOME	273,115	11.10	226,909	10.19	347,739	11.99	356,844	12.10	236,764	10.37
Less Proprietors' Salary (1) [Full-Time-Equivalents]	149,312	6.07	151,222	6.79	149,888	5.17	159,986	5.43	143,696	6.30
Less Return on Capital (2)	1.14		1.09		1.21		1.27		1.06	
	8,659	0.35	0	0.00	19,092	0.66	17,295	0.59	2,273	0.10
NET PROFIT/LOSS	115,144	4.68	75,687	3.40	178,759	6.17	179,563	6.09	90,795	3.98
SALES ANALYSIS										
Prescriptions	1,858,609	76.02	1,697,904	76.43	2,171,639	75.65	2,224,492	76.04	1,724,065	75.94
Other Sales	586,151	23.98	523,719	23.57	698,812	24.35	700,750	23.96	546,185	24.06
INVENTORY ANALYSIS										
Prescription	69,237	2.81	68,319	3.07	73,451	2.53	66,434	2.25	70,554	3.09
Other	104,273	4.24	83,668	3.76	138,217	4.77	144,967	4.92	89,766	3.93
STOCK CARRIED (Total)	173,510	7.05	151,987	6.83	211,668	7.30	211,401	7.17	160,319	7.02
STOCK TURN (On Total Inventory)	9.66		10.09		9.21		9.41		9.74	
SALES PER INVENTORY DOLLAR										
Prescription	26.84		24.85		29.57		33.48		24.44	
Other	5.62		6.26		5.06		4.83		6.08	
STATISTICS										
PHARMACY SIZE (square metres)	155		129		195		186		145	
PRESCRIPTIONS DISPENSED (Total)	53,731		47,983		63,640		64,630		49,398	
PRESCRIPTIONS DISPENSED WEEKLY	1,030		920		1,220		1,239		947	
TOTAL HOURS OPEN per WEEK	55		59		53		55		57	
AV HRS WORKED BY PROPRIETORS/WEEK	43		41		46		48		40	
FUNDS RETAINED IN BUSINESS (3)	82,561	3.36	66,791	3.00	113,448	3.91	127,207	4.31	63,147	2.77

(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 7% (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 30/06/07)

Table 11

	State Averages Weighted		Metro		Country		Group		No Group	
	\$	%	\$	%	\$	%	\$	%	\$	%
SALES, EXPENSES & PROFITABILITY										
SALES	2,380,384		2,527,465		2,463,151		3,350,020		2,187,376	
COST OF GOODS SOLD	1,579,723	66.36	1,656,127	65.53	1,648,365	66.92	2,217,117	66.18	1,453,759	66.46
GROSS MARGIN	800,660	33.64	871,338	34.47	814,786	33.08	1,132,903	33.82	733,617	33.54
Commissions Received	46,364		58,469		43,131		34,589		54,247	
GROSS MARGIN PLUS COMMISSIONS	847,025		929,807		857,917		1,167,491		787,863	
TOTAL REVENUE	2,426,748	100.00	2,585,934	100.00	2,506,282	100.00	3,384,609	100.00	2,241,622	100.00
EXPENSES										
Salaries and Wages	267,194	11.01	295,461	11.43	268,540	10.71	399,227	11.80	237,150	10.58
Rent Paid	99,342	4.09	124,898	4.83	87,598	3.50	152,137	4.49	84,822	3.78
Outgoings - Rental & Rates	4,348	0.18	5,586	0.22	3,615	0.14	9,407	0.28	2,636	0.12
Accounting	7,528	0.31	6,249	0.24	8,790	0.35	8,557	0.25	7,524	0.34
Advertising	25,014	1.03	24,880	0.96	26,910	1.07	58,937	1.74	14,643	0.65
Bank Charges	7,598	0.31	8,668	0.34	7,270	0.29	11,862	0.35	6,406	0.29
Computer Expenses	5,187	0.21	5,270	0.20	5,377	0.21	6,180	0.18	5,040	0.22
Depreciation	20,825	0.86	23,001	0.89	19,830	0.79	33,636	0.99	16,687	0.74
Electricity, Water, Heating	7,807	0.32	9,458	0.37	7,056	0.28	11,663	0.34	6,719	0.30
Insurance	6,576	0.27	5,951	0.23	7,297	0.29	7,057	0.21	6,668	0.30
Interest Paid	37,143	1.53	46,931	1.81	32,538	1.30	49,935	1.48	34,090	1.52
Leasing Expenses	4,059	0.17	3,594	0.14	4,654	0.19	3,526	0.10	4,486	0.20
Motor Vehicle Expenses	3,999	0.16	2,608	0.10	5,011	0.20	4,537	0.13	3,903	0.17
Postage, Freight, Printing	8,262	0.34	7,253	0.28	9,416	0.38	10,591	0.31	7,859	0.35
Repairs, Maintenance, Service	3,071	0.13	3,526	0.14	2,915	0.12	4,470	0.13	2,696	0.12
Subs and Registrations	7,761	0.32	5,419	0.21	9,587	0.38	8,738	0.26	7,674	0.34
Superannuation	23,692	0.98	26,764	1.03	23,455	0.94	34,933	1.03	21,199	0.95
Telephone	5,954	0.25	5,578	0.22	6,363	0.25	6,942	0.21	5,745	0.26
Training	3,831	0.16	3,125	0.12	4,620	0.18	5,510	0.16	3,517	0.16
Abnormal Expenses	2,621	0.11	2,736	0.11	2,952	0.12	5,679	0.17	1,884	0.08
Payroll Tax	1,209	0.05	0	0.00	2,166	0.09	3,792	0.11	449	0.02
Workers' Compensation	983	0.04	925	0.04	1,106	0.04	1,125	0.03	1,003	0.04
Other Expenses	39,592	1.63	41,731	1.61	39,596	1.58	33,583	0.99	42,829	1.91
TOTAL EXPENSES	593,595	24.46	659,611	25.51	586,662	23.41	872,024	25.76	525,628	23.45
TOTAL INCOME	253,430	10.44	270,197	10.45	271,256	10.82	295,468	8.73	262,235	11.70
Less Proprietors' Salary (1) [Full-Time-Equivalents]	162,644	6.70	164,687	6.37	165,946	6.62	174,159	5.15	162,409	7.25
Less Return on Capital (2)	2,627	0.11	0	0.00	10,825	0.43	5,490	0.16	2,515	0.11
NET PROFIT/LOSS	88,159	3.63	105,509	4.08	94,486	3.77	115,819	3.42	97,310	4.34
SALES ANALYSIS										
Prescriptions	1,599,652	67.20	1,635,299	64.70	1,706,945	69.30	2,089,607	62.38	1,535,263	70.19
Other Sales	780,731	32.80	892,166	35.30	756,207	30.70	1,260,413	37.62	652,113	29.81
INVENTORY ANALYSIS										
Prescription	68,120	2.81	70,227	2.72	74,055	2.95	90,970	2.69	67,849	3.03
Other	149,636	6.17	137,951	5.33	159,947	6.38	217,911	6.44	126,302	5.63
STOCK CARRIED (Total)	217,756	8.97	208,179	8.05	234,002	9.34	308,881	9.13	194,150	8.66
STOCK TURN (On Total Inventory)	7.25		7.96		7.04		7.18		7.49	
SALES PER INVENTORY DOLLAR										
Prescription	23.48		23.29		23.05		22.97		22.63	
Other	5.22		6.47		4.73		5.78		5.16	
STATISTICS										
PHARMACY SIZE (square metres)	149		145		159		193		140	
PRESCRIPTIONS DISPENSED (Total)	46,459		47,402		49,659		60,362		44,723	
PRESCRIPTIONS DISPENSED WEEKLY	891		909		952		1,158		858	
TOTAL HOURS OPEN per WEEK	60		61		61		61		61	
AV HRS WORKED BY PROPRIETORS/WEEK	46		47		47		49		47	
FUNDS RETAINED IN BUSINESS (3)	138,082	5.69	130,427	5.04	161,439	6.44	138,368	4.09	153,060	6.83

(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 7% (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 30/06/07)

Table 12

	State Averages Weighted		Metro		Country		Group		No Group	
	\$	%	\$	%	\$	%	\$	%	\$	%
SALES, EXPENSES & PROFITABILITY										
SALES	2,208,232		2,544,296		3,542,360		3,295,701		2,504,161	
COST OF GOODS SOLD	1,513,779	68.55	1,731,648	68.06	2,425,519	68.47	2,234,325	67.80	1,734,723	69.27
GROSS MARGIN	694,453	31.45	812,648	31.94	1,116,841	31.53	1,061,377	32.20	769,437	30.73
Commissions Received	26,416		29,617		45,238		32,321		43,220	
GROSS MARGIN PLUS COMMISSIONS	720,869		842,264		1,162,079		1,093,698		812,657	
TOTAL REVENUE	2,234,648	100.00	2,573,913	100.00	3,587,598	100.00	3,328,022	100.00	2,547,381	100.00
EXPENSES										
Salaries and Wages	282,648	12.65	322,473	12.53	472,969	13.18	435,776	13.09	316,419	12.42
Rent Paid	69,400	3.11	118,576	4.61	85,360	2.38	131,966	3.97	59,573	2.34
Outgoings - Rental & Rates	3,379	0.15	5,759	0.22	944	0.03	4,994	0.15	1,459	0.06
Accounting	8,270	0.37	10,094	0.39	12,139	0.34	11,528	0.35	10,177	0.40
Advertising	14,131	0.63	14,105	0.55	26,432	0.74	25,903	0.78	9,653	0.38
Bank Charges	5,133	0.23	5,798	0.23	9,196	0.26	8,735	0.26	5,065	0.20
Computer Expenses	9,114	0.41	13,071	0.51	9,704	0.27	14,702	0.44	6,659	0.26
Depreciation	14,031	0.63	11,714	0.46	33,093	0.92	21,503	0.65	20,765	0.82
Electricity, Water, Heating	5,917	0.26	7,068	0.27	9,226	0.26	8,770	0.26	6,858	0.27
Insurance	7,054	0.32	7,018	0.27	10,455	0.29	9,958	0.30	6,327	0.25
Interest Paid	9,447	0.42	15,215	0.59	8,385	0.23	11,951	0.36	12,539	0.49
Leasing Expenses	5,072	0.23	7,775	0.30	9,848	0.27	13,805	0.41	668	0.03
Motor Vehicle Expenses	2,325	0.10	2,901	0.11	2,626	0.07	1,693	0.05	4,485	0.18
Postage, Freight, Printing	9,943	0.44	6,716	0.26	26,732	0.75	8,935	0.27	26,106	1.02
Repairs, Maintenance, Service	3,380	0.15	3,399	0.13	6,683	0.19	5,879	0.18	3,254	0.13
Subs and Registrations	8,873	0.40	12,933	0.50	9,441	0.26	14,463	0.43	6,538	0.26
Superannuation	24,676	1.10	28,965	1.13	40,623	1.13	37,207	1.12	29,337	1.15
Telephone	5,396	0.24	5,865	0.23	7,962	0.22	7,179	0.22	6,197	0.24
Training	2,691	0.12	4,326	0.17	4,132	0.12	5,698	0.17	1,949	0.08
Abnormal Expenses	18,487	0.83	36,007	1.40	29,839	0.83	53,914	1.62	817	0.03
Payroll Tax	5,188	0.23	10,549	0.41	6,382	0.18	13,846	0.42	606	0.02
Workers' Compensation	2,989	0.13	3,462	0.13	4,683	0.13	4,463	0.13	3,284	0.13
Other Expenses	44,078	1.97	12,773	0.50	55,660	1.55	9,124	0.27	67,520	2.65
TOTAL EXPENSES	561,621	25.13	666,560	25.90	882,513	24.60	861,992	25.90	606,256	23.80
TOTAL INCOME	159,248	7.13	175,704	6.83	279,567	7.79	231,706	6.96	206,401	8.10
Less Proprietors' Salary (1) [Full-Time-Equivalents]	112,192	5.02	111,059	4.31	114,570	3.19	103,167	3.10	127,474	5.00
Less Return on Capital (2)	0.86		0.82		0.93		0.86		0.87	
	27,674	1.24	24,193	0.94	52,534	1.46	45,525	1.37	25,642	1.01
NET PROFIT/LOSS	19,382	0.87	40,452	1.57	112,463	3.13	83,014	2.49	53,286	2.09
SALES ANALYSIS										
Prescriptions	1,579,610	71.53	1,878,880	73.85	2,277,153	64.28	2,355,864	71.48	1,584,502	63.27
Other Sales	628,621	28.47	665,417	26.15	1,265,207	35.72	939,837	28.52	919,659	36.73
INVENTORY ANALYSIS										
Prescription	171,181	7.66	135,780	5.28	234,129	6.53	166,893	5.01	195,848	7.69
Other	294,422	13.18	54,045	2.10	365,309	10.18	86,198	2.59	362,689	14.24
STOCK CARRIED (Total)	465,602	20.84	189,825	7.37	599,438	16.71	253,090	7.60	558,538	21.93
STOCK TURN (On Total Inventory)	3.25		9.12		4.05		8.83		3.11	
SALES PER INVENTORY DOLLAR										
Prescription	9.23		13.84		9.73		14.12		8.09	
Other	2.14		12.31		3.46		10.90		2.54	
STATISTICS										
PHARMACY SIZE (square metres)	142		161		198		192		155	
PRESCRIPTIONS DISPENSED (Total)	48,041		60,297		67,527		72,782		48,940	
PRESCRIPTIONS DISPENSED WEEKLY	921		1,156		1,295		1,396		939	
TOTAL HOURS OPEN per WEEK	57		64		58		68		51	
AV HRS WORKED BY PROPRIETORS/WEEK	33		31		35		33		33	
FUNDS RETAINED IN BUSINESS (3)	15,188	0.68	4,038	0.16	106,942	2.98	13,234	0.40	107,192	4.21

(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 7% (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 30/06/07)

Table 13

	State Averages Weighted		Metro		Country		Group		No Group	
	\$	%	\$	%	\$	%	\$	%	\$	%
SALES, EXPENSES & PROFITABILITY										
SALES	1,989,395		1,988,299		1,661,718		2,060,071		1,785,850	
COST OF GOODS SOLD	1,291,458	64.92	1,290,327	64.90	1,082,095	65.12	1,341,912	65.14	1,158,845	64.89
GROSS MARGIN	697,937	35.08	697,972	35.10	579,623	34.88	718,159	34.86	627,004	35.11
Commissions Received	8,406		7,115		12,650		16,931		6,004	
GROSS MARGIN PLUS COMMISSIONS	706,343		705,087		592,272		735,090		633,008	
TOTAL REVENUE	1,997,801	100.00	1,995,414	100.00	1,674,367	100.00	2,077,002	100.00	1,791,853	100.00
EXPENSES										
Salaries and Wages	213,499	10.69	212,658	10.66	179,960	10.75	247,875	11.93	180,846	10.09
Rent Paid	50,621	2.53	59,345	2.97	33,118	1.98	55,322	2.66	47,117	2.63
Outgoings - Rental & Rates	3,484	0.17	4,306	0.22	2,191	0.13	1,071	0.05	4,518	0.25
Accounting	6,856	0.34	6,466	0.32	7,724	0.46	7,418	0.36	6,740	0.38
Advertising	11,587	0.58	12,511	0.63	8,503	0.51	19,179	0.92	7,643	0.43
Bank Charges	5,344	0.27	5,435	0.27	4,423	0.26	5,348	0.26	4,935	0.28
Computer Expenses	7,505	0.38	6,569	0.33	8,087	0.48	12,281	0.59	5,020	0.28
Depreciation	7,723	0.39	8,915	0.45	7,649	0.46	10,720	0.52	7,502	0.42
Electricity, Water, Heating	4,994	0.25	5,392	0.27	4,011	0.24	5,248	0.25	4,721	0.26
Insurance	7,640	0.38	6,920	0.35	8,634	0.52	8,527	0.41	7,166	0.40
Interest Paid	25,352	1.27	25,763	1.29	22,786	1.36	3,344	0.16	33,418	1.86
Leasing Expenses	2,289	0.11	3,824	0.19	556	0.03	715	0.03	3,374	0.19
Motor Vehicle Expenses	2,649	0.13	2,709	0.14	2,270	0.14	1,572	0.08	2,945	0.16
Postage, Freight, Printing	6,486	0.32	5,392	0.27	5,885	0.35	7,108	0.34	4,947	0.28
Repairs, Maintenance, Service	2,728	0.14	2,794	0.14	1,877	0.11	3,000	0.14	2,224	0.12
Subs and Registrations	5,937	0.30	6,925	0.35	4,071	0.24	4,516	0.22	6,406	0.36
Superannuation	18,308	0.92	17,634	0.88	16,470	0.98	21,894	1.05	15,264	0.85
Telephone	4,325	0.22	4,295	0.22	4,231	0.25	4,620	0.22	4,127	0.23
Training	1,948	0.10	1,199	0.06	3,060	0.18	2,598	0.13	1,608	0.09
Abnormal Expenses	1,890	0.09	69	0.00	5,150	0.31	6,025	0.29	306	0.02
Payroll Tax	1,602	0.08	2,388	0.12	0	0	3,642	0.18	607	0.03
Workers' Compensation	1,686	0.08	1,492	0.07	1,709	0.10	2,099	0.10	1,357	0.08
Other Expenses	26,525	1.33	28,248	1.42	23,268	1.39	34,587	1.67	23,001	1.28
TOTAL EXPENSES	420,979	21.07	431,249	21.61	355,633	21.24	468,711	22.57	375,792	20.97
TOTAL INCOME	285,364	14.28	273,838	13.72	236,639	14.13	266,379	12.83	257,216	14.35
Less Proprietors' Salary (1) [Full-Time-Equivalents]	118,474	5.93	103,199	5.17	143,491	8.57	126,019	6.07	115,133	6.43
Less Return on Capital (2)	0.92		0.79		1.13		0.99		0.90	
	5,035	0.25	8,720	0.44	0	0.00	34,854	1.68	0	0.00
NET PROFIT/LOSS	161,854	8.10	161,919	8.11	93,148	5.56	105,506	5.08	142,083	7.93
SALES ANALYSIS										
Prescriptions	1,360,991	68.41	1,371,457	68.98	1,113,821	67.03	1,379,101	66.94	1,231,914	68.98
Other Sales	628,403	31.59	616,842	31.02	547,897	32.97	680,971	33.06	553,935	31.02
INVENTORY ANALYSIS										
Prescription	82,440	4.13	65,020	3.26	129,770	7.75	51,646	2.49	102,437	5.72
Other	114,894	5.75	85,699	4.29	138,318	8.26	122,562	5.90	100,746	5.62
STOCK CARRIED (Total)	197,334	9.88	150,718	7.55	268,088	16.01	174,208	8.39	203,183	11.34
STOCK TURN (On Total Inventory)	6.54		8.56		4.04		7.70		5.70	
SALES PER INVENTORY DOLLAR										
Prescription	16.51		21.09		8.58		26.70		12.03	
Other	5.47		7.20		3.96		5.56		5.50	
STATISTICS										
PHARMACY SIZE (square metres)	122		121		127		140		116	
PRESCRIPTIONS DISPENSED (Total)	40,128		39,608		33,384		39,345		36,421	
PRESCRIPTIONS DISPENSED WEEKLY	770		760		640		755		698	
TOTAL HOURS OPEN per WEEK	60		64		51		62		58	
AV HRS WORKED BY PROPRIETORS/WEEK	35		30		43		37		34	
FUNDS RETAINED IN BUSINESS (3)	175,726	8.80	192,732	9.66	111,497	6.66	119,011	5.73	180,081	10.05

(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 7% (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 30/06/07)

Table 14

	State Averages Weighted		Metro		Country		Group		No Group	
	\$	%	\$	%	\$	%	\$	%	\$	%
SALES, EXPENSES & PROFITABILITY										
SALES	2,251,924		1,914,951		2,522,720		2,731,742		1,865,428	
COST OF GOODS SOLD	1,517,358	67.38	1,288,268	67.27	1,696,382	67.24	1,823,925	66.77	1,272,954	68.24
GROSS MARGIN	734,566	32.62	626,683	32.73	826,338	32.76	907,817	33.23	592,474	31.76
Commissions Received	23,658		5,944		30,659		31,302		14,931	
GROSS MARGIN PLUS COMMISSIONS	758,224		632,627		856,997		939,119		607,405	
TOTAL REVENUE	2,275,582	100.00	1,920,895	100.00	2,553,379	100.00	2,763,044	100.00	1,880,358	100.00
EXPENSES										
Salaries and Wages	269,547	11.85	171,553	8.93	319,774	12.52	330,273	11.95	216,143	11.49
Rent Paid	45,695	2.01	45,045	2.35	49,201	1.93	56,166	2.03	36,956	1.97
Outgoings - Rental & Rates	3,673	0.16	4,652	0.24	4,310	0.17	6,020	0.22	2,121	0.11
Accounting	11,621	0.51	5,234	0.27	14,770	0.58	13,117	0.47	11,362	0.60
Advertising	28,505	1.25	15,158	0.79	37,291	1.46	44,588	1.61	13,794	0.73
Bank Charges	6,438	0.28	5,092	0.27	7,583	0.30	8,442	0.31	4,886	0.26
Computer Expenses	5,912	0.26	8,246	0.43	5,663	0.22	6,228	0.23	6,422	0.34
Depreciation	12,944	0.57	11,342	0.59	13,379	0.52	15,577	0.56	9,080	0.48
Electricity, Water, Heating	5,061	0.22	4,482	0.23	5,577	0.22	5,505	0.20	5,022	0.27
Insurance	9,446	0.42	9,856	0.51	9,765	0.38	9,435	0.34	10,282	0.55
Interest Paid	43,933	1.93	42,865	2.23	48,601	1.90	70,495	2.55	14,508	0.77
Leasing Expenses	6,290	0.28	0	0.00	8,502	0.33	6,524	0.24	6,169	0.33
Motor Vehicle Expenses	3,925	0.17	0	0.38	3,238	0.13	4,520	0.16	3,829	0.20
Postage, Freight, Printing	10,472	0.46	6,374	0.33	12,685	0.50	13,092	0.47	8,329	0.44
Repairs, Maintenance, Service	2,435	0.11	1,221	0.06	2,942	0.12	3,107	0.11	1,677	0.09
Subs and Registrations	8,831	0.39	12,338	0.64	7,813	0.31	12,656	0.46	3,747	0.20
Superannuation	23,486	1.03	18,276	0.95	27,360	1.07	29,889	1.08	18,370	0.98
Telephone	5,906	0.26	5,058	0.26	6,571	0.26	6,453	0.23	5,829	0.31
Training	2,597	0.11	428	0.02	3,243	0.13	3,202	0.12	1,612	0.09
Abnormal Expenses	101	0.00	0	0.00	138	0.01	177	0.01	0	0.00
Payroll Tax	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Workers' Compensation	3,167	0.14	1,953	0.10	3,839	0.15	3,906	0.14	2,614	0.14
Other Expenses	14,400	0.63	28,543	1.49	11,280	0.44	24,302	0.88	3,407	0.18
TOTAL EXPENSES	524,385	23.04	404,930	21.08	603,526	23.64	673,674	24.38	386,160	20.54
TOTAL INCOME	233,839	10.28	227,697	11.85	253,472	9.93	265,445	9.61	221,244	11.77
Less Proprietors' Salary (1) [Full-Time-Equivalents]	136,820	6.01	109,323	5.69	141,780	5.55	112,071	4.06	163,898	8.72
Less Return on Capital (2)	1.09		0.93		1.11		0.91		1.28	
	0.00	0.00	0.00	0.00	2,175	0.09	0.00	0.00	16,036	0.85
NET PROFIT/LOSS	97,018	4.26	118,373	6.16	109,517	4.29	153,373	5.55	41,311	2.20
SALES ANALYSIS										
Prescriptions	1,685,461	74.85	1,507,151	78.70	1,859,342	73.70	1,980,778	72.51	1,478,017	79.23
Other Sales	566,463	25.15	407,799	21.30	663,378	26.30	750,964	27.49	387,410	20.77
INVENTORY ANALYSIS										
Prescription	62,567	2.75	63,554	3.31	71,590	2.80	74,144	2.68	61,825	3.29
Other	164,425	7.23	68,526	3.57	219,256	8.59	251,145	9.09	85,542	4.55
STOCK CARRIED (Total)	226,992	9.98	132,081	6.88	290,846	11.39	325,289	11.77	147,366	7.84
STOCK TURN (On Total Inventory)	6.68		9.75		5.83		5.61		8.64	
SALES PER INVENTORY DOLLAR										
Prescription	26.94		23.71		25.97		26.72		23.91	
Other	3.45		5.95		3.03		2.99		4.53	
STATISTICS										
PHARMACY SIZE (square metres)	173		181		179		188		168	
PRESCRIPTIONS DISPENSED (Total)	48,186		45,412		52,642		57,323		41,751	
PRESCRIPTIONS DISPENSED WEEKLY	924		871		1,010		1,099		801	
TOTAL HOURS OPEN per WEEK	56		52		58		57		55	
AV HRS WORKED BY PROPRIETORS/WEEK	41		35		42		34		49	
FUNDS RETAINED IN BUSINESS (3)	87,305	3.84	126,082	6.56	89,435	3.50	107,291	3.88	86,424	4.60

(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 7% (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 30/06/07)

Table 15

	AUSTRALIA		NEW SOUTH WALES		VICTORIA	
	Manager Operated					
SALES, EXPENSES & PROFITABILITY	\$	%	\$	%	\$	%
SALES	2,054,091		1,094,320		2,384,442	
COST OF GOODS SOLD	1,354,520	65.94	724,031	66.16	1,638,776	68.73
GROSS MARGIN	699,571	34.06	370,289	33.84	745,666	31.27
Commissions Received	15,926		838		18,206	
GROSS MARGIN PLUS COMMISSIONS	715,498		371,127		763,872	
TOTAL REVENUE	2,070,017	100.00	1,095,158	100.00	2,402,648	100.00
EXPENSES						
Salaries and Wages	287,482	13.89	154,978	14.15	326,136	13.57
Rent Paid	83,839	4.05	29,261	2.67	51,615	2.15
Outgoings - Rental & Rates	2,696	0.13	169	0.02	3,646	0.15
Accounting	7,220	0.35	6,751	0.62	4,288	0.18
Advertising	11,960	0.58	3,388	0.31	17,796	0.74
Bank Charges	6,023	0.29	1,380	0.13	4,960	0.21
Computer Expenses	8,031	0.39	3,404	0.31	9,571	0.40
Depreciation	8,508	0.41	5,191	0.47	4,385	0.18
Electricity, Water, Heating	6,043	0.29	2,997	0.27	6,056	0.25
Insurance	6,270	0.30	5,057	0.46	6,120	0.25
Interest Paid	14,601	0.71	21,724	1.98	28,365	1.18
Leasing Expenses	4,625	0.22	2,753	0.25	1,132	0.05
Motor Vehicle Expenses	1,391	0.07	1,100	0.10	5,212	0.22
Postage, Freight, Printing	7,116	0.34	3,627	0.33	12,348	0.51
Repairs, Maintenance, Service	3,366	0.16	1,475	0.13	5,005	0.21
Subs and Registrations	6,276	0.30	3,669	0.34	3,078	0.13
Superannuation	25,424	1.23	18,348	1.68	31,983	1.33
Telephone	5,019	0.24	2,964	0.27	5,624	0.23
Training	1,761	0.09	1,143	0.10	1,665	0.07
Abnormal Expenses	9,394	0.45	0	0.00	17	0.00
Payroll Tax	4,919	0.24	0	0.00	1,561	0.06
Workers' Compensation	2,438	0.12	3,766	0.34	1,708	0.07
Other Expenses	56,422	2.73	53,686	4.90	34,315	1.43
TOTAL EXPENSES	570,823	27.58	326,830	29.84	566,584	23.58
TOTAL INCOME	144,675	6.99	44,297	4.04	197,288	8.21
Less Proprietors' Salary (1) [Full-Time-Equivalents]	5,027 0.13	0.24	5,944 0.15	0.54	9,660 0.14	0.40
Less Return on Capital (2)	24,546	1.19	12,615	1.15	0.00	0.00
NET PROFIT/LOSS	115,101	5.56	25,737	2.35	187,628	7.81
SALES ANALYSIS						
Prescriptions	1,411,715	68.73	843,191	77.05	1,879,361	78.82
Other Sales	642,376	31.27	251,129	22.95	505,081	21.18
INVENTORY ANALYSIS						
Prescription	133,236	6.44	106,679	9.74	62,189	2.59
Other	163,500	7.90	55,907	5.10	88,572	3.69
STOCK CARRIED (Total)	296,736	14.33	162,586	14.85	150,761	6.27
STOCK TURN (On Total Inventory)	4.56		4.45		10.87	
SALES PER INVENTORY DOLLAR						
Prescription	10.60		7.90		30.22	
Other	3.93		4.49		5.70	
STATISTICS						
PHARMACY SIZE (square metres)	151		119		174	
PRESCRIPTIONS DISPENSED (Total)	42,653		24,653		52,868	
PRESCRIPTIONS DISPENSED WEEKLY	818		473		1,014	
TOTAL HOURS OPEN per WEEK	59		50		54	
AV HRS WORKED BY PROPRIETORS/WEEK	5		6		5	
FUNDS RETAINED IN BUSINESS (3)	69,265	3.35	43,459	3.97	59,482	2.48

(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 7% (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 30/06/07)

Table 15

	QUEENSLAND		SOUTH AUSTRALIA		WESTERN AUSTRALIA	
SALES, EXPENSES & PROFITABILITY	\$	%	\$	%	\$	%
SALES	1,745,320		2,745,812		1,871,764	
COST OF GOODS SOLD	1,091,363	62.53	1,854,216	67.53	1,169,550	62.48
GROSS MARGIN	653,957	37.47	891,597	32.47	702,214	37.52
Commissions Received	8,178		32,275		16,812	
GROSS MARGIN PLUS COMMISSIONS	662,134		923,872		719,026	
TOTAL REVENUE	1,753,497	100.00	2,778,087	100.00	1,888,576	100.00
EXPENSES						
Salaries and Wages	212,283	12.11	432,117	15.55	263,827	13.97
Rent Paid	117,838	6.72	135,798	4.89	68,887	3.65
Outgoings - Rental & Rates	821	0.05	5,074	0.18	3,299	0.17
Accounting	3,201	0.18	12,876	0.46	4,484	0.24
Advertising	8,568	0.49	9,085	0.33	15,482	0.82
Bank Charges	10,486	0.60	6,481	0.23	5,316	0.28
Computer Expenses	3,810	0.22	13,900	0.50	8,372	0.44
Depreciation	8,864	0.51	16,880	0.61	5,150	0.27
Electricity, Water, Heating	5,497	0.31	8,483	0.31	6,625	0.35
Insurance	4,499	0.26	7,533	0.27	6,376	0.34
Interest Paid	17,067	0.97	8,383	0.30	1,814	0.10
Leasing Expenses	6,235	0.36	5,924	0.21	6,236	0.33
Motor Vehicle Expenses	0	0.00	641	0.02	361	0.02
Postage, Freight, Printing	3,944	0.22	5,972	0.21	6,422	0.34
Repairs, Maintenance, Service	4,346	0.25	4,877	0.18	1,500	0.08
Subs and Registrations	3,590	0.20	14,693	0.53	5,615	0.30
Superannuation	13,324	0.76	38,844	1.40	22,655	1.20
Telephone	5,240	0.30	6,302	0.23	4,364	0.23
Training	2,090	0.12	2,421	0.09	1,382	0.07
Abnormal Expenses	0	0.00	45,011	1.62	172	0.01
Payroll Tax	1,359	0.08	19,393	0.70	1,721	0.09
Workers' Compensation	429	0.02	3,903	0.14	2,083	0.11
Other Expenses	74,404	4.24	62,074	2.23	61,974	3.28
TOTAL EXPENSES	507,892	28.96	866,664	31.20	504,116	26.69
TOTAL INCOME	154,242	8.80	57,208	2.06	214,910	11.38
Less Proprietors' Salary (1) [Full-Time-Equivalents]	413 0.09	0.02	0 0.12	0.00	10,883 0.15	0.58
Less Return on Capital (2)	18,107	1.03	39,101	1.41	45,943	2.43
NET PROFIT/LOSS	135,722	7.74	18,107	0.65	158,084	8.37
SALES ANALYSIS						
Prescriptions	1,064,421	60.99	1,809,782	65.91	1,166,238	62.31
Other Sales	680,898	39.01	936,030	34.09	705,526	37.69
INVENTORY ANALYSIS						
Prescription	129,784	7.40	240,624	8.66	173,374	9.18
Other	26,558	1.51	373,475	13.44	176,477	9.34
STOCK CARRIED (Total)	156,342	8.92	614,100	22.11	349,851	18.52
STOCK TURN (On Total Inventory)	6.98		3.02		3.34	
SALES PER INVENTORY DOLLAR						
Prescription	8.20		7.52		6.73	
Other	25.64		2.51		4.00	
STATISTICS						
PHARMACY SIZE (square metres)	118		201		129	
PRESCRIPTIONS DISPENSED (Total)	32,214		61,743		33,018	
PRESCRIPTIONS DISPENSED WEEKLY	618		1,184		633	
TOTAL HOURS OPEN per WEEK	53		72		65	
AV HRS WORKED BY PROPRIETORS/WEEK	3		5		6	
FUNDS RETAINED IN BUSINESS (3)	146,064	8.33	-52,281	-1.88	150,765	7.98

(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 7% (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 30/06/07)

Table 16

	AUSTRALIA Owner Operated		NEW SOUTH WALES		VICTORIA	
SALES, EXPENSES & PROFITABILITY	\$	%	\$	%	\$	%
SALES	2,526,319		2,844,891		2,357,026	
COST OF GOODS SOLD	1,716,527	67.95	1,948,885	68.50	1,601,601	67.95
GROSS MARGIN	809,792	32.05	896,005	31.50	755,425	32.05
Commissions Received	23,583		25,456		15,593	
GROSS MARGIN PLUS COMMISSIONS	833,375		921,461		771,017	
TOTAL REVENUE	2,549,902	100.00	2,870,346	100.00	2,372,618	100.00
EXPENSES						
Salaries and Wages	277,472	10.88	320,581	11.17	243,153	10.25
Rent Paid	78,250	3.07	97,542	3.40	42,579	1.79
Outgoings - Rental & Rates	2,442	0.10	1,396	0.05	4,015	0.17
Accounting	8,769	0.34	10,541	0.37	7,209	0.30
Advertising	17,538	0.69	19,515	0.68	13,715	0.58
Bank Charges	7,536	0.30	8,701	0.30	6,674	0.28
Computer Expenses	7,862	0.31	8,376	0.29	7,628	0.32
Depreciation	14,895	0.58	17,664	0.62	10,337	0.44
Electricity, Water, Heating	6,040	0.24	6,824	0.24	4,703	0.20
Insurance	8,679	0.34	10,333	0.36	6,786	0.29
Interest Paid	35,756	1.40	44,459	1.55	19,557	0.82
Leasing Expenses	5,755	0.23	7,261	0.25	4,641	0.20
Motor Vehicle Expenses	5,349	0.21	5,571	0.19	5,066	0.21
Postage, Freight, Printing	8,798	0.35	10,131	0.35	9,288	0.39
Repairs, Maintenance, Service	4,365	0.17	5,263	0.18	4,218	0.18
Subs and Registrations	7,509	0.29	7,388	0.26	8,118	0.34
Superannuation	26,729	1.05	31,857	1.11	25,793	1.09
Telephone	5,876	0.23	6,496	0.23	5,121	0.22
Training	2,984	0.12	3,027	0.11	2,610	0.11
Abnormal Expenses	3,472	0.14	956	0.03	2,322	0.10
Payroll Tax	3,336	0.13	4,752	0.17	1,450	0.06
Workers' Compensation	3,569	0.14	5,337	0.19	2,061	0.09
Other Expenses	33,332	1.31	43,068	1.50	18,285	0.77
TOTAL EXPENSES	576,313	22.60	677,036	23.59	455,330	19.19
TOTAL INCOME	257,062	10.08	244,425	8.52	315,688	13.31
Less Proprietors' Salary (1) [Full-Time-Equivalents]	166,336	6.52	173,530	6.05	165,808	6.99
Less Return on Capital (2)	1.26		1.32		1.28	
	3,683	0.14	0	0.00	12,384	0.52
NET PROFIT/LOSS	87,043	3.41	70,896	2.47	137,496	5.80
SALES ANALYSIS						
Prescriptions	1,814,734	71.83	2,009,914	70.65	1,782,516	75.63
Other Sales	711,585	28.17	834,977	29.35	574,510	24.37
INVENTORY ANALYSIS						
Prescription	83,761	3.28	95,860	3.34	59,203	2.50
Other	116,927	4.59	128,359	4.47	106,834	4.50
STOCK CARRIED (Total)	200,689	7.87	224,219	7.81	166,037	7.00
STOCK TURN (On Total Inventory)	8.55		8.69		9.65	
SALES PER INVENTORY DOLLAR						
Prescription	21.67		20.97		30.11	
Other	6.09		6.51		5.38	
STATISTICS						
PHARMACY SIZE (square metres)	149		157		150	
PRESCRIPTIONS DISPENSED (Total)	52,071		56,426		51,815	
PRESCRIPTIONS DISPENSED WEEKLY	999		1,082		994	
TOTAL HOURS OPEN per WEEK	57		58		54	
AV HRS WORKED BY PROPRIETORS/WEEK	48		50		49	
FUNDS RETAINED IN BUSINESS (3)	107,351	4.21	112,763	3.93	106,214	4.48

(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 7% (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 30/06/07)

Table 16

	QUEENSLAND		SOUTH AUSTRALIA		WESTERN AUSTRALIA		TASMANIA	
	\$	%	\$	%	\$	%	\$	%
SALES, EXPENSES & PROFITABILITY								
SALES	2,119,455		2,653,245		1,863,853		1,711,648	
COST OF GOODS SOLD	1,412,223	66.63	1,816,970	68.48	1,226,470	65.80	1,137,488	66.46
GROSS MARGIN	707,231	33.37	836,274	31.52	637,383	34.20	574,160	33.54
Commissions Received	31,049		31,894		6,650		10,274	
GROSS MARGIN PLUS COMMISSIONS	738,280		868,169		644,033		584,434	
TOTAL REVENUE	2,150,503	100.00	2,685,139	100.00	1,870,503	100.00	1,721,922	100.00
EXPENSES								
Salaries and Wages	227,009	10.56	307,477	11.45	179,253	9.58	188,825	10.97
Rent Paid	68,537	3.19	81,435	3.03	43,051	2.30	39,086	2.27
Outgoings - Rental & Rates	3,597	0.17	3,155	0.12	3,584	0.19	2,892	0.17
Accounting	5,721	0.27	9,075	0.34	7,756	0.41	5,261	0.31
Advertising	17,802	0.83	23,566	0.88	9,516	0.51	9,065	0.53
Bank Charges	6,579	0.31	6,906	0.26	4,968	0.27	4,484	0.26
Computer Expenses	6,522	0.30	10,831	0.40	6,727	0.36	6,326	0.37
Depreciation	12,844	0.60	15,966	0.59	9,537	0.51	10,728	0.62
Electricity, Water, Heating	5,596	0.26	6,753	0.25	4,291	0.23	4,192	0.24
Insurance	5,578	0.26	8,782	0.33	7,959	0.43	8,469	0.49
Interest Paid	29,647	1.38	15,358	0.57	32,257	1.72	31,365	1.82
Leasing Expenses	2,843	0.13	10,999	0.41	1,386	0.07	5,015	0.29
Motor Vehicle Expenses	6,359	0.30	3,965	0.15	3,273	0.17	4,180	0.24
Postage, Freight, Printing	6,323	0.29	10,728	0.40	5,295	0.28	4,746	0.28
Repairs, Maintenance, Service	3,000	0.14	4,465	0.17	2,767	0.15	1,715	0.10
Subs and Registrations	6,841	0.32	10,076	0.38	5,935	0.32	11,097	0.64
Superannuation	19,332	0.90	25,293	0.94	15,379	0.82	18,535	1.08
Telephone	5,345	0.25	6,362	0.24	4,240	0.23	4,985	0.29
Training	3,060	0.14	5,467	0.20	2,069	0.11	1,767	0.10
Abnormal Expenses	5,636	0.26	29,363	1.09	2,575	0.14	0	0.00
Payroll Tax	1,892	0.09	3,654	0.14	1,416	0.08	0	0.00
Workers' Compensation	687	0.03	3,560	0.13	1,403	0.08	2,373	0.14
Other Expenses	31,898	1.48	12,333	0.46	14,515	0.78	18,741	1.09
TOTAL EXPENSES	482,648	22.44	615,567	22.92	369,152	19.74	383,848	22.29
TOTAL INCOME	255,632	11.89	252,602	9.41	274,881	14.70	200,586	11.65
Less Proprietors' Salary (1) [Full-Time-Equivalents]	160,622	7.47	161,651	6.02	154,117	8.24	118,272	6.87
	1.18		1.22		1.18		1.00	
Less Return on Capital (2)	4,661	0.22	32,307	1.20	0	0.00	11,565	0.67
NET PROFIT/LOSS	90,350	4.20	58,643	2.18	120,765	6.46	70,748	4.11
SALES ANALYSIS								
Prescriptions	1,512,825	71.38	2,033,816	76.65	1,311,045	70.34	1,364,654	79.73
Other Sales	606,630	28.62	619,429	23.35	552,808	29.66	346,995	20.27
INVENTORY ANALYSIS								
Prescription	73,279	3.41	128,598	4.79	61,524	3.29	55,799	3.24
Other	111,909	5.20	111,228	4.14	81,502	4.36	64,844	3.77
STOCK CARRIED (Total)	185,188	8.61	239,826	8.93	143,026	7.65	120,643	7.01
STOCK TURN (On Total Inventory)	7.63		7.58		8.58		9.43	
SALES PER INVENTORY DOLLAR								
Prescription	20.64		15.82		21.31		24.46	
Other	5.42		5.57		6.78		5.35	
STATISTICS								
PHARMACY SIZE (square metres)	134		158		121		161	
PRESCRIPTIONS DISPENSED (Total)	45,414		60,478		38,692		39,602	
PRESCRIPTIONS DISPENSED WEEKLY	871		1,160		742		759	
TOTAL HOURS OPEN per WEEK	59		55		57		52	
AV HRS WORKED BY PROPRIETORS/WEEK	45		46		45		38	
FUNDS RETAINED IN BUSINESS (3)	91,427	4.25	48,040	1.79	166,104	8.88	56,951	3.31

(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 7% (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 30/6/07)

Table 17

STATE AVERAGES

EMPLOYEES	NSW	VIC	QLD	SA	WA	TAS	AUST
PROPRIETORS :							
Full Time	0.9	0.9	0.9	0.7	0.5	0.8	0.9
Part Time & Casual	0.6	0.4	0.7	0.2	0.5	0.5	0.6
Hours worked per week	48.2	43.3	46.4	32.6	34.8	41.3	45.3
MANAGERS :							
Full Time	0.1	0.1	0.5	0.3	0.3	0.4	0.2
Part Time & Casual	0.1	0.0	0.1	0.1	0.0	0.3	0.1
Hours worked per week	7.5	6.5	20.9	13.6	14.0	20.8	11.0
PHARMACISTS IN CHARGE :							
Full Time	0.3	0.3	0.2	0.3	0.2	0.4	0.3
Part Time & Casual	1.0	1.0	0.4	0.6	0.9	0.4	0.8
Hours worked per week	24.8	26.0	13.9	23.3	22.9	22.3	23.0
OTHER QUALIFIED :							
Full Time	0.2	0.1	0.2	0.4	0.1	0.4	0.2
Part Time & Casual	0.3	0.5	0.4	0.0	0.3	0.5	0.3
Hours worked per week	12.1	11.2	13.8	12.4	7.9	28.0	12.7
PHARMACY ASSISTANTS :							
Full Time	0.7	0.7	0.6	0.6	0.9	0.7	0.7
Part Time & Casual	1.0	1.1	0.6	0.4	0.2	0.6	0.8
Hours worked per week	48.6	49.9	35.8	33.4	36.8	45.1	45.7
SALES & OTHER STAFF :							
Full Time	1.6	1.7	1.8	1.3	1.5	1.1	1.7
Part Time & Casual	4.3	3.9	3.4	2.6	3.5	3.1	3.8
Hours worked per week	123.5	110.5	115.1	103.4	111.5	86.4	117.4
TOTAL STAFF :							
Full Time	3.8	3.9	4.1	3.7	3.5	3.8	4.0
Part Time & Casual	7.4	6.9	5.6	4.0	5.5	5.5	6.4
Hours worked per week	264.7	247.5	245.9	218.6	228.1	244.0	255.2

AVERAGE NUMBER OF EMPLOYEES PER RESPONDENT AND AVERAGE HOURS WORKED
(Based on 12 months trading to 30/6/07)

Table 18

BY TURNOVER CATEGORY (\$)

EMPLOYEES	UP TO 1.0M	1.0M -1.5M	1.5M -2.0M	2.0M -2.5M	2.5M -3.0M	3.0M -4.0M	4.0M -5.0M	OVER 5.0M
PROPRIETORS :								
Full Time	0.8	0.8	0.8	0.9	0.9	0.9	0.9	1.0
Part Time & Casual	0.1	0.4	0.6	0.6	0.7	0.7	0.9	0.9
Hours worked per week	32.8	43.5	45.1	47.8	50.3	53.3	58.5	69.6
MANAGERS :								
Full Time	0.2	0.1	0.1	0.2	0.2	0.4	0.6	0.4
Part Time & Casual	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.0
Hours worked per week	12.0	7.0	7.8	10.4	7.0	15.4	25.6	17.1
PHARMACISTS IN CHARGE :								
Full Time	0.2	0.1	0.1	0.3	0.6	0.4	0.5	1.4
Part Time & Casual	0.4	0.6	0.9	0.8	0.6	1.2	1.5	1.7
Hours worked per week	13.0	9.6	20.1	21.2	27.1	33.5	41.3	89.9
OTHER QUALIFIED :								
Full Time	0.0	0.1	0.1	0.2	0.3	0.3	0.5	0.1
Part Time & Casual	0.1	0.2	0.2	0.4	0.5	0.6	0.5	0.6
Hours worked per week	4.4	7.1	7.3	11.3	16.2	26.6	25.3	14.7
PHARMACY ASSISTANTS :								
Full Time	0.5	0.4	0.4	0.6	0.8	1.1	2.4	1.6
Part Time & Casual	0.3	0.5	0.8	1.0	0.8	0.7	1.9	2.0
Hours worked per week	22.9	25.3	31.0	41.4	47.5	60.2	147.1	89.9
SALES & OTHER STAFF :								
Full Time	0.2	0.8	0.7	1.8	2.1	3.0	3.6	6.4
Part Time & Casual	1.1	2.1	3.7	3.9	4.5	5.5	5.5	13.0
Hours worked per week	25.2	51.6	83.2	139.2	160.4	193.6	248.7	297.1
TOTAL STAFF :								
Full Time	2.0	2.3	2.2	4.0	4.8	6.2	8.5	11.0
Part Time & Casual	2.2	4.0	6.5	6.8	7.1	8.8	10.3	18.2
Hours worked per week	110.3	144.1	194.4	271.2	308.6	382.6	546.6	578.3

AUSTRALIAN PHARMACIES – WEEKLY PRESCRIPTION VOLUME
(Based on 12 Months of Trading to 30/06/07)

Table 19

	Up to 400		401 - 600		601 - 800		801 - 1000	
SALES, EXPENSES & PROFITABILITY	\$	%	\$	%	\$	%	\$	%
SALES	828,169		1,290,553		1,699,032		2,334,187	
COST OF GOODS SOLD	547,045	66.05	872,650	67.62	1,150,836	67.73	1,579,021	67.65
GROSS MARGIN	281,124	33.95	417,903	32.38	548,196	32.27	755,166	32.35
Commissions Received	12,197		11,289		31,385		30,506	
GROSS MARGIN PLUS COMMISSIONS	293,322		429,191		579,581		785,672	
TOTAL REVENUE	840,366	100.00	1,301,841	100.00	1,730,417	100.00	2,364,693	100.00
EXPENSES								
Salaries and Wages	98,992	11.78	136,158	10.46	184,745	10.68	258,751	10.94
Rent Paid	42,982	5.11	46,034	3.54	58,529	3.38	94,596	4.00
Outgoings - Rental & Rates	1,272	0.15	2,611	0.20	1,440	0.08	3,421	0.14
Accounting	2,612	0.31	6,361	0.49	8,061	0.47	8,795	0.37
Advertising	5,344	0.64	7,906	0.61	10,654	0.62	17,418	0.74
Bank Charges	3,362	0.40	4,080	0.31	5,276	0.30	8,653	0.37
Computer Expenses	3,671	0.44	4,649	0.36	6,440	0.37	6,414	0.27
Depreciation	9,336	1.11	11,547	0.89	11,487	0.66	16,295	0.69
Electricity, Water, Heating	3,066	0.36	4,379	0.34	4,278	0.25	6,327	0.27
Insurance	4,324	0.51	6,388	0.49	7,901	0.46	7,807	0.33
Interest Paid	6,789	0.81	26,526	2.04	26,074	1.51	40,834	1.73
Leasing Expenses	5,172	0.62	1,662	0.13	3,571	0.21	4,017	0.17
Motor Vehicle Expenses	1,465	0.17	4,098	0.31	4,740	0.27	4,087	0.17
Postage, Freight, Printing	3,630	0.43	4,343	0.33	5,372	0.31	6,425	0.27
Repairs, Maintenance, Service	1,530	0.18	2,293	0.18	2,867	0.17	3,878	0.16
Subs and Registrations	4,429	0.53	6,013	0.46	7,052	0.41	5,338	0.23
Superannuation	7,909	0.94	13,620	1.05	18,022	1.04	24,519	1.04
Telephone	3,149	0.37	4,054	0.31	4,394	0.25	5,994	0.25
Training	1,074	0.13	1,084	0.08	2,445	0.14	3,246	0.14
Abnormal Expenses	0	0.00	185	0.01	1,737	0.10	2,233	0.09
Payroll Tax	163	0.02	312	0.02	1,024	0.06	1,812	0.08
Workers' Compensation	1,082	0.13	1,320	0.10	1,983	0.11	2,984	0.13
Other Expenses	33,649	4.00	18,267	1.40	24,854	1.44	43,072	1.82
TOTAL EXPENSES	245,002	29.15	313,890	24.11	402,946	23.29	576,917	24.40
TOTAL INCOME	48,320	5.75	115,302	8.86	176,635	10.21	208,756	8.83
Less Proprietors' Salary (1) [Full-Time-Equivalents]	92,257	10.98	149,582	11.49	144,487	8.35	153,870	6.51
	0.74		1.17		1.18		1.26	
Less Return on Capital (2)	16,198	1.93	0	0.00	4,458	0.26	0	0.00
NET PROFIT/LOSS	-60,135	-7.16	-34,280	-2.63	27,690	1.60	54,885	2.32
SALES ANALYSIS								
Prescriptions	532,696	64.32	912,646	70.72	1,257,530	74.01	1,616,742	69.26
Other Sales	295,473	35.68	377,907	29.28	441,502	25.99	717,445	30.74
INVENTORY ANALYSIS								
Prescription	82,711	9.84	42,316	3.25	65,917	3.81	70,436	2.98
Other	77,766	9.25	82,621	6.35	118,997	6.88	143,945	6.09
STOCK CARRIED (Total)	160,477	19.10	124,937	9.60	184,914	10.69	214,381	9.07
STOCK TURN (On Total Inventory)	3.41		6.98		6.22		7.37	
SALES PER INVENTORY DOLLAR								
Prescription	6.44		21.57		19.08		22.95	
Other	3.80		4.57		3.71		4.98	
STATISTICS								
PHARMACY SIZE (square metres)	97		101		117		147	
PRESCRIPTIONS DISPENSED (Total)	14,907		26,564		36,586		46,579	
PRESCRIPTIONS DISPENSED WEEKLY	286		509		702		893	
TOTAL HOURS OPEN per WEEK	51		52		56		61	
AV HRS WORKED BY PROPRIETORS/WEEK	28		44		45		48	
FUNDS RETAINED IN BUSINESS (3)	14,275	1.70	33,269	2.56	67,732	3.91	112,952	4.78

(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 7% (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 30/06/07)

Table 19

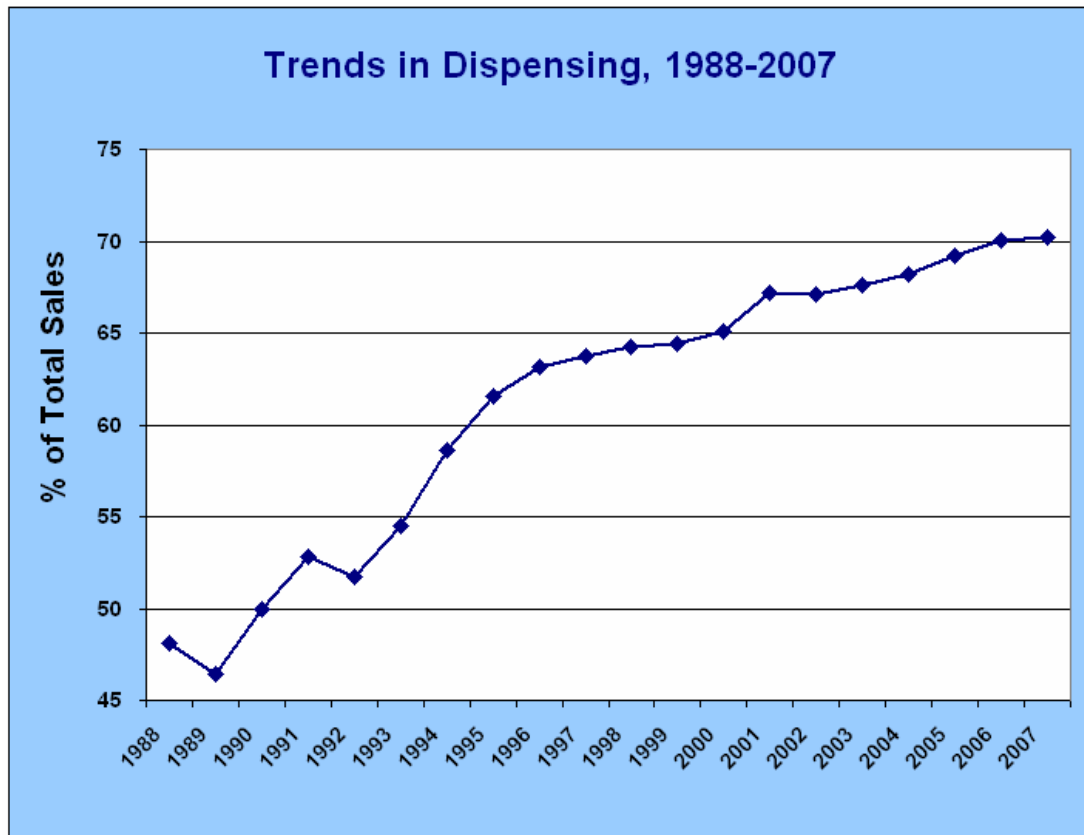
	1,000 – 1,200		1,200 – 1,400		1,400 – 2,000		Over 2,000	
SALES, EXPENSES & PROFITABILITY	\$	%	\$	%	\$	%	\$	%
SALES	2,807,736		3,433,316		4,423,993		6,207,519	
COST OF GOODS SOLD	1,890,359	67.33	2,335,864	68.04	3,004,529	67.91	4,186,011	67.43
GROSS MARGIN	917,376	32.67	1,097,452	31.96	1,419,463	32.09	2,021,508	32.57
Commissions Received	36,393		28,754		53,396		82,396	
GROSS MARGIN PLUS COMMISSIONS	953,769		1,126,205		1,472,860		2,103,904	
TOTAL REVENUE	2,844,129	100.00	3,462,070	100.00	4,477,389	100.00	6,289,916	100.00
EXPENSES								
Salaries and Wages	322,613	11.34	397,666	11.49	511,125	11.42	749,225	11.91
Rent Paid	94,013	3.31	106,581	3.08	133,246	2.98	216,066	3.44
Outgoings - Rental & Rates	1,645	0.06	5,044	0.15	6,017	0.13	3,734	0.06
Accounting	10,060	0.35	10,803	0.31	14,754	0.33	22,366	0.36
Advertising	20,688	0.73	39,049	1.13	40,131	0.90	54,738	0.87
Bank Charges	7,882	0.28	9,813	0.28	12,888	0.29	20,000	0.32
Computer Expenses	8,713	0.31	8,860	0.26	8,613	0.19	11,420	0.18
Depreciation	18,430	0.65	23,005	0.66	26,877	0.60	41,376	0.66
Electricity, Water, Heating	6,942	0.24	8,979	0.26	11,542	0.26	14,371	0.23
Insurance	9,930	0.35	8,339	0.24	10,441	0.23	15,300	0.24
Interest Paid	32,202	1.13	35,889	1.04	57,781	1.29	99,006	1.57
Leasing Expenses	7,532	0.26	5,604	0.16	7,507	0.17	15,690	0.25
Motor Vehicle Expenses	5,986	0.21	4,970	0.14	4,660	0.10	7,420	0.12
Postage, Freight, Printing	12,009	0.42	16,911	0.49	16,696	0.37	23,889	0.38
Repairs, Maintenance, Service	4,038	0.14	4,519	0.13	7,045	0.16	10,014	0.16
Subs and Registrations	10,113	0.36	8,736	0.25	10,820	0.24	13,125	0.21
Superannuation	31,609	1.11	33,372	0.96	47,717	1.07	71,025	1.13
Telephone	6,757	0.24	8,337	0.24	8,150	0.18	11,757	0.19
Training	4,270	0.15	5,102	0.15	6,243	0.14	5,171	0.08
Abnormal Expenses	2,571	0.09	9,044	0.26	7,761	0.17	8,958	0.14
Payroll Tax	3,224	0.11	4,930	0.14	4,707	0.11	16,696	0.27
Workers' Compensation	2,971	0.10	3,982	0.12	6,205	0.14	9,105	0.14
Other Expenses	38,790	1.36	42,936	1.24	49,688	1.11	82,110	1.31
TOTAL EXPENSES	662,989	23.31	802,470	23.18	1,010,618	22.57	1,522,563	24.21
TOTAL INCOME	290,780	10.22	323,736	9.35	462,242	10.32	581,341	9.24
Less Proprietors' Salary (1)	161,117	5.66	174,126	5.03	194,221	4.34	214,467	3.41
[Full-Time-Equivalents]	1.33		1.38		1.57		1.77	
Less Return on Capital (2)	9,983	0.35	24,025	0.69	14,002	0.31	0	0.00
NET PROFIT/LOSS	119,679	4.21	125,584	3.63	254,019	5.67	366,875	5.83
SALES ANALYSIS								
Prescriptions	1,989,521	70.86	2,335,940	68.04	3,044,573	68.82	4,568,642	73.60
Other Sales	818,215	29.14	1,097,376	31.96	1,379,420	31.18	1,638,877	26.40
INVENTORY ANALYSIS								
Prescription	84,677	2.98	102,677	2.97	125,866	2.81	185,930	2.96
Other	138,671	4.88	211,635	6.11	207,836	4.64	234,938	3.74
STOCK CARRIED (Total)	223,348	7.85	314,312	9.08	333,702	7.45	420,868	6.69
STOCK TURN (On Total Inventory)	8.46		7.43		9.00		9.95	
SALES PER INVENTORY DOLLAR								
Prescription	23.50		22.75		24.19		24.57	
Other	5.90		5.19		6.64		6.98	
STATISTICS								
PHARMACY SIZE (square metres)	169		202		234		249	
PRESCRIPTIONS DISPENSED (Total)	57,726		68,228		87,219		126,499	
PRESCRIPTIONS DISPENSED WEEKLY	1,107		1,308		1,673		2,426	
TOTAL HOURS OPEN per WEEK	60		62		66		69	
AV HRS WORKED BY PROPRIETORS/WEEK	50		53		60		67	
FUNDS RETAINED IN BUSINESS (3)	149,303	5.25	189,719	5.48	229,916	5.14	274,201	4.36

(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 7% (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 30/06/07)

Table 20

	Less Than 50%		50 - 60%		60 - 70%		70 - 80%		80% or More	
SALES, EXPENSES & PROFITABILITY	\$	%	\$	%	\$	%	\$	%	\$	%
SALES	4,008,131		2,569,976		3,008,890		2,719,695		1,950,623	
COST OF GOODS SOLD	2,699,664	67.35	1,701,310	66.20	2,022,712	67.22	1,847,980	67.95	1,332,242	68.30
GROSS MARGIN	1,308,467	32.65	868,666	33.80	986,178	32.78	871,715	32.05	618,380	31.70
Commissions Received	47,755		40,351		47,703		27,186		23,691	
GROSS MARGIN PLUS COMMISSIONS	1,356,221		909,017		1,033,881		898,901		642,072	
TOTAL REVENUE	4,055,885	100.00	2,610,327	100.00	3,056,593	100.00	2,746,881	100.00	1,974,314	100.00
EXPENSES										
Salaries and Wages	502,945	12.40	310,116	11.88	329,629	10.78	310,019	11.29	216,850	10.98
Rent Paid	228,545	5.63	127,900	4.90	114,807	3.76	71,119	2.59	53,766	2.72
Outgoings - Rental & Rates	9,944	0.25	4,439	0.17	4,151	0.14	2,444	0.09	1,412	0.07
Accounting	11,925	0.29	12,704	0.49	9,713	0.32	10,899	0.40	7,387	0.37
Advertising	61,593	1.52	20,576	0.79	24,376	0.80	22,083	0.80	10,379	0.53
Bank Charges	17,705	0.44	9,414	0.36	8,494	0.28	7,299	0.27	6,589	0.33
Computer Expenses	6,926	0.17	7,165	0.27	7,623	0.25	7,192	0.26	6,321	0.32
Depreciation	44,413	1.10	20,256	0.78	21,396	0.70	16,438	0.60	11,010	0.56
Electricity, Water, Heating	14,922	0.37	7,592	0.29	8,418	0.28	6,886	0.25	4,096	0.21
Insurance	10,496	0.26	10,127	0.39	8,390	0.27	8,779	0.32	7,177	0.36
Interest Paid	42,970	1.06	36,683	1.41	39,238	1.28	37,297	1.36	36,634	1.86
Leasing Expenses	7,854	0.19	4,694	0.18	4,899	0.16	6,857	0.25	3,540	0.18
Motor Vehicle Expenses	3,892	0.10	3,280	0.13	3,881	0.13	4,698	0.17	5,385	0.27
Postage, Freight, Printing	18,152	0.45	9,019	0.35	9,483	0.31	10,286	0.37	7,804	0.40
Repairs, Maintenance, Service	6,864	0.17	3,065	0.12	3,615	0.12	4,608	0.17	3,709	0.19
Subs and Registrations	8,158	0.20	9,566	0.37	7,444	0.24	8,447	0.31	6,802	0.34
Superannuation	44,503	1.10	25,953	0.99	31,964	1.05	29,152	1.06	20,969	1.06
Telephone	9,386	0.23	6,187	0.24	6,195	0.20	6,372	0.23	5,054	0.26
Training	7,355	0.18	3,852	0.15	3,552	0.12	3,501	0.13	2,233	0.11
Abnormal Expenses	3,394	0.08	3,122	0.12	6,398	0.21	4,274	0.16	688	0.03
Payroll Tax	5,501	0.14	1,882	0.07	4,074	0.13	3,182	0.12	1,825	0.09
Workers' Compensation	5,015	0.12	3,946	0.15	3,588	0.12	3,329	0.12	2,562	0.13
Other Expenses	53,934	1.33	63,467	2.43	44,905	1.47	33,307	1.21	27,708	1.40
TOTAL EXPENSES	1,126,394	27.77	705,004	27.01	706,232	23.11	618,466	22.52	449,902	22.79
TOTAL INCOME	229,828	5.67	204,013	7.82	327,649	10.72	280,434	10.21	192,170	9.73
Less Proprietors' Salary (1) [Full-Time-Equivalents]	163,281	4.03	110,486	4.23	175,321	5.74	160,213	5.83	158,106	8.01
Less Return on Capital (2)	1,37		0.89		1.44		1.29		1.26	
	17,007	0.42	6,067	0.23	9,729	0.32	8,712	0.32	0	0.00
NET PROFIT/LOSS	49,539	1.22	87,459	3.35	142,599	4.67	111,509	4.06	34,064	1.73
SALES ANALYSIS										
Prescriptions	1,753,921	43.76	1,417,409	55.15	1,977,826	65.73	2,040,301	75.02	1,656,821	84.94
Other Sales	2,254,209	56.24	1,152,567	44.85	1,031,064	34.27	679,394	24.98	293,801	15.06
INVENTORY ANALYSIS										
Prescription	105,824	2.61	93,001	3.56	100,048	3.27	85,245	3.10	71,910	3.64
Other	346,085	8.53	177,483	6.80	199,923	6.54	121,763	4.43	73,724	3.73
STOCK CARRIED (Total)	451,909	11.14	270,484	10.36	299,970	9.81	207,008	7.54	145,634	7.38
STOCK TURN (On Total Inventory)	5.97		6.29		6.74		8.93		9.15	
SALES PER INVENTORY DOLLAR										
Prescription	16.57		15.24		19.77		23.93		23.04	
Other	6.51		6.49		5.16		5.58		3.99	
STATISTICS										
PHARMACY SIZE (square metres)	212		158		181		165		117	
PRESCRIPTIONS DISPENSED (Total)	51,259		42,921		57,018		57,033		48,479	
PRESCRIPTIONS DISPENSED WEEKLY	983		823		1,094		1,094		930	
TOTAL HOURS OPEN per WEEK	64		61		62		59		55	
AV HRS WORKED BY PROPRIETORS/WEEK	52		34		55		49		48	
FUNDS RETAINED IN BUSINESS (3)	130,015	3.21	88,555	3.39	196,486	6.43	129,561	4.72	68,097	3.45

(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 7% (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 30/06/07)

Table 21

	Less Than 50		50 - 60		60 - 70		70 or More	
SALES, EXPENSES & PROFITABILITY	\$	%	\$	%	\$	%	\$	%
SALES	1,689,087		2,148,558		2,892,141		4,225,879	
COST OF GOODS SOLD	1,148,865	68.02	1,454,760	67.71	1,963,032	67.87	2,845,505	67.34
GROSS MARGIN	540,222	31.98	693,798	32.29	929,108	32.13	1,380,375	32.66
Commissions Received	12,723		30,493		39,302		50,920	
GROSS MARGIN PLUS COMMISSIONS	552,944		724,291		968,411		1,431,294	
TOTAL REVENUE	1,701,809	100.00	2,179,051	100.00	2,931,443	100.00	4,276,799	100.00
EXPENSES								
Salaries and Wages	183,658	10.79	230,808	10.59	342,518	11.68	505,340	11.82
Rent Paid	32,712	1.92	77,121	3.54	108,127	3.69	154,297	3.61
Outgoings - Rental & Rates	1,571	0.09	1,563	0.07	4,204	0.14	6,811	0.16
Accounting	5,789	0.34	7,961	0.37	11,935	0.41	15,238	0.36
Advertising	8,403	0.49	15,324	0.70	27,276	0.93	41,499	0.97
Bank Charges	4,188	0.25	7,671	0.35	8,682	0.30	12,746	0.30
Computer Expenses	6,211	0.36	6,690	0.31	7,397	0.25	7,996	0.19
Depreciation	7,645	0.45	15,601	0.72	20,984	0.72	30,193	0.71
Electricity, Water, Heating	3,900	0.23	5,403	0.25	7,806	0.27	12,254	0.29
Insurance	7,063	0.42	7,609	0.35	9,643	0.33	10,204	0.24
Interest Paid	24,564	1.44	30,196	1.39	45,784	1.56	58,211	1.36
Leasing Expenses	4,043	0.24	6,350	0.29	4,768	0.16	5,243	0.12
Motor Vehicle Expenses	4,992	0.29	4,575	0.21	4,420	0.15	4,307	0.10
Postage, Freight, Printing	6,736	0.40	7,240	0.33	11,945	0.41	15,810	0.37
Repairs, Maintenance, Service	3,082	0.18	3,671	0.17	4,620	0.16	5,770	0.13
Subs and Registrations	5,887	0.35	6,730	0.31	8,481	0.29	11,133	0.26
Superannuation	16,784	0.99	22,392	1.03	31,512	1.07	47,080	1.10
Telephone	4,242	0.25	5,358	0.25	7,248	0.25	8,407	0.20
Training	2,118	0.12	2,475	0.11	4,139	0.14	5,851	0.14
Abnormal Expenses	2,755	0.16	2,535	0.12	3,686	0.13	5,922	0.14
Payroll Tax	1,316	0.08	2,005	0.09	3,147	0.11	6,589	0.15
Workers' Compensation	2,165	0.13	2,682	0.12	3,711	0.13	5,296	0.12
Other Expenses	27,881	1.64	35,374	1.62	38,912	1.33	50,800	1.19
TOTAL EXPENSES	367,703	21.61	507,333	23.28	720,944	24.59	1,026,997	24.01
TOTAL INCOME	185,241	10.88	216,958	9.96	247,466	8.44	404,298	9.45
Less Proprietors' Salary (1) [Full-Time-Equivalents]	121,295	7.13	158,935	7.29	174,105	5.94	182,835	4.28
	0.95		1.28		1.43		1.48	
Less Return on Capital (2)	5,774	0.34	3,325	0.15	333	0.01	10,246	0.24
NET PROFIT/LOSS	58,172	3.42	54,698	2.51	73,028	2.49	211,217	4.94
SALES ANALYSIS								
Prescriptions	1,300,466	76.99	1,571,306	73.13	2,006,631	69.38	2,765,150	65.43
Other Sales	388,621	23.01	577,252	26.87	885,509	30.62	1,460,729	34.57
INVENTORY ANALYSIS								
Prescription	84,539	4.97	69,992	3.21	80,087	2.73	117,643	2.75
Other	110,069	6.47	116,241	5.33	176,281	6.01	205,179	4.80
STOCK CARRIED (Total)	194,607	11.44	186,233	8.55	256,369	8.75	322,822	7.55
STOCK TURN (On Total Inventory)	5.90		7.81		7.66		8.81	
SALES PER INVENTORY DOLLAR								
Prescription	15.38		22.45		25.06		23.50	
Other	3.53		4.97		5.02		7.12	
STATISTICS								
PHARMACY SIZE (square metres)	128		134		165		222	
PRESCRIPTIONS DISPENSED (Total)	38,009		45,679		56,893		78,408	
PRESCRIPTIONS DISPENSED WEEKLY	729		876		1,091		1,504	
TOTAL HOURS OPEN per WEEK	47		54		63		76	
AV HRS WORKED BY PROPRIETORS/WEEK	36		49		54		56	
FUNDS RETAINED IN BUSINESS (3)	45,347	2.66	101,798	4.67	134,980	4.60	225,117	5.26

(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 7% (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 2006-07

Table 22

	30 June 2006 (385 Pharmacies)		30 June 2007 (353 Pharmacies)		Amount and % of Change	
	\$	%	\$	%	\$	%
Assets	549,750	22.74	573,601	22.99	23,851	4.34
Liabilities	600,062	24.82	692,338	27.75	92,276	15.38
Net Worth	-50,312	-2.08	-118,738	-4.76	-68,426	-136.00
Total Revenue	2,417,751	100.00	2,495,124	100.00	77,373	3.20
Trading Profit	232,956	9.64	236,589	9.48	3,633	1.56

**AUSTRALIAN PHARMACIES – BALANCE SHEET 2006-07
BY TURNOVER GROUP**

Table 23

	Under \$1,000,000		\$1.0M - \$1.5M		\$1.5M - \$2.0M		\$2.0M - \$2.5M	
	\$	%	\$	%	\$	%	\$	%
Assets	283,725	35.87	271,667	21.35	417,242	23.44	570,349	24.76
Liabilities	262,498	33.19	375,069	29.48	533,671	29.99	713,730	30.99
Net Worth	21,228	2.68	-103,403	-8.13	-116,429	-6.54	-143,381	-6.23
Total Revenue	790,925	100.00	1,272,177	100.00	1,779,716	100.00	2,303,190	100.00
Trading Profit	52,073	6.58	129,756	10.20	196,685	11.05	214,637	9.32

	\$2.5M - \$3.0M		\$3.0M - \$4.0M		\$4.0M - \$5.0M		OVER \$5.0M	
	\$	%	\$	%	\$	%	\$	%
Assets	555,229	19.69	800,646	22.95	1,060,232	23.51	1,320,776	20.03
Liabilities	712,849	25.28	1,158,494	33.21	1,135,816	25.19	1,268,524	19.24
Net Worth	-157,620	-5.59	-357,847	-10.26	-75,584	-1.68	52,252	0.79
Total Revenue	2,819,380	100.00	3,488,443	100.00	4,509,547	100.00	6,594,394	100.00
Trading Profit	264,235	9.37	370,384	10.62	432,258	9.59	544,477	8.26

TABLE 24

BENEFIT PRESCRIPTION STATISTICS, STATES AND TERRITORIES - 2006/2007

Benefit prescriptions	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUSTRALIA
	(\$'000)								
COMMONWEALTH GOVERNMENT									
PAYMENTS ON BENEFIT PRESCRIPTIONS									
General	297,465	216,599	172,257	69,182	91,840	18,513	5,430	18,990	890,276
Concessional	1,208,483	884,940	660,313	303,616	303,086	96,204	12,182	39,179	3,508,003
Safety Net (a)	382,636	263,664	205,788	91,356	80,757	31,770	1,841	9,667	1,067,479
TOTAL (b)	1,888,584	1,365,203	1,038,358	464,154	475,683	146,487	19,453	67,836	5,465,758
PATIENT CONTRIBUTION ON BENEFIT PRESCRIPTIONS									
General	199,708	146,350	116,865	43,307	61,063	12,653	3,833	12,705	577,494
Concessional	190,245	141,165	104,388	47,536	48,179	15,814	1,859	5,649	573,825
TOTAL (b)	389,953	287,515	221,253	90,843	109,242	28,467	5,692	18,354	1,151,319
TOTAL BENEFIT PRESCRIPTION COST									
	2,278,537	1,652,718	1,259,611	554,997	584,925	174,954	25,145	86,190	6,617,077
DISSECTION OF COSTS (c)									
Cost of Ingredients and containers	1,810,495	1,309,366	1,001,625	440,932	467,393	136,857	20,531	71,024	5,258,223
Suppliers' remuneration	468,042	343,352	257,986	114,065	117,532	38,097	4,614	15,166	1,358,854
Total	2,278,537	1,652,718	1,259,611	554,997	584,925	174,954	25,145	86,190	6,617,077
BENEFIT PRESCRIPTIONS ('000)									
General	6,653	4,876	3,893	1,443	2,035	421	128	423	19,872
Concessional	39,646	29,414	21,758	9,905	10,045	3,292	388	1,179	115,627
Safety Net (a)	11,627	8,204	6,278	2,769	2,466	1,002	55	275	32,676
Total (b)	57,926	42,494	31,929	14,117	14,546	4,715	571	1,877	168,175
AVERAGE TOTAL COST PER PRESCRIPTION									
General	74.73	74.44	74.27	77.95	75.14	74.03	72.37	74.93	73.86
Concessional	35.28	34.88	35.15	35.45	34.97	34.03	36.19	38.02	35.30
Safety Net (a)	32.91	32.14	32.78	32.99	32.75	31.71	33.47	35.15	32.67
Total	39.34	38.89	39.45	39.31	40.21	37.11	44.04	45.92	39.35

(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 2006/07

Source: Commonwealth Department of Health and Ageing.

TABLE 25

COST OF PHARMACEUTICAL BENEFITS, 1999-00 TO 2006-07

(\$'000)

Year ending 30 June:	2001	2002	2003	2004	2005	2006	2007
COMMONWEALTH GOVERNMENT PAYMENTS ON BENEFIT PRESCRIPTIONS (a)							
General	662,096	691,204	750,544	824,131	850,691	850,095	890,276
Safety Net	128,174	148,499	169,805	190,683	222,668	216,247	174,128
Concessional (b)	2,359,645	2,569,368	2,747,330	2,972,332	3,077,034	3,145,480	3,333,876
Concessional Safety Net	660,301	778,412	907,524	1,004,523	1,145,497	1,172,502	1,067,478
TOTAL COMMONWEALTH PAYMENTS	3,810,216	4,187,483	4,575,203	4,991,669	5,295,890	5,384,324	5,465,758
PATIENT CONTRIBUTIONS							
General Benefit Prescriptions	392,430	426,973	470,555	524,763	572,963	606,898	596,483
Concessional Benefit Prescriptions	351,732	379,074	389,188	413,053	467,674	516,372	554,837
TOTAL PATIENT CONTRIBUTIONS	744,162	806,048	859,744	937,816	1,040,637	1,123,270	1,151,320
Total cost of benefit prescriptions (including patients' contributions)	4,554,378	4,993,531	5,434,947	5,929,485	6,336,527	6,507,594	6,617,078
Commonwealth Government payments through miscellaneous services	347,902	396,387	477,352	570,500	660,000	764,700	850,900
Total cost of pharmaceutical benefits	4,902,280	5,389,918	5,912,299	6,499,985	6,996,527	7,272,294	7,467,978
Total Commonwealth Government payments	4,186,000	4,583,870	5,052,555	5,562,169	5,955,890	6,149,024	6,316,658

(a) Sourced from PBS claims processing at Medicare Australia 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 2007

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	1,810,495	468,042	2,278,537
VIC	1,309,366	343,352	1,652,718
QLD	1,001,625	257,986	1,259,611
SA	440,932	114,065	554,997
WA	467,393	117,532	584,925
TAS	136,857	38,097	174,954
NT	20,531	4,614	25,145
ACT	71,024	15,166	86,190
TOTAL	5,258,223	1,358,854	6,617,077

- 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%
2005/06	455,134,031	15,167,849	30.01	1.37%
2006/07	439,302,269	14,822,828	29.64	-1.23%
2007/08	445,626,200	14,256,149	31.26	5.47%

SOURCE: Commonwealth Department of Veterans' Affairs.

TABLE 28

**PHARMACEUTICAL BENEFITS
PRESCRIPTIONS AND DERIVED STATISTICS FOR THE YEAR ENDED 30 JUNE 2007**

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	57,926,177	6,653,060	39,646,120	11,626,997	39.34	74.73	35.28	32.91
VIC	42,493,838	4,875,605	29,414,363	8,203,870	38.89	74.44	34.88	32.14
QLD	31,929,038	3,893,273	21,757,860	6,277,905	39.45	74.27	35.15	32.78
SA	14,116,647	1,442,543	9,904,630	2,769,474	39.32	77.95	35.45	32.99
WA	14,545,853	2,034,515	10,045,636	2,465,702	40.21	75.14	34.97	32.75
TAS	4,715,038	421,401	3,291,864	1,001,773	37.11	74.03	34.03	31.71
NT	571,153	127,937	388,474	54,742	44.03	72.37	36.19	33.62
ACT	1,877,413	423,335	1,178,677	275,401	45.91	74.93	38.02	35.10
TOTAL	168,175,157	19,871,669	115,627,624	32,675,864	39.35	73.86	35.30	32.67

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 \$
1 January 1972	30 April 1972	0.39	33 1/3	0.64
1 May 1972	30 September 1972	0.42	33 1/3	0.64
1 October 1972	30 November 1972	0.44	33 1/3	0.64
1 December 1972	31 December 1972	0.45	33 1/3	0.64
1 January 1973	30 June 1973	0.50	33 1/3	0.72
1 July 1973	31 December 1973	0.61	33 1/3	0.83
1 January 1974	30 June 1974	0.68	33 1/3	0.90
1 July 1974	30 June 1975	0.84	33 1/3	1.06
1 July 1975	30 June 1976	0.90	33 1/3	1.12
1 July 1976	31 December 1976	1.02	33 1/3	1.24
1 January 1977	30 June 1977	1.07	33 1/3	1.29
1 July 1977	31 July 1978	1.21	33 1/3	1.43
1 August 1978	30 April 1980	1.35	25	1.95
1 May 1980	30 June 1980	1.31 *	25	1.91 *
1 July 1980	30 November 1980	1.31 1.39	25	1.91 1.99
1 December 1980	31 December 1980	1.26 1.34	25	1.89 1.97
1 January 1981	30 June 1981	1.26 1.44	25	1.89 2.07
1 July 1981	31 December 1981	1.51	25	2.14
1 January 1982	30 June 1982	1.66	25	2.29
1 July 1982	31 December 1983	1.73	25	2.54
1 January 1984	30 June 1984	1.98	25	2.89
1 July 1984	30 June 1985	2.13	25	3.09
1 July 1985	31 December 1985	2.30	25	3.33
1 January 1986	30 June 1986	2.35	25	3.40
1 July 1986	31 August 1986	2.40	25	3.47
1 September 1986	31 May 1987	2.46	25	3.56
1 June 1987	30 June 1988	2.50	25	3.62
1 July 1988	31 July 1988	2.59	25	3.76
1 August 1988	31 January 1989	2.64	25	3.83
1 February 1989	31 December 1989	2.59	25	3.76
1 January 1990	30 June 1990	2.54	25	3.68
1 July 1990	31 December 1990	2.57	25	3.72
1 January 1991	31 July 1992	3.43	10 **	4.96
1 August 1992	31 December 1992	3.57	10 **	5.16
1 January 1993	30 June 1993	3.69	10 **	5.34
1 July 1993	31 December 1993	3.75	10 **	5.43
1 January 1994	30 June 1994	3.83	10 **	5.55
1 July 1994	31 December 1994	3.98	10 **	5.77
1 January 1995	30 June 1995	4.06	10 **	5.89
1 July 1995	30 June 1996	4.27	10 **	6.10
1 July 1996	30 June 1997	4.29	10 **	6.13
1 July 1997	30 June 1998	4.34	10 **	6.20
1 July 1998	30 June 1999	4.34	10 **	6.20
1 July 1999	30 June 2000	4.39	10 **	6.27

TABLE 29 (Cont.)

From	To	RP ITEMS		EP ITEMS
		Professional Fee \$	Markup on Wholesale Price %	Professional Fee \$
1 February 2001	30 June 2001	4.50	10 ***	6.38
1 July 2001	30 September 2001	4.53	10 ***	6.44
1 October 2001	30 January 2002	4.68	10 ***	6.59
1 February 2002	30 June 2002	4.58	10 ***	6.49
1 July 2002	30 June 2003	4.62	10 ***	6.56
1 July 2003	30 June 2004	4.66	10 ***	6.63
1 July 2004	30 June 2005	4.70	10 ***	6.70
1 July 2005	30 November 2005	4.75	10 ***	6.78
1 December 2005	30 June 2006	4.94	10 ***	6.97
1 July 2006	30 June 2007	5.15	10 ~	7.19
1 July 2007	31 July 2007	5.32	10 ~	7.36
1 August 2007	30 June 2008	5.44	10 ~	7.48
1 July 2008	31 July 2008	5.81	10 ~	7.85
1 August 2008		5.99	~~	8.03

* 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.

~ As above, except for items with approved price to pharmacists of more than \$1000, to which a \$40 markup applies.

~~ 15% Mark-up applied to items with approved price to pharmacists of less than \$30.00.
 \$4.50 Mark-up applies to items with approved price to pharmacists of between \$30.00 and \$45.00.
 10% Mark-up applies to items with approved price to pharmacists of between \$45.00 and \$180.00.
 \$18 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 between \$450.00 and \$1750.00.
 \$70 Mark-up applies to items with approved price to pharmacists of more than \$1750.00

Source: Commonwealth Department of Health and Ageing

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 %
January 2006	MAX \$29.50	46 %	\$4.70	14 %
January 2007	MAX \$30.70	45 %	\$4.90	14 %
January 2008	MAX \$31.30	46 %	\$5.00	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 @@	2.68	4.66	7.34	20.48	165,435
2004/05	37.30 @@	2.79	4.70	7.49	20.08	169,877
2005/06	38.75 @@	2.88	4.86	7.74	19.97	167,927
2006/07	39.35 @@	2.86	5.22	8.08	20.53	168,536
2007/08	41.54 @@	2.95	5.50	8.45	20.34	171,296

* 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 2007)

Ranking	Drug Name	Prescriptions	% of Total Scripts	Government Cost (\$)	% of Total Cost
1	ATORVASTATIN CALCIUM	9,440,627	5.60	529,732,351	9.67
2	SIMVASTATIN	5,817,515	3.45	288,468,799	5.27
3	CLOPIDOGREL HYDROGEN SULFATE	2,111,423	1.25	157,471,339	2.88
4	OLANZAPINE	740,843	0.44	153,342,138	2.80
5	FLUTICASONE PROPIONATE with SALMETEROL	2,645,985	1.57	148,227,906	2.71
6	ESOMEPRAZOLE MAGNESIUM TRIHYDRATE	4,080,968	2.42	147,772,321	2.70
7	OMEPRAZOLE	3,556,085	2.11	102,888,443	1.88
8	VENLAFAXINE HYDROCHLORIDE	2,203,061	1.31	88,183,494	1.61
9	PRAVASTATIN SODIUM	1,736,042	1.03	86,384,347	1.58
10	ALENDRONATE SODIUM	1,786,145	1.06	82,503,664	1.51
11	PANTOPRAZOLE SODIUM SESQUIHYDRATE	2,680,230	1.59	81,677,563	1.49
12	TIOTROPIUM BROMIDE MONOHYDRATE	1,140,278	0.68	79,611,499	1.45
13	RISPERIDONE	425,783	0.25	73,468,307	1.34
14	RITUXIMAB	33,170	0.02	60,378,949	1.10
15	PERINDOPRIL	3,313,045	1.97	57,958,941	1.06
16	IRBESARTAN	2,727,827	1.62	57,332,331	1.05
17	ETANERCEPT	31,202	0.02	55,231,086	1.01
18	IRBESARTAN with HYDROCHLOROTHIAZIDE	2,560,820	1.52	54,117,880	0.99
19	QUETIAPINE FUMARATE	248,778	0.15	49,131,811	0.90
20	RABEPRAZOLE SODIUM	1,625,917	0.96	48,887,920	0.89
21	GOSERELIN ACETATE	55,997	0.03	46,719,777	0.85
22	VALACICLOVIR HYDROCHLORIDE	307,352	0.18	46,343,787	0.85
23	SERTRALINE HYDROCHLORIDE	2,147,676	1.27	46,313,001	0.85
24	RAMIPRIL	2,475,810	1.47	45,087,779	0.82
25	CARVEDILOL	506,670	0.30	42,940,441	0.78
26	OXYCODONE HYDROCHLORIDE	1,306,152	0.77	42,153,128	0.77
27	INTERFERON BETA-1b	33,977	0.02	39,304,558	0.72
28	LATANOPROST	1,329,235	0.79	38,701,591	0.71
29	SALBUTAMOL SULFATE	2,633,524	1.56	38,535,554	0.70
30	ADALIMUMAB	21,752	0.01	37,812,832	0.69
31	EZETIMIBE	629,871	0.37	37,228,345	0.68
32	INTERFERON BETA-1a	35,328	0.02	36,692,815	0.67
33	PACLITAXEL	16,377	0.01	30,485,522	0.56
34	MELOXICAM	1,637,405	0.97	35,508,051	0.65
35	AMLODIPINE	1,846,979	1.10	33,593,510	0.61
36	CELECOXIB	1,398,445	0.83	32,721,686	0.60
37	OXALIPLATIN	19,884	0.01	32,201,052	0.59
38	METFORMIN HYDROCHLORIDE	2,670,114	1.58	31,711,021	0.58
39	MORPHINE SULFATE	660,601	0.39	31,152,573	0.57
40	PERINDOPRIL with INDAPAMIDE HEMIHYDR.	1,258,193	0.75	30,624,357	0.56
41	EZETIMIBE	514,861	0.31	31,529,685	0.58
42	ROSIGLITAZONE MALEATE	456,491	0.27	30,103,140	0.55
43	LEUPRORELIN ACETATE	26,772	0.02	30,098,821	0.55
44	CITALOPRAM HYDROBROMIDE	1,095,056	0.65	29,854,717	0.55
45	CANDESARTAN CILEXETIL	1,317,408	0.78	29,214,705	0.53
46	INSULIN NEUTRAL-INSULIN ISOPHANE (N.P.	144,189	0.09	28,811,485	0.53
47	LERCANIDIPINE HYDROCHLORIDE	1,185,730	0.70	27,933,582	0.51
48	DONEPEZIL HYDROCHLORIDE	182,671	0.11	27,437,824	0.50
49	RISEDRONATE SODIUM	572,004	0.34	26,815,163	0.49
50	FAMCICLOVIR	107,176	0.06	26,517,291	0.48
		75,499,444	44.80	3,446,918,882	62.93

TABLE 33

MOST FREQUENTLY PRESCRIBED PBS DRUGS BY GENERIC NAME
(Year ended 30 June 2007)

Ranking	Drug Name	Prescriptions	% of Total Scripts	Government Cost (\$)	% of Total Cost
1	ATORVASTATIN CALCIUM	9,440,627	5.60	529,732,351	9.67
2	SIMVASTATIN	5,817,515	3.45	288,468,799	5.27
3	ESOMEPRAZOLE MAGNESIUM TRIHYDRATE	4,080,968	2.42	147,772,321	2.70
4	OMEPRAZOLE	3,556,085	2.11	102,888,443	1.88
5	PERINDOPRIL	3,313,045	1.97	57,958,941	1.06
6	PARACETAMOL	3,308,205	1.96	22,125,102	0.40
7	ATENOLOL	2,964,234	1.76	19,899,816	0.36
8	IRBESARTAN	2,727,827	1.62	57,332,331	1.05
9	PANTOPRAZOLE SODIUM SESQUIHYDRATE	2,680,230	1.59	81,677,563	1.49
10	METFORMIN HYDROCHLORIDE	2,670,114	1.58	31,711,021	0.58
11	FLUTICASON PROPRIONATE with SALMETEF	2,645,985	1.57	148,227,906	2.71
12	SALBUTAMOL SULFATE	2,560,820	1.52	38,535,554	0.70
13	IRBESARTAN with HYDROCHLOROTHIAZIDE	2,560,820	1.52	54,117,880	0.99
14	RAMIPRIL	2,475,810	1.47	45,087,779	0.82
15	CODEINE PHOSPHATE with PARACETAMOL	2,386,330	1.42	17,004,680	0.31
16	AMOXYCILLIN	2,292,118	1.36	14,205,967	0.26
17	VENLAFAXINE HYDROCHLORIDE	2,203,061	1.31	88,183,494	1.61
18	SERTRALINE HYDROCHLORIDE	2,147,676	1.27	46,313,001	0.85
19	CLOPIDOGREL HYDROGEN SULFATE	2,111,423	1.25	157,471,339	2.88
20	CEPHALEXIN	2,022,360	1.20	15,366,559	0.28
21	WARFARIN SODIUM	2,076,323	1.23	10,287,335	0.19
22	TEMAZEPAM	1,901,927	1.13	6,799,681	0.12
23	VENLAFAXINE HYDROCHLORIDE	1,940,639	1.15	82,006,292	1.50
24	ALENDRONATE SODIUM	1,786,145	1.06	82,503,664	1.51
25	PRAVASTATIN SODIUM	1,736,042	1.03	86,384,347	1.58
26	TRAMADOL HYDROCHLORIDE	1,694,882	1.01	24,891,312	0.45
27	MELOXICAM	1,637,405	0.97	35,508,051	0.65
28	DIAZEPAM	1,626,142	0.96	5,859,771	0.11
29	RABEPRAZOLE SODIUM	1,625,917	0.96	48,887,920	0.89
30	AMOXYCILLIN with CLAVULANIC ACID	1,434,915	0.85	16,399,176	0.30
31	CELECOXIB	1,398,445	0.83	32,721,686	0.60
32	LATANOPROST	1,329,235	0.79	38,701,591	0.71
33	CANDESARTAN CILEXETIL	1,317,408	0.78	29,214,705	0.53
34	OXYCODONE HYDROCHLORIDE	1,306,152	0.77	42,153,128	0.77
35	PERINDOPRIL with INDAPAMIDE HEMIHYDR/	1,258,193	0.75	30,624,357	0.56
36	GLICLAZIDE	1,207,165	0.72	13,181,988	0.24
37	ASPIRIN	1,192,158	0.71	4,057,740	0.07
38	FRUSEMIDE	1,186,714	0.70	6,140,849	0.11
39	LERCANIDIPINE HYDROCHLORIDE	1,185,730	0.70	27,933,582	0.51
40	FELODIPINE	1,142,513	0.68	22,499,677	0.41
41	TIOTROPIUM BROMIDE MONOHYDRATE	1,140,278	0.68	79,611,499	1.45
42	DILTIAZEM HYDROCHLORIDE	1,139,558	0.68	24,013,917	0.44
43	METOPROLOL TARTRATE	1,126,969	0.67	8,505,911	0.16
44	CITALOPRAM HYDROBROMIDE	1,095,056	0.65	29,854,717	0.55
45	OXAZEPAM	1,067,541	0.63	3,301,550	0.06
46	ROXITHROMYCIN	1,026,517	0.61	8,338,421	0.15
47	RANITIDINE HYDROCHLORIDE	971,301	0.58	16,043,078	0.29
48	TELMISARTAN	947,927	0.56	18,147,642	0.33
49	MIRTAZAPINE	906,167	0.54	24,216,293	0.44
50	PAROXETINE HYDROCHLORIDE	904,811	0.54	23,381,474	0.43
		104,275,428	61.87	2,846,252,201	51.97

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	20,281,400	4,921	4,121
2006	20,551,500	4,951	4,151
2007	20,948,900	4,992	4,196
2008	21,282,600	5,005	4,252

TABLE 35

TRENDS IN POPULATION TO PHARMACY RATIOS

30 JUNE 2007				30 JUNE 2008			
STATE OR TERRITORY	POPULATION ('000)	NUMBER OF PHARMACIES	POPULATION/ PHARMACY	POPULATION ('000)	NUMBER OF PHARMACIES	POPULATION/ PHARMACY	% Change in Population to Pharmacy Ratios
NSW	6,875.7	1,708	4,026	6,947.0	1,722	4,034	0.2
VIC	5,188.1	1,170	4,434	5,274.4	1,161	4,543	2.5
QLD	4,162.0	987	4,217	4,253.2	987	4,309	2.2
SA	1,581.4	400	3,954	1,598.0	407	3,926	-0.7
WA	2,094.5	509	4,115	2,149.1	508	4,231	2.8
TAS	492.7	133	3,705	497.3	132	3,767	1.7
NT	213.8	26	8,223	218.4	27	8,089	-1.6
ACT	338.2	59	5,732	342.7	61	5,618	-2.0
AUSTRALIA	20,948.9	4,992	4,196	21,282.6	5,005	4,252	1.3

TABLE 36

PHARMACIES DISPENSING PHARMACEUTICAL BENEFITS
STATES AND TERRITORIES 1992 TO 2008

(Number at 30 June)

STATE OR TERRITORY	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
NSW	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	1,705	1,708	1,722
VIC	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	1,166	1,170	1,161
QLD	946	936	935	931	942	952	959	959	954	951	948	944	953	952	963	987	987
SA	399	392	390	386	386	385	383	386	386	387	385	386	389	391	399	400	407
WA	460	458	456	457	467	470	474	477	478	479	480	484	489	492	502	509	508
TAS	145	144	144	142	143	144	143	140	140	140	140	139	135	134	131	133	132
NT	25	25	26	26	26	27	27	28	28	28	30	28	28	27	27	26	27
ACT	60	59	59	58	58	57	58	59	57	57	57	57	57	58	58	59	61
AUSTRALIA	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	4,951	4,992	5,005

Source: Medicare Australia

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	891.20	2.2
JUNE 05	300.1	2.5	367.1	5.1	942.70	5.8
JUNE 06	312.0	4.0	378.9	3.2	985.10	4.5
JUNE 07	318.5	2.1	384.4	1.5	1038.40	5.4
JUNE 08	332.9	4.5	389.5	1.3	1072.30	3.3

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

(b) All Males.

Chart 6

