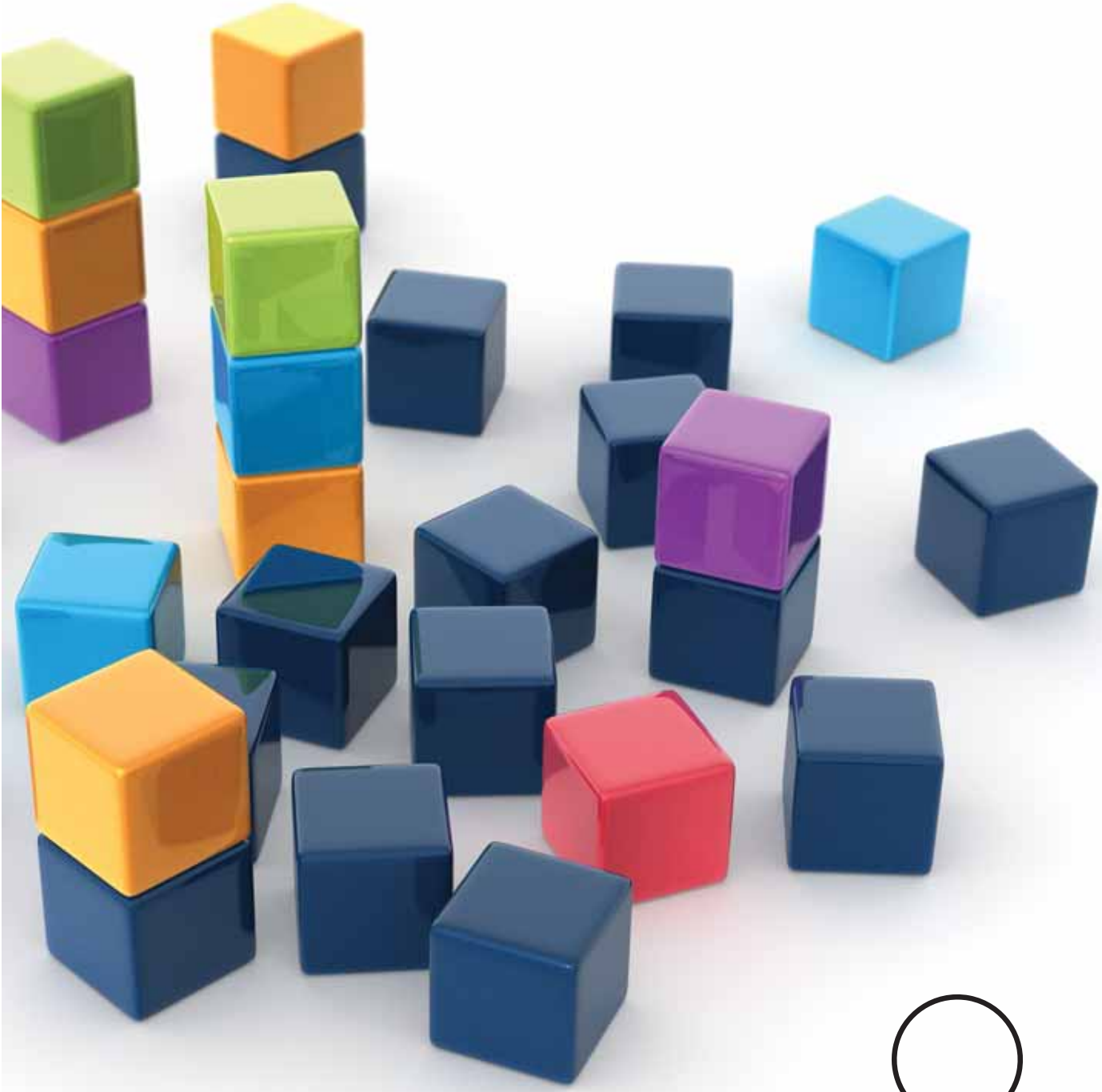
NPS

National Prescribing Service Limited



FINANCIAL AND DIRECTORS' REPORT 2007–8

Celebrating 10 years of thinking differently about medicines

Directors' Report

The directors present their report on the results of National Prescribing Service Limited (the Company) for the financial year ended 30 June 2008.

Directors

The directors in office at any time during or since the end of the year are:

- Jennifer Bergin (resigned 24/8/2008) (alternate — Gregory Peterson, resigned 24/8/2008)
- Roger Boyd (resigned 19/10/2007)
- Shane Carney
- Russell Edwards
- Susan Hunt
- Graeme Killer
- Ross Maxwell
- Katherine Moore (alternate — Diane Walsh, appointed 2/8/2007)
- Janette Randall
- Deborah Rigby (appointed 25/8/2008)
- Shiong Kok Tan (alternate — Michael Nolan, appointed 2/3/2008)

Other details of directors are shown in the non-financials Annual Report document.

Secretary

Nick Geddes FCA FCIS was appointed as Company Secretary on 7 April 1998.

Name of director	Qualifications, experience and special responsibilities	Class of directorship	Board committee memberships	Interests in shares	Interests in contracts
Jennifer Bergin	Director, NPS	Pharmacy	Audit Committee	Nil	Nil
Shane Carney	Director, NPS	Other prescribers/research	Governance & Nomination Committee	Nil	Nil
Russell Edwards	Director, NPS	Other	Chair, Audit Committee	Nil	Nil
Susan Hunt	Director, NPS	Other	Governance & Nomination Committee	Nil	Nil
Graeme Killer	Director, NPS	Government	Governance & Nomination Committee	Nil	Nil
Ross Maxwell	Director, NPS	General practitioner	Audit Committee	Nil	Nil
Katherine Moore	Director, NPS	Consumer	Chair, Governance & Nomination Committee	Nil	Nil
Janette Randall	Chair, NPS	General practitioner	Audit Committee	Nil	Nil
Shiong Kok Tan	Director, NPS	General practitioner	Governance & Nomination Committee	Nil	Nil

Meetings of directors

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of the Company during the financial year are:

Name of director	Meetings of directors		Audit Committee meetings		Governance & Nomination Committee meetings	
	Number eligible to attend	Number of meetings attended	Number eligible to attend	Number of meetings attended	Number eligible to attend	Number of meetings attended
Jennifer Bergin	8	8	5	5	–	–
Roger Boyd	3	3	1	1	–	–
Shane Carney	8	7	–	–	5	5
Russell Edwards	8	7	5	4	–	–
Susan Hunt	8	5	–	–	5	5
Graeme Killer	8	7	–	–	5	3
Ross Maxwell	8	6	4	3	–	–
Katherine Moore	8	8	–	–	4	4
Janette Randall	8	8	5	5	–	–
Shiong Kok Tan	8	4	–	–	5	3
Alternates						
Jennifer Bergin (Alternate — Gregory Peterson)	–	–	–	–	–	–
Katherine Moore (Alternate — Diane Walsh)	–	–	–	–	–	–
Shiong Kok Tan (Alternate — Michael Nolan)	1	1	–	–	–	–

Principal activities

National Prescribing Service Limited (NPS) is the quality use of medicines (QUM) agency for Australia's National Medicines Policy. Our work is relevant to decisions about medicine use by an individual or within a community. The term 'medicine' includes prescription, non-prescription and complementary medicines. Our purpose is to enable the best decisions about medicines, thus creating better health and better economic outcomes.

Operating results

The net amount of the surplus for the year ended 30 June 2008 was $52,820 (2007 — $60,468).

Review of operations

As a result of variation in the Community Quality Use of Medicines contract with the Department of Health and Ageing, additional funding of $4.4 million was received in June 2008 to develop and deliver a program which raises awareness of generic medicines to support PBS changes to be implemented from 1 August 2008. This amount has been held as Prepaid Committed Income to fund this activity across most programs in the year ahead.

At the request of the Minister for Health, NPS took over management of the Adverse Medicines Events Line in November 2007 and made $200,000 available for this purpose. In addition, $150,000 was transferred to the Department of Health and Ageing at their request to supplement funding for the Return of Unwanted Medicines program.

During the financial year, NPS qualified as a Health Promotion Charity, and in December 2007 was endorsed by the Australian Tax Office to access charity tax concessions.

Significant changes in state of affairs

No significant changes in the Company's state of affairs occurred during the financial year.

Future developments

Three of the Company's funding agreements with the Australian Government Department of Health and Ageing are due to expire in June 2009: the Core Quality Use of Medicines contract; the Australian Prescriber contract and the Community Quality Use of Medicines contract. Negotiations are underway to extend the period of all three contracts for a further four years to June 2013.

Environmental issues

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Indemnification and insurance of directors, officers and auditors

Indemnification

Since the end of the previous financial year, the Company has not indemnified or made a relevant agreement for indemnifying against a liability to any person who is or has been a director, officer or auditor of the Company.

Insurance premiums

During the financial year the Company has paid premiums in respect of directors' and officers' liability insurance contracts for the year ended 30 June 2008.

The Company has paid or agreed to pay premiums in respect of such insurance contracts for the year ending 30 June 2009.

Such insurance contracts insure against certain liability (subject to specified exclusions) to persons who are or have been directors or executive officers of the Company.

Directors have not included details of the nature of the liabilities covered or the amount of the premiums paid as such disclosure is prohibited under the terms of the contract.

Events subsequent to balance date

No matters or circumstances have arisen since the end of the financial year which will have a significant effect on the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Court proceedings

No person has applied for leave of the Court to bring proceedings on behalf of the Company or intervened in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Lead auditor's independence declaration

A copy of the lead auditor's independence declaration, as required under section 307C of the Corporations Act 2001, is set out on page 6.

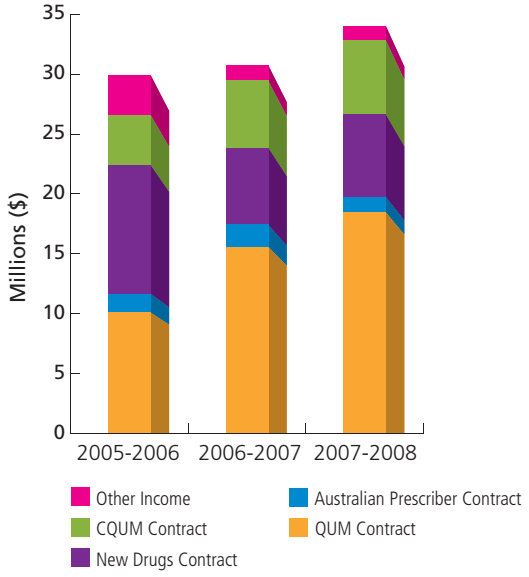
Signed in accordance with a resolution of the Board of Directors.

Dr J Randall
Chair of National Prescribing Service Limited

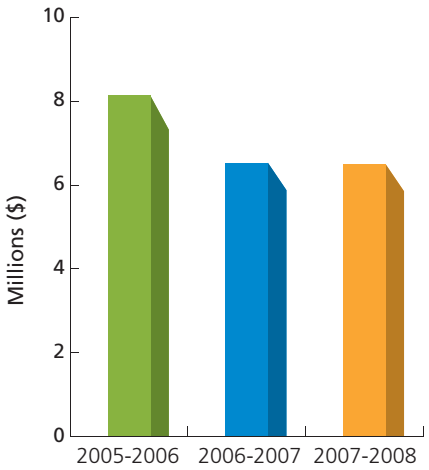
Mr R Edwards
Director & Chair of the Audit Committee

Dated this 19th day of September 2008

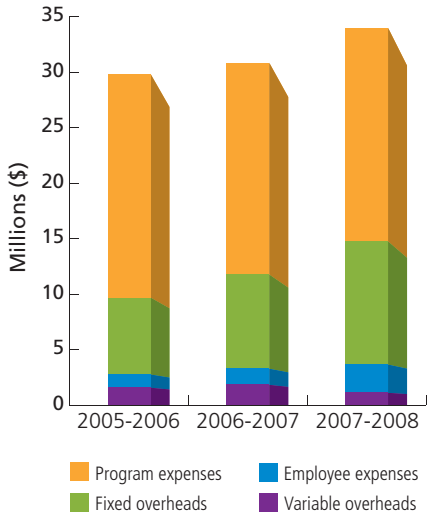
Revenue sources



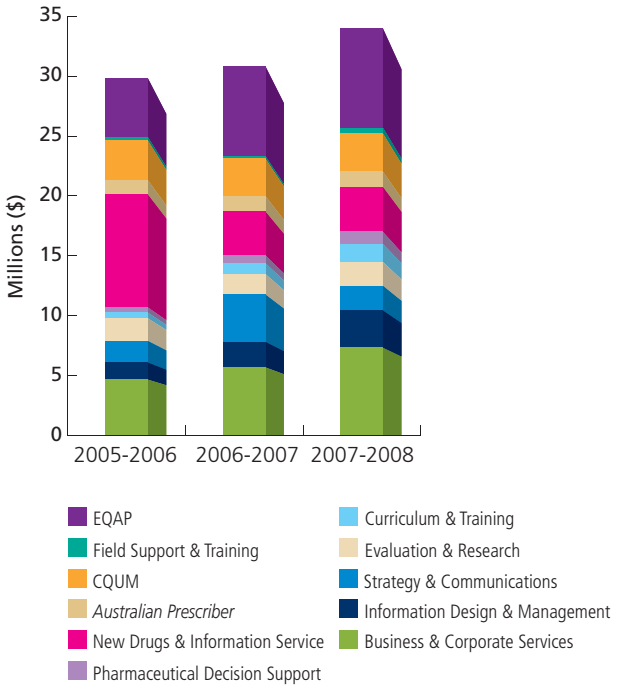
Contract payments to Divisions of General Practice



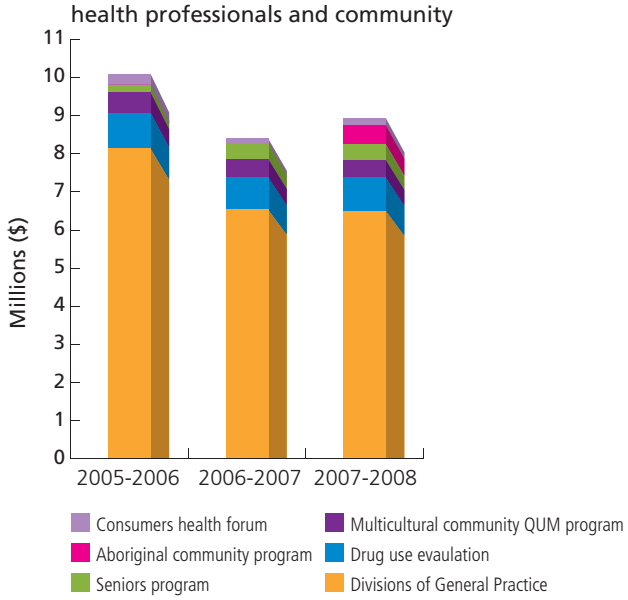
Comparison of expenditure by category



Expenditure by Cost Centre



QUM Program – major contracts with health professionals and community



VJR
V·J·RYAN
& CO
CHARTERED ACCOUNTANTS
A.B.N. 55 704 784 107

The Board of Directors
National Prescribing Service Limited
Level 7
418A Elizabeth Street
SURRY HILLS NSW 2010

Dear Board Members

Lead Auditor's Independence Declaration to the Directors of National Prescribing Service Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2008 there have been:

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

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

V.J. Ryan & Co

V.J. RYAN & CO
CHARTERED ACCOUNTANTS

Level 5
255 George Street
Sydney NSW 2000

Peter D Wyer
PARTNER

DATED THIS 19TH DAY OF SEPTEMBER 2008 AT SYDNEY

Income Statement for the year ended 30 June 2008

	Note	2008 $	2007 $
Revenue	4	32,834,406	29,464,255
Program expenses			
Total program expenses	5	(19,237,973)	(18,919,065)
Gross surplus		**13,596,433**	**10,545,190**
Other income	4	412,287	339,180
Finance income	5	781,524	946,802
Finance costs	5	–	–
Employee related costs	5	(11,093,448)	(8,527,075)
Overheads – fixed costs	5	(2,545,978)	(1,474,988)
Overheads – variable costs	5	(1,097,998)	(1,768,641)
Net operating surplus before income tax		**52,820**	**60,468**
Income tax expense	2(k)	–	–
Operating surplus after income tax		**52,820**	**60,468**

The Income Statement is to be read in conjunction with the notes to the financial statements.

Balance Sheet as at 30 June 2008

	Note	2008 $	2007 $
Assets			
Current assets			
Cash and cash equivalents	7	14,465,351	15,559,216
Trade and other receivables	8	593,105	109,335
Other current assets	9	2,154,763	2,227,428
Total current assets		**17,213,219**	**17,895,979**
Non-current assets			
Property, plant and equipment	10	1,440,036	932,658
Total non-current assets		**1,440,036**	**932,658**
Total assets		**18,653,255**	**18,828,637**
Liabilities			
Current liabilities			
Trade and other payables	11	17,235,188	17,866,173
Provisions	12	840,555	427,415
Total current liabilities		**18,075,743**	**18,293,588**
Non-current liabilities			
Provisions	12	178,359	188,716
Total non-current liabilities		**178,359**	**188,716**
Total liabilities		**18,254,102**	**18,482,304**
Net assets		**399,153**	**346,333**
Equity			
Retained earnings	13	399,153	346,333
Total equity		**399,153**	**346,333**

The Balance Sheet is to be read in conjunction with the notes to the financial statements.

Statement of Changes in Equity for the year ended 30 June 2008

	Note	2008 $	2007 $
Equity at the beginning of the year		346,333	285,865
Surplus for the year		52,820	60,468
Balance at the end of the year		**399,153**	**346,333**

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements.

Cash Flow Statement for the year ended 30 June 2008

	Note	2008 $	2007 $
Cash flows from operating activities			
DoHA funding		32,962,296	29,434,955
Receipts from customers		226,490	339,180
Interest received		781,524	946,802
Payments to suppliers and employees		(33,353,953)	(31,019,505)
Net cash provided by (used in) operating activities	15	**616,357**	**(298,568)**
Cash flows from investing activities			
Payments for property, plant and equipment		(1,710,222)	(534,552)
Net cash provided (used in) investing activities		**(1,710,222)**	**(534,552)**
Cash flows from financing activities			
Proceeds from borrowings		–	–
Net cash provided (used in) financing activities		–	–
Net increase/(decrease) in cash held		(1,093,865)	(833,120)
Cash and cash equivalents at the beginning of the year		**15,559,216**	16,392,336
Cash and cash equivalents at end of the year	15	**14,465,351**	**15,559,216**

The Cash Flow Statement is to be read in conjunction with the notes to the financial statements.

Notes to the Financial Statements for the year ended 30 June 2008

1 Corporate information

National Prescribing Service Limited (the Company) is a company domiciled in Australia.

The address of the registered office is *c/*- Australian Company Secretaries Pty Limited, Level 5, 255 George Street, Sydney, NSW 2000.

The nature of the operations and principal activities of the Company is acting as the quality use of medicines agency for Australia's National Medicines Policy.

The financial report was authorised for issue by the directors on 19 September 2008.

2 Statement of significant accounting policies

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations adopted by the Australian Accounting Standards Board) and the *Corporations Act 2001*.

It has been prepared on the basis of historical costs and, except for certain assets which are at valuation, does not take into account changing money values or current valuation of non-current assets.

The accounting policies have been consistently applied and, except where there is a change in accounting policy, are consistent with those of the previous period.

The financial report is presented in Australian dollars.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include the Australian equivalent to International Financial Reporting Standard (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(c) New standards and interpretations not yet adopted

The following standards, amended standards and interpretations have been identified as possibly impacting on the Company in the period of initial application. They are available for early adoption at 30 June 2008 but have not been applied in preparation of the financial report.

- Revised AASB101 Presentation of Financial Statements requires an additional financial statement of comprehensive income and is applicable for the Company's 30 June 2009 financial statements. The Company is determining the effect of the revised standard on disclosures.
- Revised AASB123 Borrowing Costs removes the option to expense borrowing costs on qualifying capital assets and requires capitalisation as part of the cost of the qualifying asset. The revised standard is applicable for the Company's 30 June 2009 financial statements and will represent a change in accounting policy. The Company will apply the standard to qualifying assets with associated borrowing costs on or after the effective date.

(d) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments (other than those held for trading purposes) are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as follows:

- held-to-maturity investments — at amortised cost less impairment losses
- Available-for-sale financial assets — at fair value and changes, other than impairment losses, and foreign exchange gains and losses are recognised in a separate component of equity
- financial assets (held for trading purposes) — at fair value through profit or loss
- Other — at amortised cost using the effective interest method, less any impairment losses.

Derivative financial instruments

No derivative financial instruments are used by the Company to hedge its interest rate exposures.

(e) Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that the asset may be impaired. A financial asset is considered impaired if the evidence indicates one or more events have had a negative effect on the estimated future cash inflows of that asset.

Individually significant financial assets are tested for impairment separately. The remaining financial assets are assessed on a group basis based on credit risk.

An impairment loss on a held-to-maturity investment is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss on an available-for-sale financial asset is calculated by reference to its fair value.

Impairment losses are recognised in the income statement.

(f) Impairment of non-financial assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of

Notes to the financial statements for the year ended 30 June 2008

impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(g) Revenue recognition

Revenue is recognised to the extent that it is probable that the accrued benefits will flow to the Company. The following specific recognition criteria also apply before revenue is recognised:

Government contract
Government contract income is recognised when the money is due.

Interest revenue
Interest revenue is recognised on a proportional basis taking into account the interest rate applicable to the financial assets.

Sale of non-current assets
The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal and is included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

(h) Trade and other receivables

Debtors are generally settled within 30 days and are carried at amounts due. The collectability of debts is assessed at year end and specific provision is made for any doubtful accounts. The carrying amount of debtors approximates fair value.

(i) Cash and cash equivalents

Cash and short-term deposits are carried at face value of the amounts deposited or drawn. The carrying amounts of cash and short-term deposits approximate net fair value. Interest revenue is accrued at market or contracted rates. Credit risk is minimised as all cash is held with a large bank which has an acceptable credit rating determined by a recognised rating agency.

(j) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company. Trade accounts payable are normally settled within 30 days. The carrying amount of accounts payable represents net fair value.

(k) Income tax

The Company has obtained an income tax ruling and is tax exempt pursuant to Section 50-B of the *Income Tax Assessment Act 1997*.

(l) Property, plant and equipment

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

Plant and equipment are measured on cost basis less depreciation and impairment losses.

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the Company commencing from the time assets are held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of lease or the estimated useful lives of the improvements. Assets costing less than $4,500 are depreciated fully in the year of purchase.

The depreciation rates used for each class of depreciable assets are:

Class of fixed assets	Depreciation rate
Office equipment	22.22%
Furniture and fittings	7.70%
Computer equipment	33.33%
Computer software	40.0%

The carrying value of property, plant and equipment is reviewed annually for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists, and where the carrying value exceeds the estimated recoverable amount, the items are written down to their recoverable amount.

Impairment losses are recognised in the income statement.

(m) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the period they are incurred.

(n) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated further cash outflows to be made for those benefits.

Contributions are made by the Company to employee superannuation funds and are charged as expenses when incurred.

(o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the

Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheets are shown inclusive of GST.

(p) Comparative figures

When required by the Australian Accounting Standards, comparative figures have been adjusted to conform to changes in the presentation for the current financial year.

(q) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

3 Financial risk management

Overview

The Company has exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Company's exposure to each of the above risks, the Board's objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Company manages and monitors its credit risk, liquidity risk and market risk through the use of an investment mandate set up by the Board of Directors, which provides limits and targets on investment activities. Regular reports are provided to the CEO and Audit Committee of the Company on investment activities and liquidity position, including where threshold triggers have been activated and remedial actions have been undertaken.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's sundry receivables.

The Company's exposure to Trade and Other Receivables credit risk is influenced mainly by the individual characteristics of each party.

The Company has no provision to cover potential losses that may arise from impairment of the Trade and Other Receivable balances.

The Company limits its exposure to investment credit risk by only investing in liquid securities with major financial institutions. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Liquidity risk

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

Typically, the Company ensures that operational liquidity is maintained,at all times at levels equivalent to normal operating expenditure for one month, so it can meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Market risk

Our investment policy aims to provide market-linked return on funds while minimising exposure to market risk such as fluctuations in interest rates, which will affect the value of the financial instruments, and mandated thresholds have been established for returns, duration and asset quality. Investments are held until maturity and maintained in the accounts on a historical cost basis.

4 Revenue	2008 $	2007 $
Operating activities		
Expended grant funds	32,834,406	29,464,255
Other income		
Expense recovery	150,618	64,507
Other income	261,669	274,673
Total	412,287	339,180

Notes to the financial statements for the year ended 30 June 2008

5 Surplus for the year	2008 $	2007 $
The surplus before income tax expense has been determined after crediting/charging the following items of income and expense:		
Program expenses		
Travel	1,087,397	743,271
Computers	119,893	76,774
Consumables	22,178	36,112
Communications	70,289	50,108
Distribution	986,598	738,561
Printing and design	2,093,701	1,672,345
Data processing	766,435	1,091,882
Support services	425,935	339,216
Public affairs management (including major campaigns)	266,024	2,678,366
Contracts (including partners in program delivery)	11,060,415	9,635,844
Grants	15,000	56,000
Fees (consultant fees and sitting fees)	2,324,108	1,800,586
Total program expenses	**19,237,973**	**18,919,065**
Finance income		
Interest on bank deposits	781,524	946,802
Total finance income	**781,524**	**946,802**
Finance costs		
Interest paid	–	–
Total finance costs	**–**	**–**
Employee related costs		
Wages	9,573,606	7,436,860
On costs	1,519,842	1,090,215
Total employee related costs	**11,093,448**	**8,527,075**
Overheads – fixed costs		
Premises	1,080,125	609,427
Administration	146,863	131,357
Insurances	109,818	148,466
Depreciation	1,209,172	585,738
Total overheads – fixed costs	**2,545,978**	**1,474,988**
Overheads – variable costs		
Travel	260,481	131,728
Computers	354,353	219,958
Consumables	66,249	147,303
Communications	71,186	68,544
Distribution	8,808	22,304
Printing and design	108,540	129,761
Support services	211,667	176,116
Public affairs management	2,450	8,529
Entertainment	75,958	39,361
Financial charges and interest	9,273	7,605
Fees (consultant fees and sitting fees)	493,973	301,952
Fringe benefits tax	(571,665)	515,480
Impairments of non-current assets	6,725	–
Total overheads – variable costs	**1,097,998**	**1,768,641**

5 Surplus for the year (continued)	2008 $	2007 $
Rental expenses on operating leases	968,995	527,804
Depreciation		
Furniture and fittings	293,708	105,863
Office equipment	45,455	32,465
Leasehold improvements	489,547	223,923
Computer equipment	251,270	140,263
Computer software	129,192	83,224
Total depreciation expense	1,209,172	585,738

6 Auditor's remuneration	2008 $	2007 $
Audit services		
Auditors of the Company		
V.J. Ryan & Co		
Auditing or reviewing the financial report	30,450	30,450
Other auditors		
Special audits	–	3,600
	–	3,600
Other services		
Auditors of the company		
V.J. Ryan & Co		
FBT advice	10,750	2,110
	10,750	2,110

7 Cash and cash equivalents	2008 $	2007 $
Current		
Cheque account	1,122,854	441,499
Business investment account	5,040,347	3,522,709
Term deposits	8,300,000	11,592,858
Petty cash	2,150	2,150
Total cash and cash equivalents	14,465,351	15,559,216

The effective interest rate on short-term bank deposits was 6.83% (2007: 6.18%).
These deposits have an average maturity of 45 days.

Notes to the financial statements for the year ended 30 June 2008

8 Trade and other receivables	2008 $	2007 $
Current		
Interest accrued	138,430	50,228
Other receivables	15,760	59,107
Fringe benefits tax refundable	438,915	–
Total trade and other receivables	**593,105**	**109,335**

9 Other current assets	2008 $	2007 $
Current		
Security deposit — other	368	368
Security deposit — lease Canberra	12,401	11,674
Security deposit — lease Sydney	201,789	188,737
Prepayments — DGP contract	1,753,561	1,753,561
Prepayments — other	182,889	270,400
Gift tokens	–	900
Parking vouchers	–	588
Corporate gifts	3,755	1,200
Total other current assets	**2,154,763**	**2,227,428**

10 Property, plant and equipment	2008 $	2007 $
Furniture and fittings – at cost	500,531	371,411
Accumulated depreciation	(471,686)	(178,626)
	28,845	192,785
Computer equipment – at cost	881,915	478,823
Accumulated depreciation	(589,007)	(338,024)
	292,908	140,799
Office equipment – at cost	146,092	127,660
Accumulated depreciation	(146,092)	(102,135)
	–	25,525
Leasehold improvements	1,936,413	1,269,244
Accumulated depreciation	(1,333,122)	(845,819)
	603,291	423,425
Computer software — at cost	854,980	360,920
Accumulated depreciation	(339,988)	(210,796)
	514,992	150,124
Total property, plant and equipment	**1,440,036**	**932,658**

10 Property, plant and equipment (continued)

Movements in carrying amounts

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

	Furniture and fittings $	Computer equipment $	Office equipment $	Leasehold improvements $	Computer software $	Total $
Balance at the beginning of year	192,785	140,799	25,525	423,425	150,124	932,658
Additions	133,712	440,053	21,747	669,413	495,273	1,760,198
Disposals	(3,944)	(36,674)	(1,817)	–	(1,213)	(43,648)
Depreciation expense	(293,708)	(251,270)	(45,455)	(489,547)	(129,192)	(1,209,172)
Carrying amount at the end of year	**28,845**	**292,908**	**–**	**603,291**	**514,992**	**1,440,036**

11 Trade and other payables

	2008 $	2007 $
Current		
Creditors	2,512,084	4,632,988
Accruals	1,131,084	857,227
Credit cards	125,054	–
PAYG payable	–	–
Superannuation payable	120,396	113,363
Salary sacrifice clearing	3,917	–
Net GST liability	492,073	(73,605)
FBT payable	–	135,000
Prepaid committed revenue — operational	9,150,580	12,201,200
*Prepaid committed revenue — prudential	3,700,000	–
Total trade and other payables	**17,235,188**	**17,866,173**
Prepaid committed income		
Prepaid committed revenue consists of:		
QUM contract	7,998,570	9,040,470
CQUM contract	4,092,280	777,470
New Drugs contract	692,100	2,383,260
Australian Prescriber contract	67,630	–
Total prepaid committed income	**12,850,580**	**12,201,200**

* The above represents Prepaid committed revenue — prudential, which relates to funds that may be needed when three of the Company's funding agreements with the Australian Government Department of Health and Ageing expire in June 2009.

12 Provisions

	2008 $	2007 $
Current		
Provision for annual leave	525,755	427,415
Provision for lease restoration costs	230,000	–
Provision for long service leave	84,800	–
	840,555	**427,415**
Non-current		
Provision for long service leave	**178,359**	**188,716**

Notes to the financial statements for the year ended 30 June 2008

12 Provisions (continued)

The Australian Taxation Office endorsed the Company to access charity tax concessions. As a result, the Company is entitled to FBT exemption from 1 July 2005 under section 123D of the *Fringe Benefits Tax Assessment Act 1986*. The Company lodged amended FBT returns during the financial year.

A provision of $230,000 was made during the year ended 30 June 2008 in respect of the Company's obligation for make-good when the lease agreement for the office space expires on 30 June 2009.

13 Retained earnings	2008 $	2007 $
Balance at the beginning of the financial year	346,333	285,865
Surplus for the year	52,820	60,468
Balance at the end of the financial year	**399,153**	**346,333**

14 Members guarantees

The Company is limited by guarantee. In the event of winding-up, the Company Constitution requires each member to contribute a maximum of $50 towards meeting any outstanding obligations of the Company. The number of members as at 30 June 2008 was 45 (44 in 2007).

15 Cash flow information	2008 $	2007 $
For the purpose of the cash flow statement, cash includes cash on hand and in banks.		
Reconciliation of net cash provided by Operating Activities to Operating Profits after income tax		
Operating surplus after income tax	52,820	60,468
Depreciation	1,209,172	585,738
Disposal of fixed assets	(6,328)	–
Changes in assets and liabilities		
Decrease/(Increase) in trade and other receivables	(483,770)	(29,300)
Decrease/(Increase) in other current assets	72,665	(1,798,641)
Increase/(Decrease) in trade and other payables	(630,985)	848,192
Increase/(Decrease) in provisions	402,783	34,975
Net cash provided by operating activities	**616,357**	**(298,568)**
Reconciliation of cash		
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:		
Cash and cash equivalents	14,465,351	15,559,216
	14,465,351	**15,559,216**

16 Key management personnel disclosures

The following were key management personnel of the Company at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

Directors

Jennifer Bergin (appointed 24 August 2002)
Roger Boyd (appointed 16 October 1998, resigned 19 October 2007)
Shane Carney (appointed 18 June 2001)
Russell Edwards (appointed 8 December 2006)
Susan Hunt (appointed 24 October 2002)
Graeme Killer (appointed 6 April 2006)
Ross Maxwell (appointed 15 May 2007)
Katherine Moore (appointed 23 April 2007)
Michael Nolan (alternate for Shiong Kok Tan, appointed 2 March 2008)
Gregory Peterson (alternate for Jennifer Bergin, appointed 6 February 2006)
Janette Randall (appointed 4 May 2006)
Shiong Kok Tan (appointed 3 August 2004)
Diane Walsh (alternate for Katherine Moore, appointed 2 August 2007)

16 Key management personnel disclosures (continued)	2008 $	2007 $
Transactions with key management personnel		
Key management personnel compensation		
Directors' fees	240,276	225,766
Directors' superannuation	21,629	20,905
Total compensation	261,905	246,671

No director or related party has had a loan to or from the Company during the year, or in the prior year.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company during the year or since the end of the previous financial year and there were no material contracts involving other directors' interests existing at year end.

Some directors are members of board sub-committees and NPS working groups and were paid sitting fees in addition to the above directors' fees.

17 Economic dependency

The Company's ongoing operations are dependent on continuation of contractual arrangements with the Australian Government Department of Health and Ageing.

18 Segment information

The Company's only activity is to operate as a not-for-profit company that works in partnership with health professionals, Government, industry and consumers to promote quality use of medicines that will lead to better health for Australians. This activity is performed solely in Australia.

19 Capital and leasing commitments	2008 $	2007 $
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts:		
Payable not later than one year	982,501	577,971
Payable later than one but not later than five years	164,497	1,593,769
Payable later than five years	–	–
	1,146,988	2,171,740

The above represents operating lease commitments relating to lease contractual obligations for office premises and facilities.

Notes to the financial statements for the year ended 30 June 2008

20 Financial instruments	2008 $	2007 $
(a) Credit risk		
The carrying amount of the Company's financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at reporting date was:		
Cash and cash equivalents	14,465,351	15,559,216
Trade and other receivables	154,190	109,335
	14,619,541	15,668,551

The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Company.

Impairment losses

None of the Company's receivables are past due. No impairment losses were recognised during the year.

(b) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

30 June 2008

	Balance Sheet $	Contractual cash flows $	6 mths or less $	6–12 mths $	1–2 years $	2–5 years $	More than 5 years $
Non-derivative financial liabilities							
Secured loans	–	–	–	–	–	–	–
Finance lease liabilities	–	–	–	–	–	–	–
Trade and other payables	17,235,188	(17,235,188)	(17,235,188)	–	–	–	–
Bank overdraft	–	–	–	–	–	–	–
Derivative financial liabilities	–	–	–	–	–	–	–
	17,235,188	(17,235,188)	(17,235,188)	–	–	–	–

30 June 2007

	Balance Sheet $	Contractual cash flows $	6 mths or less $	6–12 mths $	1–2 years $	2–5 years $	More than 5 years $
Non-derivative financial liabilities							
Secured loans	–	–	–	–	–	–	–
Finance lease liabilities	–	–	–	–	–	–	–
Trade and other payables	17,866,173	(17,866,173)	(17,866,173)	–	–	–	–
Bank overdraft	–	–	–	–	–	–	–
Derivative financial liabilities	–	–	–	–	–	–	–
	17,866,173	(17,866,173)	(17,866,173)	–	–	–	–

20 Financial instruments (continued)	2008 $	2007 $
(c) Interest rate risk		
The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows.		
Fixed rate instruments		
Financial assets	8,300,000	11,592,858
Financial liabilities	–	–
	8,300,000	11,592,858
Variable rate instruments		
Financial assets	6,165,351	3,966,358
Financial liabilities	–	–
	6,165,351	3,966,358

Fair value sensitivity analysis for fixed rate instruments

An increase of 100 basis points in interest rates at reporting date would have increased the Company's equity and profit by $83,000.

Fair value sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates would have increased the Company's equity and profit by $61,654.

21 Company details

The registered office of the Company is:
C/- Australian Company Secretaries Pty Ltd
Level 5,
National Australia Bank House
255 George Street
Sydney NSW 2000

The Company Secretary is:
Mr N Geddes FCA, FCIS
Australian Company Secretaries Pty Ltd

The Company's auditors are:
V.J. Ryan & Co
Chartered Accountants
Level 5, 255 George Street
Sydney NSW 2000

The principal places of business of the Company are:

Sydney
National Prescribing Service Limited
Level 7, 418A Elizabeth Street,
Surry Hills NSW 2010

Canberra
National Prescribing Service Limited
Suite 3, 2 Phipps Close
Deakin ACT 2601

Melbourne
National Prescribing Service Limited
Suite 4, 65 Oxford Street
Collingwood VIC 3066

Directors' Declaration

The Directors of National Prescribing Service Limited (the Company) declare that:

1. The financial statements and notes, as set out on the pages 2 to 19, are in accordance with the *Corporations Act 2001*, including:
   a. complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001;
   b. giving a true and fair view of the financial position as at 30 June 2008 and of the performance for the year ended on that date of the Company; and
   c. complying with International Financial Reporting Standards as disclosed in Note 2 (b).
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Janette Randall

Russell Edwards

Dr J Randall
Chair of National Prescribing Service Limited

Mr R Edwards
Director & Chair of the Audit Committee

Dated this 19th day of September 2008

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF

NATIONAL PRESCRIBING SERVICE LIMITED
ABN 61 082 034 393

Report on the financial report

We have audited the financial report of National Prescribing Service Limited ("the company") for the year ended 30 June 2008 comprising the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, Accompanying Notes and the Directors' Declaration set out on pages 2 to 20.

The financial report and directors' responsibility

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Audit opinion

In our opinion the financial report of National Prescribing Service Limited is in accordance with:

(a) the Corporations Act 2001 including –
  (i) giving a true and fair view of the company's financial position as at 30 June 2008 and its performance for the financial year ended on that date; and
  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2 (b).

V.J. Ryan & Co

V.J. RYAN & CO
Chartered Accountants

Level 5
255 George Street
SYDNEY NSW 2000

Partner: Peter D Wyer
Dated: 19 SEPTEMBER 2008

NPS is an independent, non-profit organisation for Quality Use of Medicines,
funded by the Australian Government Department of Health and Ageing.

ABN 61 082 034 393 | Level 7/418A Elizabeth Street Surry Hills NSW 2010 | PO Box 1147 Strawberry Hills NSW 2012
Phone: 02 8217 8700 | Fax: 02 9211 7578 | email: info@nps.org.au | web: www.nps.org.au