Assura Pharmacy Limited

Report and Financial Statements

For the year ended 31 March 2011

Company registration number: 5171309

Contents

Management and administration

Directors:	Tim Davies Nigel Rawlings Assura Limited
Company Number:	5171309 (England & Wales)
Registered Office:	The Brew House Greenhalls Ave Warrington Cheshire WA4 6HL
Auditors:	Ernst & Young LLP 100 Barbirolli Square Manchester M3 2EY

Directors' report

The directors of Assura Pharmacy Limited are pleased to submit the audited financial statements for the year ended 31 March 2011

Principal activity and business review

The principal activity of the Company is the development and operation of pharmacies The Company opened its first site on 28 February 2006 and operated twenty-seven branches at the year end Two further branches have been opened since year end The business intends to continue its expansion of the current operation by developing and opening more high street and healthcare centre pharmacies

On 21 June 2011 Assura Group Limited announced the disposal of the entire share capital of Assura Pharmacy Limited and its subsidiary companies to Gorgemead Limited, a member of The Cohens Group

Key Performance Indicators (KPIs)

During the year to 31 March 2011 the Company generated a turnover of £33 6m (2010 £31 2m), achieved an average gross margin of 32% (2010 30%) and made a profit for the year of £1 0m (2010 profit of £0 3m)

The company has seen growth in numbers of prescribed items, demonstrated by the rise in turnover during the year to 31 March 2011

Principal risks and uncertainties

The factors identified by the Board as having the potential to affect the Company's operating results are set out below or in relation to financial risks, in note 26 to the financial statements

The directors consider the following risk factors to the financial statements to be the most significant, but the risks listed below do not necessarily comprise all those associated with the Company and are not set out in any order of priority Additional risks and uncertainties currently unknown to the directors or which the directors currently believe are immaterial, may also have a material adverse effect on the Company if they were to materialise

General risks relating to the market in which the Company operates

- The Company operates within the primary health care market and any cut in public spending or change in public policy could have an adverse effect on the Company's business, results of its operations and/or financial condition Cuts in Government spending or changes in public policy may occur for a variety of reasons, the majority of which are outside of the control of the Company, including a change of Government or a spending or policy review
- As the Company's trading activities increase in significance its exposure to the risks associated with its pharmacy business increases

Pharmacy risk factors

- Any change to the NHS Pharmaceutical Services Regulations could impact negatively on the remuneration currently enjoyed by pharmacy contractors as it could result in reductions to the current agreed payments In addition the Department of Health regularly reviews the payments it makes to pharmacy contractors Changes to the prices that pharmacy contractors are paid could impact on both turnover and profitability of the Company
- The Company is also exposed to risks arising through professional or process error in its pharmacies and/or in the professional services each provides

Directors' report *(continued)*

Disabled employees

The Company gives full consideration to applications for employment from disabled persons where the candidates particular aptitudes and abilities are consistent with adequately meeting the requirements of the job Opportunities are available to disabled employees for training, career development and promotion Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim

Employees

Staff are encouraged to maximise their individual contribution to the Company Employees are provided with information regarding progress against the budget, financial and economic factors affecting the business's performance and other matters of concern to them regularly The views of employees are taken into account when making decisions that might affect their interests The Company encourages openness and transparency with staff having regular access to management and being given the opportunity to express views and opinions and provide input to decision making

Results

The results for the year are shown in the income statement on page 8

Dividend

The directors do not recommend a dividend (2010 £nil)

Political and Charitable Donations

The Company has made no political or charitable donations during the current or prior year

Directors

The directors who served during the year were as follows

Tim Davies
Nigel Rawlings
Assura Limited
Conor Daly (resigned 31st March 2011)

Supplier payment policy

It is the Company's policy to comply with the terms of payment agreed with its suppliers Where payment terms are not agreed, the Company endeavours to adhere to the suppliers' standard payment terms As at 31 March 2011, the average number of days taken by the Company to pay its suppliers was 71 days (31 March 2010 70 days)

Directors' report *(continued)*

Going concern

At 31 March 2011 the Company has net current liabilities of £14,462,262 which is primarily due to an intercompany loan with Assura Group Limited of £20,729,567 being repayable on demand

The Company is therefore dependent on this loan not being recalled to enable it to continue operating and to meet its liabilities as they fall due

On 21 June 2011 Assura Group Limited announced the intended disposal of the entire share capital of Assura Pharmacy Limited and its subsidiary companies to Gorgemead Limited, a member of The Cohens Group It is expected that this sale will complete on or before 1 August 2011 Upon completion the current intercompany loan to Assura Group Limited will be repaid, and replaced with an equivalent intercompany loan from Gorgemead Limited

Assura Group Limited has agreed to maintain sufficient intercompany loan to enable the Company to meet its liabilities as they fall due for the shorter of the period to the completion date of the acquisition, or 12 months from the approval date of these accounts

Gorgemead Limited has agreed, subject to the completion of the acquisition, to maintain sufficient intercompany loan to enable the Company to meet its liabilities as they fall due from the date of acquisition until at least 12 months from the approval date of these accounts

On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis The financial statements do not include any adjustments that would result should sufficient intercompany loan finance cease to be made available Therefore the financial statements have been prepared on a going concern basis

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

Following the sale of the Company announced on 21 June 2011, Ernst & Young LLP will resign as auditor following completion of the sale and will be replaced by Baker Tilly UK Audit LLP

By order of the Board

Nigel Rawlings
Director of Assura Pharmacy Limited
7 July 2011

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations Company law requires the directors to prepare financial statements for each year Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and applicable law (IFRS)

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the income of the company for that period

In preparing these financial statements, the directors are required to
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

Independent auditor's report to the members of Assura Pharmacy Limited

We have audited the financial statements of Assura Pharmacy Limited for the year ended 31 March 2011 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, and the related notes 1 to 28 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Independent auditor's report to the members of Assura Pharmacy Limited *(continued)*

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Stuart Watson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
8 July 2011

Income Statement for the year ended 31 March 2011

	Notes	12 months to 31 March 2011 £	12 months to 31 March 2010 £
Revenue	4	**33,558,325**	31,201,064
Cost of sales		(22,975,594)	(21,891,323)
Gross profit		**10,582,731**	9,309,741
Administrative expenses			
Before exceptional items	5	**(9,268,898)**	(10,126,552)
Sale of pharmacy licences		**174,646**	620,662
Impairment reversal on pharmacy licences	11	**1,301,765**	1,300,431
Operating profit from continuing operations		**2,790,244**	1,104,282
Finance revenue	7	**185,935**	161,638
Finance costs	8	**(898,449)**	(868,781)
Profit from continuing operations before taxation		**2,077,730**	397,139
Tax Charge	9	**(1,076,995)**	(89,305)
Profit for the year		**1,000,735**	307,834

The entire profit for the year is attributable to equity holders of the parent

All items above arose from continuing operations

Balance Sheet as at 31 March 2011

	Notes	31 March 2011 £	31 March 2010 £
Non current assets			
Property, plant and equipment	10	**3,460,513**	3,051,698
Intangible assets	11	**16,505,976**	15,098,028
Investments	12	**1,654,116**	304,116
Deferred tax asset	18	**1,895,700**	437,795
		23,516,305	18,891,637
Current assets			
Trade and other receivables	13	**11,358,575**	12,174,686
Inventories	14	**1,875,312**	1,720,710
Cash	15	**2,816,460**	2,573,853
		16,050,347	16,469,249
Total assets		**39,566,652**	35,360,886
Current liabilities			
Trade and other payables	16	**(7,043,397)**	(6,981,245)
Financial liabilities	17	**(20,729,567)**	(19,908,534)
Deferred tax liability	18	**(2,534,900)**	-
Provisions	19	**(204,735)**	(313,136)
		(30,512,599)	(27,202,915)
Net assets		**9,054,053**	8,157,971
Capital and reserves			
Equity share capital	20	**17,000,000**	17,000,000
Retained earnings		**(7,945,947)**	(8,842,029)
Total equity		**9,054,053**	8,157,971

The financial statements were approved at a meeting of the Board of Directors held on 7 July 2011 and signed on its behalf by Nigel Rawlings

Director of Assura Pharmacy Limited

Statement of Changes in Equity for the year ended 31 March 2011

	Share Capital £	Retained Earnings £	Total £
At 1 April 2010	17,000,000	(8,842,029)	**8,157,971**
Gain attributable to equity holders	-	1,000,735	**1,000,735**
Cost of employee share-based incentives	-	(104,653)	**(104,653)**
At 31 March 2011	**17,000,000**	**(7,945,947)**	**9,054,053**

	Share Capital £	Retained Earnings £	Total £
At 1 April 2009	17,000,000	(9,163,248)	**7,836,752**
Gain attributable to equity holders	-	307,834	**307,834**
Cost of employee share-based incentives	-	13,385	**13,385**
At 31 March 2010	**17,000,000**	**(8,842,029)**	**8,157,971**

Cash Flow Statement for the year ended 31 March 2011

	Notes	2011 £	2010 £
Operating activities			
Profit before tax from continuing operations		**2,077,730**	307,834
Adjustments to reconcile profit before tax to net cash flows			
Depreciation and amortisation		**419,765**	407,566
Reversal of impairment of pharmacy licences		**(1,301,765)**	(1,300,431)
(Credit)/cost of share based employee incentive	21	**(104,653)**	13,385
Net finance cost		**712,514**	709,437
Gain on sale of pharmacy licences		**(174,646)**	(620,662)
Decrease in trade and other receivables	13	**816,111**	5,020,177
Increase in inventories	14	**(154,602)**	(72,270)
Decrease in trade and other payables	16	**(46,249)**	(1,437,702)
Increase/(decrease) in financial liabilities	17	**108,519**	(15,169,538)
Net cash flow from operating activities		**2,352,724**	(12,142,204)
Investing activities			
Interest received	7	**-**	120
Proceeds from sale of pharmacy licences		**292,906**	1,498,115
Payments to acquire property, plant and equipment	10	**(859,335)**	(949,328)
Payments to acquire intangible assets	11	**(193,688)**	(1,059,431)
Payments to acquire investments	12	**(1,350,000)**	-
Dividend received - recovery of original investment	12	**-**	9,799,359
Net cash flow from investing activities		**(2,110,117)**	9,288,835
Financing activities			
Proceeds from inter company loans		**-**	13,686
Receipt of inter company loans		**-**	2,097,764
Net cash flow from financing activities		**-**	2,111,450
Net increase/(decrease) in cash and cash equivalents		**242,607**	(741,919)
Cash and cash equivalents at 1 April		**2,573,853**	3,315,772
Cash and cash equivalents at 31 March		**2,816,460**	2,573,853
Represented by:			
Cash	15	**2,816,460**	2,573,853
		2,816,460	2,573,853

Notes to the financial statements for the year ended 31 March 2011

1. Authorisation of financial statements and statement of compliance with IFRS

The financial statements of Assura Pharmacy Limited for the year ended 31 March 2011 were authorised for issue by the board of directors on 6 July 2011 and the balance sheet was signed on the board's behalf by Tim Davies Assura Pharmacy Limited is a private limited company incorporated and domiciled in the United Kingdom

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as they apply to the financial statements of the Company for the year ended 31 March 2011

The principal accounting policies adopted by the company are set out in note 3

2. Operations

The principal activity of the Company is the development and operation of pharmacies, primarily in primary care centres The Company opened its first pharmacy on 28 February 2006 and at the date of this report operated 29 pharmacies

3. Basis of preparation

The financial statements of the Company have been prepared in conformity with International Financial Reporting Standards (IFRS) as adopted by the European Union and applied in accordance with the Companies Act 2006, and reflect the following policies

The financial statements have been prepared on a historical cost basis

The Company financial statements are presented in Sterling and all values are rounded to the nearest pound except when otherwise indicated

Going concern

At 31 March 2011 the Company has net current liabilities of £14,462,262 which is primarily due to an intercompany loan with Assura Group Limited of £20,729,567 being repayable on demand

The Company is therefore dependent on this loan not being recalled to enable it to continue operating and to meet its liabilities as they fall due

On 21 June 2011 Assura Group Limited announced the intended disposal of the entire share capital of Assura Pharmacy Limited and its subsidiary companies to Gorgemead Limited, a member of The Cohens Group It is expected that this sale will complete on or before 1 August 2011 Upon completion the current intercompany loan to Assura Group Limited will be repaid, and replaced with an equivalent intercompany loan from Gorgemead Limited

Assura Group Limited has agreed to maintain sufficient intercompany loan to enable the Company to meet its liabilities as they fall due for the shorter of the period to the completion date of the acquisition, or 12 months from the approval date of these accounts

Gorgemead Limited has agreed, subject to the completion of the acquisition, to maintain sufficient intercompany loan to enable the Company to meet its liabilities as they fall due from the date of acquisition until at least 12 months from the approval date of these accounts

Notes to the financial statements for the year ended 31 March 2011

3 Basis of preparation (continued)

On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis The financial statements do not include any adjustments that would result should sufficient intercompany loan finance cease to be made available Therefore the financial statements have been prepared on a going concern basis

Consolidated financial statements

The Company and all of its subsidiary undertakings are included in consolidated accounts for a larger group, Assura Group Limited incorporated in Guernsey, drawn up to the same date in the same financial year and those accounts are drawn up in accordance with the provisions of the Seventh Directive (83/349/EEC) or in a manner equivalent to consolidated accounts and consolidated annual reports so drawn up Accordingly the Company, in accordance with the exemption in section 401 of the Companies Act 2006, has not prepared the consolidated financial statements

Judgements, estimates and assumptions

The preparation of financial statements require management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year However, the nature of estimation means that actual outcomes could differ from those estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below

Impairment of goodwill and intangible assets

The Company tests annually whether goodwill and intangible assets may have suffered impairment utilising fair value less costs to sell or value in use calculations whereby future cash flows are estimated and discounted, using an appropriate discount rate, to their net present value See note 11

Deferred tax asset

Management judgement is used to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits together with assessment of the effect of future tax planning See note 18

Share-based payments

The Group has an equity settled share-based remuneration scheme for employees the notional cost of which is estimated based on the fair value of the shares granted to employees at various dates in accordance with the scheme rules

Fair value of unquoted equity instruments

The unquoted equity instruments have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics This valuation requires the Company to make estimates about expected future cash flows and discount rates, and hence they are subject to uncertainty The fair value of the unquoted equity instruments at 31 March 2011 was £1,654,116 (2010 £304,116) See note 12

Notes to the financial statements for the year ended 31 March 2011

3 Basis of preparation (continued)

Accounting policies

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured Revenue is measured at the fair value of the consideration received, excluding discounts and VAT

Sale of goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, on the date of the sale

Interest income

Revenue is recognised as interest accrues using the effective interest method The effective interest method is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset

Expenses

Expenses are accounted for on an accruals basis

Exceptional items

The Company presents as exceptional items on the face of the income statement those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance

Borrowing costs

The Company continues to expense borrowing costs relating to its working capital facility with Assura Group Ltd and its subsidiaries

Operating lease payments

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight line basis over the lease term Lease incentives received are recognised in the income statement as an integral part of the total lease expense

Taxation

Tax on the profit or loss for the year comprises current and deferred tax Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date

Notes to the financial statements for the year ended 31 March 2011

3. Basis of preparation (continued)

The carrying amount of deferred income tax assets is reviewed at each balance sheet date Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to offset current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised

Intangible assets
Intangible assets including pharmacy licenses acquired separately are measured on initial recognition at cost The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses

The useful lives of intangible assets are assessed to be either finite or indefinite, and for those with finite useful lives the costs are expensed over the life of the asset

Third party costs incurred on the registration of pharmacy licenses are recognised as intangible assets when it is probable that the licence will be granted and its costs can be measured reliably Other development expenditures that do not meet these criteria are recognised as an expense as incurred Development costs previously recognised as an expense are not recognised as an asset in a subsequent period Costs and time incurred by the Group's own staff in registering pharmacy licenses are fully expensed by the Group

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level Such intangibles are not amortised The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable If not supportable, the change in the useful life assessment from indefinite to finite is made on a prospective basis

Both goodwill and capitalised development costs in respect of pharmacy licenses and pharmacy licenses themselves have indefinite useful lives and are tested for impairment annually as at the balance sheet date either individually or at the cash generating unit level, as appropriate

Goodwill is allocated to cash generating unit for the purpose of impairment testing For intangibles arising from business combinations, this allocation is made to those cash generating units that are expected to benefit from the business combination in which the goodwill arose The recoverable amount of a cash generating unit is determined based on value-in-use calculations These calculations use cash flow projections based on detailed financial models prepared by management, with all anticipated future cash flows discounted to current day values

Property, plant and equipment
Property, plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value

Notes to the financial statements for the year ended 31 March 2011

3. Basis of preparation (continued)

Depreciation is provided on a straight-line basis at rates calculated to write off the cost less estimated residual value of each asset over its useful economic life as follows,

Leasehold improvements	over the remaining period of the lease
Fixtures & fittings	10% straight line
Equipment	20% straight line
POS Computer equipment	25% straight line
Computer equipment (Misc)	33% straight line

The carrying values of property plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively

Impairment of assets
The company assesses at each reporting date whether there is an indication that an asset may be impaired If any such indication exists, or when annual impairment testing for an asset is required the company makes an estimate of the recoverable amount An asset's recoverable amount is the higher of an asset's fair value less costs it sell and its value in use and is determined for an individual asset Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount 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 In determining fair value less costs to sell, an appropriate valuation model is used, these calculations corroborated by valuation multiples or other available fair value indicators Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset

An assessment is made at each reporting date as to whether there is any indication of impairment that previously recognised impairment losses may no longer exist or may have decreased If such indication exists, the recoverable amount is estimated A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised If that is the case the carrying amount if the asset is increased to its recoverable amount That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years Such reversal is recognised in profit or loss unless the asset is carried at the revalued amount, in which case the reversal us treated as a revaluation increase After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life

Business combinations
Business combinations with entities controlled by Assura Group Limited are accounted for using the pooling of interests method This involves recognising the identifiable assets and liabilities of the combining entities at the carrying value in the Assura Group Limited consolidated financial statements The results of the acquired businesses for the year are recognised in the income statement from the date that the transferor was acquired by the Assura Group irrespective of when the combination took place Where relevant, comparatives are also presented as if the entities had always been combined from the date that the transferor was acquired by the Assura Group

Notes to the financial statements for the year ended 31 March 2011

3. Basis of preparation (continued)

Trade and other receivables
Trade receivables, which generally have 30 to 90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount Provision is made when there is objective evidence that the Company will not be able to recover the balances in full Balances are written off when the probability of recovery is assessed as being remote

Inventories
Inventories are valued at the lower of cost and net realisable value Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale Cost is defined as average purchase price

Cash and cash equivalents
Cash and cash equivalents are defined as cash in hand, demand deposits, and highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks, net of outstanding bank overdrafts

Loans and borrowings
All bank loans and borrowings are initially recognised at fair value of the consideration received, less issue costs where applicable After initial recognition, all interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method Amortised cost is calculated by taking into account any discount or premium on settlement

Share –based payment transactions
Employees (including senior executives) of Assura Pharmacy Limited received remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity settled transactions)

In situations where some or all of the goods or services received by the entity as consideration for equity instruments cannot be specifically identified, they are measured as the difference between the fair value of the share-based payment and the fair value of the identifiable goods or services received at the grant date For cash-settled transactions, the liability is measured at each reporting date until settlement

Equity-settled transactions
The cost of equity-settled transactions with employees, for awards granted, is measured by reference to the fair value at the date on which they are granted The fair value is determined by reference to market price on the date of grant In valuing equity-settled transactions, no account is taken of any vesting conditions, other than the price of the shares

The cost of the equity-settled transactions is recognised by a change in the income statement, together with a corresponding credit in retained earnings, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees became fully entitled to the award (the vesting date) The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied

Notes to the financial statements for the year ended 31 March 2011

3 Basis of preparation (continued)

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense if the terms had not been modified An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification

Cash-settled transactions

The cost of cash settled transactions is measured initially at fair value at the grant date using a binomial model This fair value is expensed over the period until vesting with recognition of a corresponding liability

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial period except as follows

(a) New standards, amendments to published accounts and interpretations to existing standards adopted by the Company

The following new and amended IFRS and IFRIC interpretations are mandatory as of 1 January 2010 unless otherwise stated and the impact is described below

Amendment to IFRS 2 Group Cash-settled Share-based Payment Arrangements

The amendment clarifies the accounting for group cash-settled share-based payment transactions, where a subsidiary receives goods or services from employees or suppliers but the parent or another entity in the group pays for those goods or services This amendment did not have any impact on the financial position or performance of the Company

IFRS 3 (revised) Business Combinations

The revised standard has increased the number of transactions to which it must be applied including business combinations of mutual entities and combinations without consideration IFRS 3 (revised) introduced significant changes in the accounting for business combination such as valuation of non-controlling interest, business combination achieved in stages, the initial recognition and subsequent measurement of a contingent consideration and the accounting for transaction costs These changes have had a significant impact on profit or loss reported in the period of an acquisition, the amount of goodwill recognised in a business combination and the profit or loss reported in the current and future periods

IAS 27 (amended) Consolidated and Separate Financial Statements

The amended standard requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners and these transactions will no longer give rise to goodwill or gains and losses The standard also specifies the accounting when control is lost and any retained interest is remeasured to fair value with gains or losses recognised in profit or loss

Amendment to IAS 39 Financial Instruments Recognition and Measurement – Eligible hedged items

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item This also covers the designation of inflation as a hedged risk or portion in particular situations The company has concluded that the amendment did not have any impact on the financial position or performance of the company, as the company has not entered into any such hedges

Notes to the financial statements for the year ended 31 March 2011

3. Basis of preparation (continued)

IFRIC 18 Transfers of Assets from Customers
The interpretation applies to entities that receive from customers items of property, plant and equipment or cash for the acquisition of construction of such items These assets are then used to connect customers to a network or to provide ongoing access to a supply of goods or services As the group does not enter into such transactions this interpretation has no impact on the Group

Improvements to IFRSs (issued 2009)
In May 2009 the Board issued its second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording There are separate transitional provisions for each amendment The adoption of the amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group

(b) Standards and interpretations issued but not yet applied*
The following standards and interpretations have an effective date after the date of these financial statements but the group has not early adopted them

IAS 24 Related Party Disclosures (Amendment) (effective 1 January 2011)
The amended standard clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application The revised standard introduces a partial exemption of disclosure requirements for government related entities The Group does not expect any impact on its financial position or performance

Improvements to IFRS (issued in May 2010)
The Company expects no impact from the adoption of the amendments on its financial position or performance

The Directors do not anticipate that the adoption of the remaining standards and interpretations will have a material impact on the Company's financial statements

4 Revenue

	12 months ended 31 March 2011 £	12 months ended 31 March 2010 £
Sale of goods and services	**33,558,325**	31,201,064

All revenue arose from continuing operations

Notes to the financial statements for the year ended 31 March 2011

5 Operating profit

This is stated after charging/(crediting)	12 months ended 31 March 2011 £	12 months ended 31 March 2010 £
Depreciation & amortisation	419,765	407,566
Cost of inventories recognised as an expense	23,143,741	22 064 242
Writeback of inventories	(168,147)	(172 919)
Impairment of pharmacy licences	-	544,770
Reversal of impairment	(1,301,765)	(1,845,201)
Operating lease payments – minimum lease payments	878,802	864,580
Auditors remuneration for the audit of the financial statements	12,800	16,000

6. Staff costs and directors' emoluments

a) Staff costs

	12 months ended 31 March 2011 £	12 months ended 31 March 2010 £
Wages & salaries	4,602,983	4,350,192
Social security costs	420,813	403,236
	5,023,796	4,753,428

Included in wages and salaries is a total credit of share-based payments of £104,653 (year to 31 March 2010 Expense of £13,385)

The average monthly number of employees during the year was made up as follows

	12 months ended 31 March 2011	12 months ended 31 March 2010
Store	236	243
Head Office	14	14
	250	257

b) Directors' emoluments

	12 months ended 31 March 2011 £	12 months ended 31 March 2010 £
Directors remuneration	366,692	-
Highest paid director included in above	210,871	-

No amounts were paid to directors in respect of pension contributions

Notes to the financial statements for the year ended 31 March 2011

7. Finance revenue

	12 months ended 31 March 2011	12 months ended 31 March 2010
	£	£
Bank interest receivable	-	120
Intercompany interest receivable	185,935	161,518
	185,935	161,638

The intercompany interest receipt forms part of the intercompany receivable balance (note 13) and hence is not a cash flow of the period

8. Finance costs

	12 months ended 31 March 2011	12 months ended 31 March 2010
	£	£
Intercompany interest payable	898,449	868,781
	898,449	868,781

The intercompany interest payment forms part of the intercompany payable balance (note 17) and hence is not a cash flow of the period

Notes to the financial statements for the year ended 31 March 2011

9. Taxation

Recognised in the income statement	12 months ended 31 March 2011 £	12 months ended 31 March 2010 £
Current tax expense		
Current year	-	-
Adjustments for prior year	-	-
	-	-
Deferred tax charge		
Origination and reversal of temporary differences	1,014,055	65,638
Deferred tax on Capital Allowances	107,800	23,667
Relating to change in tax rates	(44,860)	-
	1,076,995	89,305
Total tax in income statement	1,076,995	89,305

Reconciliation of total tax charge

The tax expense in the income statement for the year differs from the standard rate of corporation tax in the UK of 28% (2010 28%) The differences are reconciled below

	12 months ended 31 March 2011 £	12 months ended 31 March 2010 £
Profit before taxation	2,077,730	397,139
At 28%	581,764	111,199
Expenses not deductible for tax purposes	32,998	38,881
Non-taxable income	(29,288)	-
Effect of change in tax rates	(44,860)	-
Prior year adjustment	536,381	(60,775)
Total tax in income statement	1,076,995	89,305

Factors affecting future tax charges

The Budget on 23 March 2011 announced a reduction of the corporation tax rate to 26% from 1 April 2011 Further changes, which are expected to be enacted separately each year, propose to reduce the tax rate by 1% per annum from 26% to 23% by 1 April 2014 These changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements

Notes to the financial statements for the year ended 31 March 2011

10. Property, plant and equipment

	Freehold	Leasehold improvements	Fixtures & fittings	Equipment	IT equipment & software	Total
	£	£	£	£	£	£
Cost						
At 1 April 2010	208,172	1 607,705	1,608,428	146,818	480,612	**4,051,735**
Additions	-	399,235	401,331	5,538	53,231	**859,335**
Disposals	-	-	(185,132)	(1,850)	-	**(186,982)**
At 31 March 2011	**208,172**	**2,006,940**	**1,824,627**	**150,506**	**533,843**	**4,724,088**
Depreciation and impairment						
At 1 April 2010	-	136 143	417,407	79,961	366,526	**1,000,037**
Charge for the year	-	55,716	177,208	30,183	75,905	**339,012**
Eliminated on Disposal	-		(74,395)	(1,079)	-	**(75,474)**
At 31 March 2011	**-**	**191,859**	**520,220**	**109,065**	**442,431**	**1,263,575**
Net book value						
At 31 March 2011	**208,172**	**1,815,081**	**1,304,407**	**41,441**	**91,412**	**3,460,513**

	Freehold	Leasehold improvements	Fixtures & fittings	Equipment	IT equipment & software	Total
	£	£	£	£	£	£
Cost						
At 1 April 2009	201,450	1,201,367	1,781,002	166,879	490,065	**3,840,763**
Additions	6,722	681,941	182,254	11,003	67,408	**949,328**
Disposals	-	(275,603)	(354,828)	(31 064)	(76,861)	**(738,356)**
At 31 March 2010	**208,172**	**1,607,705**	**1,608,428**	**146,818**	**480,612**	**4,051,735**
Depreciation and impairment						
At 1 April 2009	-	94,117	327,787	59,699	282,618	**764,221**
Charge for the year	-	67,970	158,328	33,061	138,711	**398,070**
Eliminated on Disposal	-	(25,944)	(68,708)	(12,799)	(54,803)	**(162,254)**
At 31 March 2010	**-**	**136,143**	**417,407**	**79,961**	**366,526**	**1,000,037**
Net book value						
At 31 March 2010	**208,172**	**1,471,562**	**1,191,021**	**66,857**	**114,086**	**3,051,698**

Notes to the financial statements for the year ended 31 March 2011

11 Intangible assets

	Goodwill	Licences	Other Intangibles	Total
	£	£	£	£
Cost				
At 1 April 2010	2,311,810	14,331,938	195,523	**16,839,271**
Additions	-	27,828	165,860	**193,688**
Disposals	-	(6,752)	-	**(6,752)**
At 31 March 2011	**2,311,810**	**14,353,014**	**361,383**	17,026,207
Amortisation and impairment				
At 1 April 2010	419 463	1,301,765	20,015	**1,741,243**
Charge for the year	-	-	80,753	**80,753**
Reversal of impairment	-	(1 301 765)	-	**(1,301,765)**
At 31 March 2011	**419,463**	-	**100,768**	**520,231**
Net book value				
At 31 March 2011	**1,892,347**	14,353,014	260,615	16,505,976

Amortisation of other intangibles is included in Administrative Expenses in the Income Statement

	Goodwill	Licences	Other Intangibles	Total
	£	£	£	£
Cost				
At 1 April 2009	2 494,785	13,272,507	170,197	**15,937,489**
Additions arising from transfers from group companies	-	1,059,431	-	**1,059,431**
Internally generated additions	-	-	25,326	25,326
Disposals	(182 975)	-	-	**(182,975)**
At 31 March 2010	**2,311,810**	**14,331,938**	195,523	16,839,271
Amortisation and impairment				
At 1 April 2009	419 463	2,602 196	10 519	**3,032,178**
Charge for the year	-	-	9,496	**9,496**
Impairment loss	-	544,770	-	**544,770**
Reversal of impairment	-	(1 845,201)	-	**(1,845,201)**
At 31 March 2010	**419,463**	**1,301,765**	**20,015**	1,741,243
Net book value				
At 31 March 2010	**1,892,347**	**13,030,173**	**175,508**	**15,098,028**

Notes to the financial statements for the year ended 31 March 2011

11. Intangible assets (continued)

Licences consist of intangible assets acquired from subsidiary companies and the development of pharmacy contracts These intangible assets are measured at cost and have indefinite useful lives as the pharmacy contracts do not have a date of expiration These assets are therefore not subject to amortisation The carrying value of these assets was tested for impairment on 31 March 2011

Impairment of goodwill and intangible assets

The Company tests annually whether goodwill or pharmacy licences have suffered any impairment

With regard to the value of pharmacy licences included in fixed assets, the directors recognise that since 31 March 2011 there has been an increase to the value of some pharmacy licences due to market forces beyond the Directors' control Any write-back of impairments of pharmacy licences owned at 31 March 2011 have been reflected in these financial statements

The recoverable amount of goodwill and pharmacy licences has been determined based on fair value less costs to sell basis Fair value has been determined based upon offers received for the pharmacy business during the period which is considered to be an observable market price

An impairment reversal of £1,301,765 (2010 impairment of £1,300,431) in respect of certain individual Pharmacy Licences has been recognised during the year based upon fair value less costs to sell basis

Notes to the financial statements for the year ended 31 March 2011

12. Investments

a) Investments in subsidiary companies

	2011	2010
	£	£
At the beginning of the period	**304,116**	10,103,475
Acquisitions in year	**1,350,000**	-
Dividend received – recovery of original investment	-	(9,799,359)
At the end of the period	**1,654,116**	304,116

On 28 February 2011 the Company acquired the remaining 50% Ordinary Share Capital of Assura Pharmacy (South West) Limited which was included within joint ventures in the previous year The acquisition has enlarged the wholly owned pharmacy portfolio Of the £1,350,000 total consideration, £100,000 was paid in cash There is no contingent consideration due

	Fair value of assets £
Tangible fixed assets	339,879
Intangible fixed assets	6,673,211
Investment in subsidiary	108,502
Inventory	334,859
Cash	522,149
Receivables	708,304
Payables	(931,062)
Intercompany loans	(6,293,835)
Total identifiable net assets at fair value	1,462,007
Purchase consideration	
Capitalisation of loan	1,250,000
Cash	100,000
Total purchase consideration	1,350,000
Analysis of cash flows on acquisition	
Transaction costs of the acquisition (included in cash flows from operating activities)	(9,849)
Net cash acquired with the subsidiary (included in cash flows from investing activities)	522,149
Net cash flow on acquisition	512,300

The fair value of the trade receivables amounts to £673,657 The gross amount of trade receivables is £673,657 None of the trade receivables have been impaired and it is expected that the full contractual amount can be collected

Transaction costs of £9,849 have been expensed and are included within administrative expenses on the Income Statement

The fair value of assets acquired is considered to be final

Notes to the financial statements for the year ended 31 March 2011

12. Investments *(continued)*

During the prior year, the Company received dividend payments from Harvey & Richardson Holdings Limited, Clearup Limited, P&L Worsley Limited and Armside Chemists Limited to settle the intercompany balances from acquisition of Harvey & Richardson Holdings Limited, Clearup Limited, P&L Worsley Limited and Armside Chemists Limited The investments in these entities have been written down as a result The combined entities have been accounted for using the pooling of interests method

	Class of share	Place of incorporation	Shareholding 2011	Shareholding 2010	Business activity
Clearup Limited	Ordinary	England	100%	100%	Dormant
P&L Worsley Limited	Ordinary	England	100%	100%	Dormant
Armside Chemists Limited	Ordinary	England	100%	100%	Dormant
Harvey & Richardson Holdings Limited	Ordinary	England	100%	100%	Dormant
*Harvey & Richardson Limited	Ordinary	England	100%	100%	Dormant
Cambridgeshire ICO Limited	Ordinary	England	100%	100%	Dormant
Assura Pharmacy (South West) Limited (formerly GP Care Pharmacy Limited)	Ordinary	England	100%	50%	Active
**Douglas Skeeles Limited	Ordinary	England	100%	100%	Dormant
**Skeeles Pharmacy Limited	Ordinary	England	100%	100%	Dormant

* owned indirectly through Harvey & Richardson Holdings Limited
** owned indirectly through Assura Pharmacy (South West) Limited

	Aggregate share capital and reserves £	Profit after tax £
Clearup Limited	1,000	-
P&L Worsley Limited	100	-
Armside Chemists Limited	25,000	-
Harvey & Richardson Holdings Limited	(403,483)	-
Cambridgeshire ICO Limited	1	-
Assura Pharmacy (South West) Limited (formerly GP Care Pharmacy Limited)	1,007,011	1,293,267

Notes to the financial statements for the year ended 31 March 2011

13 Trade and other receivables

	2011	2010
Current	£	£
Trade receivables	**3,386,818**	3,582,561
Prepayments	**505,563**	450,957
VAT recoverable	**536,983**	306,895
Other debtors	**454,334**	8,431
Loans to group companies	**6,474,877**	7,825,842
	11,358,575	12,174,686

Trade debtors are generally on 30-90 days' terms and are shown net of a provision for impairment As at 31 March 2011, £21,842 of trade debtors were provided for (2010 nil)

As at 31 March 2011 and 31 March 2010 no debtors were past due The majority of the Company's income derives from the NHS or is reimbursed by the NHS, hence the risk of default is minimal

14. Inventories

	2011	2010
	£	£
Finished goods and goods for resale	**1,875,312**	1,720,710

During the year, inventory totalling £23,143,741 (2010 £22,064,242) has been recognised in the Income Statement as an expense

15 Cash and cash equivalents

	2011	2010
	£	£
Cash at bank and in hand	**2,816,460**	2,573,853

16. Trade and other payables

	2011	2010
Current	£	£
Trade payables	**5,698,386**	6,617,186
Other taxes and social security	**113,512**	-
Accruals	**1,187,736**	337,056
Other payables	**43,763**	27,003
	7,043,397	6,981,245

17 Financial liabilities

	2011	2010
	£	£
Intercompany loan	**20,729,567**	19,908,534
	20,729,567	19,908,534

The intercompany loans have no fixed term of repayment The minimum contractual payment is therefore £nil (2010 £nil) The fair value of the intercompany loan is based on the discounted cash flows associated with the loan

Notes to the financial statements for the year ended 31 March 2011

18. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following

	Assets 2011 £	Assets 2010 £	Liabilities 2011 £	Liabilities 2010 £	Net 2011 £	Net 2010 £
Property, plant and equipment	-	70,660	(107,800)	-	(107,800)	70,660
Pharmacy licenses recognised on acquisition	-	-	(2,427,100)	(2,164,627)	(2,427,100)	(2,164,627)
Tax value of loss carry-forwards	1,895,700	2,531,762	-	-	1,895,700	2,531,762
Tax assets / (liabilities)	**1,895,700**	2 602 422	**(2,534,900)**	(2,164,627)	**(639,200)**	437 795

19. Provisions

	31/03/11 £	31/03/10 £
Premises provision	**204,735**	313,136
	204,735	313,136
At 1 April 2010	**313,136**	-
Arising during the year	-	313,136
Utilised	**108,401**	-
At 31 March	**204,735**	313,136
Analysed as		
Current	**122,622**	108,401
Non-current	**82,113**	204,735
	204,735	313,136

This premises provision relates to the onerous property lease on various pharmacy property leases where the pharmacy has been closed during the current or previous periods The provisions are determined by calculating the minimum lease payments up to the shorter of the next break clause contained within the lease and the likely period in which a sub lease could be put in place as advised by letting agents

This provision will unwind over the course of the next one to two years

20 Authorised and issued share capital

Authorised	**2011 Number**	**2011 £**	2010 Number	2010 £
Ordinary shares of £1 each	**17,000,000**	**17,000,000**	17,000,000	17,000,000

All shares issued in the prior period were at par for cash consideration

Notes to the financial statements for the year ended 31 March 2011

21. Share based incentive scheme

On 15 May 2006 the Assura Group Limited formed the Assura Executive Equity Incentive Plan (EEIP) and issued and transferred 8,066,768 ordinary shares into the plan Participants will be allocated units each of which represent one Ordinary Share, 68 5% of which was scheduled to vest on 31 December 2008 and the balance on 31 December 2010 These dates were varied in the prior period and are now 31 March 2009 and 31 March 2011 respectively The units will vest at the end of the vesting periods if the compound growth in total shareholder return in each period is 12 5% above a base reference price of £1 90 A sliding scale will apply if the total shareholder return is between 0% and 12 5% over the base reference price Upon vesting, an appropriate number of Ordinary Shares will be transferred by the trustees of the plan to participants less a deduction for the number of shares needed to recover any tax or national insurance liabilities which arise for participants

On 15 January 2009 700,000 units were granted to Assura Pharmacy Limited employees subject to new performance targets The units will vest at the end of the vesting periods if the compound growth in total shareholder return in each period is 15% above a base reference price of £0 55 A sliding scale will apply if the total shareholder return is between 15% and 30% over the base reference price These units will vest on 31 March 2012

On 17 February 2011 250,000 units were granted to Assura Pharmacy Limited employees subject to new performance targets There are two distinct performance conditions that apply to the units 50% of an award will be subject to a performance condition measuring the Company's annual earnings per share growth over a three year period commencing on 1 April 2010 A sliding scale will apply such that the EPS for the last Financial Year of the Performance Period, as derived from the published accounts for that period, shows a growth over the Performance Period measured against an EPS of 3 5 pence of between 15% and 35%, this will result in between 20% to 50% of the awards vesting The remaining 50% of an award will be subject to a performance condition measuring the Company s relative net assets value over the same three year period commencing on 1 April 2010 A sliding scale will apply such that the cumulative growth in Company's annual percentage total primary care property return as calculated by IPD measured against the IPD Primary Healthcare Index in the Performance Period is between equal to the Index and 125% of the Index, this will result in 10% to 50% of the awards vesting

For units outstanding as at 31 March 2011, the weighted average remaining contractual life is 1 59 years (2010 1 38 years)

The weighted average fair value of units granted during the period was £0 46 (2009 £0 13)

The fair value of equity settled units is estimated as at the date of grant using a Monte-Carlo model, taking into account the terms and conditions upon which units were granted The following table lists the inputs to the model used for the year ended 31 March 2011 and the year ended 31 March 2010

	31/03/11	31/03/10
Dividend yield (%)	**0.0**	0 0
Expected share price volatility (%)	**n/a**	72 6
Risk-free interest rate (%)	**n/a**	1 97
Expected life of units (years)	**2.1**	2 7
Weighted average share price (p)	**45.8**	33 0

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome

Notes to the financial statements for the year ended 31 March 2011

21. Share based incentive scheme (continued)

The fair value of the units granted in the period, is £114,380 (2010 £nil) based on market price at the date the shares were granted This cost is allocated over the vesting period The cost allocation for the period was a credit of £104,653 (2010 charge of £13,835) Dividends are paid to, and accumulate in, the Assura EEIP

Full details of the scheme are disclosed within the Assura Group Limited accounts which are publically available

22 Additional cash flow information

Analysis of Company net debt	01-Apr-10	Non Cash Flow	Net Cash Flow	**31-Mar-11**
	£	£	£	**£**
Cash & cash equivalents	2,573,853	-	242,607	**2,816,460**
Loans	(19,908,534)	(821,033)	-	**(20,729,567)**
	(17,334,681)	**(821,033)**	**242,607**	**(17,913,107)**

	01-Apr-09	Non Cash Flow	Net Cash Flow	**31-Mar-10**
	£	£	£	**£**
Cash & cash equivalents	3,315,772	-	(741,919)	**2,573,853**
Loans	(35,078,072)	17,263,917	(2,094,379)	**(19,908,534)**
	(31,762,300)	**17,263,917**	**(2,836,298)**	**(17,334,681)**

23. Operating lease commitments

The Company has entered into commercial leases on certain properties and motor vehicles

These leases have an average duration of between 3 and 20 years

Future minimum rentals payable under non-cancellable operating leases are as follows

	Motor Vehicles 2011	**Land and buildings 2011**	Motor Vehicles 2010	Land and buildings 2010
	£	**£**	£	£
Not later than one year	**72,659**	**854,285**	19,722	833,060
After one year but not more than five years	**150,412**	**3,181,304**	66,608	3,296,601
After five years	**-**	**9,552,902**	-	10,676,221
	223,071	**13,588,491**	86,330	14,805,882

24. Ultimate controlling party

The immediate controlling party is Assura Pharminvest Limited, a company incorporated in the UK The ultimate controlling party is Assura Group Limited, a company incorporated in Guernsey Copies of the group financial statements are available from Isabelle Chambers, Route Isabelle, St Peter Port, Guernsey

On 21 June 2011 the group announced the disposal of the entire share capital of Assura Pharmacy Limited and its subsidiary companies

Notes to the financial statements for the year ended 31 March 2011

25. Commitments

At the balance sheet date the company had contracted but not provided for site redevelopment costs amounting to £276,000 (2010 £111,000)

26 Financial instruments

The Company holds cash and liquid resources as well as having debtors and creditors that arise directly from its operations The directors consider the fair value of the financial assets and liabilities held to equal the carrying value

The main risks arising from the Company's financial instruments and properties are credit risk, liquidity risk and capital risk The Board regularly reviews and agrees policies for managing each of these risks and these are summarised below

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Company In the event of a default by a debtor, the Company will suffer an income shortfall and may incur additional costs such as including legal expenses recovering the debt

The maximum credit risk exposure relating to financial assets is represented by carrying value as at the balance sheet date

Liquidity risk

Liquidity risk is the risk that the Company will encounter in realising assets or otherwise raising funds to meet financial commitments

The Company finances its activities with a combination of bank loans, cash and short-term deposits Intercompany loans are used to satisfy short-term cash flow requirements Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Company's operating activities

Capital risk

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares No changes were made in the objectives, policies or processes during the year end 31 March 2011 and the period ended 31 March 2010

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt The ratio at the period end is 55% debt to 45% equity (2010 59% debt to 41% equity) The Company's policy is to keep the gearing at a reliable level for a strongly asset-backed operating business In order to achieve this it must have access to share capital when appropriate otherwise it may need to sell assets The Company includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents, excluding discontinued operations

Interest rate risk

The Company's interest rate risk is limited to changes in the interest charged and chargeable on intercompany loans

The Company's sensitivity to a reasonably possible change in interest rates with all other variables held constant has been considered An increase of 50 basis points would have reduced the profit before tax by £68,000 Equally, a decrease of 50 basis points would have increased the profit before tax by £68,000

Notes to the financial statements for the year ended 31 March 2011

27. Related parties

During the year the Assura Pharmacy entered into transactions, in the ordinary course of business, with other related parties Transactions entered into, and trading balances outstanding at 31 March 2011 with other related parties, are as follows

	Purchases (Rent costs) from related party	Amounts owed by related party	Amounts owed to related party
Assura Group (Assura Group Ltd, Assura Management Services Ltd)	£	£	£
As at 31 March 2011	-	-	20,355,844
2010/11 Transfer from Assura Properties Ltd and increase in facility	-	-	10,416 791
As at 1 April 2010	-	-	9,939 053
2009/10 Increase in working capital facility	-	-	(1,340,808)
As at 1 April 2009	-	-	11 279,861
Assura Properties (Assura Property Ltd, Assura Properties Ltd)	£	£	£
As at 31 March 2011	-	-	-
2010/11 Transferred to Assura Group Ltd	540,022	-	(9,595,758)
As at 1 April 2010	-	-	9,595,758
2009/10 Investment capital for subsidiaries	747 543	-	(22)
As at 1 April 2009	-	-	9 595,780
Assura Pharmacy Holdings Limited	£	£	£
As at 31 March 2011	-	-	94 723
2010/11	-	-	-
As at 1 April 2010	-	-	94,723
2009/10	-	-	-
As at 1 April 2009	-	-	94,723
Subsidiaries (See note 12, investments)	£	£	£
As at 31 March 2011	-	-	279,000
2010/11	-	-	-
As at 1 April 2010	-	-	279 000
2009/10 Dividend payments received	-	-	(9,712 514)
As at 1 April 2009	-	-	9,991,514
GP Care Limited	£	£	£
As at 31 March 2011	-	6 274 877	-
2010/11 Loan capitalised and repayments	-	(1,550 965)	-
As at 1 April 2010	-	7 825,842	-
2009/10 Loan write off	-	(1,006 988)	-
As at 1 April 2009	-	8 832,830	-

The balances are unsecured and there are no guarantees

Notes to the financial statements for the year ended 31 March 2011

27. Related parties (continued)

Compensation of key management personnel (including directors)

	2010	2009
	£	£
Short-term employee benefits	-	303,459
Share-based payment	(104,653)	70,795
	(104,653)	374,254

28. Post balance sheet events

On 21 June 2011 Assura Group Limited announced the disposal of the entire share capital of Assura Pharmacy Limited and its subsidiary companies to Gorgemead Limited, a member of The Cohens Group