Assura Pharmacy Limited

Report and Financial Statements

For the year ended 31 March 2010

Company registration number: 5171309

Contents

Management and administration

Directors:	Tim Davies Conor Daly Nigel Rawlings Assura Limited
Company Number.	5171309 (England & Wales)
Registered Office:	3300 Daresbury Business Park Daresbury Warrington Cheshire WA4 4HS
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 2010

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 the 28 February 2006 and currently operates twenty six such branches The business intends to continue its expansion of the current operation by developing and opening more high street and healthcare centre pharmacies

Key Performance Indicators (KPIs)

During the year to 31 March 2010 the Company generated a turnover of £31 2m (2009 £26 7m), achieved an average gross margin of 30% (2009 30%) and made a profit for the year of £0 4m (2009 loss of £3 6m)

The company has seen growth in numbers of prescribed items in owed Pharmacies, demonstrated in the rise in turnover during the year to 31 March 2010

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 25 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 In particular this business is in the investment phase of development and there can be no certainty that each Pharmacy will generate adequate profits The Company therefore faces risks relating to the commercial success of its pharmacy operation

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

Results

The results for the year are shown in the income statement on page 8 The company has capitalised substantially all of its pharmacy development costs in the year, the company is pursuing pharmacy licences at a number of locations in the UK from which it expects to trade profitably in due course At the date of this report fourteen new licenses have been granted to, and twelve have been acquired by the company

Dividend

The directors do not recommend a dividend (2009 £nil)

Directors

The directors who served during the year were as follows

Tim Davies
Nigel Rawlings
Assura Limited (appointed 19/03/2010)
Conor Daly (appointed 01/03/2010)
Andrew Murray (resigned 24/04/2009)
Alexandra Rose (resigned 31/03/2010)
Assura Corporate Services Limited (resigned 16/06/2009)
James Campbell (resigned 22/06/2009)

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 2010, the average number of days taken by the Company to pay its suppliers was 70 (31 March 2009 81 days)

Going concern

The company is dependent on continuing finance being made available by Assura Group Limited, its ultimate parent company, to enable it to continue operating and to meet its liabilities as they fall due

Assura Group Limited has agreed to provide sufficient funds to the company for these purposes

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 continuing 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

Directors' report *(continued)*

Auditors

Ernst & Young LLP have been appointed as auditors and have indicated their willingness to continue in office

By order of the Board

Tim Davies
Director of Assura Pharmacy Limited
19 January 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 2010 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, and the related notes 1 to 26 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 4, 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 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

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 2010 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

Ernst & Young LLP

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

Income Statement for the year ended 31 March 2010

	Notes	**12 months to 31 March 2010 £**	12 months to 31 March 2009 £
Revenue	4	**31,201,064**	26,667,694
Cost of sales		**(21,891,323)**	(18,642,433)
Gross profit		**9,309,741**	8,025,261
Administrative expenses			
Before exceptional items	5	**(10,126,552)**	(11,611,261)
Sale of pharmacy licences		**620,662**	502,213
Impairment of goodwill	11	**-**	(330,167)
Impairment reversal/(loss) on pharmacy licences	11	**1,300,431**	(1,597,207)
Operating profit/(loss) from continuing operations		**1,104,282**	(5,011,161)
Finance revenue	7	**161,638**	560,342
Finance costs	8	**(868,781)**	(845,337)
Profit/(loss) before taxation		**397,139**	(5,296,156)
Tax (expense)/credit	9	**(89,305)**	1,664,353
Profit/(loss) for the year		**307,834**	(3,631,803)

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

All items above arose from continuing operations

Balance Sheet as at 31 March 2010

	Notes	31 March 2010 £	31 March 2009 £
Non current assets			
Property, plant and equipment	10	**3,051,698**	3,076,542
Intangible assets	11	**15,098,028**	12,905,311
Investments	12	**304,116**	10,103,475
Deferred tax asset	18	**437,795**	527,100
		18,891,637	26,612,428
Current assets			
Trade and other receivables	13	**12,174,686**	17,194,863
Inventories	14	**1,720,710**	1,648,440
Cash and cash equivalents	15	**2,573,853**	3,315,772
		16,469,249	22,159,075
Total assets		**35,360,886**	48,771,503
Current liabilities			
Trade and other payables	16	**(7,294,381)**	(5,856,679)
Financial liabilities	17	**(19,908,534)**	(35,078,072)
		(27,202,915)	(40,934,751)
Net assets		**8,157,971**	7,836,752
Capital and reserves			
Equity share capital	19	**17,000,000**	17,000,000
Retained earnings		**(8,842,029)**	(9,163,248)
Total equity		**8,157,971**	7,836,752

The financial statements were approved at a meeting of the Board of Directors held on 19 January 2011 and signed on its behalf by Tim Davies

Director of Assura Pharmacy Limited

Statement of Changes in Equity for the year ended 31 March 2010

	Share Capital £	Retained Earnings £	Total £
1 April 2009	17,000,000	(9,163,248)	7,836,752
Profit 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

	Share Capital £	Retained Earnings £	Total £
1 April 2008	17,000,000	(5,602,240)	11,397,760
Loss attributable to equity holders	-	(3,631,803)	(3,631,803)
Credit of employee share-based incentives	-	70,795	70,795
At 31 March 2009	17,000,000	(9,163,248)	7,836,752

Cash Flow Statement for the year ended 31 March 2010

	Notes	2010 £	2009 £
Operating activities			
Profit/(loss) before tax from continuing operations		**307,834**	(5,296,156)
Adjustments to reconcile loss before tax to net cash flows			
Depreciation and amortisation		**407,566**	398,507
Impairment of goodwill		**-**	330,167
Impairment reversal/(loss) on pharmacy licences		**(1,300,431)**	1,597,207
Cost of share based employee incentive	20	**13,385**	70,795
Net finance cost		**709,437**	284,995
Gain on sale of pharmacy licences		**(620,662)**	(502,213)
(Decrease)/increase in trade and other receivables	13	**5,020,177**	(14,489,086)
Increase in inventories	14	**(72,270)**	(272,394)
Decrease in trade and other payables	16	**(1,437,702)**	(1,784,822)
(Decrease)/increase in financial liabilities	17	**(15,169,538)**	29,948,591
Net cash flow from operating activities		**(12,142,204)**	10,285,591
Investing activities			
Interest received	7	**120**	11,043
Proceeds from sale of pharmacy licences		**1,498,115**	502,213
Payments to acquire property, plant and equipment	10	**(949,328)**	(3,566,764)
Payments to acquire intangible assets	11	**(1,059,431)**	(8,319,346)
Inflow on business combinations		**-**	65,048
Payments to acquire investments	12	**-**	(6,030,415)
Dividend receipts	12	**9,799,359**	-
Net cash flow from investing activities		**9,288,835**	(17,338,221)
Financing activities			
Proceeds from inter company loans		**13,686**	20,991,903
Issue of inter company loans		**2,097,764**	(12,950,840)
Net cash used in financing activities		**2,111,450**	8,041,063
Net increase/(decrease) in cash and cash equivalents		**(741,919)**	988,433
Cash and cash equivalents at 1 April		**3,315,772**	2,327,339
Cash and cash equivalents at 31 March		**2,573,853**	3,315,772
Represented by:			
Cash	15	**2,573,853**	3,315,772
		2,573,853	3,315,772

Notes to the financial statements for the year ended 31 March 2010 *(continued)*

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

The financial statements of Assura Pharmacy Limited for the year ended 31 March 2010 were authorised for issue by the board of directors on 19 January 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 2010

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 the 28 February 2006 and at the date of this report operated 26 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

The company is dependent on continuing finance being made available by Assura Group Limited, its ultimate parent company, to enable it to continue operating and to meet its liabilities as they fall due

Assura Group Limited has agreed to provide sufficient funds to the company for these purposes

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 continuing finance cease to be made available Therefore the financial statements have been prepared on a going concern basis

Notes to the financial statements for the year ended 31 March 2010 *(continued)*

3. Basis of preparation (continued)

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 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 2010 was £304,116 (2009 £10,103,475) See note 12

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

Notes to the financial statements for the year ended 31 March 2010 *(continued)*

3. Basis of preparation (continued)

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

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

Notes to the financial statements for the year ended 31 March 2010 *(continued)*

3. Basis of preparation (continued)

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

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	25% straight line
Computer equipment	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

Notes to the financial statements for the year ended 31 March 2010 *(continued)*

3. Basis of preparation (continued)

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

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

Notes to the financial statements for the year ended 31 March 2010 *(continued)*

3. Basis of preparation (continued)

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

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

Notes to the financial statements for the year ended 31 March 2010 *(continued)*

3. Basis of preparation (continued)

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

IAS 1 Presentation of Financial Statements (Revised) The revised Standard has required the reconciliation of movements in equity, previously disclosed in the notes, to be presented as a primary statement entitled "Statement of Changes in Equity" In addition, the Statement of Recognised Income and Expense has been replaced with the Statement of Comprehensive Income The revised standard requires this statement to present all items of recognised income and expense, either in one single statement, or in two linked statements The Company has elected to present a single statement

IFRS 7 Financial Instruments Disclosures (Amendment) The amended standard requires additional disclosures about fair value measurement and liquidity risk Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value

IFRS 2 Share-based Payment — Vesting Conditions and Cancellations (Amendment) The amendment to IFRS 2 clarifies the definition of vesting conditions and prescribes the treatment for an award that is cancelled This amendment did not have an impact on the financial position or performance of the Company

The following standards did not have a material impact on the Company's financial statements

IFRS 1 First-time Adoption of International Financial Reporting Standards — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments)

IFRS 8 Operating Segments replaces IAS 14 Segment Reporting

IAS 27 Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments)

IAS 32 Financial Instruments Presentation and IAS 1 Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments) Improvements to International Financial Reporting Standards (issued May 2008)

IAS 23 Borrowing Costs The main change from the previous version is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale There was no impact on the Company from its adoption as borrowing costs were already capitalised where applicable

IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments Recognition and Measurement - Embedded Derivatives (Amendments) There was no impact on the Company from its adoption

Notes to the financial statements for the year ended 31 March 2010 *(continued)*

(b) New standards and interpretations not applied

The following standards and interpretations have an effective date after the date of these financial statements

International Accounting Standards (IAS / IFRSs) Effective date*
IFRS 1 First Time Adoption of International Reporting Standards 1 July 2009
IFRS 1 Amendments to IFRS 1 – Additional Exemptions for First-time Adopters 1 January 2010
IFRS 1 Amendments to IFRS 1 – Limited Exemption from Comparative
IFRS 7 disclosures 1 July 2010
IFRS 2 Amendments to IFRS 2 –Group Cash-settled Share-based Payment Transactions 1 January 2010
IFRS 3 Business Combinations (revised January 2008) 1 July 2009
IFRS 9 Financial Instruments Classification & Measurement 1 January 2013
IAS 24 Related Party Disclosures (revised) 1 January 2011
IAS 27 Consolidated and Separate Financial Statements (revised January 2008) 1 July 2009
IAS 32 Amendment to IAS 32 Classification of Rights Issues 1 February 2010
IAS 39 Eligible Hedged Items 1 July 2009 Improvements to IFRS (issued April 2009) Various dates
International Financial Reporting Interpretations Committee (IFRIC)
IFRIC 14 Amendment Prepayments of a Minimum Funding Requirement 1 January 2011
IFRIC 17 Distributions of Non-Cash Assets to Owners 1 July 2009
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments 1 July 2010

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 2010 £	12 months ended 31 March 2009 £
Sale of goods and services	**31,201,064**	26,667,694
	31,201,064	26,667,694

All revenue arose from continuing operations

5. Operating profit/(loss)

This is stated after charging/(crediting)	**12 months ended 31 March 2010 £**	12 months ended 31 March 2009 £
Depreciation and amortisation	**407,566**	398,507
Writeback of inventories	**(172,918)**	(216,330)
Impairment of goodwill	**-**	330,167
Impairment of pharmacy licences	**544,770**	1,597,207
Reversal of impairment	**(1,845,201)**	-
Operating lease payments – minimum lease payments	**864,580**	778,889
Auditors remuneration for the audit of the financial statements	**16,000**	25,500

Notes to the financial statements for the year ended 31 March 2010 *(continued)*

6. Staff costs and directors' emoluments

a) Staff costs

	12 months ended 31 March 2010	12 months ended 31 March 2009
	£	£
Wages & salaries	4,350,192	4,993,460
Social security costs	403,236	463,644
	4,753,428	5,457,104

Included in wages and salaries is a total expense of share-based payments of £13,385 (year to 31 March 2009 £70,795)

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

	12 months ended 31 March 2010	12 months ended 31 March 2009
Store	243	226
Head Office	14	37
	257	263

b) Directors' emoluments

	12 months ended 31 March 2010	12 months ended 31 March 2009
	£	£
Directors remuneration	-	2,917

Remuneration for the year for Directors was borne by Assura Group Limited

7. Finance revenue

	12 months ended 31 March 2010	12 months ended 31 March 2009
	£	£
Bank interest receivable	120	11,043
Intercompany interest receivable	161,518	549,299
	161,638	560,342

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

Notes to the financial statements for the year ended 31 March 2010 *(continued)*

8. Finance costs

	12 months ended 31 March 2010	12 months ended 31 March 2009
	£	£
Intercompany loans	868,781	845,337
	868,781	845,337

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

9. Taxation

Recognised in the income statement	12 months ended 31 March 2010	12 months ended 31 March 2009
	£	£
Current tax expense		
Current year	-	-
Adjustments for prior year	-	-
	-	-
Deferred tax credit		
Origination and reversal of temporary differences	65,638	(1,664,353)
Deferred tax on capital allowances	23,667	-
	89,305	(1,664,353)
Total tax in income statement	89,305	(1,664,353)

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% (2009 28%) The differences are reconciled below

	12 months ended 31 March 2010	12 months ended 31 March 2009
	£	£
Profit/(loss) before taxation	397,139	(5,296,156)
At 28%	111,199	(1,482,924)
Expenses not deductible for tax purposes	38,881	121,127
Prior year adjustment	(60,775)	(161,955)
Profit on disposal of pharmacy licences	-	(140,601)
Losses brought forward	-	-
Total tax in income statement	89,305	(1,664,353)

Notes to the financial statements for the year ended 31 March 2010 *(continued)*

10. Property, plant and equipment

	Freehold land	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						
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**

	Freehold land	Leasehold improvements	Fixtures & fittings	Equipment	IT equipment & software	Total
	£	£	£	£	£	£
Cost						
At 1 April 2008	201,450	1,106,693	1,571,432	145,746	373,678	**3,398,999**
Additions	3,125,000	94,674	209,570	21,133	116,387	**3,566,764**
Transfer to group company	(3,125,000)	-	-	-	-	**(3,125,000)**
At 31 March 2009	**201,450**	**1,201,367**	**1,781,002**	**166,879**	**490,065**	**3,840,763**
Depreciation						
At 1 April 2008	-	48,699	166,639	28,208	130,312	**373,858**
Charge for the year	-	45,418	161,148	31,491	152,306	**390,363**
At 31 March 2009	**-**	**94,117**	**327,787**	**59,699**	**282,618**	**764,221**
Net book value						
At 31 March 2009	**201,450**	**1,107,250**	**1,453,215**	**107,180**	**207,447**	**3,076,452**

Notes to the financial statements for the year ended 31 March 2010 *(continued)*

11. Intangible assets

	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**

	Goodwill £	Licences £	Other intangibles £	Total £
Cost				
At 1 April 2008	812,000	6,788,300	42,563	**7,642,863**
Additions arising from transfers from group companies	1,682,785	6,009,945	-	**7,692,730**
Internally generated additions	-	493,251	127,634	**620,885**
Disposals	-	(18,989)	-	**(18,989)**
At 31 March 2009	**2,494,785**	**13,272,507**	**170,197**	**15,937,489**
Amortisation and impairment				
At 1 April 2008	89,296	1,004,989	2,375	**1,096,660**
Charge for the year	-	-	8,144	**8,144**
Impairment loss	330,167	1,597,207	-	**1,927,374**
At 31 March 2009	**419,463**	**2,602,196**	**10,519**	**3,032,178**
Net book value				
At 31 March 2009	**2,075,322**	**10,670,311**	**159,678**	**12,905,311**

Notes to the financial statements for the year ended 31 March 2010 *(continued)*

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 2010

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 2010 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 2010 have been reflected in these financial statements

The recoverable amount of goodwill and pharmacy licences has been determined based on a value in use calculation based on budgets approved by the Board covering a five year period The discount rate applied to cash flow projections is 7 0% (2009 7 1%) and a terminal value is applied after year five based upon the value in use of each pharmacy branch

The discount rate applied to the forecast cash flows was based upon the Weighted Average Cost of Capital The cost of equity was determined using the Capital Asset Pricing Model and a Beta appropriate to the Pharmacy Sector of 1 00 The cost of debt was based upon the Group's actual average rates of borrowing over the next 5 years The assumed level of was in line with the current levels and this is considered to be the industry norm

An impairment reversal of £1,845,201 and impairment loss of £544,770 resulting in a total reversal of £1,300,431 (2008 loss £1,597,207) in respect of certain individual Pharmacy Licences has been recognised during the year based upon value in use calculations The reversal has arisen due to a net increase in the forecast cashflows and estimated terminal value of each licence at the end of year five The increase in terminal value reflects the recent enhancement in the profitability of the company's pharmacy licences

Sensitivity Analysis
With regard to the assessment of the value in use of the goodwill a 1% reduction in the NHS gross margin assumption would result in an increase in the impairment provision in the year of £240,000 whilst a 2% increase in the discount rate applied would result in an increase in the impairment provision of £404,000 If both sensitivities are applied together, the combined impact would be an increase in the impairment provision of £636,000

Notes to the financial statements for the year ended 31 March 2010 *(continued)*

12. Investments

a) Investments in subsidiary companies

	2010	2009
	£	£
At the beginning of the period	10,103,475	4,073,060
Acquisitions in year	-	6,030,415
Dividend received – recovery of original investment	(9,799,359)	-
At the end of the period	**304,116**	10,103,475

During the 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 2010	Shareholding 2009	Business activity
Trinity Crescent Healthcare Consortium Limited	Ordinary	England	8%	8%	Dormant
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

* owned indirectly through Harvey & Richardson Holdings Limited

	Aggregate share capital and reserves	Profit after tax
	£	£
Trinity Crescent Healthcare Consortium Limited	770	-
Clearup Limited	1,000	-
P&L Worsley Limited	100	-
Armside Chemists Limited	25,000	-
Harvey & Richardson Limited	687,769	-
Harvey & Richardson Holdings Limited	(403,483)	-

b) Investments in joint ventures

	Year ended	Shares held by company	% Held	Place of incorporation	Business activity	Date of incorporation
GP Care Pharmacy Limited	31/03/2010	1 Ordinary share of £1	50%	England	Pharmacy services	07/02/2007

Notes to the financial statements for the year ended 31 March 2010 *(continued)*

13. Trade and other receivables

	2010	2009
Current	**£**	£
Trade receivables	**3,582,561**	2,765,263
Prepayments	**450,957**	585,318
VAT recoverable	**306,896**	893,442
Other taxes and social securities	**8,430**	-
Loans to group companies	**7,825,842**	12,950,840
	12,174,686	17,194,863

Trade debtors are generally on 30-60 days' terms and are shown net of a provision for impairment As at 31 March 2010, no trade debtors were impaired or fully provided for (2009 nil)

As at 31 March 2010 and 31 March 2009 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

	2010	2009
	£	£
Finished goods and goods for resale	**1,720,710**	1,648,440

During the year, inventory totalling £22,064,242 (2009 £18,642,433) has been recognised in the Income Statement as an expense

15. Cash and cash equivalents

	2010	2009
	£	£
Cash at bank and in hand	**2,573,853**	3,315,772

16. Trade and other payables

	2010	2009
Current	**£**	£
Trade payables	**6,617,186**	4,162,531
Other taxes and social security	-	136,807
Accruals	**337,056**	1,025,429
Onerous lease provision	**313,136**	-
Other payables	**27,003**	531,912
	7,294,381	5,856,679

17. Financial liabilities

	2010	2009
	£	£
Intercompany loan	**19,908,534**	35,078,072
	19,908,534	35,078,072

The intercompany loans have no fixed term of repayment The minimum contractual payment is therefore £nil (2009 £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 2010 *(continued)*

18. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following

	Assets 2010 £	Assets 2009 £	Liabilities 2010 £	Liabilities 2009 £	Net 2010 £	Net 2009 £
Property, plant and equipment	**70,660**	70,660	**-**	-	**70,660**	70,660
Pharmacy licenses recognised on acquisition	**-**	-	**(2,164,627)**	(2,075,322)	**(2,164,627)**	(2,075,322)
Tax value of loss carry-forwards	**2,531,762**	2,531,762	**-**	-	**2,531,762**	2,531,762
Tax assets / (liabilities)	**2,602,422**	2,602,422	**(2,164,627)**	(2,075,322)	**437,795**	527,100

19. *Authorised and issued share capital*

Authorised	**2010 Number**	**2010 £**	2009 Number	2009 £
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

20. 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 During the period no units (2009 400,000 units) were granted to Assura Pharmacy Limited employees which vest on 31 March 2011

For units outstanding as at 31 March 2010, the weighted average remaining contractual life is 1 38 years (2009 2 41 years) and the range of base reference prices is £0 55 to £1 90

The weighted average fair value of units granted during the period was £0 13 (2009 £0 15)

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 2010 and the year ended 31 March 2009

Notes to the financial statements for the year ended 31 March 2010 *(continued)*

20. Share based incentive scheme (continued)

	31/03/10	31/03/09
Dividend yield (%)	**0.0**	0 0
Expected share price volatility (%)	**72.6**	64 9
Risk-free interest rate (%)	**1.97**	2 1
Expected life of units (years)	**2.7**	3 2
Weighted average share price (p)	**33 0**	38 0

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

The fair value of the units granted in the period, is nil (2009 £62,023) based on market price at the date the shares were granted This cost is allocated over the vesting period Given that the company's share price at the date of this report is substantially below the base preference price, the cumulative expense has been computed by preference to the second vesting date given the likelihood of the units being granted at the first vesting date The cost allocation for the period was £13,835 (2009 £70,795) 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

21. Additional cash flow information

Analysis of Company net debt	1 April 2009	Non Cash Flow	Net Cash Flow	31 March 2010
	£	£	£	£
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)

	1 April 2008	Non Cash Flow	Net Cash Flow	31 March 2009
	£	£	£	£
Cash & cash equivalents	2,327,339	-	988,433	3,315,772
Loans	(5,129,481)	(21,907,528)	(8,041,063)	(35,078,072)
	(2,802,142)	(21,907,528)	(7,052,630)	(31,762,300)

Notes to the financial statements for the year ended 31 March 2010 *(continued)*

22. 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	**Land and buildings**	Motor Vehicles	Land and buildings
	2010	**2010**	2009	2009
	£	**£**	£	£
Not later than one year	**19,722**	**833,060**	25,055	729,109
After one year but not more than five years	**66,608**	**3,296,601**	14,848	2,777,117
After five years	**-**	**10,676,221**	-	11,281,270
	86,330	**14,805,882**	39,903	14,787,496

23. Ultimate controlling party

The immediate controlling party is Assura Pharmacy (Holdings) Limited, a company incorporated in Guernsey 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

24. Commitments

At the balance sheet date the company had contracted but not provided for site redevelopment costs amounting to £111,000 (2009 £nil)

25. 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 Group In the event of a default by a debtor, the Group 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

Notes to the financial statements for the year ended 31 March 2010 *(continued)*

25. Financial instruments (continued)

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 Group 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 2010 and the period ended 31 March 2009

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 59% debt to 41% equity (2009 67% debt to 33% 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 £100,000 Equally, a decrease of 50 basis points would have increased the profit before tax by £100,000

Notes to the financial statements for the year ended 31 March 2010 *(continued)*

26. 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 2010 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 2010	-	-	9,939,053
2009/10 Decrease in working capital facility	-	-	(1,340,808)
As at 1 April 2009	-	-	11,279,861
2008/09 Increase in working capital facility	-	-	4,763,366
As at 1 April 2008	-	-	6,516,495
Assura Properties (Assura Property Ltd, Assura Properties Ltd)	£	£	£
As at 31 March 2010	-	-	9,595,758
2009/10	747,543	-	(22)
As at 1 April 2009	-	-	9,595,780
2008/09 Investment capital for subsidiaries	672,594	-	7,448,184
As at 1 April 2008	-	-	2,147,596
Assura Pharmacy Holdings Limited	£	£	£
As at 31 March 2010	-	-	94,723
2009/10	-	-	-
As at 1 April 2009	-	-	94,723
2008/09	-	-	-
As at 1 April 2008	-	-	94,723
Subsidiaries (See note 12, investments)	£	£	£
As at 31 March 2010	-	-	279,000
2009/10 Dividend payments received	-	-	(9,712,514)
As at 1 April 2009	-	-	9,991,514
2008/09 Subsidiary investment	-	-	6,030,415
As at 1 April 2008	-	-	3,961,099
GP Care Limited	£	£	£
As at 31 March 2010	-	7,825,842	-
2009/10 Loan write off	-	(1,009,303)	-
As at 1 April 2009	-	8,832,830	-
2008/09 Loan to acquire Eastville and Stoke Bishop	-	1,242,397	-
As at 1 April 2008	-	7,590,433	-

During the year a pharmacy licence was sold to Andrew Murray, the former head of Assura Pharmacy Limited at a market rate of £29,000

Notes to the financial statements for the year ended 31 March 2010 *(continued)*

26. Related parties (continued)

Compensation of key management personnel (including directors)

	2010	2009
	£	£
Short-term employee benefits	**258,239**	303,459
Share-based payment	**13,385**	70,795
	271,624	374,254