

5171309

Healthcare Pharmacies Limited

Annual Report and Financial Statements

For the period ended 31 December 2005



Healthcare Pharmacies Limited

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Healthcare Pharmacies Limited

Company Information

Directors: Nigel Rawlings
Richard Burrell
John Curran
Conor Daly
Tim Davies
Andrew Murray

Secretary: Nigel Rawlings

Company Number: 5171309 (England & Wales)

Registered Office: Regus House
Herons Way
Chester Business Park
Chester
CH4 9QR

Auditors: Ernst & Young LLP
14 New Street
St. Peter Port
Guernsey
GY1 4AF

Healthcare Pharmacies Limited

Report of the Directors

The Directors of Healthcare Pharmacies Limited are pleased to submit the Audited Financial Statements of the Company for the period from incorporation on 6th July 2004 to 31 December 2005.

Principal Activity and Business Review

The principal activity of the Company is the development and operation of pharmacies. The company opened its first site, after the period end, on the 28th February 2006 and currently operates four such branches.

Results

The results for the period are shown in the Profit and Loss account on page 6. The company has expensed substantially all of its pharmacy development costs in the period. The company is pursuing pharmacy licences at a number of locations in the UK from which it will trade profitably in due course. At the date of this report seven new licenses have been granted to, and one has been acquired by the Company.

Dividend

The Directors do not recommend the payment of a dividend for the year.

Share Capital

On 6th April 2006 the authorised ordinary share capital of the company was increased from £100 to £5,000,000, and a further 250,000 shares with a nominal value of £1.00 each were issued to MPF Pharmacies Limited on that date.

Directors and their Interests

The directors as at the date of this report and who served during the year were as follows:-

Nigel Rawlings	(appointed 6 July 2004, resigned 23 November 2005 & re-appointed 1 February 2006)
Richard Burrell	(appointed 6 July 2004)
John Curran	(appointed 1 November 2005)
Conor Daly	(appointed 8 August 2005)
Tim Davies	(appointed 17 October 2005)
Andrew Murray	(appointed 1 April 2005, resigned 23 November 2005 & re-appointed 1 February 2006)
Peter Dickson	(appointed 1 November 2005, ceased 30/12/05)

The directors do not have any interests required to be disclosed under Schedule 7 of the Companies Act 1985.

Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:-

- * select suitable accounting policies and apply them consistently;
- * make judgements and estimates that are reasonable and prudent;
- * prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Healthcare Pharmacies Limited

Report of the Directors cont

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985.

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

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

By order of the Board

A handwritten signature in black ink, appearing to read 'NKR', followed by a horizontal line.

Nigel Rawlings
Secretary
3rd August 2006

Independent Auditor's Report to the Healthcare Pharmacies Limited

We have audited the company's financial statements for the period ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Shareholders' Equity and the related notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of The Companies Act 1985. 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

The directors are responsible for preparing the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with The Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent Auditor's Report to the Healthcare Pharmacies Limited

Opinion

In our opinion the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 December 2005 and of its loss for the period then ended and have been properly prepared in accordance with The Companies Act 1985.

Smyth & Young LLP
Registered Auditors
Guernsey, Channel Islands
Date *4 August 2006*

Healthcare Pharmacies Limited

Profit and Loss Account

for the period from 6 July 2004 to 31 December 2005

	Notes	06/07/2004 to 31/12/2005 £
Expenses		
Communications		9,091
Equipment hire		294
Heat, light & water		1,154
Insurance		317
IT licences, support & maintenance		6,834
Maintenance & repairs		17,208
Marketing		1,281
Printing & stationary		6,978
Professional fees		48,597
Rent & rates		22,016
Subscriptions		4,557
Sundry expenses		314
Travel & entertainment		126,869
Equipment		29,308
Management charge	4	301,987
Wages & Salaries	3	78,418
Operating loss	4	<u>(655,223)</u>
Interest payable and similar charges	5	10
Depreciation	7	2,192
Loss for the financial period		<u><u>(657,425)</u></u>

There are no recognised gains and losses other than the loss for the current financial period
All items above arose from continuing operations.

The accompanying notes on pages 10 to 13 are an integral part of the financial statements.

Healthcare Pharmacies Limited

Balance Sheet

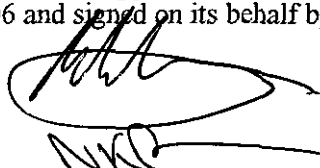
as at 31 December 2005

Assets	Notes	31/12/2005 £
Non Current Assets		
Intangible assets - Development costs	7	36,458
Fixtures & fittings	7	134
Equipment	7	1,100
Computer equipment & software	7	7,685
		<u>45,377</u>
Current Assets		
Other receivables	8	34,539
Prepayments		33,233
		<u>67,772</u>
Creditors: amounts falling due within one year		
Loans	9	(694,855)
Trade and other payables		(43,254)
Other taxation & social security costs		(29,130)
Accruals		(3,334)
		<u>(770,573)</u>
Net Current Liabilities		<u>(702,801)</u>
Net Liabilities		<u>(657,424)</u>
Represented by:		
Capital and Reserves		
Share capital	10	1
Profit and loss reserve		(657,425)
Shareholders' Deficit	11	<u>(657,424)</u>

The financial statements were approved at a meeting of the Board of Directors held on 3 August 2006 and signed on its behalf by:

Andrew Murray

Nigel Rawlings



)
) Directors
)

The accompanying notes on pages 10 to 13 form an integral part of the financial statements.

Healthcare Pharmacies Ltd

Cash Flow Statement

for the period from 6 July 2004 to 31 December 2005

	Notes	6/07/2004 to 31/12/2005
Operating Activities		
Expenses paid		(647,277)
Net cash outflow from operating activities	12	<u>(647,277)</u>
Investing activities		
Purchase of fixed assets		(11,111)
Pharmacy licence application costs		<u>(36,458)</u>
Cash outflow from investing activities		<u>(47,569)</u>
Financing activities		
Non interest bearing loan		694,855
Financial expenses		(10)
Proceeds from issue of ordinary share		<u>1</u>
Net cash inflow from investing activities		<u>694,846</u>
Increase in cash and cash equivalents		<u>-</u>
Cash and cash equivalents at 6 July 2004		<u>-</u>
Cash and cash equivalents at 31 December 2005		<u><u>-</u></u>

Healthcare Pharmacies Ltd

Statement of Changes in Shareholders Equity

for the period from 6 July 2004 to 31 December 2005

	Share Capital	Retained Earnings	Total
	£	£	£
Balance as at 06 July 2004	-	-	-
Issue of shares at 06/07/04	1	-	1
Loss attributable to equity holders	-	(657,425)	(657,425)
Equity at 31 December 2005	<u>1</u>	<u>(657,425)</u>	<u>(657,424)</u>

Healthcare Pharmacies Limited
Notes to the Financial Statements
for the period from 6 July 2004 to 31 December 2005

1. OPERATIONS

Healthcare Pharmacies Limited is a private limited company registered in the United Kingdom. The principal activity of the Company is the development and operation of pharmacies, primarily in primary care centres. The company opened its first pharmacy after the period end on the 28th February 2006.

2. BASIS OF PREPARATION

The principal accounting policies are summarised below. They have been applied consistently throughout the period.

Going Concern

The financial statements have been prepared on a going concern basis as the shareholders have agreed to provide adequate funds to enable the company to meet its liabilities.

Statement of Compliance

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with International Financial Reporting Standards. The financial statements cover the period from incorporation to 31/12/2005, the year end of the company.

Segmental Reporting

The Directors are of the opinion that the Company is engaged in a single segment of business, being that of pharmacies. The Company operates pharmacies situated in the United Kingdom, but none were in operation by the period end.

Expenses

Expenses are accounted for on an accruals basis.

Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes except to the extent that the directors consider that a liability to taxation is unlikely to crystallise.

Intangible Fixed Assets

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the development of pharmacy licences) are recognised as intangible assets when it is probable that the project will be a success, considering its commercial and technical feasibility and when its costs can be measured reliably. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight line basis over its useful life, not exceeding 20 years.

Tangible Fixed Assets

Tangible fixed assets are carried at historical cost less accumulated depreciation.

Depreciation of tangible fixed assets is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of the asset as follows:

Fixtures & fittings	- 25% straight line
Equipment	- 25% straight line
Computer equipment & software	- 33% straight line

Loans and Borrowings

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

Healthcare Pharmacies Limited

Notes to the Financial Statements (continued)

for the period from 6 July 2004 to 31 December 2005

Impact of Revisions to International Financial Reporting Standards

The following International Financial Reporting Standards have been revised for periods commencing 1 January 2005 and have been adopted by the company:

IAS1	Presentation of financial statements
IAS8	Accounting policies, changes in accounting estimates and errors
IAS10	Events after the balance sheet date
IAS17	Leases
IAS27	Related party disclosures
IAS32	Financial instruments: Disclosure and presentation
IAS33	Earnings per share
IAS39	Financial instruments: Recognition and measurement
IAS40	Investment property

The Company has decided to early adopt the following standards/amendments to standards:

1. The amendments to IAS39 and IFRS4 ("Financial Guarantee Contracts")
2. IAS39 Amendment - Cash Flow Hedge Accounting of Forecast Intragroup Transactions
3. IAS39 Amendment - The Fair Value Option

These revised standards have had no impact on the Companies equity.

3. WAGES AND SALARIES

6/07/2004 to
31/12/2005
£

Directors remuneration including consultancy fees	53,224
Pension contributions	1,664

Pension contributions were paid directly into a personal pension scheme, there are no future liabilities associated with this scheme. Payments to this scheme ceased on the 30 June 2006 and were payable in respect of one director.

The company had 3 employees at 31/12/05.

4. OPERATING LOSS

6/07/2004 to
31/12/2005
£

Operating loss is stated after charging :	
Auditors remuneration	2,500
Depreciation	2,192
Management Charge *	301,987
Research & non capitalised development cost	115,000

* Certain costs were incurred and recharged, at their underlying actual costs, by Pharma-e Ltd in the period.

5. INTEREST PAYABLE AND SIMILAR CHARGES

6/07/2004 to
31/12/2005
£

Bank charges	10
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6. TAXATION

6/07/2004 to
31/12/2005
£

Current tax

Loss per accounts	(657,425)
Adjustment for disallowable expenditure	2,667
Total loss for the period	(654,758)
Tax @ 30%	NIL

Notes to the Financial Statements (continued)
for the period from 6 July 2004 to 31 December 2005

7. FIXED ASSETS

	Fixtures & Fittings £	Equipment £	Computer Equipment and Software £	Development Cost £	Total £
Cost					
Additions	135	1,232	9,744	36,458	47,569
At 31 December 2005	135	1,232	9,744	36,458	47,569
Depreciation					
Charge for the period	1	132	2,059	-	2,192
At 31 December 2005	1	132	2,059	-	2,192
Net book value					
At 31 December 2005	134	1,100	7,685	36,458	45,377

8. OTHER RECEIVABLES

	6/07/2004 to 31/12/2005
	£
Deposits paid	24,293
VAT recoverable	9,587
Other	659
	<u>34,539</u>

9. LOAN

	6/07/2004 to 31/12/2005
	£
Loan from MPF Pharmacies Ltd	694,855
The loan is short term, non interest bearing and repayable on demand.	

10. SHARE CAPITAL

	31/12/2005
	£
Authorised	
100 Ordinary Shares of £1 each	100
Allotted, called up and fully paid	£
Ordinary Shares of £1 each	1

An ordinary share was issued at par on the 6 July 2004

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	£
Issue of equity shares	1
Loss for the financial period	(657,425)
Closing equity at 31 December 2005	<u>(657,424)</u>

Healthcare Pharmacies Limited

Notes to the Financial Statements (continued)

for the period from 6 July 2004 to 31 December 2005

	6/07/2004 to 31/12/2005
12. NOTE TO CASH FLOW STATEMENT	£
Reconciliation of net loss to net cash flow from operating activities	
Net loss for the period	(657,425)
Financing expenses	10
Adjustment for non cash items	
Depreciation	2,192
Increase in debtors	(67,772)
Increase in creditors	75,718
Net cash outflow from operating activities	<u>(647,277)</u>

13. CONTROLLING PARTY

The immediate controlling party is MPF Pharmacies Limited, a company incorporated in Guernsey. The ultimate controlling party is The Medical Property Investment Fund Limited, a company incorporated in Guernsey. Copies of the group financial statements are available from East Wing, Trafalgar Court, Admiral Park, St Peter Port, Guernsey, GY1 6HJ.

14. COMMITMENTS

At the year end the company had committed to cost relating to the shop fitting of the Bonnyrigg pharmacy with a value of £41,250.

15. POST BALANCE SHEET EVENTS

In April 2006 the authorised ordinary share capital of the company was increased from 100 to 5,000,000, of which 250,000 shares with a nominal value of £1.00 were issued to MPF Pharmacies Limited.

16. RELATED PARTIES

During the year certain costs, amounting to £450,606 in total, relating to the company were incurred and recharged by Pharme Limited, a company in which John Curran and Andrew Murray are directors and John Curran is a shareholder. No balance was outstanding at the year end.

Company No 5171309

HEALTHCARE PHARMACIES LIMITED

MINUTES of a meeting of the Directors of the Company held at 15 Stratton Street,
London, W1J 8LQ on 3rd August 2006

Present: N Rawlings (Chairman)
A Murray

Apologies: R Burrell
C Daly
T Davies
J Curran

1. Quorum

It was decided that N Rawlings would preside as Chairman in the absence of R Burrell. The Chairman reported that notice of the meeting had been given to all those persons entitled to receive the same and, a quorum being present, he declared the meeting open.

2. Purpose

The Chairman reported that the purpose of the meeting was to approve the Annual Report and Financial Statements for the period ending 31st December 2005 as audited by Ernst & Young

3. Approval of Annual Report and Financial Statements

After due and careful consideration, it was resolved that the Annual Report and Financial Statements be approved. The Company Secretary was instructed to effect the entries in the company books, file the Annual Report and Financial Statements at companies house and advise the administrators of the holding company accordingly.

4. Close

There being no further business, the Chairman declared the meeting closed.



.....N Rawlings (Chairman)