Life Pharmacy Limited

Financial Statements and Annual Report

For the year ended 31 March 2009

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	Consolidated Group		
	2009	**2008**	**2007**
	$'000	**$'000**	**$'000**
Revenue	7,238	5,968	5,024
Profit/(loss) before tax	(66)	(1,068)	(7,206)
Profit/(loss) for the period	61	(570)	(6,562)
Total assets	42,560	32,898	33,270
Total liabilities	(5,893)	(7,316)	(11,342)
Shareholder equity (net assets)	36,667	25,582	21,928
Dividend	-	-	849
Basic earnings per share (cents)	0.12	(1.67)	(21.8)
Diluted earnings per share(cents)	0.12	(1.67)	(21.8)
Dividend per share (cents)	-	-	0.5
Net assets per share (cents)	54.9	68.7	72.8
Net tangible assets per share (cents)	29.5	24.2	16.6

Chairman's letter to shareholders

For the year ended 31 March 2009

The last 18 months has been the most significant period of change for Life Pharmacy Limited (LPL) since its listing in October 2004. For the first time since 2006 the Group is reporting a profit, albeit a small one, demonstrating a turnaround following a period of sustained losses in recent years.

During the twelve months to 31 March 2009 the Company has made considerable progress in four key areas: operating performance, capital raising, growth and personnel.

Operating Performance

During the second half of 2008 it became apparent that the strong economic growth experienced in the last 10 years was not going to be sustained. Like most other western nations New Zealand was impacted by the global economic shock waves that followed the near collapse of the banking sector in September and October 2008. Since then most companies have changed their focus to one of cost containment and self-preservation.

Against this back drop, I am very pleased to be able to report that our stores and sector have continued to show signs of resilience and growth. In the 12 months ended 31 March 2009 our Life Pharmacy stores have shown sales growth in the region of 5%, with comparable store growth being around half of that. The continued focus on cost minimisation and margin management has seen the operating performance of our stores achieve the best result in 4 years at a Net Profit before Tax level.

Over the last year the marketing programme has been considerably enhanced. It now includes a much stronger catalogue programme, which has been increased to monthly distribution, a broader range of television advertising and a much greater focus on the Living Card as a mechanism for communicating with and rewarding our most valued customers. These initiatives, together with stronger point of sale in stores and better event planning has seen a strong increase in both transaction numbers and average transaction size across most stores. We are fortunate that beauty products are often regarded as affordable luxuries, a category which traditionally performs well even during recessionary periods, creating opportunities that our marketing team has been able to take advantage of.

The success of the Living Card merits special mention. Two years ago the Group embarked on a loyalty programme which required significant investment and resource. This year, however, we are beginning to see the benefits of this investment as enrolments rose approximately 250,000 registered members and the Living Card programme now represents one of the most important assets we have in our business. Further changes are planned in this financial year to make this programme even more appealing to our customers and store colleagues.

Capital Raising and Shareholder Changes

The Group's net assets are $36.7 million (2008: 25.6 million), and the increase is largely attributable to the capital raised following the rights issue that took place on 7th August 2008. On that date the Group announced it was undertaking a three-for-two renounceable rights issue to existing shareholders, offering ordinary shares at an issue price of $0.40. The shares would be partly paid, with $0.20 per share payable on allotment and the balance payable twelve months later. The rights issue raised in excess of $11.6 million and the Company is now well placed to further invest in the health, beauty and wellness sector in New Zealand. It has provided considerable strength to the Group's balance sheet, in an environment where capital raising and confidence in future growth has been at its lowest for a number of years.

As part of the rights issue, LPL's corner stone investor, LPL Trustee Limited, which is backed by Andrew Bagnall, exercised its rights under the option agreement granted to it on 26 July 2007 and 27,068,975 partly paid ordinary shares were issued to this entity. As a result of this LPL Trustee Limited's total shareholding is now 50.01%.

Chairman's letter to shareholders (continued)

For the year ended 31 March 2009

Andrew's enthusiasm and continued investment in Life Pharmacy has been welcomed not only by the Life Pharmacy Board but also by existing shareholder pharmacists and franchisees. Andrew's considerable experience, vision and plans for future growth, along with his commitment to the company, provide a very strong platform for Life Pharmacy in the future.

Growth

On the 2nd May 2008 the Group announced the acquisition of Care Chemist Services Limited, a small franchisee group of 8 community pharmacies operating under the Care Chemist brand in the greater Auckland area. This acquisition was completed on 30th May 2009 and clearly demonstrated Life's commitment to being anchored in dispensary and the health sector was well as maintaining a strong presence in the high end beauty segment, in which the majority of its larger, mall based pharmacies operate. Since its acquisition of the Care Chemist franchise the Group has committed to growing this brand under the leadership of its founding member, Des Adams. Des brings considerable experience to Life Pharmacy from the health sector and his involvement with local DHB's throughout the country.

I am pleased to announce that our most recent Care Chemist franchisee, Botany Care Chemist in East Auckland, brings the total number of pharmacies operating under this brand at the end of May 2009 to 21. This brand continues to expand and the focus for FY10 is the continued growth of franchisees into this brand.

On the 23rd March 2009, Life Pharmacy opened its 26th Life Pharmacy branded store in the newly developed Wall Street mall in the centre of Dunedin. With a retail area of 511sqm, this is one of New Zealand's biggest pharmacies and represents a strong customer offering across health, wellness and beauty. The opening of the store coincided with Otago Anniversary Day and was the most successful first week of any previous Life Pharmacy store. Ownership of the pharmacy is shared between LPL and Dunedin pharmacist, Lee Tan.

People

The improved performance of the Group and changes undergone in the last 12 months would not have been possible without the continued and committed support from teams of colleagues both within stores and at central office. This organisational strength and resilience is clearly demonstrated by the way in which the Group has managed to maintained momentum and commitment following the departure of the Group CEO, Philip Ingham, on 31 January 2009 for personal reasons.

I am grateful to the support given to the business by the Board during the past twelve months, particularly during the period following Philip's departure. The Board is currently recruiting a new Group CEO.

EM Coutts

Liz Coutts
Chairman

Corporate governance

For the year ended 31 March 2009

Role of the Board of Directors
The Board of Life Pharmacy Limited (LPL) is elected by the shareholders to represent all of the Company's shareholders. It is the Board's responsibility to establish the strategic direction and objectives of LPL and set the policy framework within which LPL must operate. The Chief Executive Officer (CEO) is appointed by the Board, and has delegated authority for the day-to-day operations of LPL.

The Board comprises two independent directors, four non-executive directors and an executive director. The total annual directors' remuneration approved for each financial year is capped at $250,000, with the fees commencing 1 April 2008. The directors holding office during the year and the remuneration paid or payable to the directors is as follows:

Director	Appointed	Resigned	Total Fees
John (Andrew) Bagnall	30 August 2007		15,000
John Bolland *	31 October 2008		15,000
Elizabeth (Liz) Coutts *+¥	4 March 2005		80,000
Andrew Davidson +¥	4 March 2005		40,000
Steve Smith *¥	21August 2006	31 October 2008	23,333
Mark Vuksich +	4 March 2005		30,000
Neil Webber *	4 March 2005		30,000
Brian (Philip) Ingham	9 August 2007	29 January 2009	Nil
Total			**233,333**

* = Audit Committee member
+ = Remuneration and Nominations Committee member
¥ = Independent Directors' Committee member

All remuneration paid to Philip Ingham was derived from employee remuneration (salary and benefits) as CEO of LPL.

The directors are involved with, and where applicable, have declared the following general interests:

Andrew Bagnall – LPL Trustee Limited (Director & Shareholder); Major shareholder or director of various unlisted or privately controlled companies.

John Bolland – shareholder or director of various unlisted or privately controlled companies.

Liz Coutts – EBOS Limited (Director); Ministry of Health (Chairman Audit, Finance & Risk Committee); Skellerup Holdings Limited (Director); University of Waikato Management Studies Advisory Board (Member); Urwin & Co Limited (Chairman).

Andrew Davidson – Lighthouse Ventures Limited (Director & Shareholder); Old Fashioned Foods Limited (Director).

Steve Smith – Fulton Hogan Limited (Director); Trebol Investments Limited (Director); Elevation Capital Management Limited (Director); OCG Consulting Limited (Director); Auckland City Council Zoo Board (co-opted Member); Spanbild Holdings Limited (Director).

Mark Vuksich – Pharmacy 277 Limited (Director & Shareholder); PIMS 2005 Limited (Director & Shareholder); St Lukes Pharmacy Holdings Limited (Director & Shareholder); Porirua Pharmacy Limited (Director).

Corporate governance (continued)

For the year ended 31 March 2009

Neil Webber – Ganet Investments Limited (Director & Shareholder); Kroma Colour Prints Limited (Chairman); Minnow Investments Limited (Director & Shareholder); Neil Webber Pharmacy Limited (Director & Shareholder); PIMS 2005 Limited (Director & Shareholder); Sinel-Francis Pharmacy Limited (Director & Shareholder); Sinel-Francis Pharmacy Tauranga Limited (Director & Shareholder); JV (NZ) Limited (Director).

Philip Ingham – no other interests held

Governance Policies
The Board is satisfied that the corporate governance principals adopted or followed by the Group do not materially differ from those provided for in the Corporate Governance Best Practice Code.

The Board has established corporate governance policies and confirmed the following principles:

Code of Ethics
The Company has established a Code of Ethics to govern its conduct. The Code addresses ethical issues, establishes compliance standards and procedures, provides mechanisms to report unethical behaviour and provides for disciplinary actions.

Shareholder Relations
The Board will ensure that shareholders are informed of major developments affecting the Company. Information is available through the Annual and Interim Reports, with shareholders able to participate at each Annual General Meeting. Any material information affecting the Company during the intervening period is announced to the financial markets via the New Zealand Stock Exchange (NZX) under the Board's policy for continuous disclosure.

Insider Trading Guidelines
The Board has issued guidelines to prevent insider trading to all directors, deemed directors, officers and other restricted persons of LPL. All directors, deemed directors, officers and other restricted persons of LPL must formally apply for consent to trade LPL's securities from the Chief Financial Officer before undertaking any sales or purchases.

The Board reviews all consents granted at each Board meeting. The directors, deemed directors, officers and other restricted persons of LPL are obliged to complete and submit disclosure notices to the New Zealand Stock Exchange (NZX) within five days of any trades being settled.

Board Size and Structure
The current policy is that the Board will comprise one LPL Trustee Limited director (currently Andrew Bagnall), up to three independent directors, two non-executive directors and the Chief Executive Officer, the only executive director. During the year, LPL Trustee Limited exercised its option to appoint one further director pursuant to clause 11.3(b) of LPL's constitution, being John Bolland. This was following the rights issue where LPL Trustee Limited increased its shareholding in Life Pharmacy Limited to 50.01%. The independent directors are selected to ensure that the appropriate skills and experience are available. One of the independent directors will be appointed as Chairman.

The Board meets monthly, and follows procedures that ensure that all directors have the necessary information to participate in an informed discussion on all agenda items and effectively carry out their duties. Senior managers make direct presentations to the Board on a rotational basis to give directors a broad exposure to management philosophies and capabilities.

The Board has instituted a formal system to review the performance of the Board and the individual directors.

Corporate governance (continued)

For the year ended 31 March 2009

Board Committees
The Board has three standing committees described as follows. The Board annually reviews the performance of the standing committees against written charters.

Remuneration and Nominations Committee
This committee comprises two independent directors and one non-executive director. It meets as required to;

- Review the remuneration of the Chief Executive Officer
- Make recommendations to shareholders for non-executive and independent director remuneration
- Recommend director appointments

Remuneration packages are reviewed annually. Independent external surveys are used as a basis for establishing competitive remuneration.

The composition of the Remuneration and Nominations Committee is Andrew Davidson (Chairman), Elizabeth Coutts and Mark Vuksich.

The number of LPL current employees whose income was greater than $100,000 fell within the specified bands as follows:

	Group		Parent	
	2009	**2008**	**2009**	**2008**
Employee annual remuneration bands:				
$100,000 - $110,000	1	1	1	1
$110,000 - $120,000	2	-	2	-
$120,000 - $130,000	1	1	1	1
$130,000 - $140,000	2	2	1	2
$140,000 - $150,000	1	-	1	-
$160,000 - $170,000	-	1	-	1
$170,000 - $180,000	1	-	1	-
$190,000 - $200,000	1	1	1	1
$220,000 - $230,000	1	-	1	-
$240,000 - $250,000	-	1	-	1
Executive Director annual remuneration:				
$390,000 - $400,000	-	1	-	1

Audit Committee
The committee comprises one independent director and two non-executive directors. One of the directors is appointed Chairman who is not the Chairman of the Board. The executive director is not entitled to be a member. All other directors are entitled to attend the meetings.

The Chief Executive Officer and the Chief Financial Officer attend as ex-officio members and external auditors by invitation of the Chairman. The Audit Committee meets privately with the external auditors, that is, without management in attendance. All Audit Committee members must be financially literate, with at least one member having a financial background.

The Committee meets a minimum of four times each year. Its responsibilities include:

- To review the scope and outcome of the external audit
- To review the annual and half yearly financial statements prior to approval by the Board
- To approve the public releases of financial information
- To assess the performance of financial management and monitoring of material corporate risk assessments and internal controls
- To report the proceedings of each meeting to the Board

- To make recommendations to the Board on the appointment of the external auditors, their independence and their fees

The current composition of the committee is John Bolland (Chairman), Elizabeth Coutts and Neil Webber.

Independent Directors' Committee
The committee comprises the independent directors. It meets as required to assist the Board in discharging its responsibility primarily in relation to matters that arise where there may be a perception of conflict of interest for those members of the Board or Management who hold a management and or ownership role in one or more of the company's associated companies.

Organisation Structure and Financial Control
The Board has delegated to the executive management team the management responsibilities of the Company. The executive management team is made up of the General Manager of Marketing, Merchandising and Buying, who coordinates the marketing and merchandising activities; the Chief Financial Officer who is responsible for ensuring that all operations within the Company adhere to the Board-approved financial control policies; the Operations Manager who is responsible for supporting the operation of the stores; and the CEO of Care Chemist who is responsible for the Care Chemist franchisees and brand.

The Board satisfies itself that adequate external insurance cover is in place appropriate to the Company's size and risk profile.

Group entities

For the year ended 31 March 2009

The current Life Pharmacy Limited group structure comprises 26 companies and LPL has appointed a director to each associate pharmacy company board giving LPL a one-third voting right. The group entities are as follows:

Parent	**Holding**	**Activity**
Life Pharmacy Limited		Franchisor & Investment
Controlled entities		
Beauty Direct Operations Limited	100%	Non-trading
Life Holdings Botany Limited	100%	Non-trading
Life Pharmacy Trustee Company	100%	Non-trading
Care Chemist Limited	100%	Franchisor
Joint Venture entity		
LPL Investments Limited	50%	Retail
Associate entities		
Life Pharmacy Albany	49%	Pharmacy
Life Pharmacy Bayfair	49%	Pharmacy
Life Pharmacy Birkenhead	49%	Pharmacy
Life Pharmacy Glenfield	49%	Pharmacy
Life Pharmacy Johnsonville	49%	Pharmacy
Life Pharmacy Manukau	49%	Pharmacy
Life Pharmacy Newmarket 277	49%	Pharmacy
Life Pharmacy Northlands	49%	Pharmacy
Life Pharmacy Pakuranga	49%	Pharmacy
Life Pharmacy Queensgate	49%	Pharmacy
Life Pharmacy Riccarton	49%	Pharmacy
Life Pharmacy Rotorua	49%	Pharmacy
Life Pharmacy St Lukes	49%	Pharmacy
Life Pharmacy Sylvia Park	49%	Pharmacy
Life Pharmacy Takapuna	49%	Pharmacy
Life Pharmacy Tauranga	49%	Pharmacy
Life Pharmacy The Palms	49%	Pharmacy
Life Outlet Pharmacy Porirua	49%	Pharmacy
Life Pharmacy Dunedin (formerly non-trading subsidiary Tawharanui Holdings 2006 Limited)	49%	Pharmacy
Care Chemist Pakuranga	49%	Pharmacy

In accordance with the Life Pharmacy franchise agreement, each pharmacy uses the prefix 'Life Pharmacy' and its location as its trading name. For example A H McAulay Limited trades as Life Pharmacy Birkenhead.

Life Pharmacies operate throughout New Zealand, in major metropolitan shopping precincts:

Region	**Associates**	**Life Franchisees**	**Care Chemist Franchisees**
Auckland	10	2	13
Bay of Plenty	3	2	-
Hawkes Bay	-	-	1
Wellington	3	1	2
Christchurch	3	-	-
Dunedin	1	-	1
Invercargill	-	-	1

Directors' declaration

For the year ended 31 March 2009

In the opinion of the directors of Life Pharmacy Limited, the financial statements and notes, on pages 12 to 45:

- Comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the Parent and the Group as at 31 March 2009 and the results of their operations and cash flows for the year ended on that date.
- Have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Parent and the Group and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The directors consider that they have taken adequate steps to safeguard the assets of the Parent and the Group, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

The directors are pleased to present the financial statements of Life Pharmacy Limited for the year ended 31 March 2009.

For and on behalf of the Board of Directors:

E M Coutts	J Bolland
Chairman	Director
28 May 2009	28 May 2009

Auditors' report

To the shareholders

For the year ended 31 March 2009

To the shareholders of Life Pharmacy Limited
We have audited the financial statements on pages 12 to 45. The financial statements provide information about the past financial performance and financial position of the company and group as at 31 March 2009. This information is stated in accordance with the accounting policies set out on pages 16 to 23.

Directors' responsibilities
The Directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the company and group as at 31 March 2009 and the results of their operations and cash flows for the year ended on that date.

Auditors' responsibilities
It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

Basis of opinion
An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements;
- whether the accounting policies are appropriate to the company's and group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. 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 obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditors we have no relationship with or interests in the company.

Unqualified opinion
We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records;
- the financial statements on pages 12 to 45:
  - a) comply with New Zealand generally accepted accounting practice;
  - b) give a true and fair view of the financial position of the company and group as at 31 March 2009 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 28 May 2009 and our unqualified opinion is expressed as at that date.

KPMG

Auckland

Income statement
For the year ended 31 March 2009

	Note	Group 2009 $'000	Group 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Operating revenue					
Associate dividends	19	-	-	1,089	506
Associate earnings	19	1,069	426	-	-
Franchise revenue	6	6,169	5,512	5,997	5,512
Other revenue	7	-	30	1,204	-
		7,238	**5,968**	**8,290**	**6,018**
Other income		239	474	239	474
Operating expenditure					
Governance and accountability	8	412	482	412	482
Marketing expenses		3,014	3,254	2,882	3,254
Depreciation and amortisation	16,17	357	280	354	280
Employee benefit expense		2,974	2,400	2,747	2,393
Other expenditure	9	1,529	1,341	2,621	1,313
		8,286	**7,757**	**9,016**	**7,722**
Operating (loss) before interest and tax		**(809)**	**(1,315)**	**(487)**	**(1,230)**
Interest income		1,152	916	1,152	904
Interest expense		(409)	(669)	(409)	(668)
Net interest income/(expense)		**743**	**247**	**743**	**236**
Profit/(Loss) before tax		**(66)**	**(1,068)**	**256**	**(994)**
Tax benefit	10	127	498	47	504
Profit/(Loss) for the period		**61**	**(570)**	**303**	**(490)**
Basic earnings per share (cents)	11	0.12	(1.67)	0.57	(1.41)
Diluted earnings per share (cents)	11	0.12	(1.67)	0.57	(1.41)
Dividend per share (cents)	11	-	-	-	-

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 16 to 45 form part of the financial statements.

Statement of changes in equity

For the year ended 31 March 2009

	Note	Group		Parent	
		2009 $'000	2008 $'000	2009 $'000	2008 $'000
Profit/(Loss) for the period		61	(570)	303	(490)
Recognised income for the period		**61**	**(570)**	**303**	**(490)**
Contributions from owners	**12**	11,040	5,029	11,040	5,029
Shares purchased and cancelled	**12**	(12)	(840)	(12)	(840)
Share scheme amortisation	**12**	(4)	35	(4)	35
Total transactions with owners recognised directly in equity		**11,024**	**4,224**	**11,024**	**4,224**
Total changes in equity		**11,085**	**3,654**	**11,327**	**3,734**
Equity at the beginning of the period		25,582	21,928	26,331	22,597
Equity at the end of the period		**36,667**	**25,582**	**37,658**	**26,331**

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 16 to 45 form part of the financial statements.

Balance sheet

As at 31 March 2009

	Note	Group 2009 $'000	Group 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Equity					
Share capital	12	46,195	35,171	46,195	35,171
Retained deficits	13	(9,528)	(9,589)	(8,537)	(8,840)
Total equity		**36,667**	**25,582**	**37,658**	**26,331**
Current assets					
Cash and cash equivalents		6,410	2,360	6,394	2,352
Trade and other receivables	14	8,668	2,644	9,020	2,670
Group advances	15	5,652	-	5,652	-
Total current assets		**20,730**	**5,004**	**21,066**	**5,022**
Non-current assets					
Property, plant & equipment	16	425	437	379	437
Intangible assets	17	700	405	443	405
Deferred tax asset	18	1,425	1,298	1,294	1,247
Group advances	15	-	7,042	-	7,042
Group investments	19	19,280	18,712	20,290	20,756
Total non-current assets		**21,830**	**27,894**	**22,406**	**29,887**
Total assets		**42,560**	**32,898**	**43,472**	**34,909**
Current liabilities					
Trade and other payables	21	1,542	1,401	1,463	2,663
Unamortised future income		22	23	22	23
Borrowings	22	4,205	-	4,205	-
Total current liabilities		**5,769**	**1,424**	**5,690**	**2,686**
Non-current liabilities					
Unamortised future income		124	146	124	146
Borrowings	22	-	5,746	-	5,746
Total non-current liabilities		**124**	**5,892**	**124**	**5,892**
Total liabilities		**5,893**	**7,316**	**5,814**	**8,578**
Net assets		**36,667**	**25,582**	**37,658**	**26,331**

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 16 to 45 form part of the financial statements.

Statement of cash flows

For the year ended 31 March 2009

	Note	Group 2009 $'000	Group 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Cash flows from operating activities					
Associate dividend received		844	512	844	512
Franchise and other income received		5,967	6,905	5,466	6,622
Interest received		942	916	942	904
Supplier payments		(4,598)	(5,489)	(4,392)	(5,172)
Directors and employee remuneration		(3,199)	(2,634)	(2,973)	(2,607)
Interest paid		(409)	(669)	(409)	(668)
Net cash inflow/(outflow) from operating activities	**23**	**(453)**	**(459)**	**(522)**	**(409)**
Cash flows from investing activities					
Decrease in advances from associates		-	245	-	245
Fixed asset purchases		(387)	(113)	(337)	(113)
Investment in associates		(588)	-	(517)	-
Sale of shares in associate		-	474	-	474
Sale of shares in subsidiaries		239		239	
Investment in subsidiaries		(257)	-	(317)	(100)
Decrease/(increase) in loans to associates		1,390	(1,045)	1,390	(1,045)
Net cash inflow/(outflow) from investing activities		**397**	**(439)**	**458**	**(539)**
Cash flows from financing activities					
Increase/(decrease) in borrowings		(1,541)	(3,094)	(1,541)	(3,094)
Shares issued		5,647	5,029	5,647	5,029
Net cash inflow/(outflow) from financing activities		**4,106**	**1,935**	**4,106**	**1,935**
Net increase/(decrease) in cash & cash equivalents		**4,050**	**1,037**	**4,042**	**987**
Add opening cash & cash equivalents		**2,360**	**1,323**	**2,352**	**1,365**
Closing cash & cash equivalents		**6,410**	**2,360**	**6,394**	**2,352**
Reconciliation of closing cash & cash equivalents to the balance sheet:					
Cash and bank balances		6,410	2,360	6,394	2,352
Bank overdraft		-	-	-	-
Closing cash & cash equivalents		**6,410**	**2,360**	**6,394**	**2,352**

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 16 to 45 form part of the financial statements.

Notes to the financial statements
For the year ended 31 March 2009

1. Reporting entity

Life Pharmacy Limited (the "Parent") is a New Zealand company registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange ("NZX"). The Parent is an issuer in terms of the Financial Reporting Act 1993.

The consolidated financial statements of Life Pharmacy Limited comprise the Parent and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

Life Pharmacy Limited operates the Life Pharmacy franchise and the Care Chemist franchise brands comprising 47 (2008: 26) pharmacies within New Zealand.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities.

The financial statements were approved by the Board of Directors on 28 May 2009.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis with the exception of share based payments.

(c) Functional and presentation currency

These financial statements are presented in New Zealand dollars ($), which is the Parent's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Associates and joint ventures (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and joint ventures are accounted for using the equity method (equity accounted investees). The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investees.

(iii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iv) Goodwill

Goodwill arises on the acquisition of associates and subsidiaries. Goodwill arising on acquisition is included in the carrying amount of the associates and is not separately recognised. Goodwill arising on acquisition of subsidiaries is included in the carrying value of the subsidiary and is separately recognised. Goodwill represents the excess purchase consideration over the fair value of the net identifiable tangible and intangible assets at the time of acquisition.

After application of the equity method in accounting for associates, the carrying amount of the investment in associates is subject to impairment testing by comparing the recoverable amount with the carrying amount of the investment in associates. The goodwill included in the carrying amount of the investment in associates is allocated to the relevant cash generating units (being each associate) and tested for impairment. The impairment testing is completed annually, or earlier at any interim reporting dates if there are indicators of impairment.

The goodwill included in the carrying amount of the investment in subsidiary is allocated to the relevant cash generating units (being the subsidiary) and tested for impairment. The impairment testing is completed annually, or earlier at any interim reporting dates if there are indicators of impairment

If the recoverable amount is less than the carrying amount of the investment in associates/subsidiary, then an impairment loss is recognised in the income statement and the carrying amount of the asset is written down.

The relative value of the goodwill allocated to the relevant cash generating unit is included in the determination of any gain or loss on disposal of a subsidiary or associate.

(b) Share capital

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

Share options issued by the Parent entitle the independent directors to subscribe for share capital of the Parent. The fair value of the option at grant date is recognised in the income statement and the balance sheet on the date, or over the period, in which the options vest with the director.

(c) Revenue recognition

All revenue is recognised in the income statement when the significant risks and rewards have transferred to the buyer.

The Group's main activity is operating the Life Pharmacy & Care Chemist brands. The primary method of achieving this is through receipt of Franchise revenue and investing in associate stores. Accordingly the Group and Parent record as revenue income arising from associate stores as follows:

Group – share of earnings of associate stores

Parent – dividends receivable from associate stores which are recognised on the date the shareholders right to receive dividends is established.

Franchisee revenue is based on actual associate results and is recognised on an accruals basis when it is earned.

(d) Expenditure recognition
All expenditure is recognised in the income statement when an obligation arises on an accrual basis.

(e) Finance Income and Expense
Interest income and expense is recognised as it accrues using the effective interest rate.

(f) Accounts receivable
Trade receivables are stated at estimated realisable value after providing for debts where collection is doubtful. All known bad debts are written off and charged to the income statement in the period in which they are identified.

(h) Investments
Investments in associates, subsidiaries and joint ventures are recognised in the Parent at cost less any impairment.

(i) Property, plant & equipment

Fixed assets
Fixed assets owned by the Group are stated at cost less accumulated depreciation and any impairment losses.

Fixed assets acquired in stages are not depreciated until the fixed asset is ready for its intended use.

Depreciation is provided on a straight-line basis on all fixed asset components to allocate the cost of the asset (less any residual value) over its useful life. The residual values and remaining useful lives of fixed asset components are reviewed at least annually.

Estimated useful lives of the asset classes are:

Office equipment	3 – 10 years

Subsequent expenditure that extends or expands the useful life of a fixed asset or its service potential is capitalised. All other costs are recognised in the income statement as expenditure when incurred.

Any resulting gain or loss on disposal of a fixed asset is recognised in the income statement in the period in which the fixed asset is disposed of.

(j) Intangible assets
Intangible assets owned by the Group are stated at cost less amortisation and any impairment losses with the exception of goodwill (refer note 3a (iv)).

Intangible assets acquired in stages are not amortised until the asset is ready for its intended use.

Amortisation is provided on a straight-line basis on all intangible asset components to allocate the cost of the asset (less any residual value) over its useful life. The residual values and remaining useful lives of intangible asset components are reviewed at least annually.

Estimated useful lives of the asset classes are:

Software	3 years

Subsequent expenditure that extends or expands the useful life of an intangible asset or its service potential is capitalised. All other costs are recognised in the income statement as expenditure when incurred.

(j) Intangible assets (continued)

Any resulting gain or loss on disposal of an intangible asset is recognised in the income statement in the period in which the intangible asset is disposed of.

Intangible assets disclosed in the financial statements relate to computer software. Software balances in the prior year were reported within fixed assets but have increased significantly during the year due to investment in accounting and loyalty point software during the year.

(k) Borrowings and advances

Borrowings and advances are initially recognised at fair value, including directly attributable transaction costs. Subsequent to initial recognition, borrowings and advances are measured at amortised cost using the effective interest method, less any impairment losses on advances.

(l) Taxation

Income tax expense is charged in the income statement in respect of the current period's surplus and comprises current tax and deferred tax.

Current tax is the estimated tax payable on the current period's taxable income using current tax rates, adjusted for any under or over accrual in respect of prior periods.

Deferred tax assets are recognised using the balance sheet liability method, after allowing for temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the carrying amounts for tax purposes. A deferred tax asset is recognised to the extent that it is probable that the future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related benefit will be realised.

(m) Leases

The Group is party to operating leases as a lessee. The lessors retain substantially all of the risks and rewards of ownership of the leased fixed assets. Operating lease payments are recognised and included in the income statement in the period in which they are incurred.

Lease incentives received are recognised in the income statement as an integral part of the total lease expense over the life of the lease, with any unamortised incentive recognised as a liability in the balance sheet.

(n) Employee entitlements

Employee entitlements for salaries, bonuses and annual leave are provided for and recognised as a liability when benefits are earned by employees but not paid at the reporting date.

(o) Financial instruments

The Group is party to financial instruments as part of its day-to-day operations. Financial instruments include cash and cash equivalents, borrowings, trade and other receivables and trade and other payables.

Financial instruments are initially recognised at their fair value and subsequently measured at their amortised cost. A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or If the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Options to acquire or issue equity interests are recognised at fair value, except when the fair value cannot be reliably measured and are then held at cost. The fair value of share appreciation rights is measured using the Black-Scholes formula.

(p) Statement of cash flows

The statement of cash flows has been prepared using the direct method subject to the netting of certain cash flows.

Cash flows in respect of investments and borrowings that have been rolled-over under arranged banking facilities have been netted in order to provide meaningful disclosures.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Operating activities include all cash received from all revenue sources and all cash disbursed for all expenditure sources including taxation refund or payments and other transactions that are not classified as investing or financing activities.

Investing activities reflect the acquisition and disposal of fixed assets, loans to associates, and investments in associates, subsidiaries and joint ventures.

Financing activities reflect changes in borrowings and equity.

(q) New standards and interpretations adopted and not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application.

- *NZ IFRS 3 Business combinations (revised)* changes the application of acquisition accounting for business combinations and the accounting for non-controlling interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Group's 31 March 2011 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial statements.
- NZ IFRS 8 *Operating Segments* introduces the "management approach" to segment reporting. The standard will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. The revised standard becomes mandatory for the Group's 31 March 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial statements.
- Revised NZ IAS 1 *Presentation of Financial Statements* introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other NZ IFRS's. The revised NZ IAS 1 will be mandatory for the Group's 31 March 2010 financial statements.
- Revised *NZ IAS 23 Borrowing Costs* removes the option to expense borrowing costs incurred in respect of "qualifying assets," and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised standard becomes mandatory for the Group's 31 March 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial statements.

(q) New standards and interpretations adopted and not yet adopted (continued)

- Revised NZ IAS 27 *Consolidated and Separate Financial Statement* changes the accounting for non-controlling interest and the loss of control of a subsidiary. Key changes include: the re-measurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Group's 31 March 2011 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial statements.
- Amendments to NZ IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* change the measurement of share-based payments that contain non-vesting conditions. The amendment becomes mandatory for the Group's 31 March 2011 financial statements. The Group has not yet determined the potential effect of the amending standard on the Group's financial statements.
- Amendments to NZ IAS 32 *Financial Instruments: Presentation and Disclosure* and NZ IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* allows certain instruments, normally classified as liabilities to be classified as equity only if they meet certain conditions. This includes puttable financial instruments or an instrument, or components of instruments, that imposes on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation. New disclosures will also be required in the financial statements. The amendment becomes mandatory for the Group's 31 March 2010 financial statements. The Group has not yet determined the potential effect of the amending standards on the Group's financial statements.
- NZ IFRIC 13 *Customer Loyalty Programmes* addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. NZ IFRIC 13 becomes mandatory for the Group's 31 March 2010 financial statements. The Group has not yet determined the potential effect of the interpretation on the Group's financial statements.

4. Accounting estimates and judgements

In authorising the financial statements for the year ended 31 March 2009, the directors have ensured that the specific accounting policies necessary for the proper understanding of the financial statements have been disclosed and that all accounting policies adopted are appropriate for the Parent and Group's circumstances and have been consistently applied throughout the year for all group entities.

Inherent in the application of certain accounting policies, judgements and estimates are required. The Directors, through the Audit Committee, have considered the appropriateness of the following critical judgements and estimates:

(a) Impairment testing of the carrying amount of Investments in Associates

The investment in associates is recognised in the Parent's financial statements at cost. In the Group's financial statements the investment in associates is recognised using the equity method and comprises the share of net assets acquired and goodwill on acquisition. The investment carrying value is tested for impairment annually using an internal discounted cash flow model on a value in use basis.

The model is based on an eight year cash flow cycle to coincide with a typical store refit cycle, using the approved budgets for the year ending 31 March 2010 as the first forecast year. Subsequent cash flows for the next seven years have been forecast on an individual associate store basis taking into account inflation and likely growth rates of that particular store and its location. Cash flows beyond that are projected to change in line with inflation.

4. Accounting estimates and judgements (continued)

(a) Impairment testing of the carrying amount of Investments in Associates (continued)

The discount rate applied is 11.46% on the unleveraged post-tax nominal cash flows; including working capital movements and capital expenditure (equivalent pre-tax discount rate is 16.37%). An inflation assumption of 2.5% has been used, with growth factors above inflation ranging from 0% to 0.5% for stores, with some specific stores reaching as high as a 10% growth factor above inflation in the year a refit is planned. Where growth factors are added onto inflation these are based on, and are not greater than, the long term average growth rate.

The budget information used as the base for the cash flow forecast is drawn from the budgets approved by each associate company's Board for the year ending 31 March 2010. The Parent has peer reviewed each individual budget and aggregate sales and expenses to ensure the reliability of the information prior to the Parent Board adopting the budget for the year ending 31 March 2010.

For the purposes of impairment testing the associates are grouped into 6 regions based on the proximity to each other and the extent of overlapping customer spend. Each region is tested for impairment based on the aggregate of the individual stores. Net present value within each region is compared to the aggregate of the carrying amount of each associate within each region.

Any adverse changes in the actual performance of the associates for the year ending 31 March 2010, or future rates of growth, will reduce the calculated recoverable amount and this may result in the recognition of further impairment losses and a further write-down of the carrying amount of the investment in associates.

Sensitivities

Discount Rate

A movement of 1% in the discount rate would have the following approximate effect on the calculated recoverable amount of the investments in associates:

1% increase	($2,500,000)
1% decrease	$3,000,000

Retail Sales

A movement of 1% in retail sales would have the following approximate effect on the calculated recoverable amount of the investments in associates:

1% increase	$2,770,000
1% decrease	($2,770,000)

Costs

A movement of 1% in store costs would have the following approximate effect on the calculated recoverable amount of the investments in associates:

1% increase	($625,000)
1% decrease	$625,000

The above sensitivity calculations would not have indicated impairment in the carrying value of the investment in associates.

(b) Impairment testing of the carrying amount of Investments in Subsidiaries

The investment in the Care Chemist subsidiary is recognised in the Parent's financial statements at cost. In the Group's financial statements the investment in subsidiary is fully consolidated. The investment carrying value is tested for impairment annually using an internal discounted cash flow model on a value in use basis.

4. Accounting estimates and judgements (continued)
(b) Impairment testing of the carrying amount of Investments in Subsidiaries (continued)

The model uses the LPL approved budget for the year ending 31 March 2010 as the first forecast year. Subsequent cash flows for the next seven years have been forecast taking into account inflation and likely franchisee acquisition rates and costs of managing the brand and providing services to franchisees. Cash flows beyond that are projected to change in line with inflation.

The discount rate applied is 11.46% on the unleveraged post-tax nominal cash flows; including working capital movements and capital expenditure (equivalent pre-tax discount rate is 16.37%). An inflation assumption of 2.5% has been used.

Any adverse changes in the actual performance of the subsidiary for the year ending 31 March 2010, or future rates of growth, will reduce the calculated recoverable amount and this may result in the recognition of further impairment losses and a further write-down of the carrying amount of the investment in subsidiary.

Sensitivity

Discount Rate
A movement of 1% in the discount rate would have the following effect on the calculated recoverable amount of the investments in associates:

1% increase	($321,000)
1% decrease	$402,000

The above sensitivity calculations would not have indicated impairment in the carrying value of the investment in subsidiaries.

(c) Recognition of deferred tax assets in respect of tax losses carried forward

The Group has recognised a deferred tax asset in respect of tax losses carried forward of $4,609,000. These tax losses have been generated from taxable losses and the conversion of excess imputation credits into losses in prior years.

During the year the Group forfeited $856,000 of tax losses brought forward due to the loss of shareholder continuity following the rights issue and generated $1,355,000 of additional losses. Group losses carried forward as at 31 March 2009 are $4,609,000.

The Directors have considered the requirement that there be convincing evidence to support carrying these tax losses, they have identified the key risks and applied their judgement in support of the deferred tax asset being recognised. The risks identified with respect to this asset are; a change in shareholder continuity resulting in losses being forfeited; and the ability of the group to generate taxable profits. The following judgements have been made with respect to these risks:

- The outcome of the rights issue is that the Group now has a cornerstone shareholder holding 50.01% of the issued share capital. Any further capital raising will be done in a manner that considers the impact of future shareholder continuity.
- A number of initiatives are currently in place and being developed within the Group to generate taxable profit. The most significant of these initiatives includes cost reduction at central office and income generation through increased franchisee numbers. The progress of these initiatives is already evident.

These judgements have been projected forward and based on these projections management believe taxable profits will be generated to utilise the losses carried forward within the next 5 years.

5. Segmental reporting

	Group 2009 $'000	Group 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Segmental operating revenue				
Corporate	239	504	1,443	474
Franchise	6,169	5,512	5,997	5,512
Group investments	1,069	426	1,089	506
	7,477	**6,442**	**8,529**	**6,492**

The group investments business segment is made up of the equity accounted earnings of the associates on consolidation.

	Group 2009 $'000	Group 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Segmental loss before interest and tax				
Corporate	(1,344)	(1,545)	(1,344)	(1,541)
Franchise	(533)	(148)	(196)	(148)
Group investments	1,068	378	1,053	459
	(809)	**(1,315)**	**(487)**	**(1,230)**
Segmental profit/(loss) after interest and tax				
Corporate	(631)	(860)	(613)	(859)
Franchise	(376)	(104)	(137)	(104)
Group investments	1,068	394	1,053	473
	61	**(570)**	**303**	**(490)**

The group corporate business segment includes bad-debts on loans of nil (2008: Nil) and depreciation of $224,000 (2008: $150,000).

	Group 2009 $'000	Group 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Segmental assets				
Corporate	20,426	12,217	20,828	12,185
Franchise	1,533	1,077	1,144	1,077
Group investments	20,601	19,604	21,500	21,647
	42,560	**32,898**	**43,472**	**34,909**
Segmental liabilities				
Corporate	4,640	6,150	4,633	7,412
Franchise	1,163	1,166	1,091	1,166
Group investments	90	-	90	-
	5,893	**7,316**	**5,814**	**8,578**

The segmental reporting includes all of the Group's legal entities, which operate solely within New Zealand. The Parent operates the Life Pharmacy franchise and brand comprising 29 (2008: 26) pharmacies and has an ownership interest in 19 (2008: 18) associate pharmacy companies licensed annually under the Medicines Act 1981. Following its acquisition in May 2008, the Group also operates the Care Chemist franchise and brand comprising 18 pharmacies and has an ownership interest in 1 of these pharmacies.

Segments are defined as follows:
Corporate – transactions relating to central office support function costs including governance and funding costs.
Franchise – income and expense relating to associates, subsidiaries and joint venture day to day activities.
Group investments – income and expense relating to investment (capital) transactions including dividends received and profit/loss on sale of shares.

Notes to the financial statements

For the year ended 31 March 2009

	Group 2009 $'000	Group 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
6. Franchise revenue	6,169	5,512	5,997	5,512

Franchise revenue includes revenue from associates 2009: $1,939,000 (2008: $1,921,000) pursuant to commercial franchise agreements.

	Group 2009 $'000	Group 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
7. Other revenue				
Retail sales	-	30	-	-
Dividend received from subsidiary (refer note 19)	-	-	1,204	-
	-	**30**	**1,204**	**-**
8. Governance and accountability				
Audit fees	106	100	106	100
Directors' fees	233	240	233	240
Directors' share option expense	(3)	35	(3)	35
Reporting	7	27	7	27
Secretarial and board expenses	36	50	36	50
Stock exchange and registry fees	33	30	33	30
	412	**482**	**412**	**482**
Auditor's remuneration to KPMG comprises:				
Annual audit of financial statements	85	83	85	83
Audit related fees	21	17	21	17
	106	100	106	100
Other services:				
Other assurance services	-	23	-	23
Due diligence services	-	-	-	-
9. Other expenditure				
Cost of sales	-	12	-	-
Leases	422	406	422	406
Amortisation of lease incentive	(22)	(22)	(22)	(22)
Doubtful debt expense	17	47	17	47
Impairment of investment in subsidiary (refer note 19)	-	-	1,239	-
Other operating costs	1,112	898	965	882
	1,529	**1,341**	**2,621**	**1,313**

Notes to the financial statements

For the year ended 31 March 2009

	Group		Parent	
10. (a) Income tax benefit	**2009 $'000**	**2008 $'000**	**2009 $'000**	**2008 $'000**
Current tax expense	-	-	-	-
Deferred tax expense				
Recognition of tax losses	(407)	(494)	(303)	(495)
Origination and reversal of temporary differences	11	(137)	7	(139)
Prior year adjustment	12	2	2	5
Losses forfeited	257		247	
Effect of reduction in tax rate	-	131	-	125
	(127)	**(498)**	**(47)**	**(504)**
Total income tax benefit	**(127)**	**(498)**	**(47)**	**(504)**
Imputation credit account:				
Opening balance	665	410	626	371
Resident withholding tax deducted	7	3	7	3
Imputation credits lost on shareholding change	(39)	-	-	-
Imputation credits dividends received	404	252	404	252
Imputation credits on bonus share issue	(832)	-	(832)	-
Imputation credits on tax refunds	(82)	-	(82)	-
	123	**665**	**123**	**626**

Tax losses

The Parent has $4,180,000 of tax losses to carry forward (2008: $4,179,000) which results in a deferred tax asset of $1,254,000 (2008: $1,254,000) (see note 18). Refer to note 4(c) for assumptions regarding recognition of the deferred tax asset in relation to these tax losses.

	Group 2009 $'000	Group 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
(b) Numerical reconciliation between tax expense & pre-tax accounting profit/(loss)				
Profit/(Loss) before tax	(66)	(1,068)	256	(994)
Income tax expense/(benefit) at 30%/33%	(20)	(353)	77	(328)
Add/(deduct) the tax effect of permanent differences:				
Fully imputed dividends/associate results	(322)	(141)	(327)	(167)
Non-assessable revenue	(68)	(154)	(72)	(156)
Non-deductible expenses	14	17	26	17
Prior year adjustments	12	2	2	5
Effect of company tax rate change*	-	131	-	125
Losses forfeited	257	-	247	-
	(127)	**(498)**	**(47)**	**(504)**

*The tax rate for companies changed to 30% effective 1 April 2008.

11. Earnings per share

	Group		Parent	
	2009 **$'000**	**2008** **$'000**	**2009** **$'000**	**2008** **$'000**
Basic earnings per share comprises:				
Profit/(Loss) for the period	**61**	**(570)**	**303**	**(490)**
Opening number of shares (000's)	36,353	30,128	37,253	30,128
Add/(deduct) the effect of:				
Shares cancelled (April 2007)	-	(951)	-	(951)
Shares issued (July 2007)	-	4,929	-	5,543
Shares issued (September 2008)	16,432	-	17,021	-
Weighted average number of shares	**52,785**	**34,106**	**54,274**	**34,720**
Basic earnings per share (cents)	0.12	(1.67)	0.57	(1.41)

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares issued during the year.

	Group 2009	Group 2008	Parent 2009	Parent 2008
Diluted earnings per share comprises:				
Profit/(Loss) for the period	**61**	**(570)**	**303**	**(490)**
Opening number of shares (000's)	36,353	30,128	37,253	30,128
Add/(deduct) the effect of:				
Shares cancelled (April 2007)	-	(951)	-	(951)
Shares issued (July 2007)	-	4,929	-	5,543
Shares issued (September 2008)	16,432	-	17,021	-
Weighted average number of shares	**52,785**	**34,106**	**54,274**	**34,720**
Diluted earnings per share (cents)	0.12	(1.67)	0.57	(1.41)

The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding after adjusting for the dilutive effects of share options. The average market value of the Company's shares for the purposes of calculating the dilutive effect of share options was based on quoted market prices for the period and options outstanding.

	Group 2009	Group 2008	Parent 2009	Parent 2008
Dividend per share (cents)	-	-	-	-

The calculation of dividends per share (which is disclosed at the foot of the income statement) is based on the total dividend paid and or declared for the year attributable to ordinary shareholders and the closing number of ordinary shares at the end of the year.

	Group 2009	Group 2008	Parent 2009	Parent 2008
Net assets per share (cents)	54.9	68.7	-	-

The calculation of net assets per share is based on net assets and the closing number of ordinary shares at the end of the year.

	Group 2009	Group 2008	Parent 2009	Parent 2008
Net tangible assets per share (cents)	29.5	24.2	-	-

The calculation of net tangible assets per share is based on net assets less deferred tax and the goodwill element of investment in associates (refer note 19 & 20) and the closing number of ordinary shares at the end of the year.

Notes to the financial statements

For the year ended 31 March 2009

		Group		Parent	
		2009	**2008**	**2009**	**2008**
		$'000	**$'000**	**$'000**	**$'000**
12. Share capital					
Opening balance		35,171	30,947	35,171	30,947
Share capital issued		11,040	5,029	11,040	5,029
Shares purchased and cancelled		(12)	(840)	(12)	(840)
Share scheme amortisation		(4)	35	(4)	35
		46,195	**35,171**	**46,195**	**35,171**
Shares authorised and on issue		**000's**	**000's**	**000's**	**000's**
Opening number of shares		37,253	30,128	37,253	30,128
Shares issued - fully paid	**(a)**	1,467	7,225	1,467	7,225
Shares issued – partly paid	**(b)**	29,965	900	29,965	900
Shares cancelled	**(d)**	-	(1,000)	-	(1,000)
		68,685	**37,253**	**68,685**	**37,253**
Shares held as treasury stock	**(c)**	(1,894)	(900)	(34)	-
		66,791	**36,353**	**68,651**	**37,253**

Shares issued

(a) On 11August 2008, the Parent issued 1,454,597 fully paid ordinary shares by way of a taxable bonus issue to existing shareholders. The shares were issued on a pro rata basis with one share issued for every 25 shares held on the record date of 8 August 2008. The shares were issued for nil consideration. However, for tax purposes each share had an amount attributed to them of $1.16 and in addition, each bonus share had an imputation credit attached to it with an amount of $0.57 per share. For the purposes of section CD 8 of the Income Tax Act 2007, the total taxable dividend made by the parent company by way of the bonus issue was $2,522,388.06 (being made up of $1,690,000.00 for the bonus share issue and $832,388.06 imputation credits attached to the dividend). The shares rank on terms equal with those of the existing fully paid ordinary shares in the company.

On 11 August 2008, the Parent issued 12,000 ordinary shares to the existing eight Care Chemist franchisees that were part of the acquisition of Care Chemist Services Limited dated 20 May 2008 by way of a shareholder's resolution on 7 August 2008. The issue price was $nil per share. The shares rank on terms equal with those of the existing fully paid ordinary shares in the company.

(b) On 18 September 2008 the parent issued 29,004,631 partly paid ordinary shares to shareholders by way of a renounceable rights issue to holders of existing ordinary shares in the company. The rights issue was offered in the ratio of three partly paid new ordinary shares in the company for every two existing ordinary shares held, at an issue price of $0.40 per ordinary share. The partly paid ordinary shares were paid to $0.20 on subscription with a further $0.20 payable on 18 September 2009 (12 months following the allotment). The proceeds from the

Share capital (continued)
rights issue raised $5,800,926 before deducting transaction costs on subscription. The remaining unpaid amount for the 29,004,631 shares, which will be paid on 18 September 2009, has a fair value of $5,380,359. This amount represents the discounted value of the gross proceeds of $5,800,926 due on 18 September 2009, with the balance being accounted for as finance income over the period to 18 September 2009.

LPL Trustee Limited, under the option granted to it on 26 July 2007, exercised its rights under the option as part of the renounceable rights issue to the extent that 27,068,975 of the partly paid ordinary shares were issued to LPL Trustee Limited. The partly paid ordinary shares issued to LPL Trustee Limited, in addition to the 7,280,000 ordinary shares already held, takes LPL Trustee Limited's total shareholding in the Parent to 34,348,975 ordinary shares, equal to 50.01% of the company.

On 20 August 2008, the Parent issued an additional 960,000 redeemable ordinary shares to Life Pharmacy Trustee Company Limited as a trustee of a trust that holds the shares on behalf of senior management of Life Pharmacy Limited. The shares were issued at $0.55 per share, initially paid up to $0.01 per share. These shares are in addition to the 900,000 redeemable ordinary shares issued on 26 July 2007 to Life Pharmacy Trustee Company Limited on behalf of the Chief Executive Officer (the 900,000 shares issued on behalf of the CEO were issued at $0.75 per share, initially paid up to $0.01 per share). Until such time as the Redeemable Ordinary Shares are redeemed and transferred to Senior Management the shares carry entitlement to dividends and votes to the proportion to which they are paid up. No Redeemable Ordinary Shares can be redeemed before the third anniversary of the issue of the shares to Life Pharmacy Trustee Company Limited.

Partly paid shares are eligible to dividends on a pro-rata basis to the proportion of the shares paid up. For example, senior management partaking in the executive redeemable ordinary share scheme are eligible to 1/55 of any dividends declared.

Treasury Stock
(c) The redeemable ordinary shares held by Life Pharmacy Trustee Company Limited to satisfy the CEO and Senior Management incentive schemes have not been included in the calculation of the total number of shares issued by the Group as these shares have not been issued externally.

On 5 December 2008, the Parent purchased 34,001 shares through implementation of a minimum holding buyback plan. All shareholders holding less than 500 shares were given notice under clause 9.6 of LPL's constitution, that if their shareholding remained under the minimum holding at the expiry of three months after the notice was given, LPL would exercise a power of sale by compulsory buying back the shareholders shares at a price of $0.40 per share. These shares are held as treasury stock by LPL.

Shares cancelled
(d) On 19 April 2007, 1,000,000 shares held by PIMS 2005 Limited were cancelled for the purpose of resolving matters relating to the value of pharmacy companies acquired during March 2005.

Put and call option
(e) The Parent and each associate have entered into a Put and Call option commencing in March 2005 in respect of the 51% shareholding in each associate held by the pharmacist owners. The option is only exercisable upon legislative changes from the commencement date allowing total non-pharmacist ownership and control of pharmacies.

At a special shareholders meeting held on the 24 April 2007 shareholders approved a new Put and Call option to replace the existing one. The new Put and Call option is in respect of the 51% shareholding in each associate held by the pharmacist owners. The option is only exercisable upon legislative changes allowing total non-pharmacist ownership and control of pharmacies.

Share capital (continued)

If the Parent or the pharmacist chooses to exercise the Call option or the Put option it must do so to the maximum extent permitted by law. The Parent may elect to defer the exercise date of the new Put option for up to 12 months after receipt of an exercise notice from the relevant pharmacist.

The consideration payable by the Parent on exercise of the Call option or the Put option may be either cash or ordinary shares in the Parent (or a combination of both). The value to be attributed to each share in a pharmacy company is to be agreed between the Parent and the selling shareholder or failing agreement will be the fair value of the shares as determined by an independent expert. The fact that any shares offered for transfer constitute a minority or majority interest will not be taken into account by the independent expert when determining the fair value of the shares. The Parent can elect to pay the consideration in two instalments – 50% on the exercise date and 50% 12 months later.

The value to be attributed to any shares in the Parent being issued to satisfy the consideration payable under the Put option or the Call option, shall be the volume weighted average market capitalisation of one ordinary share in the Parent calculated from trades on the NZX over the 60 business days preceding the date when the Call option or Put option is exercised. The fair value of the put and call option cannot be reliably determined as required for recognition of the put and call option in the financial statements, and the options are accordingly measured at a nil cost. There has been no legislative changes as at 31 March 2009, therefore no value can be reliably estimated for the put and call options.

	Group		Parent	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
13. Retained deficits				
Opening balance	(9,589)	(9,019)	(8,840)	(8,350)
Profit/(loss) for the period	61	(570)	303	(490)
Distribution to owners	-	-	-	-
	(9,528)	**(9,589)**	**(8,537)**	**(8,840)**

Distribution to owners comprises:

No dividends were paid or declared in the 2009 or 2008 financial year.

	Group		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
14. Trade and other receivables				
Trade Receivables	860	843	781	843
Accrued income	402	81	402	81
Unpaid share capital	5,380	-	5,380	-
Other receivables	320	364	319	364
Prepayments	146	104	146	104
Provision for doubtful debts	(13)	(47)	(13)	(47)
Receivables from associates	1,358	1,157	1,358	1,157
Receivables from joint venture	215	142	215	142
Receivable from subsidiaries	-	-	432	26
	8,668	**2,644**	**9,020**	**2,670**

Receivables from associates includes dividends due from associates of $994,000 (2008: $749,000), which are contractually payable in accordance with shareholder agreements entered into with each owner of the associate. Trade receivables include amounts owing by associates and joint venture of $260,000 (2008: $144,000).

	Group 2009 $'000	Group 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
15. Group advances				
Loans to associates (current)	5,652	-	5,652	-
Loans to associates (non-current)	-	7,042	-	7,042
	5,652	**7,042**	**5,652**	**7,042**

The loans to associates are advanced under a revolving debt facility (refer note 21 for loan terms and security details) with interest charged on a floating basis at 5.66% (2008: 9.77%).

	Group 2009 $'000	Group 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
16. Property, plant and equipment				
Office Equipment				
Opening cost	610	535	610	535
Additions	102	75	52	75
Closing cost	**712**	**610**	**662**	**610**
Opening accumulated depreciation	207	122	207	122
Depreciation for the period	108	85	105	85
Closing accumulated depreciation	**315**	**207**	**312**	**207**
Closing book value	397	403	351	403
Work in progress	28	34	28	34
Total fixed assets	**425**	**437**	**379**	**437**

Work in progress relates to projects not yet complete.

Notes to the financial statements
For the year ended 31 March 2009

	Note	Group 2009 $'000	Group 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
17. Intangible assets					
Software					
Opening cost		644	277	644	277
Additions		285	367	285	367
Closing cost		**929**	**644**	**929**	**644**
Opening accumulated amortisation		247	53	247	53
Amortisation for the period		249	194	249	194
Closing accumulated amortisation		**496**	**247**	**496**	**247**
Goodwill	**20**				
Opening cost		-	-	-	-
Additions		257	-	-	-
Closing cost		**257**	**-**	**-**	**-**
Closing book value		690	397	433	397
Work in progress		10	8	10	8
Total intangible assets		**700**	**405**	**443**	**405**

Work in progress relates to projects not yet complete.

	Group 2009 $'000	Group 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
18. Deferred tax asset				
Opening balance	1,298	800	1,247	743
Recognised in income statement	127	498	47	504
	1,425	**1,298**	**1,294**	**1,247**

The deferred tax asset is made up of the following temporary differences:

	Opening $'000	Recognised in the income statement $'000	Closing $'000
Group – 2009			
Fixed assets	(46)	(18)	(64)
Provisions	44	62	106
Tax losses	1,300	83	1,383
	1,298	**127**	**1,425**
Group – 2008			
Fixed assets	(14)	(29)	(43)
Provisions	(18)	24	6
Impact of change in tax rate	-	(131)	(131)
Tax losses	832	634	1,466
	800	**498**	**1,298**
Parent – 2009			
Fixed assets	(47)	(16)	(63)
Provisions	40	65	105
Tax losses	1,254	-	1,254
	1,247	**47**	**1,294**
Parent – 2008			
Fixed assets	(14)	(29)	(43)
Provisions	(18)	24	6
Impact of change in tax rate	-	(125)	(125)
Tax losses	775	634	1,409
	743	**504**	**1,247**

Notes to the financial statements

For the year ended 31 March 2009

		Group		Parent	
		2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
19. Group investments					
Subsidiaries at cost	d	-	-	376	1,428
Joint venture at cost		-	-	100	100
Equity accounted joint venture		94	91	-	-
Associates at cost, less impairment	a	-	-	19,814	19,228
Equity accounted associates	a	19,186	18,621	-	-
		19,280	**18,712**	**20,290**	**20,756**

The movement in equity accounted associates comprises:

		2009 $'000	2008 $'000
Brought forward		18,621	18,487
Additional acquisition costs		-	-
Investment in associates	b	588	1,046
Share of net surpluses after tax		1,066	434
Less associate dividend		(1,089)	(506)
Disposal of associate operations		-	-
Write down of associate		-	-
Cancellation of shares	c	-	(840)
		19,186	**18,621**

Equity accounted associates includes goodwill less accumulated impairment losses as follows:

		2009 $'000	2008 $'000
Gross goodwill brought forward		21,313	22,153
Cancellation of shares	c	-	(840)
Total gross goodwill		**21,313**	**21,313**
Opening accumulated impairment losses		(6,035)	(6,035)
Total impairment losses		**(6,035)**	**(6,035)**
Total net goodwill		**15,278**	**15,278**

a) *Associate pharmacy entities include:*
A H McAulay Limited, Bayfair Pharmacy Limited, Care Chemist Pakuranga (2008) Limited, Life Pharmacy Wall Street Dunedin, Guthries Pharmacy Limited, J-Mall Pharmacy Limited, Life Pharmacy Albany Limited, Life Pharmacy Sylvia Park Limited , Murray Dunn Pharmacy Limited, Neil Webber Pharmacy Limited, Northlands Pharmacy 2003 Limited, Pharmacy 277 Limited, Porirua Pharmacy (2006) Limited, Queensgate Pharmacy Limited, Riccarton Mall 2000 Limited, Shirley Pharmacy Limited, Shore City Pharmacy Limited, Sinel-Francis Pharmacy Limited, Sinel-Francis Pharmacy Tauranga Limited and St Lukes Pharmacy Holdings Limited.

b) *Associates formed during the period and capital contributed*
During the period, Life Pharmacy Wall Street Dunedin was established in March 2009 and Care Chemist Pakuranga (2008) Limited in April 2008. In the prior year, Life Pharmacy Albany Limited was incorporated in April 2007. Additional capital was also contributed to one other associate during 2009 (2008: two associates).

c) On 19 April 2007 1,000,000 shares held by PIMS 2005 Limited with a value of $840,000 were cancelled for the purpose of resolving matters relating to the value of pharmacy companies acquired during March 2005.

19. Group investments (continued)

d) On 10 February 2009 Life Pharmacy Limited repaid the intercompany payable to Tawharanui Holdings 2006 Limited of $1,264,000 and the subsidiary paid a dividend to Life Pharmacy Limited of $1,204,000. In February 2009 Tawharanui Holdings 2006 Limited was disposed of and the investment in subsidiary of $1,239,000 written off in the parent company. The company was renamed Life Pharmacy Wall Street Dunedin Limited on 11 February 2009.

Controlled entities

Beauty Direct Operations Limited (non-trading), Life Holdings Botany Limited (retail) and Care Chemist Limited (trading) are wholly owned subsidiary companies (New Zealand registered companies incorporated under the Companies Act 1993) of the Parent.

Joint venture

LPL Investments Limited (a New Zealand registered company incorporated under the Companies Act 1993) is a joint venture with CS Company Limited trading as Life Outlet Stores. Pursuant to the joint venture agreement, the joint venture partners have an equal right to and obligation for all revenues, expenses, assets, liabilities and voting rights. The first store commenced trading in November 2005 in the Onehunga outlet centre and a second store commenced trading in the Te Rapa outlet centre in October 2007.

Associate entities

The Parent acquired and holds a 49% ownership interest in each associate (New Zealand registered companies incorporated under the Companies Act 1993) with the Parent entity holding a one-third voting right on the Board of each of the associates.

Reporting dates

The controlled entities, the joint venture and all associates have a 31 March reporting date.

Associate accounting policies

The accounting policies adopted by the associates are generally consistent with those of the Parent. Adjustments are made to align the accounting policies where needed – including adjustments to adopt NZ IFRS. The associates are qualifying reporting entities under the framework for differential reporting and the financial statements for the associates are prepared on the basis of the permitted differential reporting concessions. Adjustments are made to recognise deferred taxation in the associates.

Summary associate financial information

The aggregate results of the associates' financial position and operations for the reporting period are as follows:

	Assets $'000	Liabilities $'000	Revenue $'000	Profit $'000
As at and for the year ended 31 March 2009	34,529	19,767	101,107	2,202
As at and for the year ended 31 March 2008	22,618	19,275	96,361	1,353

Under the shareholders agreement executed with each associate, dividend distributions are capped at the current year's profit after tax subject to each associate company complying with any applicable banking covenants and being solvent in accordance with the solvency test requirements under the Companies Act 1993.

	Group		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
20. Acquisition of subsidiaries and business assets				
Acquisition costs	17	-	-	-
Consideration paid in cash	150	-	-	-
Contingent consideration	90	-	-	-
Goodwill arising on acquisition	**257**	-	-	-

A wholly owned subsidiary of the Parent, Care Chemist Limited, acquired all of the business and assets from Care Chemist Services Limited on 30 May 2008. The fair values of the assets acquired are estimated to be nil with the balance being attributed to goodwill. Care Chemist Limited paid $150,000 in cash and an additional amount is payable that is conditional upon receiving certain growth targets over the next three years. It is not practical to disclose the impact on the Group's results had this business been owned for a full year.

	Group		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
21. Trade and other payables				
Trade payables	669	753	607	753
Accruals	786	584	769	582
Employee entitlements	87	64	87	64
Payable to associate	-	-	-	-
Payable to subsidiary	-	-	-	1,264
	1,542	**1,401**	**1,463**	**2,663**

Trade payables include $1,000 owing to associates and accruals include $194,000 owing to associates. Tawharanui Holdings 2006 Limited (formerly Wylies Pharmacy Limited) advanced $1,033,000 to the Parent during 2006 following the sale of its pharmacy business. In 2007 the Parent acquired the remaining 51% shareholding. During 2008 a final settlement of $200,000 plus interest was received with respect to Wylies Pharmacy. This intercompany balance was repaid during the 2009 period.

The accruals balance includes a creditor relating to loyalty points, which is offset by receivables from associates, of $1,113,000 (2008: $656,000) owed to the Parent for loyalty program rewards points issued to customers. The loyalty points are valued at their redeemable value.

	Group		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
22. Borrowings				
Current	4,205	-	4,205	-
Non-current	-	5,746	-	5,746
	4,205	**5,746**	**4,205**	**5,746**

22. Borrowings (continued)

Borrowings and loans to associates reflect bank borrowings obtained by the Parent from ANZ National Bank Limited (ANZNB) and on-lent to each individual associate under a group borrowing facility comprising a $5.9 million (2008: $5.9 million) revolving credit facility allocated directly to the associates. Interest is payable monthly on all borrowings at an effective interest rate of 5.66% (2008: 9.77%) on call. Overdraft facilities are arranged directly with the bank. The $500,000 short term loan facility for the Parent was repaid during 2008.

The associate advances and borrowings are secured pursuant to back-to-back general security agreements over the assets of the Parent and each associate. The security provided by the associates is several. The Parent has provided guarantees in favour of ANZNB, with back-to-back guarantees received from each pharmacist shareholding limiting the Parent's ultimate exposure to commensurate with the Parent's 49% shareholding in each associate.

While back-to-back loan and guarantee agreements have been executed between ANZNB, the Parent and each associate, the Parent does not have a legal right of set-off and accordingly both the associate advances and borrowings are separately recognised in the balance sheet.

During the period the financial covenants in place were as follows:

- Consolidated net earnings of Life Pharmacy Limited (Group entity) to not be adverse to the annual approved budget by more than 15%, measured at the half year and full year, and

- EBITDA of Life Pharmacy Limited (Parent company) to not be adverse to the annual approved budget by more than 15%, measured at the half year and full year.

On 6th August 2008 the ANZNB agreed to suspend the financial covenants for the Group for the duration of the term of the existing facility on the condition that a minimum of $2,325,000 was raised from the Rights Issue prior to 30 September 2008 and a further commitment of $2,325,000 was to be raised from the completion of the Rights Issue within 12 months of the completion of the capital raising exercise. This condition was met and accordingly the financial covenants for the group are suspended.

The existing operational and reporting covenants have not changed. As at 31 March 2009 the company is in compliance with all covenants in place.

	Group		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
23. Operating cash flows reconciliation				
Profit/(loss) for the period	61	(571)	303	(490)
Less interest on 2nd Tranche rights issue	(210)	-	(210)	-
Less capital gains	(239)	(474)	(239)	(474)
	(388)	(1,045)	(146)	(964)
Add/(deduct) non-cash items:				
Equity accounted losses	19	80	-	-
Bad debt provision	17	-	17	-
Depreciation and amortisation	357	279	354	279
Loss on disposal of subsidiary	-	-	35	-
Amortisation of lease incentive	(22)	(22)	(22)	(22)
Deferred tax	(127)	(498)	(47)	(505)
Share/option scheme costs	(3)	35	(3)	35
Add/(deduct) changes in working capital items:				
Trade and other receivables	(440)	1,415	(772)	1166
Inventory	-	61	-	-
Payables and accruals	134	(764)	62	(398)
Net cash inflow/(outflow) from operating activities	**(453)**	**(459)**	**(522)**	**(409)**

	Group		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
24. Non-cancellable operating leases				
Due within one year	418	402	418	402
Due between one and five years	1,056	1,040	1,056	1,040
Due after five years	378	597	378	597
	1,852	**2,039**	**1,852**	**2,039**

The future lease payments comprise leased office equipment, vehicles and premises.

Office space has been leased for a term of 10 years commencing 1 January 2006, with one right of renewal for a further 5 years. The rental is reviewable every 2 years and upon renewal.

25. Financial instruments

The Parent and Group is party to financial instruments as part of their normal operations. Financial instruments include cash and cash equivalents, borrowings, trade and other receivables and trade and other payables.

Risk management policies are used to mitigate the Parent and Groups exposures to credit risk, liquidity risk and market risk that arise in the normal course of operations.

25. Financial instruments (continued)

Credit risk

The Parent and Group's maximum credit risk resulting from a third party defaulting on its obligations to the Parent and the Group is represented by the carrying amount of each financial asset on the balance sheet. The Parent and the Group are not exposed to any material concentrations of credit risk other than its exposure within the retail pharmacy sector and banking facilities. The Parent and Group monitor credit limits on a monthly basis. All credit facilities to external parties are provided on normal trade terms (unsecured, to a maximum of 50 days). At any one time, the Parent and Group generally has amounts owed to and amounts owed by the same counterparty, although no legal right of set-off exists. The Parent holds direct debit authorities for all amounts payable under the contractual terms of its franchise agreements. The Parent regularly monitors the credit ratings issued, and any qualifications to those ratings, to the financial institutions (and those of the ultimate parent financial institution) used by the Parent and Group.

The status of trade receivables at reporting date is as follows:

Trade and other receivables

	Gross receivable	Impairment	Gross receivable	Impairment
	2009 $'000	**2009 $'000**	**2008 $'000**	**2008 $'000**
Not past due	8,227	-	2,128	-
Past due 0-30 days	81	-	71	-
Past due 31-120 days	214	(9)	227	-
Past due more than 120 days	159	(4)	265	(47)
Total	**8,681**	**(13)**	**2,691**	**(47)**

Liquidity risk

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. In general, the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls. The following table sets out the contractual cash flows for financial liabilities that are settled on a gross cash flow basis:

Group			**2009**			
	Balance Sheet	**Contractual cash flows**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Bank loan	4,205	4,262	4,262	-	-	-
Trade and other payables	1,542	1,542	1,542	-	-	-
Bank overdraft	-	-	-	-	-	-
Total non-derivative liabilities	**5,747**	**5,804**	**5,804**	**-**	**-**	**-**

Group			**2008**			
	Balance Sheet	**Contractual cash flows**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Bank loan	5,746	6,337	1,036	997	4,304	-
Trade and other payables	1,401	1,401	1,401	-	-	-
Bank overdraft	-	-	-	-	-	-
Total non-derivative liabilities	**7,147**	**7,738**	**2,437**	**997**	**4,304**	**-**

25. Financial instruments (continued)

Parent	2009					
	Balance Sheet $'000	Contractual cash flows $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000
Bank loan	4,205	4,262	4,262	-	-	-
Trade and other payables	1,463	1,463	1,463	-	-	-
Bank overdraft	-	-	-	-	-	-
Total non-derivative liabilities	**5,668**	**5,725**	**5,725**	**-**	**-**	**-**

Parent	2008					
	Balance Sheet $'000	Contractual cash flows $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000
Bank loan	5,746	6,337	1,036	997	4,304	-
Trade and other payables	2,663	2,663	2,663	-	-	-
Bank overdraft	-	-	-	-	-	-
Total non-derivative liabilities	**8,409**	**9,000**	**3,699**	**997**	**4,304**	**-**

Market risk

As interest rates change, the fair value of financial instruments may change. The Parent and Group maintains its interest earning and interest bearing financial instruments in matched maturities and interest rate re-pricing terms. Refer to notes 15 and 22 for details of the interest rates and re-pricing for the group advances and borrowings, which are the most significant financial instruments.

Capital management

The Group's capital includes share capital and retained earnings. The Group is not subject to any externally imposed capital requirements.

The allocation of capital between its specific business segments' operations and activities is, to a large extent, driven by the optimisation of the return achieved on the capital allocated. The process of allocating capital to specific business segment operations and activities is undertaken independently of those responsible for the operation.

The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

There have been no material changes in the Group's management of capital during the period.

Classification and Fair Values

The carrying amount of the Parent and Group's on-balance sheet financial instruments closely approximate their fair values as at 31 March 2009 and 31 March 2008. The fair value of all of the following financial instruments is determined using their transactional value.

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25. Financial instruments (continued)

	Note	2009 Loans and receivables $'000	Other amortised cost $'000	Total carrying amount $'000	Fair value $'000
Assets					
Group advances	15	-	-	-	-
Total non-current assets		**-**	**-**	**-**	**-**
Trade and other receivables	14	8,668	-	8,668	8,668
Cash and cash equivalents		6,410	-	6,410	6,410
Group advances	15	5,652	-	5,652	5,652
Total current assets		**20,730**	**-**	**20,730**	**20,730**
Total assets		**20,730**	**-**	**20,730**	**20,730**
Liabilities					
Loans and borrowings	22	-	-	-	-
Total non-current liabilities		**-**	**-**	**-**	**-**
Loans and borrowings	22	-	4,205	4,205	4,205
Trade payables	21	-	1,542	1,542	1,542
Total current liabilities		**-**	**5,747**	**5,747**	**5,747**
Total Liabilities		**-**	**5,747**	**5,747**	**5,747**

	Note	2008 Loans and receivables $'000	Other amortised cost $'000	Total carrying amount $'000	Fair value $'000
Assets					
Group advances	15	7,042	-	7,042	7,042
Total non-current assets		**7,042**	**-**	**7,042**	**7,042**
Trade and other receivables	14	2,644	-	2,644	2,644
Cash and cash equivalents		2,360	-	2,360	2,360
Total current assets		**5,004**	**-**	**5,004**	**5,004**
Total assets		**12,046**		**12,046**	**12,046**
Liabilities					
Loans and borrowings	22	-	5,746	5,746	5,746
Total non-current liabilities		**-**	**5,746**	**5,746**	**5,746**
Loans and borrowings	22	-	-	-	-
Trade payables	21	-	1,401	1,401	1,401
Total current liabilities		**-**	**1,401**	**1,401**	**1,401**
Total Liabilities		**-**	**7,147**	**7,147**	**7,147**

25. Financial instruments (continued)

The Parent and each associate have entered into a put and call option in respect of the 51% shareholding in each associate held by the pharmacist owners. The option is only exercisable upon legislative changes allowing total non-pharmacist ownership and control of pharmacies. The fair value of the put and call option cannot be reliably determined (because of the need for legislative change before they become exercisable) as required for recognition of the put and call option in the financial statements, and the options are accordingly measured at a nil cost.

26. Share based payments

On 14 February 2005 the shareholders of the Parent passed a resolution establishing an Independent Director's Option Scheme (the scheme). No amount was payable on the granting of the options and the exercise price for each option under the scheme is based on the volume weighted average price calculated over the 40 trading days ending 1 June 2005 ($1.30), increasing by 12% compounding on the anniversary in each year commencing on 4 March 2005, adjusted for any dividends paid. These options expired on 14 February 2008.

On 26 July 2007, the CEO Option scheme came into effect. No amount was payable on the granting of the options and the exercise price for each option is $0.75 per share. These options expired on 26 July 2008.

In addition, on 26 July 2007, the Parent issued 225,000 ordinary shares to the Chief Executive Officer. The issue price was $0.75 per share with a total cash payment of $168,750.

The Parent issued 900,000 redeemable ordinary shares (ROS) on 26 July 2007 to Life Pharmacy Trustee Company Limited as a trustee of a trust that holds the shares on behalf of the Chief Executive Officer. The shares were issued at $0.75 per share, initially paid up to $0.01 per share. Until such time as the CEO Redeemable Ordinary Shares are redeemed and transferred to the CEO the shares carry entitlement to dividends and votes to the proportion to which they are paid up (i.e. one 75th). No CEO Redeemable Ordinary Shares can be redeemed before the third anniversary of the issue of the shares to Life Pharmacy Trustee Company Limited. The shares have subsequently expired on 31 January 2009 due to failure to meet non-market conditions.

The Parent issued 960,000 redeemable ordinary shares (ROS) on 20 August 2008 to Life Pharmacy Trustee Company Limited as a trustee of a trust that holds the shares on behalf of the Executives of Life Pharmacy Limited. The shares were issued at $0.55 per share, initially paid up to $0.01 per share. Until such time as the Executive Redeemable Ordinary Shares are redeemed and transferred to executives the shares carry entitlement to dividends and votes to the proportion to which they are paid up (i.e. one 55th). No Executive Redeemable Ordinary Shares can be redeemed before the third anniversary of the issue of the shares to Life Pharmacy Trustee Company Limited.

The terms and conditions of the grants are as follows; all options are to be settled by physical delivery of shares.

26. Share based payments (continued)

Grant date/employees entitled	Number of Instruments '000	Vesting conditions and period
Option grant to Independent Directors on 14 February 2005	800	Vest in equal proportions over a 3 year period with a first anniversary date of 14 February 2005. The options are exercisable at the discretion of the Board based on the share price exceeding a volume weighted average price calculated over 40 trading days ending 1 June 2005 ($1.30), increasing by 12% compounding on the anniversary in each year commencing on 4 March 2005, adjusted for any dividend. Two thirds of the option is exercisable as at 4 March 2007, and the remaining on the third anniversary of scheme. **These options expired on 14 February 2008.**
Option grant to CEO on 26 July 2007	1,000	CEO options will vest on 26 July 2008 or earlier and can be exercised at the sole discretion of the Board of Directors. The life of the option is the earlier of 26 July 2008 or the date of resignation. **These options expired on 26 July 2008.**
Total share options	**1,800**	
ROS granted to Life Pharmacy Trustee Company Ltd on 26 July 2007	900	Redeemable in three equal proportions in 2010, 2011 and 2012 provided the CEO remains with the group at these dates. The option expires on 26 July 2012. **These options expired 31 January 2009 due to failure to meet non-market conditions.**
ROS granted to Life Pharmacy Trustee Company Ltd on 20 August 2008	960	Redeemable in three equal proportions in 2011, 2012 and 2013 provided the executive remains with the group at these dates. The option expires on 20 August 2013
Total ROS	**1,860**	

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2009 $	Number of Options 2009 '000	Weighted average Exercise price 2008 $	Number of options 2008 '000
Outstanding at 1 April	0.75	1,000	1.50	264
Forfeited during period	0.75	1,000	1.50	(264)
Granted during period	-	-	0.75	1,000
Outstanding 31 March	-	-	0.75	1,000
Exercisable 31 March	-	-	0.75	1,000

26. Share based payments (continued)

CEO options granted 27 July 2007
The fair value of the CEO options was determined by an external valuer to be $11,000 and has been amortised to July 2008. The option lapsed as at this date.

CEO Redeemable Ordinary Share Scheme (granted 26 July 2007)
The fair value of the options under the CEO Redeemable Ordinary Share scheme was determined by an external valuer to be $155,100. This cost was being amortised over the relevant period for each tranche of shares. The fair value of the ROS at grant date was determined using the Black-Scholes formula. The model inputs were: the share price of $0.70, the exercise price of $0.75, expected volatility of 45%, expected dividends of 3%, a term of 3 years for tranche 1, 4 years for tranche 2, 5 years for tranche 3, and a risk-free interest rate of 7.0%. During the year the CEO resigned from office, breaking the non-market conditions of the options. All option/share vesting costs recognised over the period of the options $77,733 (including $34,566 recognised in 2008) has therefore reversed.

Executive Redeemable Ordinary Share Scheme (granted 20 August 2008)
The fair value of the options under the Executive Redeemable Ordinary Shares scheme has been determined by an external valuer to be $201,600. This cost is being amortised over the relevant period for each tranche of shares. Option / share vesting costs of $31,372 have been recognised in the period. The fair value of the ROS at grant date is determined using the Black-Scholes formula. The model inputs were: the share price of $0.45, the exercise price of $0.55, expected volatility of 60%, expected dividends of 0%, a term of 3 years for tranche 1, 4 years for tranche 2, 5 years for tranche 3, and a risk-free interest rate of 6.3%.

27. Related Parties

The Parent has a 49% shareholding in 20 associate companies (trading as pharmacies), 1 joint venture (outlet stores) and 3 100% owned subsidiary companies (2 non-trading).

During the year, there have been three directors who have had shareholdings in various associate companies and shareholdings in the Parent company, and three independent directors.

The Parent has commercial franchise agreements with all 20 associate companies and 22 other franchisee stores relating to marketing levies and franchise fees. The Parent also incurs transactions on behalf of the stores which are on-charged. These transactions comprise items such as training courses, central purchasing agreements, central advertising campaigns, loyalty card costs, Tony Ferguson franchisee payments and IT related costs. The Parent has leased some equipment which is on-leased to associate companies. The Parent performs accounting services, based on commercial fees, for some of the stores and the joint venture.

The associate companies occasionally transfer stock and services between each other, which are charged on an arm's length basis and on normal commercial terms.

The Parent has arranged bank borrowings from the ANZNB under a group borrowing facility and offers the funds to associate companies. The associate companies also arrange bank overdrafts and bank bonds with the ANZNB.

The Parent has shareholder agreements with the 51% shareholders of the associates. The agreements cap the dividend payment from each associate at the current year's profit after tax subject to each associate company complying with any applicable banking covenants and being solvent in accordance with the solvency test requirements under the Companies Act 1993.

27. Related Parties (continued)

Related party transactions for Parent and Group:

	Note	Transaction Value		Balance Outstanding	
		2009	**2008**	**2009**	**2008**
Transactions with associates:					
Dividends		1,089	506	995	749
Marketing levies and franchise fees	**6**	1,939	1,921	50	30
On-charged costs	**15**	792	1,054	210	114
Receivable from associates	**14**			1,358	1,130
Loans to associates	**15**			5,652	7,042
Total owing from associates				8,132	9,065
Receivable from joint venture	**14**			215	142
Receivable from subsidiary*	**14**			432	26
Receivable from other related parties	**14**			259	259
Payable to associates	**21**			207	195
Payable to subsidiary*	**21**			-	1,264

* these items are nil for the Group

Director's remuneration is shown in note 8.

The Put and Call options with associates are shown in note 13. The Parent contributed capital of $587,000 (2008: $1,046,000) to associates during the year, see note 20. The Parent guarantees the associate banking facilities commensurate with its 49% shareholding in each associate, see note 25.

Key management personnel remuneration
The Group provides compensation to key management personnel which comprises of executive officers and directors of the company. Key management personnel also participate in the share option scheme (and the CEO participated in the share option scheme until his resignation on 29 January 2009, see note 26). Key management personnel compensation comprised:

	Group		Parent	
	2009	**2008**	**2009**	**2008**
	$,000	**$,000**	**$,000**	**$,000**
Short-term employee benefits	765	765	664	765
Share based payments	-	35	-	35
	765	800	664	800

28. Commitments and Contingencies

The Parent holds preferential rights to establish pharmacies in two shopping centres currently under development or still to be developed.

The Parent's ultimate exposure to bank facilities with its associates is commensurate with the Parent's 49% shareholding in each associate and includes the advance to the associates of $5.6 million as described in note 16, and lease bonds of $1.6 million.

29. Events Subsequent to the Reporting Date

Following the end of the financial year three additional franchisees have been acquired taking the total number of Care Chemist franchisees as at 28th May 2009 to 21.

Shareholder information
As at 30 April 2009

Major Shareholders
Life Pharmacy Limited's ordinary shares are listed on the New Zealand Stock Exchange. The 20 largest registered holders of quoted equity securities as at 30 April 2009 was as follows:

Name	Holding	%
LPL Trustee Limited	34,348,975	50.01
PIMS 2005 Limited	3,508,400	5.11
Massey Pharmacy Limited	2,996,396	4.36
M. Fleet	2,397,077	3.49
M. Dunn & Fortune Manning Trustee Company	1,947,668	2.84
G K Ritson	1,673,702	2.44
Ganet Investments Limited	1,572,369	2.29
N Bullock, M Bullock & S Sheldon	1,232,017	1.79
B Fordyce, F Dragicevich & C Hutton	1,170,557	1.70
T Lai, C Lai & K Yee	935,844	1.36
M S Vuksich, F Vuksich & W Yovich	925,044	1.35
P Guthrie	809,775	1.18
Watt Land Company Limited	800,800	1.17
J Guthrie	767,271	1.12
D Milne, J Milne & L Lamberg	685,984	1.00
E McAulay	680,220	0.99
A McAulay	653,012	0.95
J Begovic, K Begovic & K Palin	591,730	0.86
F Walker, E Walker & N Comerford	584,550	0.85
S Irvine, P Irvine & P Phillips	572,000	0.83

Substantial Security Holders
In respect of the previous financial year, the following persons are deemed to be substantial security holders in accordance with section 21 of the Securities Markets Act 1988:

Shareholder	Holding 30 April 2008	%	Bonus Share Issue	Issued during rights issue	Traded during year	Holding 30 April 2009	%
LPL Trustee Limited*	7,000,000	19.26	280,000	27,348,975	-	34,348,975	50.01
PIMS 2005 Limited*	3,373,462	9.28	134,938	-	-	3,508,400	5.11
Massey Pharmacy Limited	2,881,150	7.93	115,246	-	-	2,996,396	4.36
M. Fleet	2,304,882	6.34	92,195	-	-	2,397,077	3.49
M. Dunn & Fortune Manning Trustee Company	1,872,758	5.15	74,910	-	-	1,947,668	2.84

* Substantial security holders as at 30 April 2009.

As at 30 April 2009, Life Pharmacy Limited had on issue 68,684,219 securities (as defined by the Securities Markets Act 1988) being 37,819,588 fully paid ordinary shares, 29,004,631 partly paid ordinary shares and 1,860,000 Redeemable Ordinary Shares payable to $0.01 held on trust.

Shareholding Spread
Life Pharmacy Limited's shareholding spread as at 30 April 2009 is as follows:

Size of Holding – Partly Paid Ordinary Shares	Holders	%	Securities	%
1-999	38	41.3	36,050	0.1
1,000-9,999	30	32.6	147,334	0.5
10,000-99,999	19	20.7	727,207	2.5
100,00-499,999	4	4.3	1,025,065	3.5
1,000,000 and over	1	0.1	27,068,975	93.3
Total	**92**	**100**	**29,004,631**	**100**

Shareholder information
As at 30 April 2009

Size of Holding – Ordinary Shares	Holders	%	Securities	%
1-999	129	27.9	70,860	0.2
1,000-9,999	237	51.2	609,546	1.6
10,000-99,999	59	12.7	1,503,100	4.0
100,00-499,000	18	3.9	3,861,666	10.2
500,000-999,999	11	2.4	7,996,230	21.1
1,000,000 and over	9	1.9	23,778,186	62.9
Total	**463**	**100**	**37,819,588**	**100**

Directors' shareholding and trades
The following table summarises all shares held and traded (whether directly or indirectly) by the Directors of LPL during the year ended 30 April 2009.

Directors	Holding 30 April 2008	Cancelled	Issued	Net trades in the period	Holding 30 April 2009
J A Bagnall	7,000,000	-	27,348,975	-	34,348,975
E M Coutts	100,000	-	50,000	-	150,000
A J Davidson	100,000	-	160,000	-	260,000
S J Smith(i)	-	-	-	-	-
M S Vuksich (iv)	879,850	-	45,194	-	925,044
N W Webber (v)	1,522,169	-	60,887	-	1,583,056
J B Bolland(ii)	-	-	-	-	-
B P Ingham (iii)	225,000	-	411,200	-	636,200
B P Ingham ROS(iii)*	900,000	(900,000)	-	-	-

The following changes in directorships have taken place during the financial year
(i) S J Smith – resigned as Director on 31 October 2008
(ii) J B Bolland – appointed as Director on 31 October 2008
(iii) B P Ingham – resigned as Director on 31 January 2009

The following directors also have an interest in PIMS 2005 Limited that owns 3,508,400 Life Pharmacy shares:
(iv) M S Vuksich 4.9% interest
(v) N W Webber 3.9% interest

* Prior to his resignation on 31 January 2009, Life Pharmacy Trustee Company Limited held 900,000 redeemable ordinary shares on behalf of P B Ingham (see note 26 for more information). These shares are held on trust by LPL Pharmacy Trustee Ltd and are paid up to $0.01 per share, entitling the holder to dividends and voting rights in this proportion.

Independent Directors' Share Option Scheme
The terms and conditions of the Directors' Share Option Scheme are disclosed within Note 26 of the financial statements. Share options have been issued to E M Coutts 400,000, A J Davidson 200,000 and unallocated 200,000.

Directors Insurance
Life Pharmacy Limited has insured all its directors against liabilities to other parties that may arise from their positions as directors. The insurance does not cover liabilities arising from criminal actions.

Application for waiver from NZSX Listing Rule 7.10.5
As part of the pro rata 3 for 2 renounceable rights issue undertaken by Life Pharmacy in August and September 2008, LPL provided to shareholders an oversubscription facility that, to the extent that the rights issue shares were not fully subscribed for by other shareholders, allowed shareholders to subscribe for up to 50,000 additional shares over and above their pro rata entitlement (Oversubscription Facility).

Shareholder information

As at 30 April 2009

LPL approached NZX Regulation seeking a waiver from Rule 7.10.5 to the extent necessary to enable shareholders to make applications in excess of their pro rata entitlement in accordance with the Oversubscription Facility.

Rule 7.10.5 provides:
Entitlement: A Renounceable Right shall not entitle the holder of the Right to apply for more than the entitlement of Securities except to enable acquisition of the number of Securities needed to give that holder a Minimum Holding.

NZX Regulation granted LPL a waiver from Rule 7.10.5 to enable shareholders to make applications in excess of their entitlements in accordance with the Oversubscription Facility on the following conditions:

a) All shareholders who apply for shares under the Oversubscription Facility in order to hold Shares in excess of the minimum holding are issued sufficient Shares to hold more than the minimum holding

b) In the event that the number of shares applied for by shareholders under the Oversubscription Facility is greater than the number of shares available, LPL will either:
   a. scale applications down pro rata;
   b. reduce the upper limit of Shares shareholders may apply for; or
   c. ballot the applications until the shares contained in the Oversubscription Facility are fully allotted

c) The offer documents for the rights issue records that a waiver from NZSX Listing Rule 7.10.5 was granted and details the conditions of the waiver.

Company directory

For the year ended 31 March 2009

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Bankers
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The National Bank Tower
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Auckland City
Auckland

Board
E M Coutts BMS, CA
Independent Director & Chairman

A J Davidson
Independent Director

J A Bagnall
Non-Executive Director

J B Bolland
Non-Executive Director

M S Vuksich MPS
Non-Executive Director

N W Webber MBA, MPS
Non-Executive Director

Board Secretary
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