








Working for Community Pharmacy



NPA Report and Accounts 2010

Contents

	Our Purpose, Values and Commitment to You	1
	Highlights of the Year	2
	What We Provide for our Members	4
	Review of the Year	6
	Board of Directors	15
	Chairman's Report	16
	Chief Executive's Report	17
	Report of the Directors	18
	Independent Auditor's Report	21
	Financials	22
	Notice of Annual General Meeting	48





Working for Community Pharmacy

Our Purpose

To support all our members to succeed professionally and commercially for the benefit of their patients.

We enable this through investment in our people to provide high quality services and products together with effective leadership and representation.

Our Values

We strive to deliver the best possible service to our members. We do this through a commitment to excellence, ambition, innovation, care, integrity and accountability.

Our Commitment to You

"We're here to meet your needs today and tomorrow, and to ensure that you get the best possible value from your association."
Michael Holden, Chief Executive.

Since 1921 the National Pharmacy Association has been providing community pharmacy across the UK with high quality expert support through a unique package of essential services delivered on a not for profit basis. We aim to provide effective leadership and representation for all our members independents and multiples, both as the NPA and working through Pharmacy Voice.

The NPA has strived to deliver good value for money for members during 2010. This was achieved by increasing and improving our service delivery from insurance through to our clinical advice and resources, education and training, sales offerings and parliamentary and key stakeholder representation to members across the UK, and Europe.

“I’m very pleased with your customer service from the Sales Department! It’s very often that I’ll have to liaise with companies who never get back to me or give me the information I need, so it’s nice to speak to someone who does.”

“I just wanted to thank you for intervening on our behalf. Our supplier will now recognise our group, and pay us back the discount owed from the last 14 months. Obviously there is a benefit going forward too. I had genuinely thought I had hit a brick wall until the NPA became involved.”

“Thank you for your help to resolve this (supply chain problem). I fear without your help & the NPA’s support we would be in real crisis.”

Highlights of the year

During the course of 2010 the NPA:

- Produced an online interactive tool to help community pharmacists give advice on vaccinations and malaria to global travellers
- Introduced a new webshop for members and associates
- Improved member communications with the introduction of *InPharmacy*, changes to the website, and frequent email briefings
- Introduced competitive new insurance services
- Campaigned on behalf of community pharmacy on key issues such as supply chain and NHS changes, securing far higher levels of media coverage than in 2009
- Represented members’ concerns at the EU, building relationships with the Government in England, Wales, Scotland and Northern Ireland, and with other healthcare professionals and stakeholders
- Transferred our members’ Employment Advisory Service to Ellis Whittam, a law firm providing access to quality advice, expertise in employment law and HR, and practical online employment resources
- Held numerous information events for members across the UK
- Provided high quality training courses in pharmacy, helping individuals to advance their careers in pharmacy and comply with regulation
- Gave free media interaction training to members across the UK and supported them in taking up many live radio and press opportunities that followed
- Launched a revised website www.npa.co.uk
- Attracted the interest of many thousands of people with public awareness campaigns about the services offered by community pharmacy all over the UK

2 NEW PGDs

for members to offer
- a flu and meningitis
vaccination and an erectile
dysfunction service

More than
30000
visits to the
information database
on our website

More than **5000**
people became fans of the
NPA's Ask Your Pharmacist
Facebook page

More than
210,000
phone calls from
members to our
pharmacy advice lines

Almost
180,000
visitors to the NPA
website

521
information
email alerts
to members

Defending you, your business and your reputation

Professional insurance for pharmacy owners, offered by NPA Insurance provides our members with indemnity, defence, representation, legal advice and assistance on matters connected with their business and affairs.

The delivery of a high quality insurance service relies on our specialist insurance team who safeguard thousands of members across the UK. They are uniquely qualified to deal with pharmacy claims and give detailed, accurate and practical advice on a wide range of issues which affect members in the course of their daily activities - such as professional and public liability, NHS and regulatory matters.

NPA Insurance's mission is to protect members and thereby ensure that they prosper professionally and commercially.

The professional indemnity policy provided to members is designed to cover the wide ranging activities undertaken in community pharmacy and has an indemnity limit of £10 million as standard. Members are kept up to date on the latest risk management issues through the member magazine, email alerts, exhibitions like the Pharmacy Show and member events held across the UK.

NPA Insurance also provides pharmacists with a wide range of general insurance products and services.

Full membership of the NPA entitles members to professional indemnity, public liability and legal expenses cover provided by NPA Insurance Ltd. NPA Insurance professional indemnity is also available to individuals who wish to have their own personal indemnity cover.



You deserve the best

Your private medical insurance policy from NPA Insurance has been designed to provide you with the best care possible.

Private medical insurance from NPA Insurance – the UK's dedicated pharmacy insurance provider.

We can tailor your policy to suit you and benefits include:

- Comprehensive product covering complementary medicines and therapies
- Treatment arranged quickly over the phone
- Optional coverage for heart and cancer treatment
- Easy transfer from your existing private health insurer
- A range of advice lines and a 24-hour counselling service
- Bespoke group health scheme for large groups

Simply call our UK-based call centre on **0800 496 0426** or visit our website at www.npainsurance.co.uk for more information.

Telephone calls may be recorded and monitored.

Insurance is subject to terms and conditions
NPA Insurance Ltd. Registered in England 64269. Mallinson House, 38-42 St Peters Street, St Albans, Herts AL1 3NP.
Authorised and regulated by the Financial Services Authority.
Code: Health 0311



What We Provide for our Members

Working to provide services for members

From answering members' clinical queries, through to ensuring their pharmacy is fully equipped – our NPA teams worked hard in 2010 to provide valuable services, supporting members in running their businesses efficiently, and in caring safely and effectively for their patients.

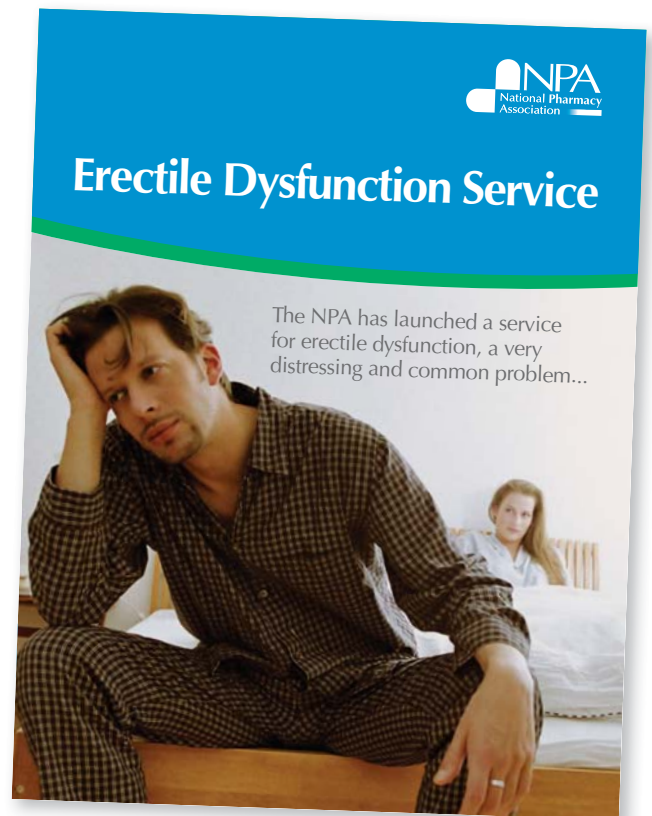
Our Commercial Sales Department substantially improved our offering to members in 2010 with a revamped webshop, and a new catalogue – offering the opportunity to buy thousands of products at competitive prices. Members can order a wide range of pharmacy and office essentials by phone or online. As a not for profit organization we have an appetite for reinvesting any surplus from our commercial sales into developing more services that meet our members' needs.

The transformation of our sales offering was complemented by the business development opportunities provided to members by the NPA during 2010.

Patient Group Directions for popular services such as flu and meningitis vaccination, chlamydia testing and treatment and erectile dysfunction were made available to members from the NPA. Rigorous clinical governance and high quality training support ensured patient safety and a high quality experience for patients.

Support to pharmacists behind the dispensary counter continued throughout, with our information service remaining the first port of call for all pharmacy related queries. During 2010 there were more than 210,000 calls to our information lines and via email six days a week, and 30,000 visits to the information database on our website.

Our dedicated information team, the majority of whom are pharmacists, and all from a pharmacy background, have more than 120 years of clinical, hospital and PCT experience between them. They produce and regularly update one of the most comprehensive and detailed travel health advice services in the UK, along with a comprehensive range of other essential resources, fact sheets and standard operating procedures for members. During 2010 these briefings covered a wide range of legal, ethical, clinical, product and business information topics.



Building on work that began in 2009



As well as improving service for members during 2010 with enhanced offerings from insurance, more clinical advice and resources, education and training, a wider range of pharmacy and office essentials, and a higher level of parliamentary and key stakeholder representation for members across the UK, and Europe – the NPA was able to make further efficiencies building on some of the work that began in 2009.

During the year a number of measures were taken to reduce the costs of running the NPA, so we are now providing better value for money for members.

This was achieved by increasing and improving service delivery. The NPA generated a surplus which has been reinvested back into the association. We have an appetite for reinvestment to meet the needs of members. In addition the NPA has benefited from a restructure of reinsurance contracts to reduce insurance risk, cost savings following a detailed review of suppliers and services, and also benefited from a rising stock market.

The final position now provides a basis to support continued service development and expansion, together with improved value to members going forward.

Review of the Year

Working to provide staff development opportunities



Employees are key to the success of any organisation. The NPA has invested heavily over the years in services to help our members grow their pharmacies by developing their people's talents and expertise, as well as ensuring that they meet regulatory requirements.


With over 25 years of experience, our Education and Training team design and deliver high quality specialist course material. They also provide impartial advice and guidance on all aspects of pharmacy education and training for our members and their staff, including pre-registration trainee pharmacists. Tens of thousands of students were enrolled with the NPA during 2010.

Our comprehensive range of courses has continued to help members build and maintain the skills of their teams. As a result community pharmacies across the UK are in a stronger position to play a broader role in the provision of health care to patients across the UK.

As part of our service to members, we also improved the quality of advice that they can access on employment law and HR matters in 2010. The NPA made it easier for members to comply with the law by providing a comprehensive set of template documents including employment contracts, staff handbooks and job descriptions. Our online service and telephone helpline answers hundreds of calls per month on a wide range of employment issues.


NPA Education & Training

May 2011



Why make the NPA your first choice for support staff training?

- The NPA is the leading provider of training for pharmacy support staff.
- Courses for all members of the pharmacy team are tailored to meet the specific needs of our members.
- Courses are fully accredited by the General Pharmaceutical Council.
- Flexible learning - our distance learning courses are designed to be studied while working in a busy pharmacy environment.
- We are truly independent and committed to enhancing the professional and commercial interests of all our members.
- The NPA awards its Training Seal to training materials that have undergone the NPA's rigorous and subjective evaluation procedure. The Training Seal is recognised as a mark of high quality training.



Pharmacy on the frontline



Ask Your Pharmacist campaign

For many years, Ask Your Pharmacist (AYP) has been the NPA's public awareness campaign for community pharmacy. In 2010 its key theme was the role pharmacy plays as a front line health provider in every community.

The campaign is a linchpin of the NPA's commitment to promoting community pharmacy and its services to the public across the UK. Whilst activities happen throughout the year, much of the focus is around Ask Your Pharmacist week in November.

Pharmacists across the UK took part in a number of lively in Ask Your Pharmacist Week activities 8–14 November 2010 – including popular shopping centre promotions in Glasgow, Scotland; Cardiff, Wales; and Derry in Northern Ireland. With the enthusiastic support of many

local community pharmacists, the NPA set up health stations in shopping centres where people from all walks of life could have their BMI, cholesterol, glucose and blood pressure checked. Hundreds filed through the stations at the shopping centres, appreciative of the opportunity to speak with a health professional on topics ranging from stopping smoking to managing diabetes, including the Mayor of Derry, Colum Eastwood, who had his glucose level checked at the Ask Your Pharmacist awareness day at a shopping centre in Belfast.

We attracted a great deal of interest with this initiative. It not only provided valuable free health checks, reaching out to people who might otherwise not have had them, but it also highlighted to the public the expertise of our members and importance of our sector. During Ask Your Pharmacist Week the NPA also initiated radio interviews, spoke to dozens of newspapers



and organised many visits to community pharmacies so that MPs and peers could see for themselves the invaluable service that pharmacies provide. The media coverage we generated all over the UK has been independently assessed as having a value of more than £500,000.

As part of the Ask your Pharmacist campaign, the NPA also took members' concerns to Parliament in England in the lead up to Ask Your Pharmacist Week in 2010.

At the reception at the House of Commons on 3 November, numerous Members of Parliament and decision makers heard from the NPA, from Health Minister Lord Howe and Kevin Barron MP, Chair of the All Party Pharmacy Group, about the value, depth and breadth of the work undertaken by community pharmacists across the UK.

The public awareness campaign spread onto the high street across the UK with many individuals promoting pharmacy to their communities. Using promotional materials provided by the NPA, members publicised MURs, PGDs and other health services in their pharmacies.

On Facebook, we also had a growing internet presence with 5,000 followers for Ask Your Pharmacist keeping up to date on the latest news and campaigns.

Throughout the year the NPA was able to pass important pharmacy advice direct to the general public. For example, the eruption of the Icelandic volcano left many visitors to the UK stranded as their stay unexpectedly outlasted their medicine supply. Our members were for many the first port of call and we were able to give advice to frontline pharmacies, and to the general public via the BBC and other popular media, so that people concerned could get hold of their essential medicines safely.



“We attracted a great deal of interest with this initiative. It not only provided valuable free health checks, reaching out to people who might otherwise not have had them, but it also highlighted to the public the expertise of our members and importance of our sector.”



Influencing government and other key decision makers in the UK and Europe is a critical role for the NPA in supporting, representing and leading our members. We need to do everything we can to help community pharmacy thrive in the face of tough economic pressures, a rapidly evolving political landscape, challenging the chronic issues around medicines supply and excessive bureaucracy.

Our representational work is focused on the issues that concern members the most, championing the interests of all, from single independents to larger multiple groups. We proactively lobby the government at EC level as well as in England, Scotland, Wales, Northern Ireland, and respond to consultations and other live political and media events. We work alongside our members to promote community pharmacy to the press and general public who can prove to be great allies in championing our cause.

In 2010 we got off to a very frosty start. Freezing and snowy weather exacerbated issues and concerns in patient care and the delivery of medication – and the impressive way community pharmacy continued to provide for patients was proactively highlighted to the media and other stakeholders.

Supply chain issues have continued to dominate as many of our members have expressed deep dissatisfaction with the changes made to the distribution model over recent years, and continuing frustrations with restrictions in supply.

We have been fighting hard on this issue.

Following a scathing public attack from a minister in the last government, blaming community pharmacy for medicine shortages, we were able to turn around the argument and shine the media spotlight on the issue of quotas, imposed by manufacturers, which we believe to be a root cause of the problem. We ensured that quotas were fully discussed at the ministerial supply chain summit, and have spoken directly with the Secretary of State for Health, securing a commitment to explore with manufacturers and wholesalers how we might place them under a more explicit duty to ensure that sufficient stocks are available to meet the

needs of patients. Now, for the first time, Government has told manufacturers that they should get medicines to pharmacies within 24 hours of an order being made.

As a founding member of the Medicines Supply Chain Group, which brings manufacturers in front of the MHRA, the Department of Health, ourselves, the PSNC and others to look for solutions to the supply problems, we are continuing to keep the pressure on. We see the 24 hour 'rule' as a small, albeit significant step forward, and are monitoring progress closely. Our overall objective is to bring about a better, safe supply mechanism for our members and the patients they serve.

On a day-to-day basis, we are interceding on behalf of individual members with manufacturers and wholesalers in order to help members obtain supplies. Through the intervention of the NPA and its board, members have on a number of occasions had potentially catastrophic supply chain issues resolved.

Aside from the supply issues, our members are often demoralised by unnecessary bureaucracy. Paperwork is reducing the time they have available to focus on those other aspects of their role which lead directly to better patient outcomes.

Recognising this, the NPA has spearheaded efforts to 'lighten the load' of paperwork, achieving a significant win when the Government announced a review of the Vetting & Barring scheme in England, that would otherwise have seen all members' counter assistants having to register with the Independent Safeguarding Agency. There will now be a more realistic timescale, and we have been assured that the scope of the V&B scheme will be narrower.

Reforms to the health systems in England, Scotland, Wales and Northern Ireland also began to gain momentum in 2010, and the NPA placed community pharmacy in a strong position to guide members through these changes.

To ensure the interests of all our members, from single independents to larger multiple groups, were taken into consideration



with the NHS reforms laid out for England, the NPA kicked off a concerted lobbying campaign to ensure the role of community pharmacy was given significant prominence in the Bill, and the Public Health White Paper, which followed.

When the news of the White Paper first broke, we moved very quickly, getting one of our board members onto BBC Newsnight with the Secretary of State the day the announcement was made, to ensure the potential of community pharmacy was acknowledged from the very beginning. The relationship between the NPA and the Secretary of State, and the Health Minister, have continued to evolve, with private discussions as well as constituency visits, to demonstrate the real role of our members play as health care professionals on the high street.

As we go to press there is much discussion about the NHS plans. If, as predicted, primary care trusts are phased out and dissolved in April 2013, pharmacy in the community will not be commissioned by the local GP consortia that will control the vast majority of the NHS budget, but by the new national NHS Commissioning Board.

In Scotland, the implementation of the Chronic Medication Service (CMS) and Protecting Vulnerable Group scheme were among significant regulatory changes during 2010, and the NPA worked hard to put across members' views as the proposals took shape. CMS allows patients with long-term conditions to register with a community pharmacy of their choice for the provision of pharmaceutical care. This introduces a more systematic way of working and formalises the role of community pharmacists in the management of individual patients with long term conditions, based on a shared agreement between the patient, community pharmacist and General Practitioner (GP). Despite a slow initial take up, the NPA has supported those Scottish members who are getting on board. Overall the service should help patients better understand their medicines and optimise the clinical benefits from their therapy.

Information management was among the topics the NPA represented Welsh members on in 2010. The Welsh approach to information management was launched in October and community pharmacies had until the end of March 2011 to complete an assessment. The NPA represented its members on the working group that developed the solution, and as a result of our input, and that of other pharmacy bodies, the process agreed is significantly less demanding for contractors and multiples than the one implemented in England. This was a good example of the NPA working in Wales to reduce regulatory burden for members.

The NPA was also helping to improve relationships with Primary Care Partnerships in Northern Ireland during 2010. Leading by example, the NPA showcased to members at information events how working together with local commissioning groups (LCPs), and other stakeholders such as the Ulster Chemists' Association on primary care partnerships benefits not only them as individuals, but community pharmacy as a whole in Northern Ireland.

At the end of 2010 the formation of Pharmacy Voice was announced to bring together the lobbying efforts of the NPA, CCA and AIMp into a more coherent, stronger voice for the whole of community pharmacy. The NPA is working to ensure that the interests of all its members, independents and multiples, are fully promoted within this new organisation.



“ Aside from the supply issues, our members are often demoralised by unnecessary bureaucracy. Paperwork is reducing the time they have available to focus on those other aspects of their role which lead directly to better patient outcomes.”



There are many changes to the health service across the UK and it is vital that the NPA supports all its members in ensuring that the services community pharmacy provides are recognised, not only to politicians, but by the public as well.

Pharmacists are unique healthcare providers because they see people when they are well and when they are in poor health. So they are particularly well placed to offer opportunistic public health advice. The density of community pharmacies is also higher per head of population in areas of health inequality.

Through the changes outlined below in England, Wales, Scotland and Northern Ireland, the NPA has been working with and lobbying government to try to bring about a fairer deal for our members and the best possible outcome for patient care.



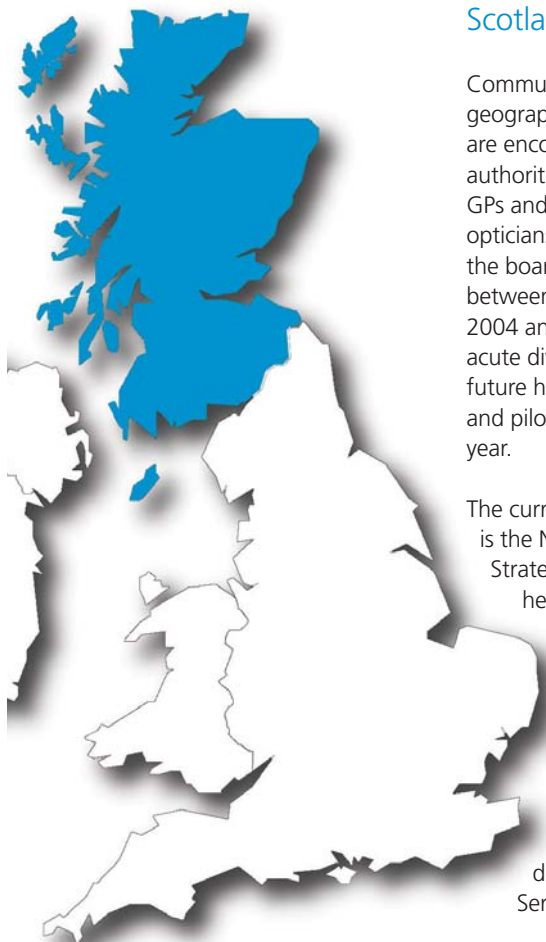
England

In England, with the NHS radically restructuring, it is critical to use every opportunity to drive the message home that community pharmacy plays an important role in optimising the use of medicines and supporting better health. The NHS Commissioning Board, described by the government as a 'lean and expert organisation, free from day-to-day political interference, with a commissioning model that draws from best international practice', will calculate the budgets of the commissioning consortia, publish commissioning guidelines and will hold consortia to financial account, among other functions. The move to commissioning community pharmacy locally, but within national specifications, if it becomes a reality, could provide a golden opportunity for the much-needed development of pharmacy services. The NPA wants to see the NHS Commissioning Board become a vehicle to move pharmacy services forward in a less piecemeal fashion than has been the case until now, with a plethora of different local, PCT-led arrangements.



Wales

The NHS in Wales has undergone its own restructuring. The political arguments for reform sound similar to those surrounding the English proposals with the old system characterised as 'complex and over-bureaucratic' and simpler structures ensuring 'more money can be channelled to frontline services'. However the reforms in place in Wales could hardly be more different and signal further divergence of the two health economies. The number of Local Health Boards (LHBs) was reduced from 22 to 7 (rather than the English expansion to possibly hundreds of GP consortia) which are responsible for providing all health services, effectively ending the internal market in health care in the Principality. In addition a Ministerial Strategic Delivery Group has been formed to move forward the pharmacy agenda in Wales. Community pharmacy and the services provided through community pharmacy remains the responsibility of the LHBs.



Scotland

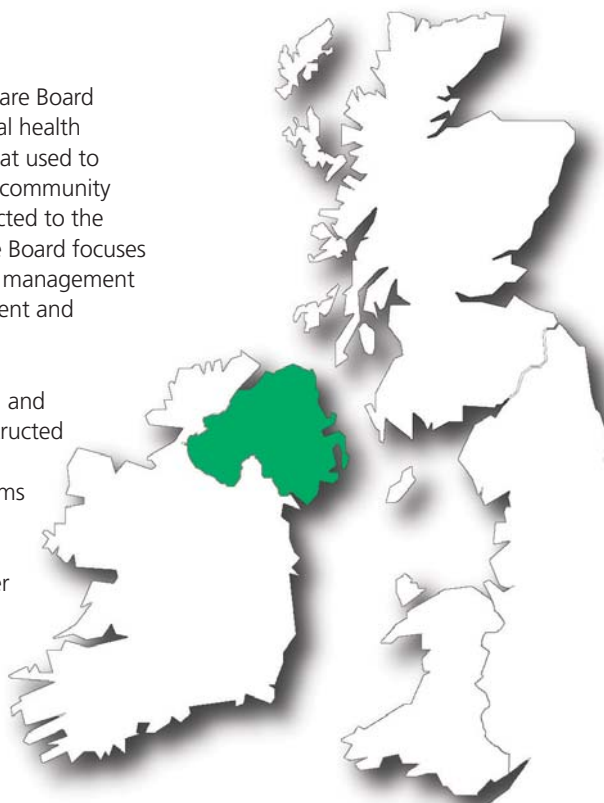
Community pharmacists are contracted to 14 geographically-based local NHS Boards which are encouraged to work with local health authorities in Community Health Partnerships. GPs and other primary care providers such as opticians and dentists are also contracted to the boards. The commissioner/provider split between boards and trusts was abolished in 2004 and hospitals are now managed by the acute divisions of boards. Boards will, in the future have a majority of elected members, and pilots of direct elections began earlier this year.

The current key driver of healthcare policy is the NHS Scotland Healthcare Quality Strategy that aims to improve safety in healthcare and clinical effectiveness that is person centred. An action plan for the strategy indicates that quality measures and integrated working will be increasingly introduced for health professions which for pharmacy will include maximising the Acute Medication Service electronic messaging and developing the Chronic Medication Service.

Northern Ireland

A single Health and Social Care Board (HSCB) replaced four regional health and social services boards that used to cover Northern Ireland, and community pharmacists are now contracted to the Regional Board in 2009. The Board focuses on commissioning, resource management and performance management and improvement.

Nineteen providers of health and social care were also reconstructed within six Health and Social Care Trusts. Unlike the systems elsewhere in the UK, health and social services are fully integrated. Negotiations over a new pharmacy contract are currently under way, between contractors and the Department of Health Social Services and Public Safety (DHSSPS) after a long period of impasse.





Review of the Year

Working with members to achieve their goals

The NPA was established in 1921 with the remit to help members achieve their goals – both as business owners and as pharmacy professionals.

As the only UK-wide trade association for community pharmacy, we want to see all our members, independent and multiple pharmacy owners, prosper commercially and professionally.

Today our members are facing uncertain times. The political environment surrounding the provision of health services is complex and unpredictable. Radical changes to the way our members are supplied with medicines by the pharmaceutical companies have been a cause of great frustration. There is a mountain of bureaucracy and fundamental questions around what the pharmacy contract will look like in future.

Yet in spite of supply restrictions, a notoriously complex remuneration framework, masses of red tape and a whole series of questions about how health commissioning is really going to work in future, every single day our members are making sure that the people who need medicines get them safely. Increasingly they are designing and delivering successful public health initiatives too.

Never has there been a greater need for community pharmacy to be fully supported by its trade association.

That's why we're here. Our unique package of high quality, cost-effective services for community pharmacy is designed and delivered by a strong and expert professional team. We believe the depth of our expertise is unrivalled. However we are acutely aware that, in order to support our members for the next 90 years, we have to respond to our members' changing needs and make sure that we provide them with an excellent service.

We have been working alongside our members for 90 years as the NPA, with our insurance arm predating that by more than a decade. We are listening closely to our what our members have to say so that, going forward, we can be certain to focus on their issues of greatest concern, and ensure we offer them the services they most need to build a sustainable business.

This report covers just one year's work. There are many more to come. We are committed to fully supporting our members, now and in the future, providing the best possible mix of services, representation and leadership, so that they can succeed in an ever more demanding environment.



“Today our members are facing uncertain times. The political environment surrounding the provision of health services is complex and unpredictable. Radical changes to the way our members are supplied with medicines by the pharmaceutical companies have been a cause of great frustration.”



Chairman	Bharat Patel , BSc, MRPharmS, MIMgt (from 18 April 2011) Ian M Facer , BPharm(Hons), MRPharmS (from 27 April 2009 to 18 April 2011)
Vice Chairman	Andrew Lane , BSc, MRPharmS (from 18 April 2011) Bharat Patel , BSc, MRPharmS, MIMgt (from 26 April 2010 to 18 April 2011) David R Evans , BPharm CertVetPharm, MRPharmS (retired 25 April 2010)
Chief Executive	Michael Holden , MRPharmS (from 4 January 2011)
Company Secretary	John Turk , BSc(Hons), MBA (from 7 April 2008 to 7 April 2010) Ian M Facer , BPharm(Hons), MRPharmS (from 26 April 2010)
Treasurer	Michael Guerin , BSc, MPS(NI) (from 26 April 2010) Wally F Dove , BPharm, FRPharmS (retired 26 April 2010)

Board of Directors 2010/2011

	Raj K Aggarwal , OBE, BPharm, MRPharmS, Cardiff
	Gerald M Alexander , BSc(Hons), FRPharmS, Southgate
	Paul Bennett , BPharm(Hons), LLB(Hons), MRPharmS, MPSNI, Bracknell
	Ian Cubbin , BSc(Pharm), PhD, MRPharmS, New Brighton
***	John Currie , BSc, MRPharmS, Biggar
*	Wally F Dove , BPharm, FRPharmS, Titchfield
	Gordon J Dykes , BSc, MRPharmS, Glasgow
	David R Evans , BPharm CertVetPharm, MRPharmS, Derby
	Ian M Facer , BPharm(Hons), MRPharmS, Preston
	Michael Guerin , BSc, MPS(NI), Belfast
++	Michael Hewitson , MPharm, MPharmS, Beaminster
	Christopher J Jenkins , BSc, MRPharmS, St Clears
	Dilip Joshi , BSc, MBA, MCIM, MRPharmS, London
++	Andrew Lane , BSc, MRPharmS, Oxford
	Coll Michaels , BPharm, MRPharmS, Watford
+	Andy M Murdock , MRPharmS, MinsD, MIPharmM, Coventry
	Bharat Patel , BSc, MRPharmS, MIMgt, Brentwood
	Hiten Patel , BPharm, MRPharmS, Northwood
	Rajesh Patel , BSc, MRPharmS, Gatley
	Umesh B Patel , MBE, BSc, MRPharmS, Sunderland
	Nitin T Sodha , BSc, MRPharmS, MBA, Redditch
**	Ashok Soni , BSc, MRPharmS, Croydon
+	Ian Strachan , BSc, MRPharmS, Uppermill
	Sean Woodward , BSc, MRPharmS, Stoke-on-Trent

- + Appointed 26 April 2010
- ++ Elected 26 April 2010
- * Retired 26 April 2010
- ** Resigned 25 January 2011
- *** Resigned 28 February 2011



Standing Committees

April 2010 to March 2011

Finance

I Cubbin
J Currie
D Evans
M Guerin#
C Jenkins
I Strachan
S Woodward

Practice

G Alexander
P Bennett#
G Dykes
C Michaels
A Murdock
R Patel
B Patel
A Soni

Business Development

R Aggarwal
M Hewitson
D Joshi
A Lane
H Patel
U Patel
N Sodha#

Chairman

The attendance at the eight meetings of the full Board of Directors during the year April 2010 to March 2011 is set out below:

	Attendances
R Aggarwal	4
G Alexander	7
P Bennett	8
I Cubbin	8
J Currie	4
G Dykes	7
D Evans	7
I Facer	8
M Guerin	7
M Hewitson	8
C Jenkins	7
D Joshi	7
A Lane	7
C Michaels	8
A Murdock	6
B Patel	7
H Patel	8
R Patel	6
U Patel	8
N Sodha	8
A Soni	6
I Strachan	6
S Woodward	6



During 2011 we will continue to improve...

2010 has been another year during which the NPA, like our members, has worked hard on many fronts to manage an array of challenges. Whilst continuing to lay important foundations for future improved performance, we have delivered a sound financial position and a solid service to pharmacies in every part of the UK.

Despite operating for the majority of 2010 without a chief executive we have maintained our momentum under the leadership of an executive management team with a clear mandate from the board to deliver powerful representation and innovative support services. I am pleased to report that we now have a chief executive in position. Michael Holden joined us from Hampshire and Isle of Wight Local Pharmaceutical Committee, where as chief officer and a qualified pharmacist he was responsible for more than 340 community pharmacies and their interface with the NHS. Michael's extensive experience of multiple group management and independent pharmacy ownership gives him an excellent insight into the needs of the whole spectrum of our membership.

The year has seen a significant development in how the community pharmacy sector is represented. The three largest community pharmacy associations came together to create Pharmacy Voice, a vehicle for unified communication with stakeholders, government and the public. The members of Pharmacy Voice are the NPA, the Company Chemists' Association (CCA) and the Association of Independent Multiple Pharmacies (AIMp), and I am pleased to serve as the first chairman of this new organisation. We are now beginning to draw on the combined resources of all three associations to achieve maximum impact for our sector, independents and multiples.

NPA services, including the training and information departments, business development and business sales, sit outside the scope of Pharmacy Voice, as do the affairs of NPA Insurance. During 2011 we will continue to improve and extend these core offerings, in the knowledge that our members are developing their practice and businesses in response to a rapidly evolving professional and regulatory landscape. Notable developments during the year include a restructure and expansion of the sales business, a platform that allows NPA members to administer flu and meningitis vaccinations and a new commercial insurance partnership with Zurich, which will support the provision of NPA Insurance's personal and commercial insurance contracts.

As the NHS enters a period of rapid change across the UK, especially in England, community pharmacy must fulfil its potential of playing an expanded role as a healthcare provider of choice. By offering unrivalled accessibility, value and quality we can drive forward both the medicines optimisation and public health agendas for patients. The NPA's continued commitment to support pharmacies of all sizes and in all regions of the UK is fundamental to the achievement of this ambition.

Ian Facer
Chairman
From 27 April 2009 to 19 April 2011



This has been a year of transition

It was a great privilege for me to take up the position of NPA chief executive at the beginning of 2011. I intend that the association will lead community pharmacy through the transformational change that will undoubtedly take place in the NHS over the coming years.

I am pleased to have inherited a much improved financial position, reflecting improved investment management, new arrangements for our insurance renewal reserve and operational efficiencies that have kept our costs under tight control, particularly in relation to our contracts with suppliers.

The Group profit figure, before tax, of £3.5 million incorporates an amount of £2.4 million released from insurance reserves which will need to be replenished over the coming years. Notwithstanding this one-off technical adjustment, the profit figure contrasts favourably to 2009. Turnover was just above £25 million, a slight increase on the previous year's results.

Underpinned by an improved balance sheet, we will be investing in member support throughout 2011.

We are adding to our range of platforms from which members can supply clinical services privately. The NPA's erectile dysfunction service, the latest business development opportunity to come on stream, has already generated considerable interest. The NPA allergy service, running since 2008, has benefited from operational adjustments, while other services are now well established. We are currently recruiting for a head of business development, to

improve existing NPA service platforms and extend the range on offer to our members.

Our sales portfolio has increased significantly, and as our new supply systems and webshop establish themselves we will offer additional ranges, excellent value for money and a high quality service.

The Information Service continues to handle approximately 700 enquiries from members each day. Members can also access information on-line from our online database, which is being improved to simplify the log-in and search functions.

Enrolments on NPA training courses have increased. This indicates an appetite to develop the pharmacy workforce. NPA members would appear to be conscious that the challenges in front of them can only be met with the whole pharmacy team - not only the pharmacist - performing to their fullest potential. Member research carried out in the final quarter of 2010 showed a high level of satisfaction with NPA Education & Training, but highlighted a number of possible improvements to which we are responding with the development of e-learning for our core training courses.

Our insurance services continue to provide valued support and advice at a time when most needed. The benefits of recently established commercial insurance partnerships should become clearly apparent to members this year.

A constant dialogue with our members is necessary to ensure that the Association's services are aligned precisely to our members' needs. Staff and the board met members across the UK in a series of regional seminars throughout 2010 and we are building on this by holding national conferences in 2011. In addition, we have introduced our new membership magazine, InPharmacy, and refreshed the NPA website - both important channels of communication with members.

The direction of health policy following the General Election means that community pharmacy must embed itself at the heart of the NHS, delivering a range of health and wellbeing services on top of our vital role of safely supplying medicines. In 2010 the NPA was pivotal to a number of developments in policy and practice, being notably influential in relation to Department of Health thinking on pharmacy's role in public health. This is now part of the role of Pharmacy Voice to influence the regulatory and public funding framework that is needed in order that pharmacy may advance further and faster. Patients and public must also be kept informed about pharmacy service developments, so we will continue our year-round awareness raising programme, which achieved very substantial media coverage this year.

Medicines supply chain problems continue to trouble pharmacies across the UK. We have had some success in getting the medicines suppliers to acknowledge their obligations to supply pharmacies in a timely fashion, our objective being to help pharmacies get medicines to patients when and where they need them. We will continue to apply pressure on this important issue during 2011.

So, whilst aiming to advance the pharmacy service development agenda, we do not overlook the day-to-day challenges confronting our members. The NPA is a reliable source of support in the here and now, as well as a leader intent on guiding community pharmacy into a sustainable and prosperous future. You have my assurance that we will listen to your needs and deliver appropriate support across all areas.

Michael Holden
Chief Executive
19 April 2011

The Directors submit their 32nd report and financial statements for the year ended 31 December 2010.

Principal Activities

The Company's principal activities as an employers' association representing the interests of retail pharmacy have not changed during the year.

The principal activities of the Company's subsidiaries are: NPA Services Limited – the provision of various business products and services, mainly to members of the National Pharmacy Association ('NPA'); NPA Insurance Limited ('NPAI') – to provide the NPA with the means to offer its members indemnity against claims for which they may be liable as pharmacists, and legal defence, representation and advice in addition to insuring pharmacists home, vehicles and community pharmacies against loss or damage to property, pecuniary loss and liability; and NPA Finance & Leasing Limited – to provide members of the NPA with hire purchase and leasing facilities.

Report of the Year

Business Review and Strategy

Details of the results for the year are shown in the consolidated profit and loss account and the related notes. For the year the profit after tax dealt with in the financial statements of the National Pharmacy Association Group ('the Group') was £2,914,000 (2009: loss £486,000).

The Company's financial policy is to provide valued services to members as cost efficiently as possible through membership and supporting commercial operations whilst at the same time maintaining adequate reserves for contingencies and future operations.

The significant improvement in financial performance was the result of a range of targeted projects aimed at addressing internal operational weaknesses, providing a platform for growth beyond 2011 and meeting the capital requirements for NPAI. Restructuring reinsurance contracts have further reduced the insurance risk and through the release of £2.4m of the free renewal reserve added to group profitability in 2010. Notable cost savings have also been achieved through detailed review of supplies and services. The staff numbers have reduced following a service and business model restructure.

The financial position now provides a base to support continued service development and expansion together with improved value to members.

The NPA's financial strategy continues to be to:

- improve representation of community pharmacy owners to the government and public bodies to the financial benefit of members
- support members through services and improve turnover and margins on its commercial activities to enable the Association to continue to improve the level of service to its members
- provide valued protection to members through its insurance services and improve the solvency and strengthen the balance sheet of its insurance division

The Directors do not propose the payment of a dividend for the year (2009: nil).

Principal Risks and Uncertainties

The management of the Group and the execution of its strategy are subject to a number of risks which can be split into business risks and financial risks:

“The significant improvement in financial performance was the result of a range of targeted projects aimed at addressing internal operational weaknesses, providing a platform for growth beyond 2011 and meeting the capital requirements for NPAI.”



Business Risk

The key risk here is insurance risk. This arises from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities. Insurance risks within NPAI are carefully monitored on a monthly basis as well as the adequacy of NPAI's reinsurance policy. Management have widened the scope of reinsurance cover to remove the volatility of claim values.

In addition operational risks are considered to be minimal due to the presence of strong systems and controls over administration and technological processes. There has been considerable expenditure on IT infrastructure and policies and procedures are being updated.

Financial Risks

The Group is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and policyholders' liabilities. The most important components of financial risk are market risk, credit risk, liquidity risk, cash flow risk and capital management risk all of which are detailed in note 2 of the financial statements.

Future Outlook

The economic environment continues to be challenging with limited recovery in demand in the UK for services that NPA provides. This has led to necessary operational change and service improvements to provide a platform for growth in 2011. The commercial division is expected to see strong recovery with an improved service offering and expanded product listing. The financial investment made in IT and infrastructure over the last 3 years will show return with improved management information and efficiency. The claims cost inflation seen in 2009 has come back in line with 2010 forecasts and the performance of this business was as expected and budgeted. NPAI is implementing a strategic plan to expand its service and product offering. NPA will also continue to improve value for members during 2011 across all services.

Key Performance Indicators (KPIs)

Given the diverse nature of the businesses within the Group, the Directors use a selection of KPIs for an understanding of the development, performance and position of the businesses. For its commercial divisions these include market share, turnover, margins and cost ratios, and its insurance business monitors its claims, claims ratios, variable costs and solvency on a regular basis. All KPIs are reviewed on a monthly basis by the Finance Committee. New KPIs are being developed for the non-commercial divisions to gauge efficiency within the organisation and services to members. Due to the diverse nature of each individual company within the Group, the Directors do not believe that consolidated KPIs would portray a true and fair reflection of the Group's performance as a whole. They deem it more prudent to ascertain individual KPIs from the audited accounts of the individual companies themselves.

Directors

The Directors who have served during the year are listed on page 15.

Fixed assets

Movements in fixed assets during the year are set out in note 10. The Directors consider that the market value of the Group's freehold properties is approximately £2,950,000 compared with a historical cost of £3,321,000. The Group's assets are included at the revalued amount based on an independent valuation in accordance with FRS 15. Any surplus or deficit on revaluation is taken to the revaluation reserve. Any negative balance on the revaluation reserve is transferred to the profit and loss account, with subsequent reversals of negative revaluations being reversed into the profit and loss account.

Political and charitable donations

No political or charitable donations were made during the year ended 31 December 2010 (2009: nil).

Statement of Directors' Responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the company and group for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of Information to Auditors

In accordance with Section 418, directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved, that:

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

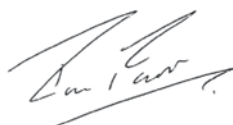
Directors indemnities

The Company maintains liability insurance for its directors and officers. The Company has also provided an indemnity for its directors and secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

Independent Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the Annual General Meeting.

By Order of the Board



Ian Facer
Director
19 April 2011

Independent Auditor's Report

to the Members of the National Pharmacy Association Limited (by Guarantee)



We have audited the Group and parent company financial statements (the 'financial statements') of the National Pharmacy Association Limited for the year ended 31 December 2010 which comprise the Group Profit and Loss account, the Group Statement of Recognised Gains and Losses, the Note of Group Historical Profits and Losses, the Group and Company Balance Sheets, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement (set out on page 20) the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the group and parent company's members as a body in accordance with Chapter 3 paragraph 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2010 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Andrew Latham (Senior Statutory Auditor)
For and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
St Albans April 2011



Group Profit and Loss Account

for the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Turnover	1,3(a)	25,088	24,827
Cost of sales		(19,386)	(22,712)
Gross profit		5,702	2,115
Administrative expenses		(4,153)	(4,291)
Other operating income	4	772	365
Operating profit/(loss)		2,321	(1,811)
Investment income from current asset investments		207	236
Investment management expenses		(52)	(45)
Gains on the realisation of investments		195	2
Unrealised investment gains		552	1,087
Profit/(loss) on ordinary activities before interest and tax		3,223	(531)
Interest receivable and similar income		286	221
Profit/(loss) on ordinary activities before tax	3(b),5	3,509	(310)
Taxation on profit/(loss) on ordinary activities	7	(595)	(176)
Profit/(loss) for the financial year		2,914	(486)

The notes on pages 27 to 47 form an integral part of these financial statements.

Group Statement of Total Recognised Gains and Losses for the year ended 31 December 2010



	Notes	2010 £'000	2009 £'000
Profit/(loss) for the financial year		2,914	(486)
Unrealised surplus/(loss) of the revaluation of properties		–	(895)
		<u>2,914</u>	<u>(1,381)</u>
Actuarial loss on pension scheme		(862)	(16)
Current tax relief on pension scheme		242	292
Movement on deferred taxation relating to the pension scheme		6	(288)
Total recognised gains and losses relating to the year	20	<u>2,300</u>	<u>(1,393)</u>

Note of Group Historical Profits and Losses for the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Reported profit/(loss) on ordinary activities before taxation		3,509	(310)
Difference between the historical cost depreciation charge and the actual depreciation charge on the revalued amount		(12)	(12)
Historical cost profit/(loss) on ordinary activities before taxation		<u>3,497</u>	<u>(323)</u>
Historical cost profit/(loss) for the year retained after taxation		<u>2,902</u>	<u>(499)</u>

The notes on pages 27 to 47 form an integral part of these financial statements.

All amounts are in respect of continuing operations.



Group Balance Sheet

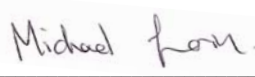
as at 31 December 2010

	Note	2010 £'000	2010 £'000	2009 £'000	2009 £'000
Fixed Assets					
Intangible assets	9		4,641		5,307
Tangible assets	10		3,877		3,702
Current Assets					
Stocks	13	40		251	
Debtors	14	4,707		4,082	
Investments	12	15,822		14,831	
Short term deposits		2,850		2,050	
Cash at bank and in hand		4,513		3,939	
			5,778		6,472
Commercial activities			22,154		18,681
Insurance services					
Total Current Assets			27,932		25,153
Creditors – Amounts falling due within one year	15		(8,194)		(6,220)
Net Current Assets			19,738		18,933
Total Assets Less Current Liabilities			28,256		27,942
Provisions for Liabilities and Charges					
– Free Renewal Reserve	16		(465)		(2,675)
– Technical provisions	16		(12,373)		(12,036)
Net Assets excluding pension surplus			15,418		13,231
Pension surplus			509		396
Net Assets including pension surplus			15,927		13,627
Capital and Reserves					
Capital reserve	19		81		81
Profit and loss account	19		15,846		13,546
Total Members' Funds	20		15,927		13,627

The notes on pages 27 to 47 form an integral part of these financial statements.

The financial statements on pages 22 to 47 were approved by the Board on 19 April 2011 and were signed on their behalf by:

Ian Facer 

Michael Guerin 

Directors

The company's registered number is 1281757

Company Balance Sheet

as at 31 December 2010



	Note	2010 £'000	2010 £'000	2009 £'000	2009 £'000
Fixed Assets					
Tangible assets	10	2,584		2,502	
Investments	11	5		5	
			2,589		2,507
Current Assets					
Debtors	14	3,079		2,994	
Investments	12	228		1,385	
Short term deposits		1,800		1,400	
Cash at bank and in hand		246		418	
			5,353		6,197
Creditors – Amounts falling due within one year	15		(2,692)		(3,512)
Net Current Assets			2,661		2,685
Total Assets Less Current Liabilities			5,250		5,192
Pension surplus			509		396
Net Assets including pension surplus			5,759		5,588
Capital and Reserves					
Capital reserve	19		81		81
Profit and loss account	19		5,678		5,507
Total Members' Funds	20		5,759		5,588

The notes on pages 27 to 47 form an integral part of these financial statements.

The financial statements on pages 22 to 47 were approved by the Board on 19 April 2010 and were signed on their behalf by:

Ian Facer 

Directors

Michael Guerin 



Group Cash Flow Statement

for the year ended 31 December 2010

	Note	2010 £'000	2010 £'000	2009 £'000	2009 £'000
Net cash inflow from operating activities	21		1,590		2,055
Returns on investments and servicing of finance					
Gross interest received		286		221	
Net dividends received		207		236	
Investment charges		(52)		(45)	
Net cash inflow from returns on investments and servicing of finance			441		412
Taxation					
UK corporation tax received			15		486
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(434)		(406)	
Sale of tangible fixed assets		5		179	
Cash inflow before use of liquid resources and financing	22		1,617		2,726
Management of liquid resources					
Movement on investments			(1,043)		(5,873)
Increase/(decrease) in cash at bank			574		(3,147)
Opening cash at bank			3,939		7,086
Closing cash at bank			4,513		3,939
Increase/(decrease) in cash at bank			574		(3,147)

The notes on pages 27 to 47 form an integral part of these financial statements.



1. Accounting Policies

Basis of accounting

The financial statements are prepared on the going concern basis under the historical cost convention as modified by the revaluation of fixed assets and investments and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards. For all classes of insurance business the financial statements comply with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers (the 'ABI SORP') dated December 2005 (as amended in December 2006). The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its wholly owned subsidiaries, NPA Services Limited, NPA Finance & Leasing Limited and NPA Insurance Limited. Uniform accounting policies are followed for the Group and profits and losses are eliminated on intra-Group transactions. All companies within the Group have co-terminus year ends.

Investments

All listed investments are held as current trading assets and are stated at market value with profits and losses arising from revaluations being taken to the profit and loss account.

Intangible assets

Intangible assets are capitalised in the balance sheet at cost and amortised through the profit and loss account over their useful economic lives which the Directors consider to be a period of 10 years. Intangible assets refer to NPA Insurance Limited's purchase of the renewal rights of Pharmacy Mutual Insurance Limited. Given the high retention rates for the business, management consider an amortisation period of 10 years to be appropriate.

Deferred tax

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets and liabilities recognised have not been discounted.

Turnover

Turnover relates to the provision of business products and services to members and others and comprises of (a) the invoiced value of goods supplied during the year net of Value Added Tax (VAT) and discounts received; (b) interest received under hire purchase contracts and finance leases; (c) gross premiums written; and (d) subscription income.

Cost of sales

Cost of sales represents the cost incurred in providing products and services to members and comprises of (a) the invoiced value of goods purchased during the year net of VAT; (b) direct costs associated in providing member services; and (c) outward reinsurance premiums.

Other operating income

Other operating income represents commission, fees, license income and sundry income.

Accounting for hire purchase contracts and finance leases

Gross earnings from hire purchase contracts and finance leases are allocated to accounting periods on a sum of digits basis over the lives of the respective agreements, a basis which approximates to a constant periodic return on the net cash investments.

1. Accounting Policies (continued)

Subscription income

No credit is taken for subscriptions received in advance, the figure for which is calculated on the 12ths method based on cash received. All subscription income is credited to the balance sheet and released to the profit and loss account over the period to which it relates.

Premiums

Gross written premiums comprise the total premiums incepted during the year and exclude insurance premium tax. The amount of this tax due by NPA Insurance to Customs & Excise at the year end has been included in the notes as a liability under the heading 'Creditors'. Credit is taken for premiums on the basis of cash received and provision is made for premium income received in advance on the 24ths method.

Unearned premiums

Unearned premiums represent the proportion of premiums written in the year that relate to the unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis. Provision is made for unearned premiums on the 24ths method.

Stocks

Stocks are valued at the lower of cost and net realisable value on a 'first in, first out' basis after providing for slow moving and obsolete stock.

Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation or at valuation.

Depreciation is charged on fixed assets other than freehold properties on a straight line basis as follows:

Building improvements	10%
Furniture, office equipment, plant and machinery, fixtures and fittings	12.5%-25%
Motor vehicles	25%
Computer equipment	33.3%

Freehold properties are included at the revalued amount based on an independent valuation in accordance with FRS 15. Any surplus/deficit on revaluation is taken to the revaluation reserve to the extent that any deficit does not exceed surpluses in previous years.

Pension costs

The Company currently contributes to a defined benefit pension scheme. The pension surplus recognised in the balance sheet is the value of the scheme's liabilities less the present value of the scheme's assets. The defined benefit scheme is closed to new employees who have an option to join a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge disclosed in note 25 represents contributions payable by the Company to the fund.

The pension cost for the scheme is analysed between current service cost, past service cost and net return on pension scheme assets. Current service cost is the actuarially calculated present value of the benefits earned by the active employees in each period. Past service costs, relating to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits, are recognised in the profit and loss account on a straight-line basis over the period in which the increase in benefits vest. Net expected return on the pension scheme assets comprises the expected return on the pension scheme assets less interest on scheme liabilities.

The actuarial gains and losses which arise from updating the latest actuarial valuation to reflect conditions at the balance sheet date are taken to the statement of total recognised gains and losses for the period.



1. Accounting Policies (continued)

Claims

Claims incurred comprise claims and related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years. Claims outstanding represent the ultimate anticipated cost of settling all claims (including direct and indirect claims settlement costs) arising from events which have occurred up to the balance sheet date, including provision for claims incurred but not reported, less any amounts paid in respect of those claims. Claims outstanding also includes a claims handling provision which is the estimated cost of expenses of settling a claim. All reasonable steps are taken to ensure that all of the appropriate information regarding claims exposures are received. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome may prove to be different from the original liability established.

The estimation of claims incurred but not reported ('IBNR') is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified, where more information about the claim event is generally available. Claims IBNR may often not be apparent to the insured until many years after the event giving rise to the claims. In calculating the estimated cost of unpaid claims a variety of estimation techniques is used, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims.

Acquisition costs

Acquisition costs, which represent commission paid to third parties, are deferred over the period in which the related premiums are earned.

Free renewals

Free renewals are granted to policyholders on qualifying policies who make no claims for five consecutive years. The expected cost of future free renewals is calculated annually and provision is made for this cost by way of a transfer to the provision for the free renewals.

Operating leases

Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the term of the lease.

Investment income

Investment income comprises interest receivable and rents and dividends received, together with realised investment gains. Realised gains are calculated as the difference between net sale proceeds and acquisition costs. Dividends are included as investment income on a received basis.

Foreign currencies

Monetary assets and liabilities held in foreign currencies are translated to sterling at rates of exchange ruling at the year end. Revenue transactions are translated into sterling at the appropriate rates prevailing during the year, gains/losses on translation being taken to the profit and loss account.

Reinsurance

Reinsurance premiums are accounted for on an accruals basis. The reinsured element of claims is accounted for in line with the accounting of the related claims.

2. Management of Financial Risk

Financial Risks

The Group is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and policyholders liabilities. In particular, the key financial risk is that the proceeds from financial assets, sales and subscriptions are not sufficient to fund the obligations arising from policies as they fall due. The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. In addition an Individual Capital Assessment is prepared for NPAI to assess the level of capital needed under various economic circumstances. The most important components of financial risk are market risk, credit risk, liquidity risk and cash flow risk.

Market Risk

This includes the risks that arise from fluctuations in values of, or income from, assets and interest rates. The key risk is equity price risk as a result of the group's equity investments which are designated at fair value through the profit and loss account. The group has a defined investment policy which sets limits on exposure to equities. Exposures to equity shares are aggregated to ensure compliance with the regulatory limits for solvency purposes. Investments held are listed and traded on the UK and other recognised stock exchanges (primarily Europe and North America). Fund managers manage a diversified portfolio of equities and collectives across geographical locations in line with their mandates. There has been a growing focus on market risk following turbulent world stock markets and the solvency of NPAI has been closely monitored.

The table below summarises the impact of increases/decreases of the FTSE All Share on the Group's post-tax profit for the year and on equity. The analysis is based on the assumption that the equity indexes had increased/decreased by 5% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index:

Impact on post-tax profit and net assets of a 5% change in the FTSE All Share Index

2010 £'000	2009 £'000
201	378

Credit Risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions and outstanding receivables from members. For banks and financial institutions with whom short term deposits and cash at bank are held only independently rated parties with a credit rating of at least 'A' are used. The Group have opened new accounts with highly rated short term deposit takers to diversify funds. In addition all cash holdings by fund managers are held in segregated client accounts. In respect of receivables from members very few have an independent rating and all non-corporate members are part of the Royal Pharmaceutical Society of Great Britain. As the Group is a trade association representing the pharmacy profession all members have an interest in the organisation and any transactions with the society has a very low credit risk and management reviews debtors on a monthly basis. Those that have a credit rating account for 12% of total trade debtors and have a credit rating of at least 'A'. Historically the Group has had to write off very few debts due to tight credit control procedures and the quality of the debtors. No credit limits were exceeded and management does not expect any losses from non-performance by these counterparties.

Liquidity Risk

The Group's objective on liquidity risk management is to ensure that sufficient funds are available over the short and medium term to meet the needs of the Group. The Group's exposure to liquidity risk is limited due to more than sufficient holdings in liquid assets for periods up to three months.

Liquidity risk is managed as follows:

- budgets are prepared to forecast short term and medium term liquidity requirements
- assets of suitable marketability and maturity are held to meet liabilities as they fall through
- credit risk of deposit takers is managed by having appropriate counterparty and credit limits in place.

All trade payables are due to be paid within one month of the balance sheet date and corporation tax is payable within nine months. There are no liabilities falling due after more than one year.



2. Management of Financial Risk (continued)

Cash Flow and Fair Value Interest Risk

As the Group has no significant interest bearing assets (except short term deposits) the Group's income and operating cash flows are not dependent on changes in market interest rates. Despite this a current review of investment strategy is in place to increase returns from assets.

Capital Risk Management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern.

The Group's financial instruments by category are:

Assets at 31 December 2010	Loans and receivables	Assets at fair value through the profit and loss account	Total	Assets at 31 December 2009	Loans and receivables	Assets at fair value through the profit and loss account	Total
	£'000	£'000	£'000		£'000	£'000	£'000
Current asset investments	–	15,822	15,822	Current asset investments	–	14,831	14,831
Debtors	4,707	–	4,707	Debtors	4,082	–	4,082
Short-term deposits	2,850	–	2,850	Short-term deposits	2,050	–	2,050
Cash at bank	4,513	–	4,513	Cash at bank	3,939	–	3,939
Total	12,070	15,822	27,892		10,071	14,831	24,902

All financial liabilities were categorised as creditors and provision for liabilities and charges at 31 December 2009 and 2010.

3. Segmental analysis

(a) The analysis of turnover by class of business is as follows:

	Notes	2010 £'000	2009 £'000
Commercial activities			
Turnover		5,770	5,555
Subscriptions		4,217	4,048
		<u>9,987</u>	<u>9,603</u>
Indemnity defence and general insurance services			
Turnover – gross premiums written	18, 29	15,101	15,224
		<u>25,088</u>	<u>24,827</u>

All turnover and business premiums in both 2010 and 2009 represent direct business and are written in the United Kingdom and Ireland.

(b) Additional segmental analysis by class of business is as follows:

	Profit/(Loss) before tax		Net assets	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Commercial activities	1,521	1,765	4,294	4,605
Indemnity and defence services (note 29)	1,988	(2,075)	11,633	9,022
	<u>3,509</u>	<u>(310)</u>	<u>15,927</u>	<u>13,627</u>

4. Other Operating Income

	2010 £'000	2009 £'000
Commission	549	188
Royalties	40	48
License fees	41	38
Other income	72	46
Advertising Income	25	–
Rent receivable	45	45
	<u>772</u>	<u>365</u>

5. Profit/(loss) on ordinary activities before tax

	2010 £'000	2009 £'000
.Profit/(loss) on ordinary activities is stated after (crediting)/charging:		
Income from short-term deposits	(286)	(221)
Operating lease charges – plant and machinery	42	48
Operating lease charges – motor vehicles	71	69
Auditor's remuneration – audit services	75	68
Auditor's remuneration – other services relating to taxation	40	73
Loss/(profit) on sale of tangible fixed assets	7	(24)
Depreciation	449	402
Amortisation	666	666
	<u>666</u>	<u>666</u>

Notes to the Financial Statements

for the year ended 31 December 2010 (continued)



6. Staff costs

	2010 £'000	2009 £'000
Wages and salaries	4,170	4,057
Social security costs	426	396
Other pension costs	151	233
	<u>4,747</u>	<u>4,686</u>

The average number of persons employed, including Directors, by the Group during the year was:

	2010	2009
Directors	25	26
Insurance	13	14
Internal Resources	39	49
Pharmacy and Communications	41	42
Sales	14	13
Training	17	16
	<u>149</u>	<u>160</u>

No Director of the Company received any remuneration in respect of their services to the Group during this or the previous year.

7. Tax on profit/(loss) from ordinary activities

	2010 £'000	2009 £'000
The taxation charge for the year comprises:		
Current tax		
UK corporation tax on profit/(loss) for the year	438	292
Adjustments in respect of previous periods	(15)	(32)
Total current tax	<u>423</u>	<u>260</u>
Deferred tax		
Origination and reversal of timing differences	156	(84)
Changes in rates or laws	16	–
Tax on profit/(loss) on ordinary activities	<u>595</u>	<u>176</u>

The tax assessed for the year is equal to (2009: higher than) the standard rate of corporation tax in the United Kingdom (28%) (2009: 28%).

The differences are explained below:

Factors affecting the tax charge for the period

Profit/(loss) on ordinary activities before tax	3,509	(310)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in United Kingdom of 28% (2009: 28%)	983	(87)
Effects of:		
Expenses not deductible for tax purposes	59	23
Income not taxable	(55)	(36)
Unrealised gains not currently taxable	(56)	(37)
Current year losses carried forward	–	399
Timing differences related to depreciation and capital allowances	29	36
Other timing differences	(529)	(7)
Adjustments in respect of previous periods	(15)	(32)
Rate differential	7	1
Current tax charge for the year	<u>423</u>	<u>260</u>

7. Tax on profit/(loss) from ordinary activities (continued)

A number of changes in the UK corporation tax system were announced in the June 2010 Budget Statement. The Finance (No.2) Act 2010, which was substantively enacted on 20 July 2010, includes legislation reducing the main rate of corporation tax from 28% to 27% from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014. The charges had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable only if the property were sold. At present, it is not envisaged that any tax will become payable in the foreseeable future as it is not the intention of the Company to sell the property in the immediate future. The unprovided deferred tax liability of the property is £338,000 (2009: £324,000).

8. Profits of parent company

Of the profit for the financial year, a profit of £791,000 (2009: loss £127,000) was generated within the accounts of National Pharmacy Association Limited. The directors have taken advantage of the exemption available under Section 230 of the Companies Act 2006 and not presented a profit and loss account for this company.

9. Intangible assets

	£'000
Cost at 1 January 2010	6,663
At 31 December 2010	6,663
Accumulated amortisation	
At 1 January 2010	1,356
Charge for the year	666
At 31 December 2010	2,022
Net book value	
At 31 December 2010	4,641
At 31 December 2009	5,307

Intangible assets represent the costs of acquiring the insurance renewal rights of the Pharmacy Mutual Insurance Company Limited.

Notes to the Financial Statements

for the year ended 31 December 2010 (continued)



10. Tangible assets

(a) Group

	Freehold properties £'000	Improvements to buildings £'000	Fixtures, fittings & furniture £'000	Computer equipment & office machinery £'000	Motor vehicles £'000	Total £'000
Cost or Valuation						
At 1 January 2010	2,747	388	286	1,516	34	4,971
Revaluations	203	–	–	–	–	203
Additions	–	24	1	409	–	434
Disposals	–	–	–	(21)	(34)	(55)
At 31 December 2010	2,950	412	287	1,904	–	5,553
Accumulated depreciation						
At 1 January 2010	–	156	213	879	21	1,269
Charge for the year	–	40	19	389	1	449
Disposals	–	–	–	(20)	(22)	(42)
At 31 December 2010	–	196	232	1,248	–	1,676
Net book value						
At 31 December 2010	2,950	216	55	656	–	3,877
At 31 December 2009	2,747	232	73	637	13	3,702
(b) Company						
	Freehold properties £'000	Improvements to buildings £'000	Fixtures, fittings & furniture £'000	Computer equipment & office machinery £'000	Motor vehicles £'000	Total £'000
Cost or Valuation						
At 1 January 2010	1,547	388	286	1,516	34	3,771
Revaluations	110	–	–	–	–	110
Additions	–	24	1	409	–	434
Disposals	–	–	–	(21)	(34)	(55)
At 31 December 2010	1,657	412	287	1,904	–	4,260
Accumulated depreciation						
At 1 January 2010	–	156	213	879	21	1,269
Charge for the year	–	40	19	389	1	449
Disposals	–	–	–	(20)	(22)	(42)
At 31 December 2010	–	196	232	1,248	–	1,676
Net book value						
At 31 December 2010	1,657	216	55	656	–	2,584
At 31 December 2009	1,547	232	73	637	13	2,502

At year end, the Group has a 100% interest in 36-42 St Peter's Street of which the Company's interest in 40-42 St Peter's Street is 25%.

Land and buildings were re-valued on 31 December 2010 on an open market basis by Perry Holt & Co, a firm of independent Chartered Surveyors. The valuations were undertaken in accordance with the Appraisal and Valuation manual of the Royal Institution of Chartered Surveyors in the United Kingdom. If the re-valued freehold land and buildings in the Group were stated on a historical costs basis, the amount would be:

10. Tangible assets (continued)

	2010 £'000	2009 £'000
At cost	3,321	3,321
Accumulated depreciation	(261)	(249)
Net book value based on historical cost	3,060	3,072

Depreciation on land and buildings based on historical costs would amount to £12,000 for the year.

If the re-valued freehold land and buildings in the Company were stated on a historical costs basis, the amount would be:

	2010 £'000	2009 £'000
At cost	2,351	3,196
Disposal	–	(845)
Accumulated depreciation	(219)	(209)
Net book value based on historical cost	2,132	2,142

Depreciation on land and buildings based on historical costs would amount to £10,000 for the year.

Notes to the Financial Statements

for the year ended 31 December 2010 (continued)



11. Fixed asset investments

The Company owns all the issued share capital of NPA Services Limited, a Company providing business products and services to community pharmacists. The cost of the Company's shares in NPA Services Limited amounted to £22 (2009: £22).

The Company also owns 5,000 of the £1 fully paid shares of NPA Insurance Services Limited. The cost of this investment was £5,000 (2009: £5,000) and represents 100% (2009: 100%) of the issued share capital of NPA Insurance Services Limited.

Set out below are the Company's subsidiaries at as 31 December 2010 with details of the percentages of ownership of ordinary shares, country of incorporation and principal activities:

Subsidiaries	% ownership of ordinary shares	Country of incorporation	Principal Activity
NPA Services Limited	100	UK	Business services
NPA Insurance Services Limited	100	UK	Dormant

12. Investments

Group

	Current Value		Historical Cost	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Shares and other variable yield securities and authorised unit trusts	6,570	7,700	5,437	6,750
Government fixed interest	953	1,382	875	1,296
Investment deposits	8,299	5,749	8,299	5,750
Total investments	15,822	14,831	14,611	13,796

	Listed on the UK Stock Exchange		Overseas Listed Investments	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Shares and other variable yield securities and authorised unit trusts	4,232	3,432	2,338	4,268
Government fixed interest	825	884	128	498
Total listed investments	5,057	4,316	2,466	4,766

Company

	Current Value		Historical Cost	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Shares and other variable yield securities and authorised unit trusts	–	1,154	–	1,082
Government fixed interest	228	231	196	196
Total investments	228	1,385	196	1,278

Investment deposits are with major UK banks. The credit risk associated with these investments is expected to be low.

13. Stocks

	Group £'000	2010 Company £'000	Group £'000	2009 Company £'000
Goods for resale	40	–	251	–

The Directors consider that the replacement cost of stocks would not be materially different to the value stated in the financial statements.

14. Debtors

	Group £'000	2010 Company £'000	Group £'000	2009 Company £'000
Amounts falling due within one year:				
Arising out of direct insurance operations	1,309	–	1,115	–
Trade debtors	918	69	744	60
Net investments in finance leases and hire purchase contracts	236	–	280	–
Amounts due from subsidiary undertakings	–	2,786	–	2,578
Other debtors	941	6	572	177
Deferred acquisition costs	571	–	576	–
Prepayments	183	182	123	123
	<u>4,158</u>	<u>3,043</u>	<u>3,410</u>	<u>2,938</u>
Amounts falling due after more than one year:				
Net investments in finance leases and hire purchase contracts	410	–	394	–
Deferred tax (note 17)	139	36	278	56
	<u>4,707</u>	<u>3,079</u>	<u>4,082</u>	<u>2,994</u>

The carrying value of debtors is a reasonable approximation to fair value. As of 31 December 2010 the provision for debtors was £51,000 (2009: £7,000) and the value of impaired debts in 2010 was £9,000 (2009: £10,000). The ageing of debtors was as follows:

	2010 £'000	2009 £'000
One to three months past due	449	364
Over four months past due	89	83
	<u>538</u>	<u>447</u>

Trade debtors of up to three months were not considered to be impaired but a provision was made for a proportion of debtors of four months or over.

Concentration of credit risk with respect to trade receivables is limited due to the Group's membership base being large and unrelated. Management believe there is no further credit risk provision required in excess of normal provision for doubtful receivables.

The carrying value of the Group's debt is denominated in GBP. Movements in the provision for impairment were as follows:

	2010 £'000	2009 £'000
At 1 January	7	48
Additional provisions /(unused amounts reversed)	44	(41)
At 31 December	<u>51</u>	<u>7</u>



15. Creditors – amounts falling due within one year

	Group £'000	2010 Company £'000	Group £'000	2009 Company £'000
Trade creditors	421	131	293	148
Arising out of direct insurance operations	646	–	718	–
Amount owed to subsidiary companies	–	5	–	1,178
Subscriptions in advance	1,555	1,555	1,483	1,483
Other creditors	2,370	171	1,072	104
Accruals and deferred income	2,536	494	2,211	347
Corporation Tax	189	91	–	–
Other taxation and social security payable	477	245	445	254
	<u>8,194</u>	<u>2,692</u>	<u>6,220</u>	<u>3,512</u>

16. Provisions for liabilities and charges

Provision for Free Renewals

	Group £'000	2010 Company £'000	Group £'000	2009 Company £'000
Balance brought forward at 1 January	2,675	–	2,746	–
Utilised during the year	(1,215)	–	(1,349)	–
Released during the year	(2,351)	–	–	–
Charged to profit and loss account during the year	1,356	–	1,278	–
Balance carried forward at 31 December	<u>465</u>	<u>–</u>	<u>2,675</u>	<u>–</u>

Technical Provisions

	Group £'000	2010 Company £'000	Group £'000	2009 Company £'000
Provisions at start of the year	12,036	–	8,205	–
Reserved/(utilised) during the year	202	–	(5,195)	–
Charged to profit and loss account during the year	135	–	9,026	–
Provision at end of the year	<u>12,373</u>	<u>–</u>	<u>12,036</u>	<u>–</u>

Provisions for liabilities and charges include net claims outstanding and unearned premiums, and represent movements in technical provisions in NPA Insurance Limited. Claims outstanding represent the ultimate cost of settling all claims (including direct and indirect claims settlement costs) arising from events which have occurred up to the balance sheet date, including provision for claims incurred but not reported, less any amounts paid in respect of those claims. Claims outstanding also includes a claims handling provision which is the estimated cost of expenses in settling a claim. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given uncertainty in establishing claims provisions, it is likely that the final outcome may prove to be different from the original liability established.

17. Deferred taxation

	Group £'000	2010 Company £'000	Group £'000	2009 Company £'000
The deferred tax asset represents:				
Accelerated capital allowances	(37)	(44)	(36)	(42)
Other timing differences	(10)	(36)	–	(14)
Tax losses carried forward	(92)	(198)	–	–
	<u>(139)</u>	<u>(278)</u>	<u>(36)</u>	<u>(56)</u>
Deferred tax asset as at 1 January	(278)	(189)	(56)	(29)
Deferred tax charge in the profit and loss account for the year	139	(89)	20	(27)
Asset at 31 December	<u>(139)</u>	<u>(278)</u>	<u>(36)</u>	<u>(56)</u>

Of the total deferred tax movement in respect of the pension liability (note 25) £nil (2009:£5,000) is charged to the profit and loss account in respect of the Group and Company.

Factors that may affect future charges

Deferred taxation unprovided represents:				
Tax losses carried forward	–	(5)	–	(5)
Unrealised gains on investments	338	324	–	–
	<u>338</u>	<u>319</u>	<u>–</u>	<u>(5)</u>

The Directors consider that it is more likely than not that there will be sufficient future taxable profits with which to realise the asset.

18. Earned premiums

	2010 £'000	2009 £'000
Gross premiums written	15,101	15,224
Outward reinsurance premiums	(11,467)	(10,112)
Change in gross provision for unearned premiums	(348)	(641)
Change in the provision for unearned premiums, reinsurers' share	883	435
Change in the provision for free renewals	<u>2,210</u>	<u>71</u>
	<u>6,379</u>	<u>4,977</u>

Notes to the Financial Statements

for the year ended 31 December 2010 (continued)



19. Reserves

	Capital reserves £'000	Profit and loss account £'000
Group		
At 1 January 2010	81	13,546
Retained profit for the year	–	2,914
Actuarial loss on pension scheme	–	(862)
Current tax relief on pension scheme	–	242
Movement on deferred tax relating to pension scheme	–	6
At 31 December 2010	81	15,846
Pension asset	–	509
Profit and loss reserve excluding pension asset	81	15,337
Company		
At 1 January 2010	81	5,507
Retained profit for the year	–	791
Actuarial loss on pension scheme	–	(862)
Current tax relief on pension scheme	–	242
At 31 December 2010	81	5,678
Pension asset	–	509
Profit and loss reserve excluding pension asset	81	5,169

20. Reconciliation of movement in members' funds

	Group £'000	2010 Company £'000	Group £'000	2009 Company £'0000
Profit/(loss) for the year	2,914	(486)	791	(127)
Actuarial loss on pension fund	(862)	(16)	(862)	(16)
Current tax relief on pension scheme	242	292	242	292
Movement on deferred tax relating to pension fund	6	(288)	–	(288)
Loss on revaluation	–	(895)	–	–
Increase/(reduction) in Members' funds	2,300	(1,393)	171	(139)
Opening Members' funds as previously reported	13,627	15,020	5,588	5,727
Closing Members' funds	15,927	13,627	5,759	5,588

21. Reconciliation of operating profit/(loss) to net cash inflow from operating activities

	2010 £'000	2009 £'000
Operating profit/(loss)	2,321	(1,811)
Depreciation charge	449	402
Amortisation of intangible asset	666	666
Revaluation of tangible asset	(203)	83
Difference in pension charge and actuarial loss on pension scheme	(862)	(16)
Decrease/(increase) in stocks	210	(3)
(Increase)/decrease in debtors	(764)	921
Increase/(decrease) in creditors	1,784	(880)
(Decrease)/increase in technical provisions	(2,018)	2,717
Profit on sale of tangible assets	7	(24)
Net cash inflow from continuing operating activities	1,590	2,055

22. Reconciliation of Net Cash Flow to Movement in Net Funds

	2010 £'000	2009 £'000
Increase/(decrease) in cash in the year	574	(3,147)
Cash used to increase liquid resources	1,043	5,873
Change in current asset investments resulting from cash flows	1,617	2,726
Realised gains on investments during the period	195	2
Unrealised gains on investments during the period	552	1,087
Movement in net funds in the period	2,364	3,815
Net funds at 1 January	20,820	17,005
Net funds at 31 December	23,184	20,820

23. Analysis of changes in net funds

	At 31 January 2010 £'000	Cash flows £'000	Realised and unrealised gains £'000	At 31 December 2010 £'000
Cash at bank and in hand	3,939	574	–	4,512
Current asset investments	16,881	1,043	747	18,672
Total	20,820	1,617	747	23,184

24. Capital commitments

The Group had no capital commitments at 31 December 2010 for capital expenditure contracted but not provided for (2009: £nil).

25. Pension commitments

(1) Defined Benefit Scheme

The Company is a member of a group pension scheme (the "Plan") operated by National Pharmacy Association Limited. The scheme is of the defined benefit type providing benefits similar to those based on final pensionable pay. The assets of the scheme are held separately from those of the member companies, being invested with fund managers. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The pension surplus recognised in the balance sheet is the value of the scheme's liabilities less the present value of the scheme's assets.

The pension contributions for the year relating to regular cost were £69,359 (2009: £78,849). In addition a further £820,665 (2009: £964,588) has been contributed to the scheme as a contribution to reduce the prior year deficit. The current contributions are 7% for employees and 17% for the employer. As the defined benefit scheme is a closed scheme, under the projected unit method the current service cost will increase as the members of the scheme approach retirement.

The actuary is not an officer of the Group.

The pension expense charged to the profit and loss makes no allowance for the actuarial gains and losses during the year. Actuarial gains and losses are recognised in the Statement of Total Recognised Gains and Losses (STRGL) in the year they occur.

NPA has participated in the Plan during the financial period. This disclosure relates to the defined benefit obligations of NPA as part of the National Pharmaceutical Association Staff Retirement Benefits Plan (1973) only. A full actuarial valuation was carried out at 31 January 2006 and updated to 31 December 2010 by a qualified independent actuary.

Notes to the Financial Statements

for the year ended 31 December 2010 (continued)



25. Pension commitments (continued)

Pension assets and liabilities are analysed as follows:

	At 31 December 2010 £'000	At 31 December 2009 £'000
Change in benefit obligation		
Benefit obligation at beginning of year	12,015	10,790
Current service cost	52	48
Interest cost	672	611
Plan participants' contributions	27	31
Actuarial losses	725	1,134
Benefits paid	(542)	(599)
Benefit obligation at end of year	<u>12,949</u>	<u>12,015</u>
Analysis of defined benefit obligation		
Plans that are wholly or partly funded	<u>12,949</u>	<u>12,015</u>
Total	12,949	12,015
Change in plan assets		
Fair value of plan assets at beginning of year	12,566	10,298
Expected return on plan assets	842	675
Actuarial (losses)/gains	(137)	1,118
Employer contribution	890	1,044
Member contributions	27	31
Benefits paid	(542)	(599)
Fair value of plan assets at end of year	<u>13,646</u>	<u>12,566</u>
Funded status	<u>697</u>	551
Net amount recognised	697	551
Related deferred tax liability	(188)	(155)
Net pension asset	<u>509</u>	<u>396</u>

25. Pension commitments (continued)

	At 31 December 2010 £'000	At 31 December 2009 £'000
Components of pension cost		
Current service cost	52	48
Interest cost	672	611
Expected return on plan assets	(842)	(675)
Total pension cost recognised in the P&L account	(118)	(16)
Actuarial losses immediately recognised	(862)	(16)
Total pension cost recognised in the STRGL	(862)	(16)
Cumulative amount of actuarial losses immediately recognised	(2,227)	(1,365)

Plan assets

The weighted-average asset allocation at the year-end was as follows:

	Plan assets at 31 December 2010	Plan assets at 31 December 2009
Equities	48%	58%
Bonds	21%	4%
Property	1%	1%
Cash	30%	37%
	100%	100%

To develop the expected long-term rate of return on assets assumption, the company considered the current level of expected returns on risk-free investment (primarily government bonds), the historical level of risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the 6.00% assumption.

	Year to 31 December 2010	Year to 31 December 2009
Actual return on plan assets	705	1,792

Weighted average assumptions used to determine benefit obligations at:

	31/12/2010	31/12/2009	31/12/2008
Discount rate (p.a.)	5.40%	5.70%	5.80%
Rate compensation increase (p.a.)	3.90%	3.95%	3.55%

Weighted average assumptions used to determine net pension cost for year ended:

	31/12/2010	31/12/2009
Discount rate (p.a.)	5.70%	5.80%
Expected long-term return on plan asset (p.a.)	6.60%	6.40%
Rate of compensation increase (p.a.)	3.95%	3.55%

Notes to the Financial Statements

for the year ended 31 December 2010 (continued)



25. Pension commitments (continued)

Weighted average life expectancy for mortality tables used to determine benefit obligations at:

	31 December 2010 SAPS S1_L mc YoB rated down by one year Minimum 1% p.a.	31 December 2009 PA92mc YoB rated down by one year
Member age 65 (current life expectancy)	23.6	23.5
Member age 40 (life expectancy at age 65)	25.4	25.3

The mortality tables used to determine the benefit obligation at year end were the PA92 series of tables with medium cohort improvements applicable to each member's year of birth and assuming that, for mortality purposes, members were 1 year younger than their actual age.

Five year history

Financial year ended on 31 December

	2010	2009	2008	2007	2006
Benefit obligation at end of year	(12,949)	(12,015)	(10,790)	(11,536)	(10,067)
Fair value of plan assets at end of year	13,646	12,566	10,298	10,506	7,683
Surplus/(deficit)	697	551	(492)	(1,030)	(2,384)
Difference between expected and actual return on scheme assets:					
Amount (£'000)	137	(1,117)	(2,327)	(116)	259
Percentage of scheme assets	(1%)	(9%)	(23%)	(1%)	3%
Experience gains and losses on scheme liabilities:					
Amount (£'000)	148	393	40	(158)	247
Percentage of scheme liabilities	1%	3%	0%	(2%)	2%
Total amount recognised in statement of total recognised gains and losses:					
Amount (£'000)	(118)	(16)	(1,266)	463	(96)
Percentage of scheme liabilities	(1%)	0%	(12%)	3%	(1%)

Contributions

The company expects to contribute £809,100 to the Scheme in 2011.

(2) Defined Contribution Scheme

The above referred to defined benefit pension scheme was closed to new members on 1 April 2000 when a new scheme arranged through Scottish Widows was made available. The new NPA pension scheme is of the defined contribution type which builds up a fund to provide a pension to the employee based on the total value of the fund on retirement. The Group's obligations to the fund are limited to the contributions made and due. The contributions are based on members' salaries with a contribution by the Company of 10% and by the member of 5% per annum.

The scheme is not contracted out of the State Earnings Related Pension Scheme.

The pension charge for the year in respect of the new scheme was £269,280 (2009: £249,201).

26. Operating lease commitments

	Plant & equipment as at 2010 £'000	Motor vehicles as at 2010 £'000	Plant & equipment as at 2009 £'000	Motor vehicles as at 2009 £'000
Annual commitments under non-cancellable operating leases expiring:				
Within one year	2	2	1	3
Within two to five years	50	67	41	66
	<u>52</u>	<u>69</u>	42	69

27. Related party transactions

Management and other administration services were charged during the year to:

(a) Pharmacy Mutual Insurance Co Limited ('PMI')	2010: £8,000	2009: £41,000
(b) Pharmaceutical & General Provident Society Limited ('PG')	2010: £19,000	2009: £94,000

The balance outstanding at the balance sheet date due to NPA were:

(a) Pharmacy Mutual Insurance Co Limited ('PMI')	2010: nil	2009: £50,000
(b) Pharmaceutical & General Provident Society Limited ('PG')	2010: nil	2009: £102,000

PMI was a general insurer and PG is a friendly society, both of which have provided insurance products to the pharmacy sector. The NPA provides administration and other resources to PMI and PG in return for a management charge.

28. Ultimate parent undertaking

National Pharmacy Association Limited is the ultimate parent company and ultimate controlling party. The Company is limited by guarantee and is therefore owned by its members (note 1). Every member of the Association undertakes to contribute to the assets of the Association in the event of the same being wound up while they are a member, or within one year after ceasing to be a member, for payment of the debts and liabilities of the Association contracted before they cease to be a member, and of the costs, charges and expenses of winding up, and for the adjustment of the rights of the contributories among themselves, such amount as may be required, not exceeding £1.

Notes to the Financial Statements

for the year ended 31 December 2010 (continued)



29. NPA Insurance Limited ('NPAI')

Profit and loss account

Technical account – general business

	2010 £'000	2009 £'000
Gross premiums written	15,101	15,224
Outward reinsurance premiums	(11,467)	(10,112)
Net premiums written	3,634	5,112
Change in the gross provision for unearned premiums	(348)	(641)
Change in the provision for unearned premiums, reinsurers' share	883	434
Change in the provision for free renewals	2,210	71
Earned premiums, net of reinsurance	6,379	4,977
Allocated investment return transferred from the non-technical account	407	942
Other technical income	549	188
Total technical income	7,335	6,106
Claims paid		
– gross amount	8,721	8,806
– reinsurers' share	(4,866)	(5,501)
– net of reinsurance	3,855	3,305
Change in the Provision for claims		
– gross amount	(80)	2,186
– reinsurers' share	953	1,438
– net of reinsurance	873	3,624
Claims incurred, net of reinsurance	4,728	6,929
Net operating expenses	1,238	1,491
Total charges	5,966	8,420
Balance on the technical account for general business	1,369	(2,314)
Investment income	444	347
Unrealised gains on investments	353	923
Investment expenses and charges	(52)	(46)
Gains on the realisation of investments	195	2
Allocated investment return transferred to the general business technical account	(407)	(941)
Other income	127	16
Other charges	(41)	(61)
Profit/(loss) on ordinary activities before tax	1,988	(2,075)
Tax on (profit)/loss on ordinary activities	(127)	63
Profit/(loss) for the financial year	1,861	(2,012)



Notice of Annual General Meeting 2011

Notice is hereby given that the Annual General Meeting of the National Pharmacy Association Limited ("the Company") will be held at the Company's registered office at Mallinson House, 38-42 St Peter's Street, Hertfordshire, AL1 3NP, commencing at 1.30pm Tuesday, 26th July 2011 to consider and, if thought fit, to pass the following Resolutions:

Agenda

1. To receive the Report of the Directors, the Independent Auditor's Report and the Financial Statements for the Company and the Group for the year ended 31 December 2010.
2. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company and to authorise the Board to determine their remuneration.
3. To consider the Special Resolution to change the Memorandum and Articles of Association to allow the Board of Management discretion to review membership applications for all classes of members.

By Order of the Board

Bharat Patel
Chairman
20 June 2011

Special Resolution

- 1 That the Articles of Association of the National Pharmacy Association Limited (the "Articles") be altered with immediate effect by making the following amendments:
 - 1.1 Amend Article 10(d) to start a new paragraph with and replace the words following "shall as soon as reasonably practicable after such delivery and payment as aforesaid...." with the words "have their application presented by the Secretary of the Association to the Board of Management in accordance with article 11(b)."
 - 1.2 Amend Article 11(b) to remove the words "Except in the case of an application for ordinary membership made pursuant to Article 10" from the start of the Article so that it reads "No person shall be admitted to any class of membership....".

