Registered number: 00758153

LLOYDS PHARMACY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

LLOYDS PHARMACY LIMITED

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COMPANY INFORMATION

Directors	T M Anderson (resigned 11 May 2022) J Davies (resigned 31 July 2022) C Keen (resigned 18 May 2022) W Hall (appointed 27 July 2022) R Dargue (appointed 27 July 2022) K Birch (appointed 20 September 2022) M Coupland (appointed 20 September 2022)
Registered number	00758153
Registered office	Sapphire Court Walsgrave Triangle Coventry CV2 2TX

STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2022

Introduction

The directors present their strategic report for the year ended 31 March 2022.

Principal Activities and Business Review

The principal activity of the company throughout the year was the operation of retail pharmacies, located primarily within local communities and health centres as well as LloydsPharmacy.com, our complementary online service.

Business review and future developments

McKesson Corporation closed the sale of Admenta UK Limited and its subsidiaries (of which this company is a subsidiary) to Aurelius Elephant Limited, an entity owned by Aurelius asset management group, on April 6, 2022. As of the date of this report, McKesson Corporation is no longer our parent company and the Admenta UK Group is in the process of reviewing its strategy, governance processes and forward-looking financial and other plans to ensure they support the objectives of Aurelius.

As Directors of the business, we want to start by extending our sincere thanks to all our colleagues for their incredible efforts in the service of patients in the post-Covid-19 pandemic recovery, in which community pharmacy plays a central role. We are also grateful for their hard work in continuing to deliver our successful transformation strategy.

This strategy, to turn Lloyds Pharmacy into an omnichannel business that provides choice in healthcare to patients and consumers, has continued to resonate well and we are particularly pleased with our delivery in digital revenue this year . Our LloydsPharmacy.com site experienced 28% growth, Online Doctor, held through an investment Expert Health Limited, has increased by 3% and LloydsDirect, held through an investment in Metabolic Health Limited, grew +55%.

The year to 31st March 2022 was challenging for the whole country. Covid 19 and its variants placed great strain on the healthcare sector, including changed store footfall patterns. Furthermore, the government funding model for community pharmacy in England continues to be challenging.

Despite these barriers, we have worked to improve the performance of the business, with the interests of the community in mind. We continued to optimize the Lloyds Pharmacy estate, to enable it to operate sustainably, and worked collaboratively with many landlords to regear our property costs.

All of these actions had a positive impact on our financial position by reducing losses for the year by 37%. Lower losses were also achieved through lower interest expense, impairment charges and a higher tax benefit.

As of 31st March 2022 we have 1,275 community pharmacies (2021: 1,316). Lloyds Pharmacy will be withdrawing pharmacy services from all Sainsbury’s stores during calendar 2023, in response to changing current market conditions.

Overall, Lloyds Pharmacy’s turnover was £1,701 million (2021: £1,762 million), a 3.4% reduction from the previous year.

The company remains a subsidiary of Admenta UK Limited and receives the financial support of this parent entity.

Covid-19 pandemic

The Covid-19 pandemic has created much volatility and uncertainty. Despite this, Lloyds Pharmacy will continue to support its communities whilst following the advice of the UK government. The Company participated in several government schemes when they became effective, including reimbursement of costs incurred due to Covid-19, funding for certain services provided to patients, a waiver of retail business rates, the furlough scheme, as well as NHS advance payments to alleviate cashflow challenges. To secure supply and minimise business disruption, mitigating actions have been applied including the introduction of new policies, ways of working, and training and monitoring.

We received NHS advanced funding from Scotland, Wales. Northern Ireland and England proportionate to the number of pharmacies in each domicile, which we used to mitigate the cashflow impact created by Covid-19. We began to repay the advances for Scotland and Wales during FY21 and all advances were paid back by 31 March 2022.

Financial key performance indicators

	2022	Change	2021
	£'000	%	£'000
Turnover	1,701,029	(3.4)	1,761,570
Loss for the year	(66,007)	34.5	(100,760)
Adjusted EBITDA	(29,831)	(428.1)	9,093
Shareholders deficit	(606,726)	(12.3)	(540,406)

The board monitors the company's progress in implementing its strategy by reference to a suite of key performance indicators. The key financial metrics for the Company are provided in the table above.

Turnover

The company’s turnover is impacted by government agencies seeking to manage the cost of healthcare, including pharmaceutical drug reimbursement rates; seasonality; and the proportion of turnover between pharmacy and retail during certain periods. The components of the company’s fiscal year turnover were as follows:

	2022	2021
	%	%
Pharmacy	87.7	91.4
Retail	12.3	8.6
Total	100	100

Lloyds Pharmacy stores remained open during FY22 to provide patient care throughout Covid-19, while physical access to other healthcare settings was restricted. The fall in revenue was driven by reduced store footfall due to government lockdown restrictions; the reduction in the number of stores as well as changes to government reimbursement.

Loss for the year

By actively optimising its portfolio of pharmacies, Lloyds Pharmacy's losses for the year have reduced significantly. Our results reflect lower foot traffic caused by Covid 19 and a challenging reimbursement environment. This has been partially mitigated by the adoption of government programmes, including reimbursement for costs incurred to continue serving patients safely, bank holiday opening, and business rates relief for retail businesses. Lower interest expense, impairment charges and a higher tax benefit also lowered losses for the business.

Adjusted EBITDA

	2022	2021
	£m	£m
Adjusted EBITDA	(29.9)	9.1
Plus restructuring and other exit charges	6.0	6.0
Gains on assets and store disposals	(10.5)	(11.7)
Movement in bad debts provision	(1.4)	1.4
Movement in stock provision	(2.0)	3.9
EBITDA	(22.0)	9.5
Depreciation	35.0	44.6
Operating profit/(loss)	(57.0)	(35.1)

Adjusted earnings before interest, income tax, depreciation and amortization ("EBITDA") is defined as profit before interest, income tax, depreciation, amortization, non-cash asset-related charges/benefits and exceptional items. Adjusted EBITDA is the measure used for evaluating performance and allocating resources. It has been reconciled to operating profit above.

Reduction to adjusted EBITDA arose from lower foot traffic caused by Covid 19 and a challenging reimbursement environment.

Shareholders deficit

Shareholders deficit has increased to £606.7 million (2021: £540.4 million) as a result of the loss for the year.

Within the wider group, in March 2021, McKesson Europe AG extinguished £600,000,000 owed to group undertakings due in 2035 in consideration for one ordinary share in Admenta UK Limited. In addition, McKesson Europe AG contributed £600,000,000 in cash in exchange for one ordinary share in Admenta UK Limited.

Principal risks and uncertainties

The company is subject to a number of key risks. Risks are formally reviewed by the board and appropriate processes are put in place to monitor and mitigate them, within a risk management framework developed by the company's intermediate parent, McKesson Europe AG. Admenta UK Limited's letter of support for Lloyds Pharmacy satisfies the directors that the potential solvency risk, arising from the shareholder deficit, is mitigated. .Other risks and uncertainties include:

Regulation and government

Lloyds Pharmacy Limited operates in highly regulated markets; any changes to those requirements or noncompliance, could have a negative impact on business performance. For example, changes to drug reimbursement levels, pharmacy licensing arrangements, or prescription processing requirements, traceability and storage, minimum wage requirements/inflation, workforce tax frameworks, data or privacy regulations, and health, safety or environmental standards could adversely impact the company's profitability. Refer above to the business review section for risks associated with Covid-19.

Further, the United Kingdom ("UK") entered into a trading arrangement with the European Union ("EU") on 31st December 2020. The principal risks we face as a result of this change to our trading relationship with the remaining EU members are around ensuring uninterrupted supply of pharmaceutical and medical products at competitive prices. The agreement does not guarantee mutual recognition of professional and sector-specific qualifications which will restrict labour mobility. It may also impact employee retention as well as future recruitment and raise cost. The risk of fluctuations in exchange rates have the potential to cause business disruption and profitability impacts.

The company continues to seek advice and clarification from the government regarding ongoing negotiations to ease the above risks and to enhance the trading agreement. Mitigating actions have been implemented including the introduction of policies, ways of working and training and monitoring to secure supply and minimise business disruption.

Competition

Government reductions in pharmacy reimbursement in England have increased competition, for example the targeting of patients by competitors, including mail order pharmacies and competition for preferred store locations. Another key challenge is the competition to attract talent, particularly pharmacists. This is a sector-wide issue, and we are working with relevant associations and the NHS to find a solution.

To mitigate risks, the company monitors the market to understand and anticipate trends and identify challenges and opportunities to evolve and enhance our value proposition to customers and vendors.

Changes and trends in patient and consumer behaviour

There have been significant changes in consumer habits, accelerated by the Covid-19 pandemic including consumer confidence, spending levels, shopping trends; the migration to online/remote working may continue to impact foot traffic into stores and general practitioner surgeries. Change to seasonality may also impact our business. Despite this, we continue to innovate and adapt to new emerging behaviours. Our key strategy is to differentiate ourselves by providing services, expert advice and care to our customers and patients.

Cost management

The company may face increased costs through a number of ways. These include the various change initiatives enabling us to adapt and meet future needs. Others include procurement and supply decisions which do not leverage our scale efficiently, system issues that impact our operations, hiring and retaining talent, including pharmacists. The company has reviewed these risks and has identified ways to mitigate them. These include robust program and talent management, purchasing processes and controls, as well as oversight from our board on strategic matters.

Financial risk management

The Company is exposed to a variety of financial risks, which include foreign currency, liquidity and interest rate risks. We have employed a programme that seeks to manage and limit any adverse effects of these risks in the financial performance of the Company, which are described in more detail below.

The directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board, although use is made of a central treasury function, which arranges the overall funding requirements of the UK group (of companies of which Lloyds Pharmacy Limited is a member). This central function operates within a framework of clearly defined policies and procedures, which have been approved by the directors of the Company.

The policies approved by the board of directors are implemented by the Company's finance department and the central treasury function. The policies for the UK group, which are documented in departmental manuals, cover funding and hedging instruments, exposure limits and a system of authority for the approval and execution of transactions.

Credit Risk: the Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The finance and sales teams also liaise with customers on a regular basis to ensure that key issues are identified at an early stage.

Liquidity Risk: Lloyds Pharmacy Limited participates in the banking arrangements of the UK group, which are arranged with the assistance of the central treasury function. The UK group funds its operations though a mix of retained earnings, borrowings and leasing that is designed to ensure that the company has sufficient funds for its day-to-day operations and other activities. Cash flow requirements are monitored through rolling projections, which are compiled across the group.

Statement by the directors on performance of their statutory duties in accordance with section 172(1) of the Companies Act 2006

This statement describes how the directors complied with section 172(1) (a)-(f) of the Companies Act 2006 to promote the success of the Company for the benefit of its stakeholders.

The nature of our highly regulated business requires that we consider the long-term consequences of our decisions. Our shareholders have invested capital to drive shareholder value. The Directors' report describes the board's role in managing the business, our reputation, risks and balancing stakeholder needs for the long-term. The board's other key stakeholders are as follows:

Customers and Suppliers

We build strong relationships with our customers and suppliers to promote mutually beneficial sustainable long-term profit growth. Engagement with customers and suppliers is primarily through formal reviews as well as regular conferences that bring suppliers and customers together to discuss shared concerns. Key areas of focus include close coordination to ensure availability of product in a safe and secure supply chain (refer to Principal risks and uncertainties that discusses Covid-19 and Brexit), innovation by expanding our digital customer channels and expanding e-commerce to automate the supply chain and supporting prompt payment. The board is briefed on customer and supplier metrics and feedback, opportunities and issues through regular board and management meeting reporting.

Colleagues

Our people are the key to enable us to execute our strategy and many of whom serve our customers, suppliers and patients, all living by our ICARE shared principles. Our employees work every day to innovate and deliver opportunities that make our customers and partners more successful — all for the better health of patients.

There are many ways we engage with and listen to our people including pulse surveys, conferences, and forums including town hall meetings where colleagues can interact with our executive leadership team and receive updates on strategic initiatives, our business and recognise great performance. We promote a diverse and inclusive workforce through robust hiring processes, manager training, network groups to foster a sense of community, awareness and celebrations. We also provide opportunities for our colleagues to feedback on our policies and processes. The board reviews, and approves, changes to our talent strategy.

Key areas of focus for our colleagues include reinforcement of our culture through our values, code of conduct, career pathways and development plans. We foster a performance-based culture based on regular and transparent feedback, along with regular performance reviews that are linked to compensation. There are numerous development opportunities, including apprenticeships, our Evolve personal, professional and clinical development program for pharmacists, through to leadership development programs for our top talent.

The health and wellness of our colleagues and patients are a key priority, and we provide a robust employee assistance program which includes mental health support and free annual flu vaccinations. In the Covid-19 environment, the board has taken appropriate steps to ensure the safety of our colleagues including social distancing, regular cleaning across all sites, screens where appropriate, temperature checking and personal protective equipment. Appropriate measures and protocols are informed by government guidance.

Colleagues are encouraged to speak up with any concerns they may have. We have in place a Whistleblowing Policy and confidential reporting line, enabling colleagues to raise concerns without fear of retaliation.

The board receives reports on opportunities and concerns raised by colleagues through regular board, committee and management meeting reporting.

Government and regulators

We operate in a highly regulated industry, and patient safety is critical. Government entities across the four nations of the United Kingdom, including in England the Department of Health and Social Care, determine tariff reimbursement levels and service fees that impact the supply chain, including our Company, our customers, and our suppliers. We engage with the government and regulators through a range of sector organisations such as the Pharmaceutical Services Negotiating Committee. We also independently engage with stakeholders by responding to consultations, and participating in forums, meetings, and conferences to inform about, educate on and discuss changes to the sector with policy makers relevant to our business.

Key areas of engagement include compliance with laws and regulations, health and safety, evolving how we support stakeholders under Covid-19 and Brexit. The board is updated on developments through regular board and management meeting reporting and takes these into account when making decisions including the store rationalization program referred to above.

Communities and the Environment

We engage with local communities to build trust and understand the issues that are important to them. Key areas of focus include how we can support local causes and issues, create opportunities to recruit, help to look after the environment (refer to the Directors' report) and engage with communities through social media.

We have an established partnership with the Alzheimer's Society and raise awareness and funds through corporate events. The board receives updates through appropriate board and management meeting reporting.

This report was approved by the board on 16 February 2023 and signed on its behalf.

DocuSigned by:
Mark Coupland
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M Coupland
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2022

The directors present their report and the financial statements for the year ended 31 March 2022.

Results and dividends

The loss for the year, after taxation, amounted to £66,007,000 *(2021 - loss £100,760,000)*.

The directors do not recommend the payment of a dividend (2021: Nil).

Directors

The directors who served during the year were:

T M Anderson (resigned 11 May 2022)
J Davies (resigned 31 July 2022)
C Keen (resigned 18 May 2022)

Future developments

Future developments of the business have been detailed in the strategic report on page 2 and form part of this report by cross reference.

Directors’ Responsibility under Section 172(1) and Statement of engagement with suppliers,customers and others in a business relationship with the company

The Directors considered the requirements under Section 172(1) and Sch. 7.11B(1) to Companies Act 2006. Comments on how the Directors have had a regard for the interests of various stakeholders whilst making key decisions are contained on pages 2 – 8 in the Strategic Report.

Shareholders

During fiscal 2022, we were a subsidiary of McKesson Corporation and therefore operated under an internal global policy framework that ensured that our strategy and long range financial and operating plans are fully aligned with the expectations of McKesson Corporation. These plans were reviewed at least annually, adjusted as required, and approved by the relevant board committees of McKesson Corporation. McKesson Corporation manages external shareholder relationships on behalf of the Company.

Effective with the closing of the sale by McKesson Corporation of Admenta UK Limited (of which this Company is a subsidiary) to Aurelius on April 6, 2022, the ultimate parent undertaking and controlling party of the Company is AURELIUS European Opportunities IV, S.C.A. SICAV RAIF, a company registered in Luxembourg. As a subsidiary of this company, our strategy and financial and operating plans are in the process of being aligned with the expectations of Aurelius. These plans are reviewed at least annually, adjusted as required, and approved by the relevant board committees of Aurelius.

The Directors considered Section 172 and Sch. 7.11B(1) to Companies Act 2006. Comments on how the Directors have had a regard for the interests of various stakeholders whilst making key decisions are contained on pages 7 - 8 in the Strategic Report.

Energy and Carbon Reporting

Details of Energy and Carbon reporting can be found in the group accounts of Admenta UK Limited, therefore not presented in this individual company accounts.

Going concern

The directors are required to assess whether adequate resources are available to continue operating for a period of not less than 12 months after the issuance of these statutory financial statements. In making this assessment, the directors considered a number of factors, including our business model, our strategy, risks we are exposed to as well as opportunities in the markets in which we operate.

The directors view the development of the business over the long term, but visibility and granularity of our outlook is greatest in the 12 months ending February 2024, the period most relevant for this going concern assessment. For purposes of the going concern assessment and as an input into impairment assessments, the Group make estimates of likely future cash flows which are based on assumptions given the uncertainties involved. The assumptions include changes to government reimbursement levels, cost of labour and supplies and working capital movements. These assumptions are made by management based on recent performance, external forecasts and management's knowledge and expertise of the cashflow drivers.

The Company is a subsidiary of Aurelius Elephant Limited and is financed through an asset-backed loan facility taken out by another Group company, Aurelius Elephant Limited, that was modified in December 2022 (the "Group's financing arrangements").

The Company is an obligor, guarantor and material subsidiary to the loan facility and is bound by the Group's financing arrangements. Since the Company is loss-making and has net current liabilities the directors have considered the financial performance of the Group and its ability to comply with the Group's financing arrangements when assessing going concern.

The facility allows the Aurelius Elephant limited group to borrow up to £358 million to April 6, 2025, in line with the initial term. The modified loan facilities are secured on qualifying accounts receivables of certain operating subsidiaries. The interest rate is determined based on the Bank of England rate plus 3.15%. The average asset-backed loan liquidity headroom is projected to increase from a low of more than £17m in March 2023 to being repaid before December 2023 from proceeds of the Group's retail store optimization program in other Group companies.

Past retail store optimization programs provide evidence around the length of time between initiating a program and the amount and timing of proceeds realized. Recent programs were substantially completed within a year and exceeded budgeted targets. This experience, and agreements for pharmacy disposals received in the year to date, provide the directors with confidence that the forecast proceeds will be realised. If forecast proceeds are achieved in line with the projected timeline, the asset-backed loan would be repaid before December 2023.

In forming their conclusions that the Group is a going concern the Group's directors performed sensitivity analysis considering downside scenarios to reduce expected proceeds per store and timing of disposals. Headroom remains under these scenarios.

The directors considered sensitivities to the cash flow forecasts which included the amount of proceeds realized from retail store disposals. Even assuming a 25% reduction to proceeds, liquidity headroom would not be at risk.

The Group's directors performed a reverse stress test to identify what level of deterioration would be required to breach the liquidity and adjusted EBITDA each covenant.

In relation to liquidity, the tightest point is at March 2023 where, disposal proceeds would need to be 100% lower than expected to be realized in March 2023 to breach the liquidity test. This is not considered likely given the percentage of sales this would represent in March.

Actual 12-month rolling Group adjusted EBITDA performance could be 30% below forecast before a covenant would be breached. The most sensitive month would be March 2023 where a delay of 2 months in expected proceeds from retail store disposals combined with a reduction of retail EBITDA equivalent to a 11% shortfall of retail revenue for both February and March 2023 result in a breach.

Under this scenario, a number of actions would be available to management including rationalizing overheads such as bonus and staffing costs, adjusting the timing of when we invest in advertising and promotion, and delaying/avoiding discretionary expenditure on property, plant and equipment. Together these mitigating actions would avoid the risk of breaching our covenants. Whilst not directly under our control given our liquidity headroom we could also seek amendment to financial covenant terms.

The Group’s directors have not performed sensitivity analysis beyond December 2023 as they expect to repay debt under the asset backed-loan before December 2023.

The Group’s directors also performed an assessment of the ongoing regulatory proceedings impacting Lloyds Pharmacy Clinical Homecare Limited and whilst uncertainty still exists in relation to the outcome of these proceedings, the Directors do not anticipate the outcome to have a material impact on the group’s ability to stay within the requirements of the ABL agreement.

On the basis of these reviews, the directors of the Company consider it is appropriate for the going concern basis to be adopted in preparing the annual report and financial statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in the financial statements.

Employment of disabled person

Wherever possible, disabled persons are given the same consideration for employment opportunities as other applicants and training and promotion prospects are identical. In particular, special consideration is given to continuity of employment in the case of an employee who becomes disabled, with suitable retraining for alternative employment, if practicable.

Disclosure of information in the strategic report

The company has chosen in accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to set out in the company's strategic report information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. Information in relation suppliers, customers, colleagues, and financial risk management objectives and policies with the Company have been included in the Strategic Report on pages 7 and 8 respectively and form part of this report by cross-reference.

Financial risk management

The financial risks are managed by a fellow group company, Admenta UK Limited. The management of these risks are discussed in the Admenta UK Limited financial statements and documented in the Strategic Report on page 2 and form part of this report by cross-reference.

Qualifying indemnity provision

Liability insurance, a qualifying third party indemnity provision for the purposes of the Companies Act 2006 was provided for the UK directors by Admenta UK Limited, an intermediate parent entity. On the date of approval of the financial statements, liability insurance was also in force.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

Post balance sheet events

McKesson Corporation closed the sale of Admenta UK Limited (of which this company is a subsidiary) to Aurelius Elephant Limited, an entity owned by Aurelius asset management group, on April 6, 2022.

Auditors

The auditors, Deloitte LLP, being eligible, have indicated their willingness to continue in office in accordance with section 487 of the Companies Act 2006.

This report was approved by the board on 16 February 2023 and signed on its behalf.

DocuSigned by:

Mark Coupland

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M Coupland
Director

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 MARCH 2022

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 ‘Reduced Disclosure Framework’. 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 Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 to 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 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 corporate and financial information included on the Company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LLOYDS PHARMACY LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Lloyds Pharmacy Limited (the ‘Company’):
- give a true and fair view of the state of the company’s affairs as at 31 March 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 “Reduced Disclosure Framework”; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:
* the Income statement
- the Statement of comprehensive income;
- the Statement of financial position;
- the Statement of changes in equity; and
- the related notes 1 to 32.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 “Reduced Disclosure Framework” (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LLOYDS PHARMACY LIMITED (CONTINUED)

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included our assessment of the entity's:

- financing facilities including nature of facilities, repayment terms and covenants
- linkage to business model and medium-term risks
- assumptions used in the forecasts including cash generated from the store optimisation programme in Lloyds Pharmacies as set out in note 2.3
- amount of headroom in the forecasts (cash and covenants)
- sensitivity analysis and sophistication of the model used to prepare the forecasts, testing of clerical accuracy of those forecasts and our assessment of the historical accuracy of forecasts prepared by management.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' Report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation etc and

- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included regulatory solvency requirements and environmental regulations.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, pensions, IT, forensic and industry specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LLOYDS PHARMACY LIMITED (CONTINUED)

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

- material misstatement of revenue due to the estimated nature of journal entries made by management for NHS revenue in the financial quarter. We performed substantive testing on the estimates made by management, agreeing to actual cash receipts and receipt of 3rd party information post year end. We also performed a full reconciliation of NHS revenue recognised in the financial statements by agreeing to 3rd party information received.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;

- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

- enquiring of management, internal audit and in-house / external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and

- reading minutes of meetings of those charged with governance, and reviewing internal audit reports.

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LLOYDS PHARMACY LIMITED (CONTINUED)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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

DocuSigned by:
Kate Hadley
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Kate Hadley FCA (Senior Statutory Auditor)

for and on behalf of
Deloitte LLP

Birmingham
United Kingdom

16 February 2023

INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2022

	Note	2022 £000	2021 £000
Turnover	4	**1,701,029**	*1,761,570*
Cost of sales		**(1,336,047)**	*(1,345,033)*
Gross profit		**364,982**	*416,537*
Distribution costs		**(380,228)**	*(410,723)*
Administrative expenses		**(62,935)**	*(65,297)*
Other operating income	5	**21,191**	*24,388*
Operating loss	6	**(56,990)**	*(35,095)*
Income from other fixed asset investments	10	**371**	*865*
Impairment of investment in group undertakings		**(3,839)**	*(22,913)*
Impairment of Fixed assets		**(10,419)**	*(11,218)*
Interest receivable and similar income	11	**1,126**	*163*
Interest payable and similar expenses	12	**(10,550)**	*(31,007)*
Movement in fair value of derivatives		**-**	*(2,355)*
Loss before tax		**(80,301)**	*(101,560)*
Tax on loss	13	**14,294**	*800*
Loss for the financial year		**(66,007)**	*(100,760)*

The notes on pages 25 to 66 form part of these financial statements.

All of the activities of the company are classified as continuing.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2022

	Note	2022 £000	*2021 £000*
Loss for the financial year		**(66,007)**	*(100,760)*
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss:			
Actuarial (loss)/gain on defined benefit schemes		**(417)**	*11,282*
Movement of deferred tax relating to pension surplus/(deficit)		**104**	*(2,463)*
		(313)	*8,819*
Total comprehensive income/(expense) for the year		**(66,320)**	*(91,941)*

The notes on pages 25 to 66 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	Note		2022 £000		2021 £000
Fixed assets					
Tangible assets	14		**204,408**		*254,768*
Investments	15		**35,866**		*35,674*
			240,274		*290,442*
Current assets					
Fixed assets held for sale		**2,155**		*9,654*	
Stocks	17	**131,356**		*135,862*	
Debtors: amounts falling due after more than one year	18	**8,381**		*8,381*	
Debtors Within One Year	18	**317,324**		*355,774*	
Cash at bank and in hand	19	**38,590**		*37,365*	
		497,806		*547,036*	
Creditors: amounts falling due within one year	20	**(1,184,456)**		*(1,170,082)*	
Net current liabilities			**(686,650)**		*(623,046)*
Total assets less current liabilities			**(446,376)**		*(332,604)*
Creditors: amounts falling due after more than one year	21		**(156,505)**		*(186,641)*
			(602,881)		*(519,245)*
Provisions for liabilities					
Other provisions	26	**(29,433)**		*(31,921)*	
			(29,433)		*(31,921)*
Net liabilities excluding pension asset			**(632,314)**		*(551,166)*
Pension asset	29		**25,588**		*10,760*
Net liabilities			**(606,726)**		*(540,406)*

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 MARCH 2022

	Note	2022 £000	*2021 £000*
Capital and reserves			
Called up share capital	27	**125,242**	*125,242*
Share premium account	28	**63**	*63*
Profit and loss account	28	**(732,031)**	*(665,711)*
		(606,726)	*(540,406)*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 16 February 2023.

DocuSigned by:
Mark Coupland
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M Coupland
Director

The notes on pages 25 to 66 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 April 2021	125,242	63	(665,711)	(540,406)
Comprehensive income/(expense) for the year				
Loss for the year	-	-	(66,007)	(66,007)
Actuarial losses on pension scheme	-	-	(313)	(313)
Other comprehensive income/(expense) for the year	-	-	(313)	(313)
Total comprehensive income/(expense) for the year	-	-	(66,320)	(66,320)
At 31 March 2022	125,242	63	(732,031)	(606,726)

The notes on pages 25 to 66 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	**£000**	**£000**	**£000**
At 1 April 2020	**125,242**	**63**	**(573,770)**	**(448,465)**
Comprehensive income/(expense) for the year				
Loss for the year	**-**	**-**	**(100,760)**	**(100,760)**
Actuarial gains on pension scheme	**-**	**-**	**8,819**	**8,819**
Other comprehensive income for the year	**-**	**-**	**8,819**	**8,819**
Total comprehensive income/(expense) for the year	**-**	**-**	**(91,941)**	**(91,941)**
At 31 March 2021	**125,242**	**63**	**(665,711)**	**(540,406)**

The notes on pages 25 to 66 form part of these financial statements.

1. General information

Lloyds Pharmacy Limited (the Company) is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is Sapphire Court, Walsgrave Triangle, Coventry, CV2 2TX.

The nature of the Company's operations and its principal activities are set out in the strategic report.

These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Company operates.

These financial statements are separate financial statements. The Company is exempt from the preparation and delivery of consolidated financial statements, because it is included in the group accounts of Admenta UK Limited. The group accounts of Admenta UK Limited are available to the public and can be obtained from Companies House.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Frameworks'.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

Where relevant, equivalent disclosures have been given in the group accounts of Admenta UK.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

Entities applying FRS 101 have a choice of following the statutory formats in the Accounting Regulations or to comply with the relevant provisions of IAS 1 Presentation of Financial Statements. Upon transition to FRS101 in the year ended 31 March 2021, the Company adapted IAS 1 format for presentation of financial statements. In year ending 31 March 2022, the Company started using an accounting application to produce the financial statements, and as a result it changed the format from IAS 1 to Companies Act format in the current year. Given the change in the accounting application used, it is expected that this format will be applied continuously going forward.

2. Accounting policies (continued)

2.1 Basis of preparation of financial statements

A qualifying entity choosing to apply paragraph 1A(1) of Schedule 1 to the Regulations and adapt one of the balance sheet formats shall apply the relevant presentation requirements of IAS 1 Presentation of Financial Statements. A qualifying entity not permitted or not choosing to apply paragraph 1A(1) of Schedule 1 to the Regulations shall comply with the balance sheet format requirements of the Act* instead of paragraphs 54 to 76B of IAS 1.

For a qualifying entity choosing to apply paragraphs 1A(1) and 1A(2) of Schedule 1 to the Regulations the format and presentation requirements of IAS 1 Presentation of Financial Statements may differ with those in company law because of the following:
(a) Differences in the definition of 'fixed assets' (the term used in the Regulations) and 'non-current assets' (the term used in EU-adopted IFRS).
(b) Differences in the definition of 'current assets' as the term is used in the Regulations and EU-adopted IFRS.
(c) Differences in the definition of 'creditors falling due within or after one year' (the terms used in the Regulations) and 'current and non-current liabilities' (the term used in EU-adopted IFRS).
(d) The Act requires presentation of debtors falling due after more than one year within current assets. Under EU-adopted IFRS those items would be presented in non-current assets. UITF Abstract 4 Presentation of long-term debtors in current assets addressed the inclusion of debtors due after more than one year within 'current assets'.

The following terms have changed in these financial statements:
Non-current assets as Fixed assets
Trade and other receivables as Debtors
Trade and other payables as Creditors
Retained earnings as Profit and loss account.

We have considered the nature of the balances based on the definitions and have concluded to change the following presentation in these financial statements:
Debtors amounts falling due after more than one year are presented under current assets in the current year (presented under Fixed assets in the prior year).
Pension assets are presented separately after net assets in the current year (presented under Fixed assets in the prior year).
Deferred tax assets are included in the Debtors within one year (presented on the face of the statement of financial position in the prior year).
Provisions are presented under the heading Provisions for liabilities on the face of the statement of financial position in the current year (presented under Creditors amounts falling due after more than one year in the prior year).
Lease liabilities more than one year are included in the Creditors amounts falling due after more than one year in the current year (presented on the face of the statement of financial position in the prior year).
Amounts owed to related parties are included in the Creditors amounts falling due after more than one year in the current year (presented on the face of the statement of financial position in the prior year).
Bank loans and overdrafts are included in the Creditors amounts falling due after more than one year in the current year (presented on the face of the statement of financial position in the prior year).
Derivative financial instruments are included in the Creditors amounts falling due after more than one year in the current year (presented on the face of the statement of financial position in the prior year).

The following principal accounting policies have been applied:

2. Accounting policies (continued)

2.2 Financial reporting standard 101 - reduced disclosure exemptions

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held For Sale and Discontinued Operations
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

2. Accounting policies (continued)

2.3 Going concern

The directors are required to assess whether adequate resources are available to continue operating for a period of not less than 12 months after the issuance of these statutory financial statements. In making this assessment, the directors considered a number of factors, including our business model, our strategy, risks we are exposed to as well as opportunities in the markets in which we operate.

The directors view the development of the business over the long term, but visibility and granularity of our outlook is greatest in the 12 months ending February 2024, the period most relevant for this going concern assessment. For purposes of the going concern assessment and as an input into impairment assessments, the Group make estimates of likely future cash flows which are based on assumptions given the uncertainties involved. The assumptions include changes to government reimbursement levels, cost of labour and supplies and working capital movements. These assumptions are made by management based on recent performance, external forecasts and management's knowledge and expertise of the cashflow drivers.

The Company is a subsidiary of Aurelius Elephant Limited and is financed through an asset-backed loan facility taken out by another Group company, Aurelius Elephant Limited, that was modified in December 2022 (the "Group's financing arrangements").

The Company is an obligor, guarantor and material subsidiary to the loan facility and is bound by the Group's financing arrangements. Since the Company is loss-making and has net current liabilities the directors have considered the financial performance of the Group and its ability to comply with the Group's financing arrangements when assessing going concern.

The facility allows the Aurelius Elephant limited group to borrow up to £358 million to April 6, 2025, in line with the initial term. The modified loan facilities are secured on qualifying accounts receivables of certain operating subsidiaries. The interest rate is determined based on the Bank of England rate plus 3.15%. The average asset-backed loan liquidity headroom is projected to increase from a low of more than £17m in March 2023 to being repaid before December 2023 from proceeds of the Group's retail store optimization program in other Group companies.

Past retail store optimization programs provide evidence around the length of time between initiating a program and the amount and timing of proceeds realized. Recent programs were substantially completed within a year and exceeded budgeted targets. This experience, and agreements for pharmacy disposals received in the year to date, provide the directors with confidence that the forecast proceeds will be realised. If forecast proceeds are achieved in line with the projected timeline, the asset-backed loan would be repaid before December 2023.

In forming their conclusions that the Group is a going concern the Group's directors performed sensitivity analysis considering downside scenarios to reduce expected proceeds per store and timing of disposals. Headroom remains under these scenarios.

The directors considered sensitivities to the cash flow forecasts which included the amount of proceeds realized from retail store disposals. Even assuming a 25% reduction to proceeds, liquidity headroom would not be at risk.

The Group's directors performed a reverse stress test to identify what level of deterioration would be required to breach the liquidity and adjusted EBITDA each covenant.

In relation to liquidity, the tightest point is at March 2023 where, disposal proceeds would need to be 100% lower than expected to be realized in March 2023 to breach the liquidity test. This is not considered likely given the percentage of sales this would represent in March.

2. Accounting policies (continued)

2.3 Going concern (continued)

Actual 12-month rolling Group adjusted EBITDA performance could be 30% below forecast before a covenant would be breached. The most sensitive month would be March 2023 where a delay of 2 months in expected proceeds from retail store disposals combined with a reduction of retail EBITDA equivalent to a 11% shortfall of retail revenue for both February and March 2023 result in a breach.

Under this scenario, a number of actions would be available to management including rationalizing overheads such as bonus and staffing costs, adjusting the timing of when we invest in advertising and promotion, and delaying/avoiding discretionary expenditure on property, plant and equipment. Together these mitigating actions would avoid the risk of breaching our covenants. Whilst not directly under our control given our liquidity headroom we could also seek amendment to financial covenant terms.

The Group’s directors have not performed sensitivity analysis beyond December 2023 as they expect to repay debt under the asset backed-loan before December 2023.

The Group’s directors also performed an assessment of the ongoing regulatory proceedings impacting Lloyds Pharmacy Clinical Homecare Limited and whilst uncertainty still exists in relation to the outcome of these proceedings, the Directors do not anticipate the outcome to have a material impact on the group’s ability to stay within the requirements of the ABL agreement.

On the basis of these reviews, the directors of the Company consider it is appropriate for the going concern basis to be adopted in preparing the annual report and financial statements.

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income Statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

2. Accounting policies (continued)

2.5 Revenue

Revenue comprises sales of goods and services at invoice or reimbursement value less discounts and excluding value added tax.

Revenue is recognised when control of the goods is transferred to the customer, provided that the amount of revenue can be reliably measured, and it is likely that economic benefits will flow to the Company. Service revenues are recognized when services are provided to the customer. For long-term service contracts, revenue is recognised on a straight-line basis over the term of the contract. Any deductions from sales such as returned goods, rebates, discounts allowed, and bonuses are deducted from gross revenue. The variable consideration is estimated at the most likely amount.

2.5 Revenue (continued)

For the sale of goods, the customer obtains control at the point in time at which the goods are delivered. The transfer of control is not tied to the transfer of legal ownership. Deliveries of goods where past experience shows that returns should be expected are not recognised in income until the deadline for the return has expired. For expected returns, a refund liability is recognized as well as a corresponding asset for the right to recover goods from customers.

The revenue generated is recorded at the time when the customer acquires control of the goods. We generally do not adjust the consideration for the effects of a significant financing component for contracts with an original expected length of one year or less. Additionally, we do not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less and for contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed .

If one party to the contract has satisfied its performance obligation, but the other party has not yet, then the contract is accounted for as either a contract liability or a contract asset, whereby an unconditional right to receive payment is presented separately as a trade receivable. As we usually satisfy our performance obligation to deliver goods or services first, which results in an unconditional right to receive payment, our contract balances are typically not material.

If Lloyds Pharmacy collects amounts in the interest of third parties, these do not represent revenue as they do not represent an inflow of economic benefits for the company. Only the remuneration for arranging the transaction and not the total proceeds are recognised as revenue. Lloyds Pharmacy is considered to be the principal, if the company has the ability to direct the use of the goods or services prior to transfer to a customer, is responsible for fulfilling the promise to the customer, and also bears the significant opportunities and risks associated with the sale of goods or the provision of services. Only in those cases is revenue recorded gross.

In relation to pharmaceutical sales reimbursed by the NHS, revenue is recognised based on the price agreed at the point of the transaction relating to delivery of that performance obligation.

2.6 Leases

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company

2. Accounting policies (continued)

2.6 Leases (continued)

recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is included in 'Creditors' on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

2. Accounting policies (continued)

2.6 Leases (continued)

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the 'Intangible Assets', 'Tangible Fixed Assets' and 'Investment Property' lines, as applicable, in the Statement of Financial Position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 2.13.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

The Company as a lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

When a contract includes lease and non-lease components, the Company applies IFRS 15 to allocate the consideration under the contract to each component.

2.7 Government grants

Government grants received on capital expenditure are initially recognised within deferred income on the Company's Statement of Financial Position and are subsequently recognised in profit or loss on a systematic basis over the useful life of the related capital expenditure.

Grants for revenue expenditure are presented as part of the profit or loss in the periods in which the expenditure is recognised.

2. Accounting policies (continued)

2.8 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.9 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.10 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.11 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

Defined benefit pension plan

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Statement of Financial Position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of plan assets at the reporting date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 101 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where

2. Accounting policies (continued)

2.11 Pensions (continued)

included in the cost of an asset, comprises:

a) the increase in net pension benefit liability arising from employee service during the period; and

b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

2.12 Current and deferred taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same

2. Accounting policies (continued)

2.12 Current and deferred taxation (continued)

taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

2.13 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 2% per annum
Long-term leasehold property	- 2% or over the period of the lease if less than 50 years
Short-term leasehold property	- 10-20% per annum or over the period of the lease
Fixtures and fittings	- 10-33% per annum

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

2. Accounting policies (continued)

2.14 Revaluation of tangible fixed assets

Individual freehold and leasehold properties are carried at current year value at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in other comprehensive income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

2.15 Impairment of fixed assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.16 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Income Statement for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2.17 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.18 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2. Accounting policies (continued)

2.19 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.20 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.21 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.22 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

Fair value through profit or loss

All of the Company's financial assets are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses being recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Impairment of financial assets

The Company always recognises lifetime ECL for trade receivables and amounts due on contracts

2. Accounting policies (continued)

2.22 Financial instruments (continued)

with customers. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Financial liabilities

Fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss, when the financial liability is held for trading, or is designated as at fair value through profit or loss. This designation may be made if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or the financial liability forms part of a group of financial instruments which is managed and its performance is evaluated on a fair value basis, or the financial liability forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss. Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

At amortised cost

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

2.23 Adoption of new and revised standards

The Company did not apply any standards or amendments for the first-time, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

In the current year, the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

2. Accounting policies (continued)

2.24 Adoption of new and revised standards (continued)

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16.	The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continued, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Company has not received Covid-19-related rent concessions in the current year and these amendments had no impact on the financial statements of the Company.
Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients: • A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest • Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued • Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. These amendments had no impact on the financial statements of the Company.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Critical accounting judgements and key sources of estimation uncertainty

In applying the Company's accounting policies, which are described in note 2, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

Critical Accounting Judgements

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimating uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The directors do not believe there are any critical judgements in applying the company's accounting policies in the current year.

Key sources of estimation uncertainty

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

Impairment

The Company investments are set out in Note 14 and 15. The basis for any impairment write down of investments is by reference to the higher of the post-tax net realisable value and the value in use of those assets. For the purposes of determining any impairment the income generating unit takes account of associated cash flows within the Admenta UK Limited group.

The basis for any impairment write down of property, plant and equipment is by reference to the higher of net realisable value and value in use at the asset group level which represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities.

The value in use is determined through discounting all future cash flows using a risk adjusted rate. The risk adjusted rate is based upon the weighted average cost of capital of the parent company, as used within internal investment appraisal mechanisms.

3. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

The assessment of the cash flows from new business activities, on which the recoverable amount is based, is particularly reliant on management estimates of the future development of these market segments. In these cases, historical information is available to a limited extent only. Moreover, unforeseen government measures could have a negative impact on future revenue and cash flows of Retail Pharmacy. If demand for these products and services does not develop as expected, or if unexpected government measures are introduced, this could reduce income and cash flows and possibly lead to a need to record an impairment loss. These premises and the underlying calculation model can have a material impact on the respective values and ultimately on the amount of a possible goodwill impairment.

The Company performs impairment review of the stores for which there are indicatiors of impairment. The recognition of an impairment for loss making stores is made if the store is expected to remain loss making and if no net realisable value is expected. Management assess each right of use asset according to IAS 36 ‘Impairment of Assets’ criteria throughout the lease period.

4. Turnover

An analysis of turnover by class of business is as follows:

	2022	*2021*
	£000	*£000*
Sale of goods	**1,182,340**	*1,320,304*
Rendering of services	**518,689**	*441,266*
	1,701,029	*1,761,570*

All turnover arose within the United Kingdom.

5. Other operating income

	2022	*2021*
	£000	*£000*
Other operating income	**19,812**	*21,619*
Rental income	**1,379**	*2,769*
	21,191	*24,388*

Other operating income relates mainly to profit on sale of pharmacies and promotional income.

6. Operating loss

The operating loss is stated after charging:

	2022 **£000**	*2021* *£000*
Depreciation of tangible assets (note 14)	**15,720**	*17,388*
Impairment of tangible assets (note 14)	**9,516**	*7,841*
(Gain)/loss on disposal of tangible assets (note 14)	**-**	*(292)*
Depreciation of right-of-use assets (note 14)	**19,274**	*27,172*
Impairment of right-of-use assets (note 14)	**903**	*3,377*
Net foreign exchange lossess / (gains)	**6**	*71*
Defined contribution pension cost	**5,970**	*6,412*
Loss allowance on trade receivables (note 18)	**(1,361)**	*2,133*
Cost of stocks recognised as an expense	**1,336,047**	*1,345,035*
Including: - write-down stocks to net realisable value	**(2,048)**	*3,887*

7. Auditors' remuneration

	2022 **£000**	*2021* *£000*
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**268**	*268*

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2022 £000	*2021 £000*
Wages and salaries	**237,399**	*273,326*
Social security costs	**19,906**	*21,538*
Cost of defined contribution scheme	**5,970**	*6,412*
	263,275	*301,276*

The average monthly number of employees, including the directors, during the year was as follows:

	2022 No.	*2021 No.*
Retail staff	**11,965**	*13,762*
Administrative staff	**946**	*917*
	12,911	*14,679*

9. Directors' remuneration

	2022 £000	*2021 £000*
Directors' emoluments	**2,780**	*1,982*
Amounts receivable under long term incentive schemes	**27**	*16*
Directors pension costs - defined contrib'n sch.	**145**	*147*
	2,952	*2,145*

The number of directors who:

	2022	*2021*
Are members of a defined contribution pension scheme	**3**	*3*
Exercised options over shares in the parent Company in respect of qualifying services under a long term incentive plan	**3**	*3*

During the year retirement benefits were accruing to nil directors (2021 - nil) in respect of defined benefit pension schemes.

Remuneration of the highest paid director:

	2022 £000	*2021 £000*
Emoluments	**1,653**	*1,251*
Company contributions to defined contribution pension plans	**69**	*68*
Amounts receivable under long-term incentive schemes	**25**	*16*
	1,747	*1,335*

10. Income from investments

	2022 £000	*2021 £000*
Income from fixed asset investments	**96**	*422*
	96	*422*
Dividends received from subsidiaries	**274**	*443*
	274	*443*

11. Interest receivable

	2022 £000	*2021 £000*
Interest receivable from group companies	**857**	*163*
Other interest receivable	**269**	*-*
	1,126	*163*

12. Interest payable and similar expenses

	2022 £000	2021 £000
Loans from group undertakings	6,045	25,257
Interest on lease liabilities	4,328	5,750
Other interest payable	177	-
	10,550	31,007

13. Taxation

	2022 £000	2021 £000
Corporation tax		
Current tax on profits for the year	(15,644)	(3,954)
Adjustments in respect of previous periods	7,360	-
	(8,284)	(3,954)
Total current tax	(8,284)	(3,954)
Deferred tax		
Origination and reversal of timing differences	(1,273)	3,417
Changes to tax rates	(3,281)	(263)
Prior period adjustment	(1,456)	-
Total deferred tax	(6,010)	3,154
Taxation on loss on ordinary activities	(14,294)	(800)

13. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than *(2021 - higher than)* the standard rate of corporation tax in the UK of 19% *(2021 - 19%)*. The differences are explained below:

	2022 **£000**	*2021* *£000*
Loss on ordinary activities before tax	**(80,301)**	*(101,560)*
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	**(15,258)**	*(19,296)*
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**(4,591)**	*7,304*
Adjustments to tax charge in respect of prior periods	**5,904**	*2,516*
Rate change	**(3,281)**	*(274)*
Group relief	**2,932**	*8,950*
Total tax charge for the year	**(14,294)**	*(800)*

Factors that may affect future tax charges

An increase in the main UK corporation tax rate from 19% to 25%, applicable from 1 April 2023, was enacted on 10 June 2021 in Finance Act 2021. The deferred taxes in these financial statements have therefore been calculated at 19%.

14. Tangible fixed assets

	Freehold property £000	Long-term leasehold property £000	Short-term leasehold property £000	Fixtures and fittings £000	Right-of-use assets - Buildings £000
Cost or valuation					
At 1 April 2021	**21,511**	**2,124**	**42,521**	**330,236**	**218,630**
Additions	**45**	**28**	**7**	**8,024**	**5,090**
Transfers intra group	**-**	**-**	**-**	**(237)**	**(16,090)**
Disposals	**(234)**	**-**	**(1,543)**	**(4,062)**	**-**
Reclassified to held for sale	**-**	**-**	**(220)**	**(2,992)**	**-**
At 31 March 2022	**21,322**	**2,152**	**40,765**	**330,969**	**207,630**
Depreciation					
At 1 April 2021	**4,356**	**1,543**	**30,154**	**269,497**	**56,449**
Charge for the year on owned assets	**35**	**29**	**3,052**	**12,604**	**-**
Charge for the year on right-of-use assets	**-**	**-**	**-**	**-**	**18,450**
Transfers intra group	**-**	**-**	**-**	**(1,043)**	**-**
Disposals	**(68)**	**-**	**(188)**	**(3,063)**	**-**
Reclassified to held for sale	**-**	**-**	**(122)**	**(2,753)**	**-**
Impairment charge	**(136)**	**-**	**(1,370)**	**11,022**	**15**
At 31 March 2022	**4,187**	**1,572**	**31,526**	**286,264**	**74,914**
Net book value					
At 31 March 2022	**17,135**	**580**	**9,239**	**44,705**	**132,716**
At 31 March 2021	*17,155*	*581*	*12,367*	*60,739*	*162,181*

14. Tangible fixed assets (continued)

	Right-of-use assets - Vehicles £000	Right-of-use assets - Equipment £000	Total £000
Cost or valuation			
At 1 April 2021	**5,451**	**818**	**621,291**
Additions	**-**	**-**	**13,194**
Transfers intra group	**-**	**-**	**(16,327)**
Disposals	**-**	**-**	**(5,839)**
Reclassified to held for sale	**-**	**-**	**(3,212)**
At 31 March 2022	**5,451**	**818**	**609,107**
Depreciation			
At 1 April 2021	**3,979**	**545**	**366,523**
Charge for the year on owned assets	**-**	**-**	**15,720**
Charge for the year on right-of-use assets	**584**	**240**	**19,274**
Transfers intra group	**-**	**-**	**(1,043)**
Disposals	**-**	**-**	**(3,319)**
Reclassified to held for sale	**-**	**-**	**(2,875)**
Impairment charge	**888**	**-**	**10,419**
At 31 March 2022	**5,451**	**785**	**404,699**
Net book value			
At 31 March 2022	**-**	**33**	**204,408**
At 31 March 2021	*1,472*	*273*	*254,768*

14. Tangible fixed assets (continued)

Impairment losses recognised in the year

There was an impairment charge in the year of £10,419,000 (2021: £16,998,000) in respect of fixed asset impairment written down to their net realisable value during an annual impairment test. The Company impaired the capitalised cost of an ERP project and as a result of this the impairment loss on fixtures and fittings in the current year increased to £11,022,000 (2021: £6,389,000).

Intragroup transfer

The Company transferred the right-of-use assets (buildings) to an intermediate parent company during the current year. The renewal of the lease agreement was signed with the intermediate parent company.

Fixed assets held for sale

When the Company plans to sell the pharmacies it transfers all the assets of those pharmacies to fixed assets held for sale account. The net book value of fixed assets held for sale as of the year end is £337,000 (2021: £10,593,000).

Right-of-use assets

The net book value of owned and leased assets included as "Tangible fixed assets" in the Statement of Financial Position is as follows:

	2022 **£000**	*2021* *£000*
Tangible fixed assets owned	**71,660**	*90,842*
Right-of-use tangible fixed assets	**132,749**	*163,926*
	204,409	*254,768*

Information about right-of-use assets is summarised below:

Net book value

	2022 **£000**	*2021* *£000*
Property	**132,716**	*162,181*
Motor vehicles	**-**	*1,472*
Equipment	**33**	*273*
	132,749	*163,926*

14. Tangible fixed assets (continued)

Depreciation charge for the year ended

	2022 **£000**	*2021* *£000*
Property	**18,450**	*25,017*
Motor vehicles	**584**	*1,883*
Equipment	**240**	*272*
	19,274	*27,172*

Additions to right-of-use assets

	2022 **£000**	*2021* *£000*
Additions to right-of-use assets	**5,090**	*336*

14 . Tangible fixed assets (continued)

Incremental borrowing rate

The weighted average lessees incremental borrowing rate (IBR) applied to lease liabilities recognised in the balance sheet on 1 April 2021 is shown below:

Lease term in months	IBT %	Lease term in months	IBT %	Lease term in months	IBT %
1	0.33	60	0.59	300	2.03
3	0.33	84	0.75	360	2.28
6	0.33	96	0.83	420	2.36
12	0.33	108	0.91	480	2.45
24	0.35	120	0.99	540	2.46
36	0.43	180	1.43	600	2.47
48	0.51	240	1.79	1200	2.47

15. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 April 2021	**35,674**
Additions	**3,773**
At 31 March 2022	**39,447**
Impairment	
Charge for the period	**3,581**
At 31 March 2022	**3,581**
Net book value	
At 31 March 2022	**35,866**
At 31 March 2021	*35,674*

15. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Baillieston Health Centre Pharmacy Limited		Health centre	£1 ordinary A shares and £1 ordinary B shares	100%
Expert Health Limited		Online health	£1 ordinary shares	100%
Lloyds Pharmacy Clinical Homecare Limited		Healthcare services	£1 ordinary shares	100%
Optimed Health Limited		Consulting	£1 ordinary shares	100%
Metabolic Healthcare Holding Limited		Holding	£1 ordinary shares	100%
Metabolic Healthcare Ltd*		Online healthcare services	£1 ordinary shares	100%
Algorithmic Health Ireland Limited*	2 Shelbourne Buildings,Crampton Avenue,Dublin, D04 W3v6,Ireland	Retail pharmacies	£1 ordinary shares	100%

* Held indirectly

All investments are in UK companies and have the same registered address as Lloyds Pharmacy Limited except one subsidiary above.

The directors consider the aggregate value of the company's shares in its subsidiaries is not less than the aggregate of the amounts at which those shares are included in the company's balance sheet.

16. Investments in Associates

	2022 £000
Net book value	
Cost at 31 March 2021	327
Accumulated Impairment at 31 March 2021	(327)
At 31 March 2022	-

he company has investments in the following associates. The investment in MyMHealth Limited and Company Chemists Association Limited were fully impaired in the prior years as their carrying value were assessed to be irrecoverable.

16. Investments in Associates (continued)

Associates	**Principal activity**	**Class of shares**	**% held**
Company Chemists Association Limited	Retail pharmacy	£1 Ordinary shares	27
MyMHealth Limited	Online healthcare	£0.001 Ordinary Shares	8

The registered address of the associates are as follows:

Name	**Registered office**
Company Chemists Association Limited	4 Kingston Hall, Kingston On Soar, Nottingham, NG11 0DJ
My MHealth Limited	161 8 Trinity, 161 Old Christchurch Road, Bournemouth, England, BH1 1JU

17. Stocks

	2022 **£000**	*2021* *£000*
Finished goods and goods for resale	**131,356**	*135,862*
	131,356	*135,862*

Stock provisions amounted to £11,364,000 were included in the finished goods and goods for resale at year end (2021: £13,411,000).

18. Debtors

	2022 £000	2021 £000
Due after more than one year		
Amounts owed by other group undertakings	**8,381**	*8,381*
	8,381	*8,381*

	2022 £000	2021 £000
Due within one year		
Trade debtors	**148,892**	*225,922*
Amounts owed by own subsidiaries	**13,314**	*27,479*
Amounts owed by other group undertakings	**77,540**	*25,216*
Other debtors	**46,555**	*42,751*
Prepayments and accrued income	**2,449**	*2,127*
Corporation tax group relief recoverable	**13,987**	*23,806*
Deferred taxation	**14,587**	*8,473*
	317,324	*355,774*

Amounts owed by group undertakings are unsecured, repayable on demand and do not attract any interest.

As at 31 March 2022, trade receivables of £2.62m (2021: £3.98m) were impaired and fully provided. The table below presents the movement expected credit losses for trade receivables in the year.

	2022 £000	2021 £000
Allowances brought forward	**3,981**	*2,564*
Additions	**-**	*2,231*
Utilisations	**(1,361)**	*(814)*
	2,620	*3,981*

19. Cash and cash equivalents

	2022 £000	2021 £000
Cash at bank and in hand	**38,590**	*37,365*
Less: bank overdrafts	**(221,142)**	*(159,446)*
	(182,552)	*(122,081)*

20. Creditors: Amounts falling due within one year

	2022 £000	2021 £000
Bank overdrafts	**221,142**	*159,446*
Trade creditors	**97,704**	*77,340*
Amounts owed to immediate parent company	**552,803**	*551,715*
Amounts owed to own subsidiaries	**-**	*1,347*
Amounts owed to other group undertakings	**199,105**	*187,676*
Lease liabilities	**23,501**	*33,664*
Other taxes and social security	**5,545**	*6,153*
Accruals and deferred income	**83,387**	*149,968*
Financial instruments	**-**	*2,445*
Other current liabilities	**1,269**	*328*
	1,184,456	*1,170,082*

21. Creditors: Amounts falling due after more than one year

	2022 £000	2021 £000
Lease liabilities	**156,505**	*186,641*
	156,505	*186,641*

22. Analysis of borrowings

	2022 £000	*2021 £000*
Unsecured borrowing		
Amounts owed to other group companies	**199,105**	*187,676*
Amounts owed to subsidiaries	**-**	*1,347*
Amounts owed to immediate parent	**552,803**	*551,715*
Total amounts owed to related parties	**751,908**	*740,738*
Secured borrowing		
Bank overdrafts	**221,142**	*159,446*
Total secured borrowing	**221,142**	*159,446*
Amount due for settlement:		
Bank Loans and overdrafts	**221,142**	*159,446*
Amounts owed to related parties	**751,908**	*740,738*
On demand or within one year	**973,050**	*900,184*

The other principal features of the Company's borrowings are as follows:

i) The balances due to fellow subsidiaries, subsidiaries and other group companies are unsecured, repayable on demand and interest free.

(ii) Amounts owed under the overdraft are secured on the cash assets of all McKesson Europe AG participants bearing interest at 1.1375% (2021: 0.715%) and is repayable on demand. Interest is only payable where the overall group position of Mckesson Europe AG is in an overdraft position. At 31st March 2022 the overall group position was not overdrawn and therefore interest was not being incurred.

(iii) Amounts owed to the immediate parent are interest bearing and repayable on demand at 0.64% (2021: 2.69%).

23. Leases

Company as a lessee

Lloyd Pharmacy Limited’s leasing activities mainly relate to its pharmacies. The Company leases several assets including buildings, vehicle and equipment. The average lease term is 6 years (2021: 7 years)

Lease liabilities are due as follows:

	2022 £000	*2021 £000*
Not later than one year	**23,501**	*33,664*
Between one year and five years	**94,004**	*104,626*
Later than five years	**62,501**	*82,015*
	180,006	*220,305*

The following amounts in respect of leases, where the Company is a lessee, have been recognised in profit or loss:

	2022 £000	*2021 £000*
Interest expense on lease liabilities	**4,328**	*5,750*
Expenses relating to short-term leases	**4,318**	*2,919*
Income from sub-leasing right-of-use assets	**(118)**	*(2,769)*

In the year, total cash outflows in relation to leases was £31,685,000 (2021: £31,858,000).

24. Financial instruments

	2022 £000	2021 £000
Financial assets		
Financial assets measured at fair value through profit or loss	**38,590**	*37,365*
Financial assets that are debt instruments measured at amortised cost	**294,682**	*329,749*
	333,272	*367,114*
Financial liabilities		
Held for trading derivatives that are not designated in hedge accounting relationships: Call option	**-**	*(2,445)*
Financial liabilities measured at amortised cost	**(1,072,023)**	*(977,852)*
	(1,072,023)	*(980,297)*

Financial assets measured at fair value through profit or loss comprise cash and cash equivalents.

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, amounts owed by other group undertakings and other debtors.

Derivative financial instruments measured at fair value through profit or loss held as part of a trading portfolio comprises derivatives.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to other group undertakings, other creditors, other liabilities, accruals and deferred income and bank overdraft.

25. Deferred taxation

The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes. Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so.

	2022 £000	2021 £000
Deferred tax liabilities	**(8,106)**	*(8,292)*
Deferred tax assets	**22,693**	*16,765*
	14,587	*8,473*

25. Deferred taxation (continued)

The following are the movements during the current and prior reporting period.

	2022 £000	2021 £000
At beginning of year	**8,473**	*14,090*
Charged to profit or loss	**6,010**	*(3,154)*
Charged to other comprehensive income	**104**	*(2,463)*
At end of year	**14,587**	*8,473*

At the reporting date, the Company has unused tax losses of £16,724,182 (2021: £16,724,182) available for offset against future profits. A deferred tax asset has been recognised in respect of £nil (2021: £nil) of such losses.

The deferred tax asset is made up as follows:

	2022 £000	2021 £000
Accelerated capital allowances	**19,200**	*16,765*
Deferred gains in excess of capital loss	**(8,106)**	*(6,160)*
Short-term timing difference	**3,493**	*(2,132)*
	14,587	*8,473*

26. Provisions

	Property provision £000	Restructuring provision £000	Other provision £000	Total £000
At 1 April 2021	**26,831**	**4,843**	**247**	**31,921**
Charged to profit or loss	**1,086**	**4,347**	**-**	**5,433**
Unwind of discount	**(578)**	**-**	**-**	**(578)**
Utilised in year	**(1,377)**	**(3,258)**	**-**	**(4,635)**
Released in year	**(739)**	**(1,123)**	**-**	**(1,862)**
Other movements	**(899)**	**-**	**53**	**(846)**
At 31 March 2022	**24,324**	**4,809**	**300**	**29,433**

The property provisions represent an assessment of the costs to cover (a) rent increases accrued following rent reviews, (b) dilapidations. The assessment, which is undertaken at the end of each accounting period, is made on a property by property basis in conjunction with Admenta UK Limited's property services department.

It is expected that the property provision will be used during the remainder of the dilapidations and repair programme or until the assignment or disposal of the premises, over a maximum remaining period of 100 years.

The restructuring provision represents an assessment of the costs associated with the head office restructuring. It is expected to be utilised in the next financial year.

The other provisions represent pension related costs and the balance is expected to be utilised within the next 5 years.

27. Share capital

	2022 £000	*2021 £000*
Authorised, allotted, called up and fully paid		
125,242,450 *(2021 - 125,242,450)* Ordinary shares of £1.00 each	**125,242**	*125,242*

The Company has one class of ordinary shares which carry no right to fixed income.

28. Reserves

Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Profit and loss account

This reserve records retained earnings and accumulated losses.

29. Pension commitments

Defined contribution schemes

The Company operates defined contribution retirement benefit schemes for its employees. The assets of the schemes are held separately from those of the Company in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

The total cost charged to profit or loss of £5,970,000 (2021: £6,412,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 31 March 2022, contributions of £ 448,000 (2021: £nil) due in respect of the current reporting period had not been paid over to the schemes and are included in other payables.

Defined benefit scheme

The Company operates a Defined Benefit Pension Scheme.

The Company participates in a group defined benefit scheme for qualifying employees operated by Admenta UK Limited. The defined benefit scheme is a joint scheme with fellow subsidiary AAH Pharmaceuticals Limited and is divided by reference to the historic number of employees. The scheme is funded and constituted as an independently administered fund with assets being held separately from those of the company. The fund is valued every three years by a professionally qualified, independent actuary, with the rates of contribution payable being determined by the actuary.

In November 2021, McKesson Corporation announced an agreement to sell Admenta UK Limited to Aurelius and the sale closed on April 6, 2022. Under the Share Purchase and Sale agreement the plan is aligning itself towards a buy out basis. McKesson Corporation has put into place a guarantee in the form of a letter of credit up to a £35m if there is a funding shortfall on a buy out basis with any excess to be paid by Admenta UK Limited. In conjunction with the sale agreement, the Company contributed an incremental £12m to the plan, an amount representing the entire remaining funding deficit amount under a funding agreement between Admenta UK Limited and the Trustees after having already paid £3m in April 2021. In addition, the Trustees approved initiating the wind-up of this scheme in March 2022.

The defined benefit disclosures in these financial statements relate to the Company's share of the scheme's assets and liabilities, the remaining assets and liabilities of the scheme are disclosed in the AAH Pharmaceuticals Limited financial statements. Through this scheme the Company is exposed to a number of risks, the most significant of which are as follows:

29. Pension commitments (continued)

Asset volatility

The Scheme liabilities are calculated using a discount rate set with reference to corporate bond yields; if Scheme assets underperform this yield, this will create a deficit. As a result of the agreement to sell Admenta UK Limited and wind-up the Scheme, the Scheme reduced the level of investment risk by investing more in assets that better match the liabilities, primarily debt instruments as of March 31, 2022.

Changes in bond yields

A decrease in corporate bond yields will increase Scheme liabilities, although this will be partially offset by an increase in the value of the Scheme's bond holdings.

Inflation risk

The majority of the Scheme's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, restrictions on the level of inflationary increases are in place to protect the Scheme against extreme inflation). The Scheme's assets are unaffected by (fixed interest bonds) inflation, meaning that an increase in inflation will not materially increase a deficit.

Life expectancy:

The majority of the Scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the Scheme's liabilities.

The pension cost for all schemes is borne by the fund. The company provides no other post-retirement benefits to its employees under defined benefit plans.

A full actuarial valuation is carried out every 3 years as required by the Pension Regulator and the last full valuation was carried out as at 31st March 2020. However the valuation is updated to each accounting year end by a qualified independent actuary.

The company contributions during the year amounted to £15,000,000 (2021: £2,700,000) representing the remaining contributions under the scheme's funding deficit plan based on a funding agreement between McKesson Corporation and the Trustees. The scheme closed to ongoing accrual in February 2017.

The pension plan is closed to ongoing accrual and therefore closed to new entrants so the average age of the membership will increase over time. The weighted average duration of the defined benefit obligation is 13 years (2021: 14 years).The level of benefits provided by the Scheme depends on a member’s length of service and their salary at their date of leaving the Scheme.

Reconciliation of present value of plan liabilities:

	2022	*2021*
	£000	*£000*
At the beginning of the year	**116,773**	*111,006*
Interest cost	**2,263**	*2,493*

29. Pension commitments (continued)

Experience adjustments of plan obligation	**1,100**	*(1,734)*
Effects from changes in demographic assumptions	**(155)**	*1,285*
Effects from changes in financial assumptions	**(6,536)**	*9,274*
Benefits paid	**(6,153)**	*(5,585)*
Past service cost	**-**	*34*
At the end of the year	**107,292**	*116,773*

Reconciliation of present value of plan assets:

	2022 £000	2021 £000
At the beginning of the year	**127,533**	*107,019*
Interest income	**2,508**	*2,519*
Return on plan assets excluding interest income	**(6,008)**	*20,879*
Employers contributions	**15,000**	*2,701*
Benefits paid	**(6,153)**	*(5,585)*
At the end of the year	**132,880**	*127,533*

Composition of plan assets:

	2022 £000	2021 £000
Equity instruments	**-**	*37,961*
LDI Solutions	**129,910**	*87,287*
Insurance contracts (unquoted)	**889**	*968*
Cash and cash equivalents	**2,081**	*1,317*
Total plan assets	**132,880**	*127,533*

None of the Scheme assets are invested in the company's financial instruments or in property occupied by, or other assets used by, the Company.

	2022 £000	2021 £000
Fair value of plan assets	**132,880**	*127,533*
Present value of plan liabilities	**(107,292)**	*(116,773)*
Net pension scheme liability	**25,588**	*10,760*

29. Pension commitments (continued)

The amounts recognised in profit or loss are as follows:

	2022 £000	*2021 £000*
Past service cost	-	*(34)*
Total	**-**	*(34)*
Actual return on scheme assets	**(3,500)**	*23,398*
	(3,500)	*23,398*

The amounts charged to the statement of comprehensive income are as follows:

	2022 £000	*2021 £000*
Actuarial gains and (losses)	**(417)**	*11,282*
	(417)	*11,282*

29. Pension commitments (continued)

Principal actuarial assumptions at the Statement of Financial Position date (expressed as weighted averages):

	2022	*2021*
	%	*%*
Discount rate	**2.80**	*2.00*
Future salary increases	**4.10**	*3.60*
Future pension increases	**3.60**	*3.10*
Inflation assumption	**3.70**	*3.20*
Mortality rates		
- for a male aged 65 now	**86.90**	*86.90*
- at 65 for a male aged 45 now	**88.30**	*88.30*
- for a female aged 65 now	**89.00**	*89.00*
- at 65 for a female member aged 45 now	**90.50**	*90.40*

Sensitivity analysis
The below sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. Also this analysis is based on the assumption that the scheme will be retained by the Company and not towards buy out basis.

If the discount rate increases by 0.5%, the defined benefit obligation at 31 March 2022 will decrease by approximately £6.1m to £101.2m. If the discount rate decreases by 0.5%, the defined benefit obligation at 31 March 2022 will increase by approximately £7.0m to £114.3m.

If the expected rate of increase in pensions increases by 0.5%, the defined benefit obligation at 31 March 2022 will increase by approximately £3.4m to £110.7m. If the expected rate of increase in pensions decreased by 0.5%, the defined benefit obligation at 31 March 2022 will decrease by approximately £3.0m to £104.3m.

If the expected rate of salary increase increases by 0.5%, the defined benefit obligation at 31 March 2022 will increase by approximately £0.1m to £116.9m. If the expected rate of salary increases/decreases by 0.5%, the defined benefit obligation at 31 March 2022 will decrease by approximately £0.1m to £107.4m.

If assumed life expectancies on retirement of pensioners increased by 10%, the defined benefit obligation at 31 March 2022 will decrease by approximately £3.5m to £103.8m. If assumed life expectancies on retirement of pensioners decreased by 10%, the defined benefit obligation at 31 March 2022 will increase by approximately £4.0m to £111.3m.

30. Related party transactions

Lloyds Pharmacy Limited have chosen to exercise the exemption under FRS 101.8(k) to exempt themselves from disclosing related party transactions with wholly owned group companies.

31. Post balance sheet events

McKesson Corporation closed the sale of Admenta UK Limited (of which this company is a subsidiary) to Aurelius Elephant Limited, an entity owned by Aurelius asset management group, on April 6, 2022.

The Company is a party to the asset-backed loan described in more detail in note 2. Borrowings are permitted against the Company's qualifying accounts receivable beginning in December 2022. The Company is also contingently liable in the event the Company, or an affiliate, defaults under the asset-backed loan, principally for failure to repay borrowings.

32. Controlling party

During the financial year

The immediate parent undertaking is Admenta Holdings Limited a company registered in England and Wales.

The ultimate parent undertaking and controlling party of the Company is McKesson Corporation, a company registered in the United States of America.

Consolidated financial statements for the largest group of undertakings are prepared by McKesson Corporation and may be obtained from its registered address McKesson Corporation, 6555 State Hwy 161, Irving, TX 75039, USA.

Consolidated financial statements for the smallest group of companies are prepared by Admenta UK Limited and may be obtained from Companies House.

After the sale of Admenta UK Limited to Aurelius Elephant Limited

Effective with the closing of the sale by McKesson Corporation of Admenta UK Limited (of which this Company is a subsidiary) to Aurelius on April 6, 2022, the ultimate parent undertaking and controlling party of the Company is AURELIUS European Opportunities IV, S.C.A. SICAV-RAIF, a company registered in Luxembourg. The Global Ultimate Parent (GUP) is an entity with a greater than 50% shareholding in the client that is not itself controlled by another entity.