Registered number: 02764914

LLOYDS PHARMACY CLINICAL HOMECARE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

COMPANY INFORMATION

Directors	Jane Davies (resigned 31 July 2022) Christian Keen (resigned 18 May 2022) Toby Matthew Anderson (resigned 11 May 2022) Wendy Margaret Hall (appointed 27 July 2022) Robin Lindsay Dargue (appointed 27 July 2022) Nicholas Edward Davis (appointed 20 October 2022)
Company secretary	Nichola Legg
Registered number	02764914
Registered office	Sapphire Court Walsgrave Triangle Coventry CV2 2TX

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2022

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

Principal activities

Our Lloyds Pharmacy Clinical Homecare Limited (“LPCH”) business delivers care to over 96,000 patients in their home, at their place of work or in the community which reduces the number of visits to hospital and gives patients more choice on how they receive their care. The services range from straightforward delivery of prescription medicines, to specialist oncology and nursing for complex conditions.

By working in partnership with the NHS, pharmaceutical companies, private medical insurers and consultants, we help deliver cost effective end to end treatment to patients and release capacity within the NHS for the most necessary cases.

With many homecare patients being shielded or self-isolating through the novel coronavirus ("Covid-19") pandemic LPCH offers virtual nurse training so those that can administer their own treatment do not need a nurse to visit them at home. Without it, their condition could go untreated, increasing the likelihood of complications which could lead to a hospital admission and with it an even greater risk of close contact with others plus of course, the additional burden on the NHS at this time.

LPCH delivers a range of treatments including chemotherapy and immunotherapy in communities including from mobile units.

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.

UK homecare industry

The clinical home-care sector provides essential additional capacity for the NHS, as well as enabling significant opportunities to provide treatment to more patients outside of hospital. We are looking at a number of proactive and strategic measures that we can take to further support the NHS and patients at this difficult time as well as into the future, we are keen to invest and grow our capacity to provide for more patients. This ambition requires sustainable funding and a long-term strategy for clinical homecare from government.

Business review and results

The Company is focused on growing both high tech and low tech services within the clinical home health market while pursuing cost efficiencies through the adoption of new processes and technology. Nursing capacity has been expanded to further support growth.

The novel coronavirus ("Covid 19") pandemic has created significant volatility and disruption. LPCH continues to play a pivotal role in delivering healthcare services to communities around the country. The health and wellbeing of its employees, patients, and the communities it serves is LPCH's cardinal priority. LPCH reacted swiftly to the UK government's advice implementing safety measures, and the Company continues to follow the government's advice in order to remain available to patients as access to other healthcare (e.g. GPs, clinics and hospitals) has been restricted.

Results
The result for the year was driven by rise in turnover from high value drug sales with a rapid patient growth. Operating profit and adjusted EBITDA increased due to higher gross profit and cost control. The profit for the year, after taxation, amounted to £8,995,000 (2021: £7,952,000). Overall profit for the year was affected by higher intercompany interest receivable. The company had net assets of £ 41,616,000 (2021: £32,621,000).

Key performance indicators
The Board monitors progress on the overall strategy and the individual strategic elements by reference to the key performance indicators below.

KPI	Year ended 31 Mar 2022	Year ended 31 Mar 2021
Turnover (£'000)	1,277,039	1,147,386
Profit for the year (£'000)	8,995	7,952
Adjusted EBITDA (£'000)	14,061	12,196
Shareholders equity (£'000)	41,616	32,621

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 below.

Adjusted EBITDA

	2022	2021
	£'000	£'000
Adjusted EBITDA	14,061	12,196
Plus restructuring and other exit charges	(41)	(236)
Bad debt (expense)/credit	(610)	166
EBITDA	13,410	12,126
Deprecation and Amortization	(3,137)	(3,681)
Operating profit/(loss)	10,273	8,445

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.

Regulation and government
LPCH operates in highly regulated markets, any changes to, or non-compliance with, could have a negative impact on business performance. Changes to laws and regulations, for example, by the Medicines & Healthcare products Regulatory Agency, the Care Quality Commission ("CQC"), the Scottish Care Inspectorate, Monitor, the General Pharmaceutical Council, the Information Commissioner’s Office, minimum wage requirements/inflation, tax frameworks (including healtcare providers and workforce), data or privacy regulations, and health, safety, or environmental standards, could adversely impact the Company's profitability.

Following an inspection in November and December 2021, the CQC issued a report on February 25, 2022 concluding that LPCH’s rating was ‘Inadequate’. To the extent any ‘Inadequate’ ratings are not remediated in time for a re-inspection, typically due within 6 months, the CQC could begin the process of preventing LPCH from continuing to provide its services.

LPCH has communicated to relevant stakeholders, including the NHS, customers and vendors as well as the banks providing financing. In addition, a remediation plan has been developed, communicated to the CQC and implementation is complete, although ongoing enhancements to the services will continue in the normal course of business.

A return inspection and associated updated report is pending.

Further, the United Kingdom (“UK”) entered into a trading arrangement with the European Union (“EU”) on 31st December 2020. The principal risks we face 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 costs. 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 enhance the trading agreement and mitigate the above risks. Mitigating actions have been implemented including policies, adherence to a quality system in accordance with ISO9001, ways of working, training across a range of areas (including data protection and monitoring), to secure supply and minimise business disruption.

Competition
LPCH operates in a market in which there is significant competition around the enhancing services; pricing to customers and vendors; and ease of doing business. There is also competition around recruiting and retaining talent including nurses. High investment costs (inventory, transport infrastructure, compliance programs, etc.) and regulation require regular monitoring and development of strategic plans to evolve the service offering to remain competitive.

Cost management
The Company may face increased costs through a number of ways including poor management of change programmes, including separating our applications and processes from our former parent company McKesson Corporation, sub-optimal purchasing from vendors, failure of systems that impact our operations, hiring and retaining talent, and foreign exchange. The Company has implemented robust programme 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 credit, liquidity, foreign currency, and interest rate risk. LPCH has the support of group funding whereby the responsibility of monitoring financial risk management is made through a central treasury function which arranges the overall funding requirements of the UK group of companies. 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 LPCH, a subsidiary of Admenta UK Limited ("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. The function reports to the board on a regular basis.

The financial risks are managed by a fellow group company, Admenta UK Limited. The management of these risks, including credit, liquidity, foreign currency, and interest rate risk, is discussed in the Admenta UK Limited financial statements and relates to all subsidiary companies where applicable.

LPCH participates in the banking arrangements of the UK group, which are arranged with the assistance of the central treasury function. LPCH funds its operations though a mix of retained earnings, and group funding when required 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 by the company.

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: the Company 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 through 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 projections which are compiled on a periodic basis across the group. The UK group operates a cash pooling arrangement in which the company participates. Under this arrangement, cash funds which are in excess of day-to-day requirements are loaned to other UK group companies.

Foreign currency and interest rate risk: the Company uses instruments to manage its foreign currency risks, including forward currency contracts. The company also has both interest-bearing assets and liabilities, these being managed within the UK group, including interest rate hedging contracts.

Covid-19 pandemic

Future developments may include changes in demand patterns, governmental or business actions to mitigate risk or save costs, availability and effectiveness of vaccines, impacts on our supply chains, working remotely including reliance of applications that are subject to cybersecurity risks.

Although the future duration and impact of Covid-19 variants are unknown, LPCH will continue to support its communities whilst following the advice of the UK government. The Company participated in several government schemes while they were in effect, including the furlough programme for certain non-critical employees. To secure supple and minimise business disruption, mitigating actions have been implemented including policies, ways of working, and training and monitoring.

Statement by the directors on the performance of their statutory duties in accordance with s172(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 patient and nurse safety in the pandemic, 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), 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 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.

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.

Government and regulators

We operate in a highly regulated industry, and patient safety is critical. Government entities, including the Department of Health, 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 National Clinical Homecare Association. 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 negotiations. The board is updated on developments through regular board and management meeting reporting and takes these into account when making decisions.

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

DocuSigned by:

Nick Davis

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Nicholas Edward Davis
Director

Date: 16 February 2023

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.

Directors

The directors who served during the year were:

Jane Davies (resigned 31 July 2022)
Christian Keen (resigned 18 May 2022)
Toby Matthew Anderson (resigned 11 May 2022)
Wendy Margaret Hall (appointed 27 July 2022)
Robin Lindsay Dargue (appointed 27 July 2022)
Nicholas Edward Davis (appointed 20 October 2022)

Results and dividends

The profit for the year, after taxation, amounted to £8,995 thousand *(2021 - £7,952 thousand)*.

The directors does not recommend the payment of a dividend (2021: £nil).

Events after the end of the reporting period

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.

Future developments

Future developments of the business are detailed in the strategic report on p.1 and form part of this report by cross-reference.

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

The Directors considered the requirements under 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 1 – 6 in the Strategic Report.

Energy and Carbon Reporting

Details of Energy and Carbon reporting can be found in our group consolidated accounts of Admenta UK Limited.

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. Therefore, although the Company is profitable and has net current assets 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.

Donations

There were no Political or Charitable donations made in the year (2021: none)

Employment of disabled persons

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 applicable.

Qualifying third party indemnity provisions

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 in the strategic report

The company has chosen in accordance with section 414C (11) of the Companies Act 2006 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 2015. This includes disclosures on future developments, financial risk management and dividends which form part of this report by cross-reference.

Directors' responsibilities statement

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 and other information included in Directors' Reports may differ from legislation in other jurisdictions.

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.

Auditors

The auditors, Delloite LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

DocuSigned by:
Nick Davis
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Nicholas Edward Davis
Director

Date: 16 February 2023

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LLOYDS PHARMACY CLINICAL HOMECARE LIMITED

Qualified Opinion

In our opinion, except for the possible effects on the corresponding figures of the matter described in the basis for qualified opinion section of our report, the financial statements of Lloyds Pharmacy Clinical Homecare 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 profit 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 statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 26.

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 qualified opinion

We were not able to observe the counting of the physical inventories for the year ended 31 March 2020 due to safety threats imposed by the Covid-19 pandemic. We also were unable to satisfy ourselves by alternative means concerning the inventory quantities of £46,123,000 held at 31 March 2020 by using other audit procedures. Consequently, we were unable to determine whether there was any consequential effect on the cost of sales for the year ended 31 March 2021. Our audit opinion on the financial statements for the year ended 31 March 2021 was modified accordingly. Our opinion on the current year’s financial statements is also modified because of the possible effect of this matter on the comparability of the current year’s figures and the corresponding figures. In addition, the effect of this would also impact the discussion of financial performance in the strategic report.

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.

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.

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.

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the comparability of the current year’s results of operations affected by inventories of £46,123,000 held at 31 March 2020 and the corresponding figures. We have concluded that where the other information refers to cost of sales, it may be materially misstated for the same reason.

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, internal legal team 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; 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.

We discussed among the audit engagement team including relevant internal specialists such as tax, pensions, IT 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.

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 and 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

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report, 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.

Except for the possible effects of the matter described in the basis for qualified opinion section of our report, 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.

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 auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

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

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Matthew Smith FCA (Senior Statutory Auditor)

for and on behalf of
Deloitte LLP

Manchester
United Kingdom

16 February 2023

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022

	Note	2022 £000	2021 £000
Turnover	5	**1,277,039**	*1,147,386*
Cost of sales	6	**(1,206,004)**	*(1,078,208)*
Gross profit		**71,035**	*69,178*
Distribution costs	7	**(1,146)**	*(797)*
Administrative expenses		**(59,616)**	*(59,936)*
Operating profit	12	**10,273**	*8,445*
Interest receivable and similar income	10	**602**	*1,580*
Interest payable and similar expenses	11	**(62)**	*(54)*
Profit before tax		**10,813**	*9,971*
Tax on profit	13	**(1,818)**	*(2,019)*
Total comprehensive income for the year		**8,995**	*7,952*

The notes on pages 21 to 43 form part of these financial statements.

Turnover and operating profit are all derived from continuing operations.

LLOYDS PHARMACY CLINICAL HOMECARE LIMITED
REGISTERED NUMBER: 02764914

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	Note		2022 £000		2021 £000
Fixed assets					
Intangible assets	14		**64**		*112*
Tangible Fixed Assets	15		**4,895**		*4,830*
			4,959		*4,942*
Current assets					
Stocks	16	**48,217**		*39,747*	
Debtors due after more than 1 year	17	**164,658**		*125,486*	
Debtors: amounts falling due within one year	17	**150,606**		*154,630*	
Cash at bank and in hand		**38**		*197*	
		363,519		*320,060*	
Creditors: amounts falling due within one year	18	**(324,167)**		*(291,231)*	
Net current assets			**39,352**		*28,829*
Total assets less current liabilities			**44,311**		*33,771*
Creditors: amounts falling due after more than one year	19		**(2,387)**		*(858)*
			41,924		*32,913*
Provisions for liabilities					
Provisions for liabilities	20	**(308)**		*(292)*	
			(308)		*(292)*
Net assets			**41,616**		*32,621*
Capital and reserves					
Called up share capital	22		**1,485**		*1,485*
Share premium account	23		**1,303**		*1,303*
Profit and loss account	23		**38,828**		*29,833*
			41,616		*32,621*

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

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

DocuSigned by:
Nick Davis
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Nicholas Edward Davis
Director

Date: 16 February 2023

The notes on pages 21 to 43 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 2020	**1,485**	**1,303**	**21,881**	**24,669**
Comprehensive income for the year				
Profit for the year	**-**	**-**	**7,952**	**7,952**
Total comprehensive income for the year	**-**	**-**	**7,952**	**7,952**
At 1 April 2021	**1,485**	**1,303**	**29,833**	**32,621**
Comprehensive income for the year				
Profit for the year	**-**	**-**	**8,995**	**8,995**
Total comprehensive income for the year	**-**	**-**	**8,995**	**8,995**
At 31 March 2022	**1,485**	**1,303**	**38,828**	**41,616**

The notes on pages 21 to 43 form part of these financial statements.

1. General information

Lloyds Pharmacy Clinical Homecare Limited is a private company limited by shares and is domiciled in the UK and registered in England and Wales under Companies Act 2006 (registered number: 02764914). The registered office address is Sapphire Court, Walsgrave Triangle, Coventry, England, CV2 2TX.

The nature of the company's operations and its principal activities are set out in the strategic report on pages 1 and 2. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates. All values are rounded to the nearest thousand.

The company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) issued by the Financial Reporting Council (FRC) incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and the amendments to company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015.

2. Accounting policies

2.1 Impact of new international reporting standards, amendments and interpretations

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.

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.

2. Accounting policies (continued)

2.1 Impact of new international reporting standards, amendments and interpretations (continued)

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.

2.2 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'.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, certain disclosure in respect of revenue from contracts with customers, impairment of assets, certain related party transactions, and certain disclosure requirements in respect of leases.

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

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)

2.2 Basis of preparation of financial statements (continued)

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 this financial statements:

* Non current assets as Fixed assets.

The following items have been re classed in this financial statements:

* Debtors amounts falling due after more than one year has been reclassed from Other assets (non current assets) and presented under current assets.

* Deferred tax assets was presented on the face of the statement of financial position has been included in the Debtors due after more than one year.

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).

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. Therefore, although the Company is profitable and has net current assets 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 Revenue recognition

Revenue is stated at invoice value excluding discounts and value added tax. 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.

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. For expected returns a refund liability is recognized as well as a corresponding asset for the right to recover goods from customers.

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.

2. Accounting policies (continued)

2.5 Interest income

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

When a loan and receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

2.6 Current and deferred taxation

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

Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date.

Current income tax relating to items recognised directly in equity and other comprehensive income is also recognised in equity and other comprehensive income and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax
Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. This is unless the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted, or substantively enacted, at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside the income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2. Accounting policies (continued)

2.7 Intangible assets

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Amortisation is calculated on a straight-line basis so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows;
- Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed three years.

2.8 Tangible fixed assets

All tangible fixed assets are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

2. Accounting policies (continued)

2.8 Tangible fixed assets (continued)

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.

The estimated useful lives range as follows:

Fixtures and fittings	- 3 - 7 years
Long Leasehold buildings	- 3 - 7 years
IT Hardware	- 3 - 7 years

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.

2.9 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 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.

2. Accounting policies (continued)

2.9 Leases (continued)

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 Company did not make any such adjustments during the periods presented.

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.

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 2.8.

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 not used this practical expedient.

2. Accounting policies (continued)

2.9 Leases (continued)

2.10 Financial instruments

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

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.

Classification
The company classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within twelve months, otherwise they are classified as non-current investments.
(b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise trade and other receivables.

Recognition and measurement
Regular way purchases and sales of financial assets are re cognised on the trade date – the date on which the company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss' category are presented in the income statement within interest income or expenses in the period in which they arise.

Impairment of financial assets
The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2. Accounting policies (continued)

2.11 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.

2.12 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.

2.13 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.

2.14 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.

2.15 Provisions for liabilities

Provisions for are recognised when:
- the company has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2. Accounting policies (continued)

2.16 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.

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

In application of the company's accounting policies, which are described in note 2, the directors are required to make judgements, 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.

Management do not consider there to be any material critical judgements in applying the company's accounting policies.

Key sources of estimation uncertainty

In the process of applying the company's accounting policies the directors have concluded that there are no key sources of estimation uncertainty on the amounts recognised in the financial statements.

4. Controlling party

During the financial year

The immediate parent undertaking is Lloyds Pharmacy Limited, a company registered in the UK.

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 were prepared by McKesson Corporation and may be obtained from McKesson Corporation from its registered address 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 Elephant Limited 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.

5. Turnover

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

	2022 **£000**	*2021* *£000*
Supply of healthcare products	**1,261,757**	*1,131,356*
Supply of healtcare services	**15,282**	*16,030*
	1,277,039	*1,147,386*

All turnover arose within the United Kingdom.

6. Cost of sales

	2022 **£000**	*2021* *£000*
Cost of inventories recognised as an expense	**1,206,004**	*1,078,208*

7. Distribution costs

	2022 **£000**	*2021* *£000*
Various delivery charges	**1,146**	*797*

8. Employees

Staff costs were as follows:

	2022 **£000**	*2021* *£000*
Wages and salaries	**33,628**	*35,925*
Social security costs	**3,372**	*3,695*
Other pension costs	**1,580**	*1,778*
	38,580	*41,398*

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

	2022 **No.**	*2021* *No.*
Operational teams	**1,153**	*1,307*

9. Directors' remuneration

The directors receive no remuneration for their services from this entity (2021: none).

10. Interest receivable

	2022 **£000**	*2021* *£000*
Interest receivable from group companies	**602**	*1,580*
	602	*1,580*

11. Interest payable and similar expenses

	2022 £000	*2021 £000*
Interest expenses on leases	**62**	*54*
	62	*54*

12. Operating profit

The operating profit is stated after charging:

	2022 £000	*2021 £000*
Depreciation of tangible fixed assets	**3,089**	*3,575*
Amortisation of intangible assets	**48**	*107*
Other rentals: land and buildings	**280**	*274*
Other rentals: plant and machinery	**355**	*380*
Other rentals: vehicles	**589**	*878*
Write downs of inventories recognised as an expense	**176**	*1,163*
Gains on stock pricing	**(1,402)**	*-*
Defined contribution pension cost	**1,580**	*1,778*
Fees payable to the company's auditor for the audit of the company's financial statements (non-audit services £nil (2021: £nil))	**80**	*80*

Impairments to stock and stock losses are included in cost of sales. They comprise of written off stock due to expiration, damages or losses, and provision for stock losses.

13. Taxation

	2022 £000	*2021 £000*
Corporation tax		
Current tax on profits for the year	**2,072**	*1,950*
Adjustments in respect of previous periods	**(129)**	*11*
	1,943	*1,961*
Total current tax	**1,943**	*1,961*
Deferred tax		
Origination and reversal of timing differences	**(251)**	*(22)*
Adjustments in respect of prior year	**126**	*80*
Total deferred tax	**(125)**	*58*
Taxation on profit on ordinary activities	**1,818**	*2,019*

Factors affecting tax charge for the year

The tax assessed for the year is the same as *(2021 - the same as)* the standard rate of corporation tax in the UK of 19% *(2021 - 19%)* as set out below:

	2022 £000	*2021 £000*
Profit on ordinary activities before tax	**10,813**	*9,971*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	**2,055**	*1,895*
Effects of:		
Non-deductible expenses	**9**	*33*
Adjustments to tax charge in respect of prior periods	**(129)**	*11*
Deferred taxation adjustments in respect of prior year	**126**	*80*
Rate Change	**(243)**	*-*
Total tax charge for the year	**1,818**	*2,019*

Factors that may affect future tax charges

13. Taxation (continued)

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 been calculated at 19%.

14. Intangible assets

	Software £000
Cost	
At 1 April 2021	**3,010**
At 31 March 2022	**3,010**
Amortisation	
At 1 April 2021	**2,898**
Charge for the year on owned assets	**48**
At 31 March 2022	**2,946**
Net book value	
At 31 March 2022	**64**
At 31 March 2021	*112*

Intangible assets amortisation is recorded in administrative expenses in the Statement of comprehensive income.

15. Tangible fixed assets

	Long-term Leasehold Buildings £000	Fixtures, fittings and equipment £000	IT Hardware £000	Right-of-use Buildings £000	Right-of-use Vehicles £000	Total £000
Cost or valuation						
At 1 April 2021	**7,873**	**8,976**	**1,634**	**2,406**	**3,802**	**24,691**
Additions	**63**	**-**	**-**	**2,688**	**1,398**	**4,149**
Disposals	**-**	**-**	**-**	**(1,280)**	**(5,200)**	**(6,480)**
At 31 March 2022	**7,936**	**8,976**	**1,634**	**3,814**	**-**	**22,360**
Depreciation						
At 1 April 2021	**7,337**	**6,767**	**1,553**	**1,304**	**2,900**	**19,861**
Charge for the year on owned assets	**142**	**873**	**66**	**703**	**1,305**	**3,089**
Disposals	**-**	**-**	**-**	**(1,280)**	**(4,205)**	**(5,485)**
At 31 March 2022	**7,479**	**7,640**	**1,619**	**727**	**-**	**17,465**
Net book value						
At 31 March 2022	**457**	**1,336**	**15**	**3,087**	**-**	**4,895**
At 31 March 2021	*536*	*2,209*	*81*	*1,102*	*902*	*4,830*

15. Tangible fixed assets (continued)

Right-of-use assets

The Company's leasing activities mainly relate to warehouses and one asset relating to property. The average lease term is 2 years (2021: 2 years). The total cash outflow for leases amount to £1,917,380 (2021: £2,154,794).

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	IBR %	Lease term in months	IBR %	Lease term in months	IBR %
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

16. Stocks

	2022	*2021*
	£000	*£000*
Goods for resale	**48,217**	*39,747*
	48,217	*39,747*

There is no significant difference between the replacement cost of goods for resale and their carrying amount. Stocks are stated after provisions for impairment of £1,533,000 (2021: £1,699,000)

17. Debtors

	2022	*2021*
	£000	*£000*
Due after more than one year		
Amounts owed by group undertakings	**163,497**	*124,450*
Deferred tax asset	**1,161**	*1,036*
	164,658	*125,486*

	2022	*2021*
	£000	*£000*
Due within one year		
Trade debtors	**91,214**	*99,241*
Other debtors	**44,259**	*40,342*
Prepayments and accrued income	**15,133**	*15,047*
	150,606	*154,630*

18. Creditors: Amounts falling due within one year

	2022 £000	*2021 £000*
Trade creditors	**305,604**	*270,378*
Amounts owed to immediate parent company	**6,198**	*8,388*
Corporation tax group relief liability	**3,910**	*2,734*
Other creditors including social security	**262**	*235*
Lease liabilities	**664**	*1,066*
Accruals and deferred income	**7,529**	*8,430*
	324,167	*291,231*

Amounts owed to fellow group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. No interest was charged on these balances.

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

	2022 £000	*2021 £000*
Lease liabilities	**2,387**	*858*
	2,387	*858*

20. Provisions

The company had the following provisions:	2022 £000	*2021 £000*
Dilapidation provision		
At 1 April 2021	**292**	*276*
Provided in the year	**16**	*16*
Utilised in the year	**-**	*-*
At 31 March 2022	**308**	*292*

The dilapidations provision relates to the costs associated to the warehouses leased. The related leases are expected to expire within a period of between 1 to 7 years.

21. Deferred taxation

	2022 £000	*2021 £000*
At beginning of year	**1,036**	*1,094*
Rate change	**243**	*-*
Utilised in year	**(118)**	*(58)*
At end of year	**1,161**	*1,036*

The deferred tax asset is made up as follows:

	2022 £000	*2021 £000*
Accelerated capital allowances	**920**	*1,036*
Short term timing differences	**241**	*-*
	1,161	*1,036*

A deferred tax asset has been recognised based on forecast profits against which these timing differences are expected to reverse.

22. Called up share capital

	2022 £000	*2021 £000*
Authorised, allotted, called up and fully paid		
1,485,002 *(2021 - 1,485,002)* Ordinary shares of £1.00 each	**1,485**	*1,485*

23. 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.

24. Contingent liabilities, guarantees and other financial commitments

(i) Contingent liabilities
There were no outstanding contingent liabilities at the end of either year.

(ii) Guarantees
The company has no outstanding guarantees at the end of either year.

(iii) Capital commitments
The company has no outstanding capital commitments at the end of either year.

25. Related party transactions

Lloyds Pharmacy Clinical Homecare 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. No other related party transactions happened during the financial year.

26. 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 became a party to an asset-backed loan on April 6, 2022 as set out in note 2.3. The banking arrangements of the Company operate on a pooled basis with certain affiliates. Under these arrangements participating companies guarantee each other's borrowings. Borrowings are permitted against the Company's qualifying accounts receivable. 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.