# Lloyds Pharmacy Clinical Homecare Limited

**(Registered number 02764914)**

**Annual report and financial statements**

**for the year ended**

**31 March 2021**

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The directors present their strategic report for the year ended 31 March 2021.

## Principal activities

Our Lloyds Pharmacy Clinical Homecare Limited ("LPCH") business delivers care to over 100,000 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 treatment and release capacity within the NHS for the most necessary cases.

With many homecare patients being shielded or self-isolating through the coronavirus pandemic LPCH offers virtual nurse training so those that can administer their own treatment don't need a nurse to visit them at home. Without it, their condition could go untreated, increasing the likelihood of a flare up 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.

## UK pharmacy 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. McKesson UK is 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

<u>Results</u>
The profit for the year, after taxation, amounted to £ 7,952,000 (2020: £3,102,000). The result for the year was driven by rise in turnover from high value drug sales with a rapid patient growth. Operating profit increased due to operating cost savings. Overall profit for the year was affected by higher intercompany interest receivable.
The company had net assets of £ 32,621,000 (2020: £24,669,000).

<u>Key performance indicators</u>
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 2021** | **Year ended 31 Mar2020** | **Analysis** |
|---|---:|---:|---|
| Turnover (£'000) | 1,147,386 | 872,488 | Introduction of high value drugs with a rapid patient growth in FY21. |
| Gross Profit (£'000) | 69,178 | 68,988 | Impact of £1.2m stock losses and change in the revenue mix i.e., growth in the revenue from the low margin therapies. |
| Operating profit (£'000) | 8,445 | 3,225 | Increase in operating profit margin was due to operating cost savings. |

## Business model

The Company is focused on growing both high tech and low tech services within the clinical home health market. Back-office functions have been reviewed and right sized to generate savings, and to improve efficiency. Nursing capacity has been expanded to further support growth.

## Future outlook

The focus of the Company remains the growth in our high tech and low tech services and to deliver improvements in cost efficiencies through implementation of new processes and technology.

## Principal risks and uncertainties

The management of the business and the execution of the company's strategy are 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 ultimate parent undertaking, McKesson Corporation.

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, the Scottish Care Inspectorate, Monitor, the General Pharmaceutical Council, the Information Commissioner’s Office, data or privacy regulations, and health, safety, or environmental standards, could adversely impact the Company's profitability. 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, 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 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**

The 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.

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 sustainable long-term profit growth. 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:

<u>Customers and Suppliers</u>
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-19and 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.

<u>Colleagues</u>
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 sponsorship for our top talent to attend our European Talent programmes.

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.

<u>Communities and the environment</u>
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.

**Statement by the directors on the performance of their statutory duties in accordance with s172(1) of the Companies Act 2006 *(continued)***

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 of directors on 25 March 2022 and signed on behalf of the board by:

DocuSigned by:
Chris Keen
BDB7F99981984A8...

C Keen
Director

**Registered office:**
Sapphire Court
Walsgrave Triangle
Coventry
England
CV2 2TX

The directors present their annual report and the audited financial statements of the company for the year ended 31 March 2021.

## Directors

The directors who served the company during the year and up to the date of this report were as follows:
T M Anderson
J Davies
C Keen

## Results and dividends

The profit after tax for the year amounted to £7,952,000 (2020: £3,102,000). The directors do not recommend the payment of a dividend (2020: £nil).

## Events after the end of the reporting period

The challenges of the pandemic continue to impact the business, although the directors believe that the long-term impact of this virus and variants are not yet clear.

In July 2021, McKesson Corporation announced that it is exploring strategic alternatives for the company.

In November 2021, McKesson Corporation announced an agreement to sell its UK businesses to AURELIUS, an asset management group which has a proven track record and focus on operational excellence. The transaction is expected to close in fiscal 2022, subject to closing conditions, including receipt of required regulatory approvals.

## Future developments

Future developments of the business are detailed in the strategic report.

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

The Directors welcome 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 3 – 5 in the Strategic Report.

## Energy and Carbon Reporting

| | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| Emission resulting from activities including combustion of gas or consumption of fuel for transport ($tCO_2e$) | 3,168 | 3,961 |
| Emissions resulting from the purchase of electricity, including for transport ($tCO_2e$) | 580 | 616 |
| Energy consumed from activities involving the combustion of gas or the consumption of fuel for transport and the purchase of electricity for its own use, including for transport (kWh) | 16,155,647 | 19,644,983 |
| Intensity ratio (kWh/revenue £m) | 14,080 | 22,516 |

Methodology used to calculate the year ended March 31, 2021 information disclosed above:
Calculation method: activity data x emission factor = greenhouse gas emission
Emissions factor source: DEFRA, 2021 for all emissions factors-
https://www.gov.uk/government/publications/greenhouse-gasreporting-conversion-factors-2021
Intensity ratio is based on revenue (in £m) for the year ended 31 March 2021

Energy efficiency measures taken
Energy efficiency actions taken during the year ended 31 March 2021 included operational improvements across the portfolio to improve energy management and increase how much we recycle.

## Going concern

The directors have received confirmation from the UK parent Company, Admenta UK Limited, that intergroup debt will continue to be made available at levels sufficient to allow the Company to meet its liabilities as they fall due for a period not less than 12 months. The directors have satisfied themselves that Admenta UK Limited has the necessary financial resources to provide this support during this period, should it be required. Therefore, the directors have a reasonable expectation that the Company has adequate resources internally and through its association with Admenta UK Limited, to continue in operational existence for the foreseeable future. As such, the going concern basis has been adopted in preparing the annual report and financial statements.

## Donations

There were no Political or Charitable donations made in the year (2020: 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 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 McKesson Europe AG, 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.

## Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK Accounting Standards and applicable law), including FRS 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 the 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

**Directors' responsibilities statement *(continued)***
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 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

**Auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and

- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

This report was approved by the board of directors on 25 March 2022 and signed on behalf of the board by:

DocuSigned by:
Chris Keen
BDB7F99981984A8...

C Keen
Director

Registered Office:
Sapphire Court
Walsgrave Triangle
Coventry
England
CV2 2TX

## Report on the audit of the financial statements

### 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 2021 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 profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 28.

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 2020 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 period'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 Auditor's 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 UK, including the Financial Reporting Council's (the 'FRC'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 qualified audit 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 auditor's 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.

**Other information *(continued)***
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 opening inventories of £46,123,000 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 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. These included regulatory solvency requirements and environmental regulations.

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

**Extent to which the audit was considered capable of detecting irregularities, including fraud *(continued)***
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 and reviewing correspondence with HMRC.

**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.

Kate Hadley FCA Senior statutory auditor
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham

25th March 2022

**Lloyds Pharmacy Clinical Homecare Limited**
**Statement of Comprehensive Income**
**For the year ended 31 March 2021**

| | Note | **Year ended 31 Mar 2021 £'000** | Year ended 31 Mar 2020 £'000 |
|---|---|---|---|
| Turnover | 5 | **1,147,386** | 872,488 |
| Cost of sales | 6 | **(1,078,208)** | (803,500) |
| **Gross profit** | | **69,178** | 68,988 |
| Distribution costs | 7 | **(797)** | (1,624) |
| Administrative expenses | 8 | **(59,936)** | (64,139) |
| **Operating profit** | 12 | **8,445** | 3,225 |
| Interest receivable and similar income | 10 | **1,580** | 604 |
| Interest payable and similar expenses | 11 | **(54)** | (71) |
| **Profit before tax** | | **9,971** | 3,758 |
| Tax on profit | 13 | **(2,019)** | (656) |
| **Total comprehensive income for the year** | | **7,952** | 3,102 |

All activities relate to continuing operations.

The notes on pages 15 to 31 form part of these financial statements.

**Lloyds Pharmacy Clinical Homecare Limited**
**Statement of Financial Position**
**31 March 2021**

| | Note | **31 Mar 2021 £'000** | Restated 31 Mar 2020 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| **Fixed assets** | | | |
| Intangible assets | 14 | **112** | 219 |
| Tangible assets | 15 | **4,830** | 7,097 |
| | | **4,942** | 7,316 |
| **Other assets** | | | |
| Deferred income tax asset | 16 | **1,036** | 1,094 |
| Debtors: falling due after more than one year | 17 | **124,450** | 67,057 |
| | | **125,486** | 68,151 |
| | | **130,428** | 75,467 |
| **Current assets** | | | |
| Stocks | 18 | **39,747** | 46,123 |
| Debtors | 19 | **154,630** | 152,735 |
| Cash at bank and in hand | | **197** | 648 |
| | | **194,574** | 199,506 |
| **Creditors: amounts falling due within one year** | 20 | **(291,231)** | (248,558) |
| **Net current assets** | | **(96,657)** | (49,052) |
| **Total assets less current liabilities** | | **33,771** | 26,415 |
| **Creditors: Amounts falling due after more than one year** | 21 | **(858)** | (1,470) |
| **Provisions for liabilities** | 22 | **(292)** | (276) |
| **Net Assets** | | **32,621** | 24,669 |
| **Capital and reserves** | | | |
| Called up share capital | 24 | **1,485** | 1,485 |
| Share premium account | 25 | **1,303** | 1,303 |
| Profit and loss account | 25 | **29,833** | 21,881 |
| | | **32,621** | 24,669 |

Prior year comparative information has been restated as a result of a presentational adjustment as described in note 17.

These financial statements were approved by the board of directors and were signed on its behalf by:

DocuSigned by:
Chris Keen
BDB7F99981984A8...

C Keen
25 March 2022
**Director**
Registered number: 02764914

The notes on pages 15 to 31 form part of these financial statements

| | Called up share capital £'000 | Share Premium £'000 | Profit and loss account £'000 | Total £'000 |
|---|---|---|---|---|
| **Balance at 1 April 2019** | 1,485 | 1,303 | 18,779 | 21,567 |
| Profit for the year | - | - | 3,102 | 3,102 |
| **Total comprehensive income for the year** | - | - | 3,102 | 3,102 |
| **Balance as at 31 March 2020** | 1,485 | 1,303 | 21,881 | 24,669 |
| **Balance at 1 April 2020** | 1,485 | 1,303 | 21,881 | 24,669 |
| Profit for the year | - | - | 7,952 | 7,952 |
| **Total comprehensive income for the year** | - | - | 7,952 | 7,952 |
| **Balance as at 31 March 2021** | 1,485 | 1,303 | 29,833 | 32,621 |

The notes on pages 15 to 31 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

### Adoption of new and revised Standards

### New and amended IFRS Standards that are effective for the current year

**Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7**
In September 2019, the IASB issued Interest Rate Benchmark Reform, (Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7) Financial Instruments: Disclosures. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The amendments are not relevant to the Company given that it does not apply hedge accounting to its benchmark interest rate exposures.

**Impact of initial application of other amendments to IFRS Standards and Interpretations**
In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

| | |
|---|---|
| Amendments to References to the Conceptual Framework in IFRS Standards | The Company has adopted the amendments included in *Amendments to References to the Conceptual Framework in IFRS Standards* for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.<br>The standard which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. |

## 2. Accounting policies (continued)

### New and amended IFRS Standards that are effective for the current year *(continued)*

| | |
|---|---|
| Amendments to IAS 1 and IAS 8 *Definition of material* | The Company has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. |

## 3. Accounting policies (continued)

### Basis of preparation

The company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. The financial statements have therefore been prepared in accordance with FRS 101. 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.

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, United States. Where relevant, equivalent disclosures have been given in the group financial statements of McKesson Corporation.

Consolidated financial statements for the smallest group of companies are prepared by McKesson Europe AG and may be obtained from its registered address: McKesson Europe AG, Stockholmer Platz 1, 70173 Stuttgart, Germany.

The financial statements have been prepared on the historical cost basis.

### Going concern

The directors have received confirmation from the UK parent Company, Admenta UK Limited, that intergroup debt will continue to be made available at levels sufficient to allow the Company to meet its liabilities as they fall due for a period not less than 12 months. The directors have satisfied themselves that Admenta UK Limited has the necessary financial resources to provide this support during this period, should it be required. Therefore, the directors have a reasonable expectation that the Company has adequate resources internally and through its association with Admenta UK Limited, to continue in operational existence for the foreseeable future. As such, the going concern basis has been adopted in preparing the annual report and financial statements.

## 2. Accounting policies (continued)

### 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.

### Interest income

Interest income is recognised 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.

### Employee benefits

Obligations for contributions to defined contribution pension schemes are recognised as an expense in the statement of comprehensive income.

### 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.

## 2. Accounting policies (continued)

**Deferred tax *(continued)***
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.

**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. Accounting policies (continued)

### 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. Depreciation is calculated on a straight line basis over the following time periods:

| | |
|---|---|
| Fixtures, fittings and equipment, Long Leasehold buildings, IT Hardware | 3 to 7 years |

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.
An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.
Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other income in the statement of comprehensive income in the period they arise.

### Leases

***The company as lessee***
The company assesses whether a contract is or contains a lease, at inception of the contract. The company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements 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 (such as tablets and personal computers, small items of office furniture and telephones). 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 assets 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:
1. Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
2. Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
3. The amount expected to be payable by the lessee under residual value guarantees;
4. The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
5. 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 presented as a separate line in the balance sheet.

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)

**Leases *(continued)***

***The company as lessee (continued)***
The company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

1. The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
2. 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 an unchanged 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).
3. 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 based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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, less any lease incentives received 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. To the extent that the costs relate to a right-of-use asset, 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 presented within the tangible fixed assets line in the balance sheet.

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 the ‘impairment of tangible and intangible assets’ policy.

**Impairment of non-financial assets**

Non-financial assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of nonfinancial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

## 2. Accounting policies (continued)

### 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 recognised 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.

### Stocks

Stocks are valued on a FIFO basis and are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses. This includes all costs of purchase, costs of conversion and other costs in bringing stock to location and condition.

## 2. Accounting policies (continued)

### Trade and other receivables

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

### Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

### Share capital

Ordinary shares are classified as equity.

### 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.

### Provisions

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.

### Pensions and similar obligations

A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

## 4. Critical accounting judgements 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. Immediate and ultimate parent company

The immediate parent undertaking of the company is Lloyds Pharmacy Limited, a company incorporated in England and Wales.

The smallest group into which these financial statements are consolidated is that headed by McKesson Europe AG and consolidated financial statements may be obtained from its registered address: McKesson Europe AG, Stockholmer Platz 1, 70173 Stuttgart, Germany.

The largest group into which these financial statements are consolidated, and the ultimate parent undertaking and controlling party of the company, is McKesson Corporation, a company registered in North America.
Consolidated financial statements may be obtained from McKesson Corporation from its registered address: 6555 State Hwy 161, Irving, TX 75039, USA.

## 5. Turnover

| | **Year ended 31 Mar 2021 £'000** | Year ended 31 Mar 2020 £'000 |
|---|---|---|
| Supply of healthcare products | **1,131,356** | 855,458 |
| Supply of healthcare services | **16,030** | 17,030 |
| | **1,147,386** | 872,488 |

All turnover arises in the United Kingdom.

## 6. Cost of sales

| | **Year ended 31 Mar 2021 £'000** | Year ended 31 Mar 2020 £'000 |
|---|---|---|
| Cost of inventories recognised as an expense | **1,078,208** | 803,500 |

## 7. Distribution costs

| | **Year ended 31 Mar 2021 £'000** | Year ended 31 Mar 2020 £'000 |
|---|---|---|
| Various delivery charges | **797** | 1,624 |

## 8. Other operating expenses

| | **Year ended 31 Mar 2021 £'000** | Year ended 31 Mar 2020 £'000 |
|---|---|---|
| Office Running Costs | **705** | 1,823 |
| Amortisation (note 14) | **107** | 128 |
| Staff costs (note 9) | **41,398** | 42,280 |
| Depreciation (note 15) | **3,575** | 3,365 |
| Loss on disposal of tangible fixed assets | **87** | 63 |
| Other operating costs | **14,064** | 16,480 |
| | **59,936** | 64,139 |

## 9. Staff costs and directors' remuneration

The average monthly number of persons employed by the company during the year, analysed by category, was as follows:

Headcount based view

| | **Year ended 31 Mar 2021** | Year ended 31 Mar 2020 |
|---|---|---|
| Operational teams | **1,307** | 1,260 |

## 9. Staff costs and directors' remuneration (*continued*)

The aggregate payroll costs of those persons were as follows:

| | **Year ended 31 Mar 2021 £'000** | Year ended 31 Mar 2020 £'000 |
|---|---|---|
| Wages and salaries | **35,925** | 36,932 |
| Social security costs | **3,695** | 3,575 |
| Other pension costs | **1,778** | 1,773 |
| | **41,398** | 42,280 |

The directors receive no remuneration for their services from this entity (2020: none).
The emoluments of all directors are paid by a fellow subsidiary company, Lloyds Pharmacy Limited, which makes no recharge to the company. All other directors of this company are also directors of a number of fellow subsidiary companies, and it is impossible to make an accurate apportionment of their emoluments in respect of each of these companies. Accordingly, no emoluments in respect of these directors are disclosed. Their emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of Lloyds Pharmacy limited.

## 10. Interest receivable and similar income

| | **Year ended 31 Mar 2021 £'000** | Year ended 31 Mar 2020 £'000 |
|---|---|---|
| Intercompany interest received – McKesson UK | **1,580** | 604 |

## 11. Interest payable and similar expenses

| | **Year ended 31 Mar 2021 £'000** | Year ended 31 Mar 2020 £'000 |
|---|---|---|
| Interest expenses on leases | **54** | 71 |

## 12. Operating profit

Operating profit is stated after charging:

| | **Year ended 31 Mar 2021 £'000** | Year ended 31 Mar 2020 £'000 |
|---|---|---|
| Depreciation of tangible fixed assets | **1,411** | 1,375 |
| Depreciation of right-of-use assets | **2,164** | 1,990 |
| Amortisation of intangible assets | **107** | 128 |
| Other rentals: | | |
| - land and buildings | **274** | 458 |
| - plant and machinery | **380** | 163 |
| - vehicles | **878** | 950 |
| Write downs of inventories recognised as an expense | **1,163** | 36 |
| Fees payable to the company's auditor for the audit of the company's financial statements (non-audit services £nil (2020: £nil)) | **80** | 48 |

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. Tax on profit

**Major components of tax expense**

| | **Year ended 31 Mar 2021 £'000** | Year ended 31 Mar 2020 £'000 |
|---|---|---|
| UK corporation tax on profit for the year | **1,895** | 775 |
| Adjustments in respect of prior year | **11** | 236 |
| Total current tax | **1,961** | 1,011 |
| **Deferred tax** | | |
| Origination and reversal of timing differences | **(22)** | (120) |
| Adjustments in respect of prior year | **80** | (235) |
| Total deferred tax | **58** | (355) |
| **Total tax on profit** | **2,019** | 656 |

## 13. Tax on profit *(continued)*

### Factors affecting the tax charge

The differences between the total current tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

| | **Year ended 31 Mar 2021 £'000** | Year ended 31 Mar 2020 £'000 |
|---|---|---|
| Profit before taxation | **9,971** | 3,758 |
| Tax on profit at standard UK corporation Effective tax rate of 19% (2020: 19%) | **1,895** | 713 |
| Effects of: | | |
| Non-deductible expenses | **33** | 57 |
| Current income taxation adjustments in respect of prior year | **11** | 236 |
| Deferred taxation adjustments in respect of prior year | **80** | (235) |
| Change in taxation rates | **-** | (115) |
| Other items | **-** | - |
| **Tax on profit** | **2,019** | 656 |

### Factors that may affect future tax expense

A change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted for FRS 102 purposes on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%.

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. As substantial enactment did not take place on or before the balance sheet date, the deferred taxes in these financial statements have been calculated at 19%.

## 14. Intangible assets

| | Software £'000 |
|---|---|
| **Cost** | |
| At 1 April 2020 | **3,010** |
| Additions | **-** |
| **At 31 March 2021** | **3,010** |
| **Amortisation** | |
| At 1 April 2020 | **2,791** |
| Charge for the year | **107** |
| **At 31 March 2021** | **2,898** |
| **Net Book Value** | |
| **At 31 March 2021** | **112** |
| At 31 March 2020 | 219 |

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** | | | | | | |
| At 1 April 2020 | 7,835 | 8,797 | 1,539 | 1,576 | 3,812 | **23,559** |
| Additions | 38 | 493 | 95 | 764 | 5 | **1,395** |
| Disposals | - | (314) | - | - | (15) | **(329)** |
| **At 31 March 2021** | 7,873 | 8,976 | 1,634 | 2,340 | 3,802 | **24,625** |
| | | | | | | |
| **Depreciation** | | | | | | |
| At 1 April 2020 | 7,132 | 5,958 | 1,382 | 530 | 1,460 | **16,462** |
| Charge for the year | 205 | 1,036 | 171 | 708 | 1,455 | **3,575** |
| Disposals | - | (227) | | - | (15) | **(242)** |
| **At 31 March 2021** | 7,337 | 6,767 | 1,553 | 1,238 | 2,900 | **19,795** |
| | | | | | | |
| **Net Book Value** | | | | | | |
| **At 31 March 2021** | 536 | 2,209 | 81 | 1,102 | 902 | **4,830** |
| | | | | | | |
| At 31 March 2020 | 703 | 2,839 | 157 | 1,046 | 2,352 | **7,097** |

### Right-of-use assets

The Company's leasing activities mainly relate to warehouses and vans, and one asset relating to property. The average lease term is 2 years (2020: 4 years).

### Incremental borrowing rate

The weighted average lessees incremental borrowing rate (IBR) applied to lease liabilities recognised in the balance sheet on 1 April 2020 is shown below:

| Lease Term in Months | IBR % | Lease Term in Months | IBR % | Lease Term in Months | IBR % |
|---|---|---|---|---|---|
| 1 | 0.28 | 60 | 0.20 | 300 | 1.43 |
| 3 | 0.28 | 84 | 0.27 | 360 | 1.72 |
| 6 | 0.28 | 96 | 0.31 | 420 | 1.93 |
| 12 | 0.28 | 108 | 0.37 | 480 | 2.13 |
| 24 | 0.23 | 120 | 0.43 | 540 | 2.16 |
| 36 | 0.21 | 180 | 0.81 | 600 | 2.18 |
| 48 | 0.18 | 240 | 1.14 | 1200 | 2.18 |

## 16. Deferred income tax asset

| | **2021 £'000** | 2020 £'000 |
|---|---|---|
| **Amount falling due after one year** | | |
| Deferred tax (note 22) | **1,036** | 1,094 |

## 17. Debtors: falling due after more than one year

| | 2021 | Restated 2020 |
|---|---|---|
| | **£'000** | £'000 |
| **Amount falling due after more than one year** | | |
| Amounts owed by fellow group undertakings | **124,450** | **67,057** |

During 2021, a prior period balance sheet reclassification was identified in respect of amounts owed by group companies. The 2020 comparative balances for amounts owed by group companies, which were previously disclosed within current assets, have been restated to incorporate the fact that debtor is not expected to be realised within the companies normal operating cycle and has resulted in a balance sheet reclassification of £67,057,000 from current assets to non-current asset on the balance Sheet.

## 18. Stocks

| | 2021 | 2020 |
|---|---|---|
| | **£'000** | £'000 |
| Goods for resale | **39,747** | 46,123 |

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 £1,699,000 (2020: £1,556,000)

## 19. Debtors

| | 2021 | 2020 |
|---|---|---|
| | **£'000** | £'000 |
| **Amount falling due within one year** | | |
| Trade receivables | **99,241** | 104,669 |
| Other receivables | **40,342** | 36,739 |
| Prepayments and accrued income | **15,047** | 11,327 |
| | **154,630** | 152,735 |

Amounts owed by fellow group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. No interest was charged on these balances.
Trade receivables are stated after provisions for impairment of £1,739,000 (2020: £4,265,000).

## 20. Creditors: amounts falling due within one year

| | 2021 | 2020 |
|---|---|---|
| | **£'000** | £'000 |
| Trade creditors | **270,378** | 220,438 |
| Amounts owed to immediate parent company | **8,388** | 10,156 |
| Finance lease liabilities – short term | **1,066** | 1,888 |
| Other creditors including social security | **235** | 313 |
| Corporation tax group relief liability | **2,734** | 2,195 |
| Accruals and deferred income | **8,430** | 13,568 |
| | **291,231** | 248,558 |

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.

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

| | Year ended 31 Mar 2021 | Year ended 31 Mar 2020 |
|---|---|---|
| | **£'000** | £'000 |
| Finance lease liabilities – long term | **858** | 1,470 |

## 22. Provisions

The company had the following provisions:

| | **2021** **£'000** | 2020 £'000 |
|---|---|---|
| Dilapidations | **292** | 276 |

**Onerous lease and dilapidation provision**

| | **2021** **£'000** | 2020 £'000 |
|---|---|---|
| At 1 April | **276** | 260 |
| Provided in the year | **16** | 16 |
| Utilised in the year | **-** | - |
| At 31 March | **292** | 276 |

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.
There are uncertainties about the amount and/or timing of those outflows.

## 23. Deferred taxation

Deferred taxation is analysed as follows:

| | **2021 Assets £'000** | **2021 Liabilities £'000** | **2021 Total £'000** | 2020 Assets £'000 | 2020 Liabilities £'000 | 2020 Total £'000 |
|---|---|---|---|---|---|---|
| Accelerated capital allowances | **733** | **-** | **733** | 772 | - | 772 |
| Other taxed reserves | **303** | **-** | **303** | 322 | - | 322 |
| | **1,036** | **-** | **1,036** | 1,094 | - | 1,094 |

The movement on deferred taxation asset is as follows:

| | At 1 April 2020 £'000 | Recognised in income statement £'000 | Recognised in other comprehensive income £'000 | **At 31 March 2021 £'000** |
|---|---|---|---|---|
| Accelerated capital allowances | 772 | **(39)** | **-** | **733** |
| Other taxed reserves | 322 | **(19)** | **-** | **303** |
| | 1,094 | **(58)** | **-** | **1,036** |

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

## 24. Called up share capital

| | **2021** **£'000** | 2020 £'000 |
|---|---|---|
| **Authorised, allotted, called up and fully paid** | | |
| 1,485,002 (2020: 1,485,002) ordinary shares of £1 each | **1,485** | 1,485 |

## 25. 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.

## 26. 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) Financial commitments

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

| | **2021** | | 2020 | |
|---|---|---|---|---|
| | **Buildings** | **Vehicles** | Buildings | Vehicles |
| | **£'000** | **£'000** | £'000 | £'000 |
| Expiry date | | | | |
| - Not later than one year | **398** | **668** | 340 | 1,548 |
| - Later than one year and not later than five years | **474** | **177** | 441 | 722 |
| - Later than five years | **207** | **-** | 307 | - |
| | **1,079** | **845** | 1,088 | 2,270 |

Leases relate to motor vehicles and leased warehouses and other properties.

### (iv) Capital commitments

The company has no outstanding capital commitments at the end of either year.

## 27. Related party transactions

| | **Year ended 31 Mar 2021 £'000** | Year ended 31 Mar 2020 £'000 |
|---|---|---|
| Interest receivable from fellow group undertakings | **1,580** | 604 |
| Amounts owed by fellow group undertakings | **124,450** | 67,057 |
| Amounts owed to immediate parent company | **8,388** | 10,156 |

See note 9 for disclosure of the directors' remuneration

## 28. Events after the end of the reporting period

The challenges of the pandemic continue to impact the business, although the directors believe that the long-term impact of this virus and variants is not yet clear.

In July 2021, McKesson Corporation announced that it is exploring strategic alternatives for the company.

In November 2021, McKesson Corporation announced an agreement to sell its UK businesses to AURELIUS, an asset management group which has a proven track record and focus on operational excellence. The transaction is expected to close in fiscal 2022, subject to closing conditions, including receipt of required regulatory approvals.