

**Lloyds Pharmacy Limited**  
**Financial Statements**  
**31 March 2019**

11.20  
007  
531



# **Lloyds Pharmacy Limited**

## **Financial Statements**

**Year ended 31 March 2019**

---

| <b>Contents</b>                             | <b>Page</b> |
|---|-------------|
| Strategic report                            | <b>1</b>    |
| Directors' report                           | <b>4</b>    |
| Independent auditor's report to the members | <b>7</b>    |
| Statement of comprehensive income           | <b>10</b>   |
| Statement of financial position             | <b>11</b>   |
| Statement of changes in equity              | <b>12</b>   |
| Notes to the financial statements           | <b>13</b>   |

# Lloyds Pharmacy Limited

## Strategic Report

Year ended 31 March 2019

---

### Principal Activities and Business Review

The principal activity of the company throughout the year was the operation of a chain of retail pharmacies, located primarily within local communities and health centres.

### Review of business and future developments

The year to March 2019 was another exceptionally challenging period as is reflected in the results.

The financial year opened with continued reductions to the remuneration available for pharmacies in England, where the majority of Lloyds Pharmacy's estate is located. Additional decreases in drug reimbursements in July 2018, October 2018 and January 2019 had the objective of adjusting the supply chain profit available to individual pharmacies to achieve the Department of Health's objective to reclaim excess margin detected in prior periods. The amalgamation of these factors impacted store profitability significantly and accordingly management determined to undertake a full portfolio review culminating in a decision to close or divest 60 stores.

Impairments associated with affected stores were, to some extent, recognised in the prior year accounts but an additional larger impairment was required in the current year.

It remains the case that there is an incessant focus on operational efficiency and management continually assess the store portfolio to ensure appropriate remediation activities are undertaken on loss making stores. Where appropriate, this action includes expanding services offered out of pharmacy sites to improve utilisation of the store estate.

To ensure our head office continues to deliver excellence to our retail network a review and reorganisation of its operations was also undertaken. To further enhance collaboration across our network some subsidiaries' support functions were transferred into the support centre and the McKesson Shared Service Centre initiative based in Vilnius Lithuania was announced with the transfer of some roles to the centre of excellence commencing in the subsequent financial year.

During the year the company acquired Optimed Health Limited and Prescribing Support Services Limited which specialises in advisory services for pharmacists, complimenting the company's strategy.

The company has in place a number of forums for communicating with staff at all levels in the pharmacy network and support functions. These include regular meetings of area managers, pharmacy managers, supervisors and support staff, pharmacy and head office partnership groups and national pharmacy managers' conferences.

The company is committed to a responsible approach to business and has been working on a number of programmes that seek to manage the impact of business activities and, in doing so, make a positive contribution to the well-being of customers, employees, communities and the environment. Lloyds Pharmacy Limited recognises that the measurement of success should allow for environmental responsibility as well as profitable growth. The increasing evidence that the environment plays a significant role in the health and well-being of the nation is reflected in the company's commitment to a sustained and robust approach to environmental management activity. Lloyds Pharmacy Limited continues to work with organisations such as the Carbon Trust to understand opportunities to improve energy management and with the Energy Savings Trust to manage the environmental impact of our fleet activities.

On 29th March 2017 the United Kingdom invoked article 50 of the Lisbon Treaty commencing its withdrawal from the European Union. The United Kingdom currently aims to leave the European Union by the 31st January 2020. However, the terms of withdrawal have not yet been ratified by Parliament in the UK and therefore the ultimate terms of departure remain subject to some uncertainty. The principal risks associated with the United Kingdom leaving the European Union are around ensuring supplies of pharmaceutical and medical products to our customers remain uninterrupted. The risk of fluctuations in exchange rates and associated effects on parallel trade flows have the potential to cause business disruption and profitability impacts. An assessment has been performed of such potential supply risks and where appropriate plans are in place to secure supply and minimise business disruption.

# Lloyds Pharmacy Limited

## Strategic Report *(continued)*

### Year ended 31 March 2019

---

The company celebrates its diverse workforce and recognises a number of its employees are EU nationals. The withdrawal agreement and how current or potential future employees react to it may impact employee retention as well as future recruitment. Effects on the workforce are expected to play out over a longer time period which will allow the business to react as appropriate. The company continues to seek advice and clarification from the Government regarding the withdrawal and constantly update its plans to mitigate the above risks.

#### **Key performance indicators (KPIs)**

The board monitors the company's progress in implementing its strategy by reference to a suite of key performance indicators. Progress in the period on summary KPIs is as follows: -

Turnover change: 8.5% decrease (2018: 0.6% growth). The reduction can largely be attributed to the reduction of the Lloyds Pharmacy store portfolio as announced in the prior financial year.

Gross profit as a percentage of turnover: 1.6% decrease (2018: 1.8% decrease) year on year reflected reductions in pharmacy remunerations and reimbursements.

#### **Principal risks and uncertainties**

The management of 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. The deficit in the shareholders fund indicates a degree of risk around the company's solvency but management consider that this has been satisfactorily addressed by commitments to support as necessary from elsewhere within the group.

#### **Regulation**

Lloyds Pharmacy Limited operates in highly regulated markets; any changes to which could have a negative impact on business performance. The Department of Health could take further action and again reduce drug tariff reimbursement levels or further changes to the control of entry regulations could adversely impact the company's profitability.

#### **Competition**

Government reductions in pharmacy reimbursement and remuneration have served to increase competition to levels not seen before. Additionally, the aggressive targeting of patients by mail order pharmacies means that we have to strive ever harder in order to retain patients and customers. We have seen some loss of market share as a result of further closures and disposals, but market share of the remaining pharmacies has been maintained through a focus of providing relevant and competitive services in our local and national markets.

#### **People**

The company recognises that its success is underpinned by the efforts of its staff. There are a number of training and development programmes in place, with particular focus on health and safety and customer service. Staff retention is monitored by the board of directors and a series of initiatives has been put in place to aid in recruitment and retention, particularly of qualified pharmacists.

#### **Financial risk management**

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

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

The policies approved by the board of directors are implemented by the company's finance department and the central treasury function. The policies for the UK group, which are documented in departmental manuals, cover funding and hedging instruments, exposure limits and a system of authority for the approval and execution of transactions. Lloyds Pharmacy Limited participates in the banking arrangements of the UK group, which are arranged with the assistance of the central treasury function. The UK group funds its operations through a mix of retained earnings,

# Lloyds Pharmacy Limited

## Strategic Report *(continued)*

### Year ended 31 March 2019

---

borrowings and leasing that is designed to ensure that the company has sufficient funds for its day to day operations and other activities. Cash flow requirements are monitored through rolling projections which are compiled across the group.

This report was approved by the board of directors on 28 November 2019 and signed on behalf of the board by:



M Hilger  
Director

Registered office:  
Sapphire Court  
Walsgrave Triangle  
Coventry  
CV2 2TX

# Lloyds Pharmacy Limited

## Directors' Report

### Year ended 31 March 2019

---

The directors present their annual report and the audited financial statements of the company for the year ended 31 March 2019.

#### Directors

The directors who served the company during the year and up to the date of the financial statements were as follows:

|              |                              |
|--------------|------------------------------|
| M Hilger     |                              |
| J Davies     | (Appointed 1 February 2019)  |
| T M Anderson | (Appointed 1 September 2018) |
| H Stables    | (Resigned 25 May 2018)       |
| J R Poole    | (Resigned 16 January 2019)   |
| N Swift      | (Resigned 16 August 2019)    |
| C McDermott  | (Resigned 16 October 2019)   |

#### Dividends

The directors do not recommend the payment of a dividend and there was no dividend payment in the prior year.

#### Future developments

Future developments of the business have been detailed in the strategic report.

#### Going concern

As a result of ongoing support from parent companies the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Restructuring activity is on-going with a view to turning around the performance of the company, further details of which can be found in the strategic report. Accordingly they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in note 3 in the financial statements.

#### 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 practicable.

#### Employee involvement

The directors pursue a policy of promoting equality of opportunity to all employees and of fostering and developing their involvement and interest in the company. Both formal and informal systems of communication are used and managers have a specific responsibility to communicate effectively with the employees. Copies of the group's annual report and news releases are distributed and other matters of importance or interest are featured in regular issues of the group's in-house magazine, which seeks to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

Training is regarded as a fundamental requirement and appropriate programmes exist at group, divisional and subsidiary company level.

The company recognises the high standards required to ensure the health, safety and welfare of its employees at work, its customers and the general public. The policies in this regard are regularly reviewed with the objective of ensuring that these standards are maintained.

# Lloyds Pharmacy Limited

## Directors' Report *(continued)*

Year ended 31 March 2019

---

### Financial risk management

The financial risks are managed by a fellow group company, Admenta UK Limited. The management of these risks are discussed in the Admenta UK Limited financial statements.

### Events after the end of the reporting period

Particulars of events after the reporting date are detailed in note 26 to the financial statements.

### 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 (Strategic Report and Directors' Report) Regulations 2013 to set out in the company's strategic report information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

### 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 elected to prepare the financial statements in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice). 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 judgments 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.

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.

# Lloyds Pharmacy Limited

## Directors' Report *(continued)*

Year ended 31 March 2019

---

### 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 2006.

The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 21 November 2019 and signed on behalf of the board by:



M Heger  
Director

Registered office:  
Sapphire Court  
Walsgrave Triangle  
Coventry  
CV2 2TX



# **Lloyds Pharmacy Limited**

## **Independent Auditor's Report to the Members of Lloyds Pharmacy Limited**

**Year ended 31 March 2019**

---

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements of Lloyds Pharmacy Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including The Financial Reporting Standard (FRS 102) "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; 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 28.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 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 opinion.

#### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

# Lloyds Pharmacy Limited

## Independent Auditor's Report to the Members of Lloyds Pharmacy Limited *(continued)*

Year ended 31 March 2019

---

### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

### 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Report on other legal and regulatory requirements

#### Opinions on other matters prescribed by the Companies Act 2006

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

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

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

# Lloyds Pharmacy Limited

## Independent Auditor's Report to the Members of Lloyds Pharmacy Limited *(continued)*

Year ended 31 March 2019

---

### Matters on which we are required to report by exception

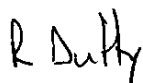
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.



Ryan Duffy (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Birmingham, United Kingdom

11 December 2019

**Lloyds Pharmacy Limited**  
**Statement of Comprehensive Income**  
**Year ended 31 March 2019**

|   | Note     | 2019<br>£000       | 2018<br>£000       |
|---|----------|--------------------|--------------------|
| <b>Turnover</b>   | <b>5</b> | <b>1,979,291</b>   | <b>2,164,239</b>   |
| Cost of sales   |          | <u>(1,554,701)</u> | <u>(1,664,842)</u> |
| <b>Gross profit</b>   |          | <b>424,590</b>     | <b>499,397</b>     |
| Distribution costs  |          | (460,821)          | (473,765)          |
| Administrative expenses   |          | (120,764)          | (207,009)          |
| Other operating income  | 6        | <u>14,852</u>      | <u>32,421</u>      |
| <b>Operating loss</b>   | <b>7</b> | <b>(142,143)</b>   | <b>(148,956)</b>   |
| Exceptional Items: Net impairment of fixed assets and investments | 7        | (25,425)           | (7,904)            |
| Income from other fixed asset investments                         | 11       | 277                | 300                |
| Interest payable and similar expenses                             | 12       | <u>(29,626)</u>    | <u>(24,874)</u>    |
| <b>Loss before taxation</b>                                       |          | <b>(196,917)</b>   | <b>(181,434)</b>   |
| Tax on loss   | 13       | <u>35,907</u>      | <u>28,930</u>      |
| <b>Loss for the financial year</b>                                |          | <b>(161,010)</b>   | <b>(152,504)</b>   |
| Remeasurement of the net defined benefit plan                     |          | (4,967)            | (3,366)            |
| Tax relating to components of other comprehensive income          |          | 836                | 572                |
| <b>Other comprehensive expense for the year</b>                   |          | <b>(4,131)</b>     | <b>(2,794)</b>     |
| <b>Total comprehensive loss for the year</b>                      |          | <b>(165,141)</b>   | <b>(155,298)</b>   |

All the activities of the company are from continuing operations.

The notes on pages 13 to 32 form part of these financial statements.

# Lloyds Pharmacy Limited

## Statement of Financial Position

31 March 2019

|   | Note | £000             | 2019<br>£000     | 2018<br>£000     |
|---|------|------------------|------------------|------------------|
| <b>Fixed assets</b>   |      |                  |                  |                  |
| Intangible assets   | 14   |                  | 56,164           | 68,566           |
| Tangible assets   | 15   |                  | 92,992           | 104,955          |
| Investments   | 16   |                  | 53,015           | 39,107           |
|   |      |                  | <u>202,171</u>   | <u>212,628</u>   |
| <b>Current assets</b>   |      |                  |                  |                  |
| Stocks  | 17   | 150,609          |                  | 149,620          |
| Debtors   | 18   | 479,064          |                  | 416,301          |
| Cash at bank and in hand  |      | 2,372            |                  | 26,676           |
|   |      | <u>632,045</u>   |                  | <u>592,597</u>   |
| <b>Creditors: amounts falling due within one year</b>                   | 19   | <u>(939,503)</u> |                  | <u>(763,717)</u> |
| <b>Net current liabilities</b>  |      |                  | <u>(307,458)</u> | <u>(171,120)</u> |
| <b>Total assets less current liabilities</b>                            |      |                  | <u>(105,287)</u> | <u>41,508</u>    |
| <b>Provisions</b>   |      |                  |                  |                  |
| Other provisions  | 20   |                  | <u>(104,647)</u> | <u>(89,590)</u>  |
| <b>Net liabilities excluding defined benefit pension plan liability</b> |      |                  | <u>(209,934)</u> | <u>(48,082)</u>  |
| Defined benefit pension plan liability                                  | 22   |                  | <u>(8,674)</u>   | <u>(5,385)</u>   |
| <b>Net liabilities including defined benefit pension plan liability</b> |      |                  | <u>(218,608)</u> | <u>(53,467)</u>  |
| <b>Capital and reserves</b>   |      |                  |                  |                  |
| Called up share capital   | 23   |                  | 125,242          | 125,242          |
| Share premium account   | 24   |                  | 63               | 63               |
| Profit and loss account   | 24   |                  | <u>(343,913)</u> | <u>(178,772)</u> |
| <b>Shareholders' deficit</b>  |      |                  | <u>(218,608)</u> | <u>(53,467)</u>  |

These financial statements were approved by the board of directors and authorised for issue on 21 November 2019, and are signed on behalf of the board by:



M Hilger  
Director

Company registration number: 00758153

The notes on pages 13 to 32 form part of these financial statements.

# Lloyds Pharmacy Limited

## Statement of Changes in Equity

Year ended 31 March 2019

|   | Called up<br>share capital<br>£000 | Share<br>premium<br>account<br>£000 | Profit and<br>loss account<br>£000 | Total<br>£000    |
|---|------------------------------------|-------------------------------------|------------------------------------|------------------|
| <b>At 1 April 2017</b>                                      | 125,242                            | 63                                  | (23,474)                           | 101,831          |
| Loss for the year   |                                    |                                     | (152,504)                          | (152,504)        |
| Other comprehensive expense for the year:                   |                                    |                                     |                                    |                  |
| Remeasurement of the net defined benefit<br>plan            | 22                                 | –                                   | (3,366)                            | (3,366)          |
| Tax relating to components of other<br>comprehensive income | 13                                 | –                                   | 572                                | 572              |
| <b>Total comprehensive loss for the year</b>                | –                                  | –                                   | (155,298)                          | (155,298)        |
| <b>At 31 March 2018</b>                                     | 125,242                            | 63                                  | (178,772)                          | (53,467)         |
| Loss for the year   |                                    |                                     | (161,010)                          | (161,010)        |
| Other comprehensive expense for the year:                   |                                    |                                     |                                    |                  |
| Remeasurement of the net defined benefit<br>plan            | 22                                 | –                                   | (4,967)                            | (4,967)          |
| Tax relating to components of other<br>comprehensive income | 13                                 | –                                   | 836                                | 836              |
| <b>Total comprehensive loss for the year</b>                | –                                  | –                                   | (165,141)                          | (165,141)        |
| <b>At 31 March 2019</b>                                     | <u>125,242</u>                     | <u>63</u>                           | <u>(343,913)</u>                   | <u>(218,608)</u> |

The notes on pages 13 to 32 form part of these financial statements.

# Lloyds Pharmacy Limited

## Notes to the Financial Statements

Year ended 31 March 2019

---

### 1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Sapphire Court, Walsgrave Triangle, Coventry, CV2 2TX.

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

### 2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

### 3. Accounting policies

#### Basis of preparation

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding period.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

#### Consolidated financial statements

The financial statements contain information about Lloyds Pharmacy Limited as an individual company, rather than consolidated information as the parent of a group. The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare group financial statements as its results and the results of its subsidiaries are included by full consolidation in the financial statements of its ultimate parent, McKesson Corporation, a company incorporated in North America.

#### Going concern

The financial statements of Lloyds Pharmacy Limited have been prepared on a going concern basis, which assumes that the company will continue in existence for the foreseeable future.

The company relies on its indirect parent company, Admenta UK Limited, for financial support. The directors of Lloyds Pharmacy Limited have received written confirmation from the directors of Admenta UK Limited that the support provided to Lloyds Pharmacy Limited remains in place for a period of no less than 12 months from the date of the signing of these financial statements.

Admenta UK has the support of its immediate parent company, McKesson Europe AG. The directors of Admenta UK have received written confirmation from the directors of McKesson Europe AG that the support provided to Admenta UK remains in place for a period of no less than 12 months from the date of the signing of the Admenta UK financial statements for the period ended 31 March 2019.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

# Lloyds Pharmacy Limited

## Notes to the Financial Statements *(continued)*

### Year ended 31 March 2019

---

#### 3. Accounting policies *(continued)*

##### Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of McKesson Corporation which, can be obtained from McKesson Corporation, 6555 State Hwy 161, Irving, TX 75039, United States. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- No cash flow statement has been presented for the company.
- Disclosures in respect of financial instruments have not been presented.
- No disclosure has been given for the aggregate remuneration of key management personnel.

##### Revenue recognition

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

Revenue from the provision of goods and all services is only recognised when the amounts to be recognised are fixed and determinable and collectability is reasonably assured.

Revenue from the provision of goods is recognised when the risks and rewards of ownership of goods have been transferred to the customer. The risks and rewards of ownership of goods are deemed to have been transferred when the goods are delivered to, or are picked up by the customer.

##### Finance cost/income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the company and the amounts of revenue can be measured reliably).

Interest expense is recognised when it is probable that the economic benefits will flow from the group. Interest expense is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

##### Exceptional items

When items of income and expense are material, their nature and amount are disclosed separately. Impairment of fixed assets (tangible and intangible) and investments are considered to be exceptional and disclosed on the face of the statement of comprehensive income. Provisions arising from restructuring activities are considered to be exceptional and disclosed in the notes to the financial statements.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.



# Lloyds Pharmacy Limited

## Notes to the Financial Statements *(continued)*

### Year ended 31 March 2019

---

#### 3. Accounting policies *(continued)*

##### **Income tax**

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

##### **Foreign currencies**

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

##### **Operating leases**

The cost of assets used in respect of all operating leases is charged to the profit and loss account on a straight line basis over the lease term.

Rental income is recognised in the profit and loss account on a straight line basis over the lease term.

##### **Intangible assets - goodwill**

Goodwill represents the excess of the fair value of consideration given to acquire new businesses over the fair value of the separable net assets at the date of the acquisition. Goodwill is capitalised as an intangible asset on the balance sheet and is carried net of amortisation and impairment.

# Lloyds Pharmacy Limited

## Notes to the Financial Statements *(continued)*

### Year ended 31 March 2019

---

#### 3. Accounting policies *(continued)*

##### **Amortisation**

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Goodwill - 10-20 years straight line

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

##### **Tangible fixed assets**

Tangible fixed assets are stated at cost less provision for depreciation and impairment. Cost comprises the purchase cost together with any incidental expenses of acquisition.

##### **Depreciation**

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

|                          |   |  |
|--------------------------|---|--|
| Freehold buildings       | - | 2% straight line   |
| Long leasehold property  | - | 2% straight line or over the period of the lease if less than 50 years |
| Short leasehold property | - | 10% - 20% straight line or over the period of the lease                |
| Fixtures and fittings    | - | 10% - 33% straight line  |

# Lloyds Pharmacy Limited

## Notes to the Financial Statements *(continued)*

### Year ended 31 March 2019

---

#### 3. Accounting policies *(continued)*

##### Depreciation *(continued)*

##### Impairment of fixed assets and goodwill

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

##### Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

Where indicators exist for a decrease in impairment loss previously recognised for assets other than goodwill, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets of the CGU, except for goodwill, on a pro-rata basis. Impairment of goodwill is never reversed.

##### Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised

##### Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is determined on a first in first out basis. Where necessary, provision is made for obsolete, slow moving and defective stocks.

# Lloyds Pharmacy Limited

## Notes to the Financial Statements *(continued)*

### Year ended 31 March 2019

---

#### 3. Accounting policies *(continued)*

##### Trade debtor estimation technique

Income receivable from health authorities relating to prescriptions dispensed is calculated by the prescription pricing authority rather than by the company. As a result of this evaluation process being complex and the lack of currently available commercial systems to provide a timely quantification of the NHS debtor there is a degree of estimation involved in determining the amounts to include within the financial statements. The process looks at the number of prescriptions dispensed together with history on the average value, adjusted for known tariff changes, and mix of those prescriptions. This information is input into a model to provide an estimation of the NHS debtor at any given point in time. If there is a material difference between the estimate and actual debtor confirmed after the period end, the financial statements are adjusted accordingly.

##### Provisions

Provision is made in the financial statements for present obligations arising from past events, where there is a high degree of certainty as to their amount and date of settlement. Where there is a potential obligation based on a past event which will probably not result in the company's assets being utilised, or amounts due upon the realisation of the obligation cannot be estimated with sufficient reliability, no provision is made, but a contingent liability is disclosed in the accounts. Where utilisation of assets is deemed to be remote, no provision or disclosure is made.

##### Financial instruments

A financial asset or a financial liability is recognised only when the company becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Where investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in profit or loss. All other such investments are subsequently measured at cost less impairment.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

# Lloyds Pharmacy Limited

## Notes to the Financial Statements *(continued)*

### Year ended 31 March 2019

---

#### 3. Accounting policies *(continued)*

##### Financial instruments *(continued)*

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

##### Defined benefit plans

The company participates in group pension schemes operated by Admenta UK Limited, one of which is a defined benefit and two defined contribution plans. The defined benefit scheme is funded and constituted as an independently administered fund with their assets being held separately from those of the company. The net liabilities under the defined benefit pension scheme are included in the balance sheet, the expected return on pension scheme assets and interest costs are included within interest payable and similar charges in the profit and loss account and actuarial gains and losses are included within the statement of comprehensive income.

##### 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.

##### Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

##### Investments

Shares in group companies and associates are shown at historic cost less any write down for impairment.

# Lloyds Pharmacy Limited

## Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

---

### 4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 3, 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.

The following are the critical judgements and key sources of estimation uncertainty that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

#### Revenue recognition - Key source of estimation uncertainty

Revenue from health authorities relating to prescriptions dispensed is calculated by the prescription pricing authority rather than by the company. As a result of this evaluation process being complex and the lack of currently available commercial systems to provide a quantification of the NHS revenue/ debtor there is a degree of estimation involved in determining the amounts to include within the financial statements. The process looks at the number of prescriptions dispensed together with history on the average value and mix of those prescriptions. This information is input into a model to provide an estimation of the NHS revenue/debtor at any given point in time.

Revenue from the provision of goods is recognised when the risks and rewards of ownership of goods have been transferred to the customer. The risks and rewards of ownership of goods are deemed to have been transferred when the goods are delivered to, or are picked up by the customer.

#### Provisions - Critical accounting judgment

The Company provisions are set out in Note 20. The recognition of a provision for loss making stores is made if the store is expected to remain loss making and if no net realisable value is expected.

#### Provisions - Key source of estimation uncertainty

The Company provisions are set out in Note 20. This includes an asset retirement obligation for all leases estimated based on analysis of dilapidations schedules from previous closures.

#### Stock provisioning - Key source of estimation uncertainty

The nature of the stock held consists of a high volume of relatively low value items, some with used by dates and some with seasonal characteristics. The obsolescence calculation is based on the stock holding, anticipated future sales, and whether the item has a route to sale through being included on the store plan. The provision estimation includes assumption relating to the provision percentage and the recovery of cost through discounted sales.

#### Impairment - Key source of estimation uncertainty

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

# Lloyds Pharmacy Limited

## Notes to the Financial Statements *(continued)*

### Year ended 31 March 2019

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

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

#### 5. Turnover

Turnover arises from:

|                       | 2019<br>£000     | 2018<br>£000     |
|-----------------------|------------------|------------------|
| Sale of goods         | 1,455,119        | 1,627,960        |
| Rendering of services | 524,172          | 536,279          |
|                       | <u>1,979,291</u> | <u>2,164,239</u> |

All turnover derives from operations within the United Kingdom.

#### 6. Other operating income

|                        | 2019<br>£000  | 2018<br>£000  |
|------------------------|---------------|---------------|
| Rental income          | 1,096         | 1,320         |
| Other operating income | 13,756        | 31,101        |
|                        | <u>14,852</u> | <u>32,421</u> |

#### 7. Operating loss

Operating loss is stated after charging/(crediting):

|  | 2019<br>£000 | 2018<br>£000 |
|--|--------------|--------------|
| Amortisation of intangible assets                                  | 14           | 12,402       |
| Depreciation of tangible assets                                    | 15           | 18,741       |
| (Gains)/loss on disposal of tangible assets                        |              | (279)        |
| Loss on disposal of investments                                    | -            | 1,545        |
| Exceptional Items: Restructuring                                   |              | 17,708       |
| Operating lease rentals  |              | 38,009       |
| Foreign exchange differences                                       |              | 34           |
| Exceptional Items: Reversal of impairment of tangible fixed assets | -            | (7,671)      |
| Exceptional Items: Impairment of investments                       | 16           | 4,986        |
| Cost of inventories recognised within cost of sales                |              | 1,554,701    |
| Exceptional Items: Impairment of tangible fixed assets             |              | 20,439       |
| Exceptional Items: Provisions for leases                           |              | 5,423        |
| Impairment loss on inventory                                       |              | 1,315        |
|  |              | <u>7,162</u> |

# Lloyds Pharmacy Limited

## Notes to the Financial Statements *(continued)*

### Year ended 31 March 2019

---

#### 8. Auditor's remuneration

|  | 2019      | 2018       |
|--|-----------|------------|
|  | £000      | £000       |
| Fees payable for the audit of the financial statements   | <u>98</u> | <u>98</u>  |
| Fees payable to the company's auditor and its associates for other services:<br>Other non-audit services | <u>—</u>  | <u>155</u> |

#### 9. Staff costs

The average monthly number of persons employed by the company during the year, including the directors, amounted to:

|                      | 2019          | 2018          |
|----------------------|---------------|---------------|
|                      | No.           | No.           |
| Distribution staff   | 15,862        | 18,042        |
| Administrative staff | <u>1,043</u>  | <u>1,044</u>  |
|                      | <u>16,905</u> | <u>19,086</u> |

The aggregate payroll costs incurred during the year, relating to the above, were:

|                       | 2019           | 2018           |
|-----------------------|----------------|----------------|
|                       | £000           | £000           |
| Wages and salaries    | 303,970        | 335,957        |
| Social security costs | 22,602         | 24,752         |
| Other pension costs   | <u>6,183</u>   | <u>4,975</u>   |
|                       | <u>332,755</u> | <u>365,684</u> |

Other pension costs includes only those items included within operating costs. Items reported elsewhere have been excluded.

#### 10. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

|   | 2019         | 2018         |
|---|--------------|--------------|
|   | £000         | £000         |
| Remuneration  | 2,625        | 3,379        |
| Company contributions to defined contribution pension plans | <u>82</u>    | <u>212</u>   |
|   | <u>2,707</u> | <u>3,591</u> |

Remuneration of the highest paid director in respect of qualifying services:

|   | 2019       | 2018         |
|---|------------|--------------|
|   | £000       | £000         |
| Aggregate remuneration                                      | 832        | 1,578        |
| Company contributions to defined contribution pension plans | <u>—</u>   | <u>10</u>    |
|   | <u>832</u> | <u>1,588</u> |



# Lloyds Pharmacy Limited

## Notes to the Financial Statements *(continued)*

### Year ended 31 March 2019

---

#### 10. Directors' remuneration *(continued)*

2 directors received pension contributions during the year (2018: 3).

Total amount includes payment for loss of office of £195,100 paid to one director.

#### 11. Income from other fixed asset investments

|   | 2019<br>£000 | 2018<br>£000 |
|---|--------------|--------------|
| Income from other fixed asset investments | <u>277</u>   | <u>300</u>   |

#### 12. Interest payable and similar expenses

|                                  | 2019<br>£000  | 2018<br>£000  |
|----------------------------------|---------------|---------------|
| Pension interest payable         | (145)         | 49            |
| Interest due to immediate parent | <u>29,771</u> | <u>24,825</u> |
|                                  | <u>29,626</u> | <u>24,874</u> |

#### 13. Tax on loss

##### Major components of income tax

|  | 2019<br>£000    | 2018<br>£000    |
|--|-----------------|-----------------|
| <b>Current tax:</b>                            |                 |                 |
| UK current income tax                          | (34,773)        | (22,554)        |
| Adjustments in respect of prior periods        | <u>(13,980)</u> | <u>6,685</u>    |
| Total current tax                              | <u>(48,753)</u> | <u>(15,869)</u> |
| <b>Deferred tax:</b>                           |                 |                 |
| Origination and reversal of timing differences | 2,211           | (6,522)         |
| Adjustment in respect of previous periods      | <u>10,635</u>   | <u>(6,539)</u>  |
| Total deferred tax                             | <u>12,846</u>   | <u>(13,061)</u> |
| <b>Tax on loss</b>                             | <u>(35,907)</u> | <u>(28,930)</u> |

##### Tax recognised as other comprehensive income or equity

Included within the Statement of Changes in Equity is a deferred taxation credit in respect of the defined benefit pension scheme of £836,000 (2018: £572,000).

# Lloyds Pharmacy Limited

## Notes to the Financial Statements *(continued)*

### Year ended 31 March 2019

---

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

##### Reconciliation of income tax

The tax assessed on the loss for the year is higher than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%).

|  | 2019<br>£000     | 2018<br>£000     |
|--|------------------|------------------|
| Loss before taxation                                 | <u>(196,917)</u> | <u>(181,434)</u> |
| Loss by rate of tax                                  | (37,414)         | (34,472)         |
| Adjustment to tax charge in respect of prior periods | (3,342)          | 145              |
| Effect of expenses not deductible for tax purposes   | 5,486            | 5,950            |
| Other permanent differences                          | (637)            | 487              |
| Other income not taxable                             | –                | (1,040)          |
| Tax on loss  | <u>(35,907)</u>  | <u>(28,930)</u>  |

##### Factors that may affect future income tax

Reductions to the rate of corporation tax to 19% (effective 1 April 2017) and 17% (effective 1 April 2020) have now been enacted. The impact of any resulting changes to the valuation of any deferred tax assets and liabilities is reflected within the financial statements.

#### 14. Intangible assets

|                                   | Goodwill<br>£000 |
|-----------------------------------|------------------|
| <b>Cost</b>                       |                  |
| At 1 April 2018 and 31 March 2019 | <u>447,848</u>   |
| <b>Amortisation</b>               |                  |
| At 1 April 2018                   | 379,282          |
| Charge for the year               | <u>12,402</u>    |
| At 31 March 2019                  | <u>391,684</u>   |
| <b>Carrying amount</b>            |                  |
| At 31 March 2019                  | <u>56,164</u>    |
| At 31 March 2018                  | <u>68,566</u>    |

# Lloyds Pharmacy Limited

## Notes to the Financial Statements *(continued)*

### Year ended 31 March 2019

#### 15. Tangible assets

|                         | Freehold<br>property<br>£000 | Long<br>leasehold<br>property<br>£000 | Short<br>leasehold<br>property<br>£000 | Fixtures and<br>fittings<br>£000 | Total<br>£000  |
|-------------------------|------------------------------|---------------------------------------|--|----------------------------------|----------------|
| <b>Cost</b>             |                              |                                       |  |                                  |                |
| At 1 April 2018         | 7,838                        | 1,883                                 | 37,041                                 | 297,138                          | <b>343,900</b> |
| Additions               | 11,921                       | –                                     | 333                                    | 15,346                           | <b>27,600</b>  |
| Disposals               | (300)                        | –                                     | (64)                                   | (1,540)                          | <b>(1,904)</b> |
| <b>At 31 March 2019</b> | <b>19,459</b>                | <b>1,883</b>                          | <b>37,310</b>                          | <b>310,944</b>                   | <b>369,596</b> |
| <b>Depreciation</b>     |                              |                                       |  |                                  |                |
| At 1 April 2018         | 2,956                        | 666                                   | 14,758                                 | 220,565                          | <b>238,945</b> |
| Charge for the year     | 60                           | 52                                    | 2,971                                  | 15,658                           | <b>18,741</b>  |
| Disposals               | (57)                         | –                                     | (63)                                   | (1,401)                          | <b>(1,521)</b> |
| Impairment losses       | 514                          | 109                                   | 7,671                                  | 12,145                           | <b>20,439</b>  |
| <b>At 31 March 2019</b> | <b>3,473</b>                 | <b>827</b>                            | <b>25,337</b>                          | <b>246,967</b>                   | <b>276,604</b> |
| <b>Carrying amount</b>  |                              |                                       |  |                                  |                |
| At 31 March 2019        | <b>15,986</b>                | <b>1,056</b>                          | <b>11,973</b>                          | <b>63,977</b>                    | <b>92,992</b>  |
| At 31 March 2018        | <b>4,882</b>                 | <b>1,217</b>                          | <b>22,283</b>                          | <b>76,573</b>                    | <b>104,955</b> |

#### Impairment charge

There was an impairment charge in the year of £20,439,000 (2018: £11,576,000) in respect of software assets under construction for projects deemed not viable and store fixed asset impairment written down to their net realisable value during an annual impairment test.

#### 16. Investments

|                         | Shares in<br>group<br>undertakings<br>£000 |
|-------------------------|--|
| <b>Cost</b>             |  |
| At 1 April 2018         | <b>44,186</b>                              |
| Additions               | <b>18,968</b>                              |
| Disposals               | <b>(60)</b>                                |
| Revaluations            | <b>(14)</b>                                |
| <b>At 31 March 2019</b> | <b>63,080</b>                              |
| <b>Impairment</b>       |  |
| At 1 April 2018         | <b>5,079</b>                               |
| Impairment losses       | <b>4,986</b>                               |
| <b>At 31 March 2019</b> | <b>10,065</b>                              |
| <b>Carrying amount</b>  |  |
| At 31 March 2019        | <b>53,015</b>                              |
| At 31 March 2018        | <b>39,107</b>                              |

# Lloyds Pharmacy Limited

## Notes to the Financial Statements *(continued)*

### Year ended 31 March 2019

---

#### 16. Investments *(continued)*

The additions were made up of investments in My MHealth Limited of £6,015,000, Prescribing Support Services Limited of £8,092,000, Optimed Health Limited of £4,110,000 and Baillieston Health Centre Pharmacy Limited £751,000.

An impairment charge of £3,148k was in respect of the investment in Betterlife Healthcare Limited, which ceased trading subsequent to the year end. The remaining impairment charges relates to other investments, which have been written down to the higher of their net asset value or value in use.

The total carrying value for affiliates is £6,541,000 (2018: £540,000). All other investments are in subsidiary undertakings.

The company has investments in the following subsidiary undertakings, associates and other significant investments (both direct and indirect).

#### Subsidiary, associate or other significant investment

|  | Nature of business  | Class of capital                              | % held |
|--|---------------------|---|--------|
| 28 CVR Limited                             | Holding company     | £0.10 Ordinary and A Ordinary shares          | 100    |
| 30 MC Limited*                             | Dormant             | £1 Ordinary shares                            | 100    |
| AHLP Pharmacy Limited                      | Dormant             | £1 A Ordinary shares                          | 75     |
| BetterlifeHealthcare Limited               | Online retailer     | £1 Ordinary shares                            | 100    |
| Baillieston Health Centre Pharmacy Limited | Health centre       | £1 Ordinary A shares and £1 Ordinary B shares | 100    |
| Company Chemists Association Limited       | Retail pharmacy     | £1 Ordinary shares                            | 27     |
| Escon (St Neots) Limited                   | Dormant             | £1 Ordinary shares                            | 100    |
| Expert Health Limited*                     | Online health       | £1 Ordinary shares                            | 100    |
| Lloyds Pharmacy Clinical Homecare Limited  | Healthcare services | £1 Ordinary shares                            | 100    |
| My MHealth Limited                         | Online healthcare   | £0.001 Ordinary Shares                        | 8      |
| Optimed Health Limited                     | Consulting          | £1 Ordinary Shares                            | 100    |
| Prescribing Support Services Limited       | Consulting          | £1 Ordinary Shares                            | 100    |

\* Held indirectly

The company also holds investments in unlisted companies, which operate health centres.

All investments are in UK companies and have the same registered address as Lloyds Pharmacy Limited. The only exceptions to this are those companies are stated below.

| Name                                 | Registered office   |
|--------------------------------------|---|
| Company Chemists Association Limited | 4 Kingston Hall, Kingston On Soar, Nottingham, NG11 0DJ                 |
| My MHealth Limited                   | 161 8 Trinity, 161 Old Christchurch Road, Bournemouth, England, BH1 1JU |
| Metabolic Healthcare Limited         | 1 Westpoint Trading Estate, Alliance Road, London, England, W3 0RA      |

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

# Lloyds Pharmacy Limited

## Notes to the Financial Statements *(continued)*

### Year ended 31 March 2019

---

#### 17. Stocks

|                                     | 2019<br>£000   | 2018<br>£000   |
|-------------------------------------|----------------|----------------|
| Finished goods and goods for resale | <u>150,609</u> | <u>149,620</u> |

#### 18. Debtors

|                                       | 2019<br>£000   | 2018<br>£000   |
|---------------------------------------|----------------|----------------|
| Trade debtors                         | 291,885        | 299,773        |
| Amounts owed by immediate parent      | 288            | –              |
| Amounts owed by fellow subsidiaries   | 22,862         | 18,875         |
| Amounts owed by other group companies | –              | 195            |
| Amounts owed by subsidiaries          | 14,304         | 9,300          |
| Deferred tax asset                    | 12,860         | 24,870         |
| Prepayments and accrued income        | 23,061         | 13,025         |
| Corporation tax repayable             | 71,303         | 32,609         |
| Other debtors                         | <u>42,501</u>  | <u>17,654</u>  |
|                                       | <u>479,064</u> | <u>416,301</u> |

Amounts owed by subsidiaries, fellow subsidiaries, other group companies and immediate parent are repayable on demand and do not attract any interest.

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

|                                       | 2019<br>£000   | 2018<br>£000   |
|---------------------------------------|----------------|----------------|
| Bank loans and overdrafts             | 179,980        | 27,491         |
| Trade creditors                       | 136,758        | 119,071        |
| Amounts owed to other group companies | –              | 12,456         |
| Amounts owed to fellow subsidiaries   | 200,742        | 190,054        |
| Amounts owed to subsidiaries          | 593            | 222            |
| Amounts owed to immediate parent      | 352,663        | 352,310        |
| Accruals and deferred income          | 51,942         | 53,215         |
| Social security and other taxes       | 9,667          | 8,544          |
| Other creditors                       | <u>7,158</u>   | <u>354</u>     |
|                                       | <u>939,503</u> | <u>763,717</u> |

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

Amounts owed to the immediate parent are interest bearing and repayable on demand at 3.85%.

# Lloyds Pharmacy Limited

## Notes to the Financial Statements *(continued)*

### Year ended 31 March 2019

#### 20. Provisions

|                         | Property<br>Provisions<br>£000 | Restructuring<br>Provisions<br>£000 | Other<br>provisions<br>£000 | Total<br>£000  |
|-------------------------|--------------------------------|-------------------------------------|-----------------------------|----------------|
| At 1 April 2018         | 77,203                         | 12,087                              | 300                         | 89,590         |
| Additions               | 21,320                         | 15,732                              | –                           | 37,052         |
| Utilisation             | (6,827)                        | (12,748)                            | –                           | (19,575)       |
| Unused amounts reversed | (1,743)                        | (677)                               | –                           | (2,420)        |
| Transfers               | (2,653)                        | 2,653                               | –                           | –              |
| <b>At 31 March 2019</b> | <b>87,300</b>                  | <b>17,047</b>                       | <b>300</b>                  | <b>104,647</b> |

The property provisions represent an assessment of the costs to cover (a) rent and rates for loss making or vacant leasehold premises, taking account of the anticipated period until the leases are assigned or disposed of, (b) rent increases accrued following rent reviews, (c) dilapidations. The assessment, which is undertaken at the end of each accounting period, is made on a property by property basis in conjunction with Admenta UK Limited's property services department.

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

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

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

#### 21. Deferred tax

The deferred tax included in the statement of financial position is as follows:

|                               | 2019<br>£000  | 2018<br>£000  |
|-------------------------------|---------------|---------------|
| Included in debtors (note 18) | <u>12,860</u> | <u>24,870</u> |

The deferred tax account consists of the tax effect of timing differences in respect of:

|  | 2019<br>£000    | 2018<br>£000    |
|--|-----------------|-----------------|
| Accelerated capital allowances             | (12,911)        | (11,852)        |
| Unused tax losses                          | (4,162)         | (14,329)        |
| Short term timing differences              | (1,299)         | (2,160)         |
| Deferred gains in excess of capital losses | 5,512           | 3,471           |
|  | <u>(12,860)</u> | <u>(24,870)</u> |

#### 22. Employee benefits

##### Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £6,183,000 (2018: £4,975,000).

# Lloyds Pharmacy Limited

## Notes to the Financial Statements *(continued)*

### Year ended 31 March 2019

---

#### 22. Employee benefits *(continued)*

There were amounts of £895,000 accrued in respect of pension scheme contributions at the balance sheet date (2018: £212,000).

##### Defined benefit plans

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

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

A full actuarial valuation was carried out as at 6 April 2017 and is updated to each accounting year end by a qualified independent actuary.

The company contributions during the year amounted to £1,832,000 (2018: £294,000) which includes £1,500,000 (2018: £nil) in respect of reducing the scheme's funding deficit. The scheme closed to ongoing accrual in February 2017.

The level of benefits provided by the Scheme depends on a member's length of service and their salary at their date of leaving the Scheme.

The statement of financial position net defined benefit liability is determined as follows:

|  | <b>2019</b>    | <b>2018</b>    |
|--|----------------|----------------|
|  | <b>£000</b>    | <b>£000</b>    |
| Present value of defined benefit obligations | (123,029)      | (121,983)      |
| Fair value of plan assets                    | 114,355        | 116,598        |
|  | <u>(8,674)</u> | <u>(5,385)</u> |

Changes in the present value of the defined benefit obligations are as follows:

|                            | <b>2019</b>           |
|----------------------------|-----------------------|
|                            | <b>£000</b>           |
| At 1 April 2018            | 121,983               |
| Current service credit     | (323)                 |
| Interest expense           | 3,230                 |
| Benefits paid              | (5,329)               |
| Remeasurements:            |                       |
| Actuarial gains and losses | <u>3,468</u>          |
| <b>At 31 March 2019</b>    | <u><b>123,029</b></u> |

# Lloyds Pharmacy Limited

## Notes to the Financial Statements *(continued)*

### Year ended 31 March 2019

---

#### 22. Employee benefits *(continued)*

Changes in the fair value of plan assets are as follows:

|                                    | <b>2019</b>           |
|------------------------------------|-----------------------|
|                                    | <b>£000</b>           |
| At 1 April 2018                    | <b>116,598</b>        |
| Interest income                    | <b>3,085</b>          |
| Benefits paid                      | <b>(5,329)</b>        |
| Contributions by plan participants | <b>1,500</b>          |
| Remeasurements:                    |                       |
| Actuarial gains and losses         | <b>(1,499)</b>        |
| <b>At 31 March 2019</b>            | <b><u>114,355</u></b> |

The total costs for the year in relation to defined benefit plans are as follows:

|   | <b>2019</b>    | 2018           |
|---|----------------|----------------|
|   | <b>£000</b>    | <b>£000</b>    |
| Recognised in profit or loss:             |                |                |
| Current service credit                    | (323)          | –              |
| Net interest expense                      | <u>145</u>     | <u>49</u>      |
|   | <b>(178)</b>   | <b>49</b>      |
| Recognised in other comprehensive income: |                |                |
| Remeasurement of the liability:           |                |                |
| Actuarial gains and losses                | <u>(4,967)</u> | <u>(3,366)</u> |

The fair value of the major categories of plan assets are as follows:

|                         | <b>2019</b>           | 2018                  |
|-------------------------|-----------------------|-----------------------|
|                         | <b>£000</b>           | <b>£000</b>           |
| Equity instruments      | 32,515                | 27,699                |
| Debt instruments        | 79,927                | 70,088                |
| Diversified Growth Fund | –                     | 17,831                |
| Other                   | <u>1,911</u>          | <u>1,031</u>          |
|                         | <b><u>114,353</u></b> | <b><u>116,649</u></b> |

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

The return on plan assets are as follows:

|                                  | <b>2019</b>  | 2018         |
|----------------------------------|--------------|--------------|
|                                  | <b>£000</b>  | <b>£000</b>  |
| Return on assets of benefit plan | <u>1,586</u> | <u>5,692</u> |



# Lloyds Pharmacy Limited

## Notes to the Financial Statements *(continued)*

### Year ended 31 March 2019

---

#### 22. Employee benefits *(continued)*

The principal actuarial assumptions as at the statement of financial position date were:

|                                       | 2019  | 2018  |
|---------------------------------------|-------|-------|
|                                       | %     | %     |
| Discount rate                         | 2.35  | 2.70  |
| Expected rate of salary increase      | 3.70  | 3.60  |
| Expected rate of increase in pensions | 3.20  | 3.10  |
| Inflation assumption                  | 3.30  | 3.20  |
| Mortality rates:                      |       |       |
| Current pensioners at 65 - male       | 87.40 | 87.90 |
| Current pensioners at 65 - female     | 89.40 | 89.80 |
| Future pensioners at 65 - male        | 89.10 | 89.60 |
| Future pensioners at 65 - female      | 91.20 | 91.60 |

#### 23. Called up share capital

Issued, called up and fully paid

|                            | 2019               |                | 2018               |                |
|----------------------------|--------------------|----------------|--------------------|----------------|
|                            | No.                | £000           | No.                | £000           |
| Ordinary shares of £1 each | <u>125,242,450</u> | <u>125,242</u> | <u>125,242,450</u> | <u>125,242</u> |

#### 24. 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.

#### 25. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

|  | 2019           | 2018           |
|--|----------------|----------------|
|  | £000           | £000           |
| Not later than 1 year                        | 36,968         | 42,141         |
| Later than 1 year and not later than 5 years | 120,249        | 140,109        |
| Later than 5 years                           | 155,744        | 195,229        |
|  | <u>312,961</u> | <u>377,479</u> |

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

On 19th June 2019 Lloyds Pharmacy Limited entered into a purchase and sale agreement to acquire 73.9% of the shares in Metabolic Healthcare Holdings Ltd for £39,328,074.

#### 27. Related party transactions

The company has not disclosed transactions with fellow group companies, which are 100% owned, in accordance with the exemption under the terms of FRS102.33.1A - "Related party disclosures".

# Lloyds Pharmacy Limited

## Notes to the Financial Statements *(continued)*

**Year ended 31 March 2019**

---

### **28. Controlling party**

The immediate parent undertaking is Admenta Holdings Limited.

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

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

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.



Companies House

**COMPANY NAME: LLOYDS PHARMACY LIMITED**  
**COMPANY NUMBER: 00758153**

**Pages containing unnecessary material in the Accounts were  
administratively removed from the public register on 08/01/2020**