Registered number: 09668487

METABOLIC HEALTHCARE LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

METABOLIC HEALTHCARE LTD

COMPANY INFORMATION

Directors	Gareth Eifion Owen (appointed 19 June 2019, resigned 31 January 2023) Christian Keen (appointed 25 November 2019, resigned 18 May 2022) Toby Matthew Anderson (appointed 19 June 2019, resigned 11 May 2022) Stephen Thomas Bourke (appointed 2 July 2015, resigned 26 August 2021) Benoit Machefer (appointed 25 February 2020, resigned 18 October 2021) Robin Lindsay Dargue (appointed 1 August 2022) Wendy Margaret Hall (appointed 1 August 2022)
Registered number	09668487
Registered office	Sapphire Court Walsgrave Triangle Coventry CV22TX

METABOLIC HEALTHCARE LTD

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2022

Introduction

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

Business review

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

Metabolic Healthcare Ltd is an online pharmacy delivering prescription medicine direct to patients' doors. During the year the company rebranded from 'Echo by Lloyds Pharmacy' to 'LloydsDirect by Lloyds Pharmacy'. Since its acquisition in June 2019 by Lloyds Pharmacy Ltd, LloydsDirect has created the largest omnichannel pharmacy experience for patients in the UK. Please refer to Financial key performance indicator section for FY22 financial performances.

The Group's core strategy remains focused around providing a fully managed repeat prescription delivery service, facilitated by the national roll out of the Electronic Prescription Service, which allows prescriptions and medicines to be delivered direct to the doorstep. Like traditional pharmacies, the Company can offer patients expert advice, and its investment in technology has also allowed it to introduce new and innovative services, such as electronic requesting of repeat prescriptions and a repeat prescription reminder service that ensures patients are ordering and taking their medicines appropriately.

The Company operates to the highest professional standards in line with all other UK regulated community pharmacies. It is registered with the General Pharmaceutical Council, the Care Quality Commission and holds an NHS distance selling pharmacy (DSP) contract. In addition to dispensing NHS prescriptions, the group also runs an online doctor consultation service and performs online retail of a broad range of health and wellbeing products.

Principal risks and uncertainties

The management of the business and the execution of the group's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the group are primarily considered to relate to competition from national and internet pharmacies and retailers and to the difficult economic environment in which we are currently operating.
Additionally, the continuation of the current UK Government's focus on reducing the country's budget deficit provides a higher level of uncertainty as to future reimbursement levels for NHS prescriptions.

In response management continually reviews economics to ensure operational profitability.

Financial risk management
The company as a fully owned subsidiary to Mckesson UK, leverages a central treasury function which arranges the overall funding. The central function operates within a framework of clearly defined policies and procedures. This function reports to the board on a regular basis. The company is funded by Mckesson Uk to ensure sufficient funds for its day to day operations and other activities. The additional risk of inflationary pressure has had an impact on the Company's supply chain and distribution network and management have given due consideration to the impact of prolonged increased levels of inflation in the Company's budgets and forecasts.

LloydsDirect by Lloyds Pharmacy, provides a pivotal role in delivering healthcare services to communities around the country. The uncompromising priority of LloydsDirect by Lloyds Pharmacy is the safety of its employees and patients. The Company saw significant growth throughout the pandemic in its mail order prescription service.

Financial key performance indicators

The board monitors the company's progress in implementing its strategy by reference to a suite of key performance indicators.

The key financial metrics for the Company are provided in the table below:

	31 March 2022	% change	31 March 2021
Revenue	£92,736,057	55%	£59,722,658
Operating loss	£9,495,288	(52%)	£19,852,528
Loss before tax	£10,162594	(49%)	£20,066,296
Net deficit	£34,101,033	32%	£25,855,527

Operating loss improved 52% year on year. The increase in revenue can largely be attributed to a substantial increase in the demand for the core proposition of the Company during the COVID-19 pandemic as well as the expanding market for digital pharmacy. The results reflect the investment required to drive growth, acquire new patients and innovate to support demand technologically.

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

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

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

Customers and Suppliers
We build strong relationships with our customers and suppliers to promote mutually beneficial sustainable long-term profit growth. Engagement with customers and suppliers is primarily through formal reviews. Key areas of focus include patient safety in the novel coronavirus environment, close coordination to ensure availability of product in a safe and secure supply chain (refer to Principal risks and uncertainties), and supporting prompt payment. The Board is briefed on customer and supplier metrics and feedback, opportunities and issues through regular board and management meeting reporting.

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

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

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

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

Colleagues are encouraged to speak up with any concerns they may have. We have in place a Whistleblowing Policy and confidential reporting line, enabling colleagues to raise concerns without fear of retaliation. The board receives reports on opportunities and concerns raised by colleagues through regular board, committee and management meeting reporting.

Communities and the Environment
We engage with local communities to build trust and understand the issues that are important to them. Key areas of focus include how we can support local causes and issues, create opportunities to recruit, help to look after the environment 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.

The company is committed to embrace the safeguard of the environment as demonstrated by the following projects

- Reduce energy consumption through installation of LED lighting and motion sensor
- Reduced the use packaging and consumables wherever possible
- All waste is recycled where possible
- Commissioned independent review of energy use, and surveyed employees and suppliers to understand the full environmental of the our business
- Became operationally carbon neutral through the purchase of carbon credits to offset scope 1,2 and 3 usage

Government and regulators

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

Key areas of engagement include compliance with laws and regulations, health and safety, evolving how we support stakeholders. The Board is updated on developments through regular board and management meeting reporting and takes these into account when making decisions.

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

DocuSigned by:
Wendy Hall
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Wendy Margaret Hall
Director

Date: 16 February 2023

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2022

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

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;and
- make judgements and accounting estimates that are reasonable and prudent;and
- 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Going concern

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Results and dividends

The loss for the year, after taxation, amounted to £8,245,506 *(2021 - loss £16,239,580)*.

The Income Statement is set out on page 9 and shows the result for the period. The Directors do not recommend the payment of a dividend for the period under review.

Directors

The Directors who served during the year were:

Gareth Eifion Owen (appointed 19 June 2019, resigned 31 January 2023)
Christian Keen (appointed 25 November 2019, resigned 18 May 2022)
Toby Matthew Anderson (appointed 19 June 2019, resigned 11 May 2022)
Stephen Thomas Bourke (appointed 2 July 2015, resigned 26 August 2021)
Benoit Machefer (appointed 25 February 2020, resigned 18 October 2021)

Environmental matters

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

Future developments

The Company provides a convenient way to patients to manage their medications. The novel coronavirus global epidemic that triggered a lockdown in March 2020 expanded the online pharmacy market and drove new patients to our platform which offers the convenience and safety of getting their medications delivered to their door.

Management note that the increase in new patients has not had an adverse impact on patient retention and expect slower but consistent growth in organic patient acquisition following the end of the pandemic period. The company will continue to improve operational efficiency in order to improve profitability and provide best in class patient experiences.

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

Financial risk management

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

Engagement with suppliers, customers and others

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

Qualifying indemnity provision

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

Disclosure of information to auditors

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

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

Post balance sheet events

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

The Company became a party to an asset-backed loan on April 6, 2022 as set out in note 2.3. The banking arrangements of the Company operate on a pooled basis with certain affiliates. Under these arrangements participating companies guarantee each other's borrowings. Borrowings are permitted against the Company's qualifying accounts receivable. The Company is also contingently liable in the event the Company, or an affiliate, defaults under the asset-backed loan, principally for failure to repay borrowings.

Auditors

Deloitte LLP have expressed their willingness to continue as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

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

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Wendy Hall
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Wendy Margaret Hall
Director

Date: 16 February 2023

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF METABOLIC HEALTHCARE LTD

Opinion

In our opinion the financial statements of Metabolic Healthecare Ltd (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 26.

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

Basis for 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

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF METABOLIC HEALTHCARE LTD (CONTINUED)

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' Report thereon. The Directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF METABOLIC HEALTHCARE LTD (CONTINUED)

Auditors' 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 Auditors' 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' 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, legal team about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:
- had a direct effect on the determination of material amounts and disclosures in the financial statements . These included UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

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

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.
In addition to the above, our procedures to respond to the risks identified included the following:
- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF METABOLIC HEALTHCARE LTD (CONTINUED)

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:
• the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
• the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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

DocuSigned by:
Matthew Smith
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Matthew Smith (Senior Statutory Auditor)

for and on behalf of
Deloitte LLP

Manchester
United Kingdom

16 February 2023

INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2022

	Note	2022 £	*2021* *£*
Turnover	4	**92,736,057**	*59,722,658*
Cost of sales		**(70,655,966)**	*(46,409,950)*
Gross profit		**22,080,091**	*13,312,708*
Distribution costs		**(10,459,203)**	*(7,045,325)*
Administrative expenses		**(21,116,176)**	*(26,368,358)*
Other operating income	5	**-**	*248,447*
Operating loss	6	**(9,495,288)**	*(19,852,528)*
Interest receivable and similar income	9	**50,232**	*-*
Interest payable and similar expenses	10	**(717,538)**	*(213,768)*
Loss before income tax		**(10,162,594)**	*(20,066,296)*
Income tax on loss	11	**1,917,088**	*3,826,716*
Loss for the financial year		**(8,245,506)**	*(16,239,580)*

The notes on pages 17 to 40 form part of these financial statements.

There were no items of comprehensive income in the current or prior period other than the loss for the period and, accordingly, a separate statement of comprehensive income has not been presented. All activities of the Company are from continuing operations.

METABOLIC HEALTHCARE LTD
REGISTERED NUMBER: 09668487

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	Note		2022 £		2021 £
Fixed assets					
Intangible assets	12		**774,897**		-
Tangible assets	13		**3,391,879**		*3,921,930*
			4,166,776		*3,921,930*
Current assets					
Stocks	14	**1,986,842**		*2,762,373*	
Debtors	15	**16,238,707**		*18,473,560*	
Cash at bank and in hand	16	**5,561,201**		*4,576,159*	
		23,786,750		*25,812,092*	
Creditors: amounts falling due within one year	17	**(59,754,914)**		*(52,638,766)*	
Net current liabilities			**(35,968,164)**		*(26,826,674)*
Total assets less current liabilities			**(31,801,388)**		*(22,904,744)*
Creditors: amounts falling due after more than one year	18		**(1,645,361)**		*(2,308,703)*
			(33,446,749)		*(25,213,447)*
Provisions for liabilities					
Other provisions	20	**(654,284)**		*(642,080)*	
			(654,284)		*(642,080)*
			(34,101,033)		*(25,855,527)*
Net liabilities			**(34,101,033)**		*(25,855,527)*
Capital and reserves					
Called up share capital	21		**393**		*393*
Share premium account	22		**9,194,932**		*9,194,932*
Profit and loss account	22		**(43,296,358)**		*(35,050,852)*
			(34,101,033)		*(25,855,527)*

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

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

DocuSigned by:
Wendy Hall
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Wendy Margaret Hall
Director

The notes on pages 17 to 40 form part of these financial statements.

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

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 April 2020	**393**	**9,194,932**	**(18,811,272)**	**(9,615,947)**
Loss for the year	-	-	(16,239,580)	(16,239,580)
Total comprehensive loss for the year	**-**	**-**	**(16,239,580)**	**(16,239,580)**
At 1 April 2021	**393**	**9,194,932**	**(35,050,852)**	**(25,855,527)**
Loss for the year	-	-	(8,245,506)	(8,245,506)
Total comprehensive loss for the year	**-**	**-**	**(8,245,506)**	**(8,245,506)**
At 31 March 2022	**393**	**9,194,932**	**(43,296,358)**	**(34,101,033)**

The notes on pages 17 to 40 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

1. General information

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

The principal activity of the company is set out in the directors' report.

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

2. Accounting policies

2. Accounting policies (continued)

2.1 Basis of preparation of financial statements

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

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

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

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

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

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

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

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

2. Accounting policies (continued)

2.1 Basis of preparation of financial statements (continued)

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

The following principal accounting policies have been applied:

2. Accounting policies (continued)

2.2 Financial reporting standard 101 - reduced disclosure exemptions

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

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held For Sale and Discontinued Operations
- the requirement of paragraph 24(b) of IFRS 6 Exploration for and Evaluation of Mineral Resources to disclose the operating and investing cash flows arising from the exploration for and evaluation of mineral resources
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
    - paragraph 79(a)(iv) of IAS 1;
    - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
    - paragraph 118(e) of IAS 38 Intangible Assets;
    - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
    - paragraph 50 of IAS 41 Agriculture
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

2. Accounting policies (continued)

2.3 Going concern

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

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

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

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

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

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

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

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

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

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

2. Accounting policies (continued)

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

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

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

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

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

2.4 Revenue recognition

Revenue is derived from the provision of pharmaceutical services as a pharmacy contractor to the NHS. Services under this contract include the supply of medicines ordered on NHS prescriptions, together with information and advice, to enable safe and effective use by patients and carers, and maintenance of appropriate records.

Revenues are calculated by reference to the reimbursement rate from the NHS drug tariff applicable for the month in which the item was dispensed by the pharmacy in combination with the fixed activity fee per item.

Revenue is recognised upon delivery of the associated prescription to the patient's nominated address.

2.5 Leases

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

2. Accounting policies (continued)

2.5 Leases (continued)

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

- fixed lease payments (including in-substance fixed payments), less any lease incentives;

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

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

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

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

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

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

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 2.11.

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

2.6 Intangible asset

The company's intangible asset is driven by its research and development activities. In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are internally generated only and subsequently amortised on a straight line basis over their useful economic lives of 3 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2. Accounting policies (continued)

2.7 Interest income

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

2.8 Finance costs

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

2.9 Pensions

Defined contribution pension plan

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

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

2. Accounting policies (continued)

2.10 Taxation

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

Current income tax

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

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

Deferred tax

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

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

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

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

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

2. Accounting policies (continued)

2.11 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

Long-term leasehold property	-		Over the remaining lease period
Office equipment	-	33%	
Computer equipment	-	33%	
Right of use asset	-		Over the term of the lease to which it relates

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

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

2.12 Stocks

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

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

2.13 Debtors

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

2.14 Cash and cash equivalents

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

2. Accounting policies (continued)

2.15 Creditors

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

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

2.16 Provisions for liabilities

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

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

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

2.17 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable.

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

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

2.18 Adoption of new and revised standards

The Company did not apply any standards or amendments for the first-time, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.
In the current year, the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

2. Accounting policies (continued)

2.19 Adoption of new and revised standards (continued)

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16.	The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continued, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Company has not received Covid-19-related rent concessions in the current year and these amendments had no impact on the financial statements of the Company.

2. Accounting policies (continued)

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients: • A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest • Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued • Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. These amendments had no impact on the financial statements of the Company.

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

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

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

The directors do not believe there are any critical judgements or key sources of estimation uncertainty in applying the company's accounting policies in the current year.

4. Turnover

Analysis of turnover by country of destination:

	2022 £	*2021 £*
United Kingdom	**92,736,057**	*59,722,658*
	92,736,057	*59,722,658*

All turnover arose within the United Kingdom.

5. Other operating income

	2022 £	*2021 £*
Other operating income	-	*248,447*
	-	*248,447*

6. Operating loss

The operating loss is stated after charging:

	2022 £	*2021 £*
Depreciation of tangible fixed assets(excluding right-of-use asset)	**606,754**	*259,905*
Depreciation of right-of-use assets	**401,005**	*573,025*
Impairment of tangible fixed assets	-	*1,718,181*
Amortisation of intangible assets, including goodwill	**35,664**	-
Termination fees	-	*137,769*
Defined contribution pension cost	**435,434**	*340,000*
Fees payable for the audit of the company's annual accounts	**38,623**	*65,560*
Cost of stocks recognised as an expense	**70,655,966**	*46,409,950*

During FY20, all outstanding share options were either exercised or cancelled as part of the acquisition. Consequently, there is no share-based payment charge in the current year

7. Auditors' remuneration

	2022 £	2021 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**38,623**	*65,560*

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

8. Employees

Staff costs were as follows:

	2022 £	2021 £
Wages and salaries	**12,155,504**	*10,136,613*
Social security costs	**968,464**	*209,465*
Cost of defined contribution scheme	**383,188**	*54,454*
	13,507,156	*10,400,532*

From 1 April 2020 all directors are paid by a fellow subsidiary company, Lloyds Pharmacy Limited, which makes no recharge to the company. Therefore, no directors' emoluments are disclosed. Their emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of Lloyds Pharmacy Limited.

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

	2022 No.	2021 No.
Pharmacy staff	**201**	*142*
Administrative staff	**48**	*40*
	249	*182*

9. Interest receivable

	2022 £	2021 £
Interest receivable from group companies	**50,232**	-
	50,232	-

10. Interest payable and similar expenses

	2022 £	*2021* *£*
Loans from group undertakings	**634,541**	*176,452*
Interest on lease liabilities	**82,997**	*37,316*
	717,538	*213,768*

11. Taxation

	2022 £	*2021* *£*
Corporation tax		
Current tax on profits for the year	**(1,946,428)**	*(3,794,559)*
Adjustments in respect of previous periods	**29,340**	*(32,157)*
	(1,917,088)	*(3,826,716)*
Total current tax	**(1,917,088)**	*(3,826,716)*
Total deferred tax	**-**	*-*
Taxation on loss	**(1,917,088)**	*(3,826,716)*

11. Taxation (continued)

Factors affecting tax charge for the year

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

	2022 £	*2021 £*
Loss on ordinary activities before tax	**(10,162,594)**	*(20,066,296)*
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	**(1,930,893)**	*(3,812,596)*
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**12,919**	*-*
Other permanent differences	**-**	*23,040*
Deferred tax not recognised	**(28,454)**	*(5,003)*
Prior year adjustments	**29,340**	*(32,157)*
Total tax charge for the year	**(1,917,088)**	*(3,826,716)*

Factors that may affect future tax charges

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

12. Intangible assets

	Development expenditure £
Cost	
Additions - internal	**810,561**
At 31 March 2022	**810,561**
Amortisation	
Charge for the year on owned assets	**35,664**
At 31 March 2022	**35,664**
Net book value	
At 31 March 2022	**774,897**
At 31 March 2021	-

13. Tangible fixed assets

	Long-term leasehold property £	Office equipment £	Computer equipment £	Right of use asset £	Total £
Cost or valuation					
At 1 April 2021	2,252,274	141,048	326,667	4,230,428	6,950,417
Additions	65,119	24,443	388,146	-	477,708
At 31 March 2022	2,317,393	165,491	714,813	4,230,428	7,428,125
Depreciation					
At 1 April 2021	170,047	31,847	178,326	2,648,267	3,028,487
Charge for the year on owned assets	440,188	45,604	120,962	-	606,754
Charge for the year on right-of-use assets	-	-	-	401,005	401,005
At 31 March 2022	610,235	77,451	299,288	3,049,272	4,036,246
Net book value					
At 31 March 2022	1,707,158	88,040	415,525	1,181,156	3,391,879
At 31 March 2021	*2,082,227*	*109,201*	*148,341*	*1,582,161*	*3,921,930*

The net book value of land and buildings may be further analysed as follows:

	2022 £	*2021 £*
Long-term leasehold	1,707,158	*2,082,228*
	1,707,158	*2,082,228*

13. Tangible fixed assets (continued)

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

	2022 £	*2021* *£*
Tangible fixed assets owned	**2,210,722**	*2,339,769*
Right-of-use tangible fixed assets	**1,181,156**	*1,582,161*
	3,391,878	*3,921,930*

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

Net book value

	2022 £	*2021* *£*
Right-of-use asset	**1,181,156**	*1,582,161*
	1,181,156	*1,582,161*

Depreciation charge for the year ended

	2022 £	*2021* *£*
Depreciation expenses on right-of-use assets	**401,005**	*573,025*
	401,005	*573,025*

14. Stocks

	2022 £	*2021* *£*
Finished goods and goods for resale	**1,986,842**	*2,762,373*
	1,986,842	*2,762,373*

15. Debtors

	2022 £	*2021* *£*
Due after more than one year		
Receivables from third party	**135,411**	*135,411*

15. Debtors (continued)

	135,411	*135,411*
Due within one year		
Trade debtors	**1,738,491**	*5,928,603*
Other debtors	**1,117,063**	*1,418,201*
Prepayments and accrued income	**7,536,096**	*7,164,629*
Corporation tax due from group companies	**5,711,646**	*3,826,716*
	16,238,707	*18,473,560*

16. Cash and cash equivalents

	2022 £	*2021* £
Cash at bank and in hand	**5,561,201**	*4,576,159*
	5,561,201	*4,576,159*

17. Creditors: Amounts falling due within one year

	2022 £	*2021* £
Trade creditors	**4,913,891**	*3,980,256*
Intercompany trade payable	**17,279,755**	*14,750,675*
Amounts owed to immediate parent	**9,114,709**	*8,951,079*
Amounts owed to other group companies	**24,255,677**	*20,009,777*
Other taxation and social security	**37,623**	*18,089*
Lease liabilities	**551,682**	*831,815*
Other creditors	**-**	*790,716*
Accruals and deferred income	**3,601,577**	*3,306,359*
	59,754,914	*52,638,766*

Amounts owed to group undertakings are unsecured, repayable on demand and constituted of 3 different capital amounts.
Owed to immediate parent: Interest is charged at a rate of 1.3% per annum on £7,895,592 of the first principal loan value; a second tranche of debt of £750,000 accrues interest daily at 8% per annum
Owed to other group companies: the intercompany debt is £24,255,677 and this accrues interest daily at 1.5% per annum. The accrued interest on all intercompany payable balances are unpaid at year end and is therefore included in the amount shown above.

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

	2022	*2021*
	£	*£*
Lease liabilities	**1,645,361**	*2,308,703*
	1,645,361	*2,308,703*

19. Leases

Company as a lessee

The company's leasing activities mainly relate to its properties. The company leases several assets relating to property.The average lease term is 3 years (2021: 4 years)

Lease liabilities are due as follows:

	2022	*2021*
	£	*£*
Not later than one year	**551,682**	*831,815*
Between one year and five years	**1,645,361**	*2,308,703*
	2,197,043	*3,140,518*

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

	2022	*2021*
	£	*£*
Interest expense on lease liabilities	**82,997**	*37,316*
Expenses relating to short-term leases	**152,109**	*245,233*

20. Provisions

	Empty property £	Dilapidations £	Total £
At 1 April 2021	289,896	352,184	642,080
Charged to profit or loss	74,887	-	74,887
Utilised in year	-	(62,683)	(62,683)
At 31 March 2022	**364,783**	**289,501**	**654,284**

The property provisions represent an assessment of the costs to 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 lease period of 3 years.

The empty property provision represents the provision that was raised when the company ceased trading from the previous site. It is expected that the provision will be used during the remaining lease period which is approximately 3 years.

21. Share capital

	2022 £	*2021 £*
Authorised, allotted, called up and fully paid		
3,927,723 *(2021 - 3,927,723)* Ordinary shares of £0.0001 each	**393**	*393*

Preference shares and Series A shares were changed into Ordinary Shares in 2021. Since all 3 classes of shares all carried the same rights throughout the current year and prior period, the shares have not been re-classed or transferred, they have been renamed.

22. Reserves

Share premium account

Share premium account £9,194,932 (2021:£9,194,932) represents the amount above the nominal value received for shares less transaction costs.

23. Contingent Liabilities

The Company has no contingent liabilities at the period end, or the previous year end.

24. Capital Commitments

The Company has no capital commitments at the period end, or the previous year end.

25. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £435,434 (2021:£340,000). Contributions totalling £nil were payable to the fund at the reporting date. In January 2022 we moved pension provider from Scottish Widows to Legal & General, to align with the main McKesson scheme

26. Controlling party

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

The ultimate parent undertaking and controlling party of the Company is McKesson Corporation, a company registered in the United States of America.
Consolidated financial statements for the largest group of undertakings were prepared by McKesson Corporation and may be obtained from McKesson Corporation from its registered address 6555 State Hwy 161, Irving, TX 75039, USA.
Consolidated financial statements for the smallest group of companies are prepared by Admenta UK Limited and may be obtained from Companies House.

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

27. Events after the reporting period

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

The Company became a party to an asset-backed loan on April 6, 2022 as set out in note 2.3. The banking arrangements of the Company operate on a pooled basis with certain affiliates. Under these arrangements participating companies guarantee each other's borrowings. Borrowings are permitted against the Company's qualifying accounts receivable. The Company is also contingently liable in the event the Company, or an affiliate, defaults under the asset-backed loan, principally for failure to repay borrowings.