

**LLOYDS PHARMACY
LIMITED**

FINANCIAL STATEMENTS

31 DECEMBER 2010

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LLOYDS PHARMACY LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

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LLOYDS PHARMACY LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2010

The directors have pleasure in presenting their annual report and the financial statements of the company for the year ended 31 December 2010

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company throughout the year was the management of a chain of retail pharmacies

Review of business and future developments

2010 was another very successful year for Lloyds Pharmacy Limited. The company built on its position as the largest community pharmacy operator in the UK, with a network of pharmacies located primarily in the community and health centres. It also continued to focus on health and to respond to individuals' changing health needs.

The company continued to expand its role as a healthcare service provider, working with Primary Care Trusts and other NHS commissioning bodies in the provision of services such as smoking cessation and healthy heart checks and also developing its offer of business to business services.

Gross margins continued to be significantly impacted by reductions in the tariff at which drugs are reimbursed by the NHS. The company has sought to mitigate this by working with suppliers to reduce costs and implementing other initiatives to improve margins.

The company continues to implement its strategy of optimising service delivery across the pharmacy portfolio in all areas of the business. This includes the establishment of centres of excellence and the development of processes to deliver best practice in dispensing, service provision and operating efficiency. Costs throughout both the pharmacy network and support functions are tightly controlled.

During the year the company acquired a majority shareholding in BetterlifeHealthcare Limited, the UK's largest internet and mail order retailer of mobility and disability living aids and products. This acquisition boosts the company's existing independent living offering, enabling it to offer customers access to BetterlifeHealthcare's sales and service expertise through its network of pharmacies.

Also during the year the company sold part of its NHS debt to a third party bank in order to optimise its net working capital position.

The company has put in place a number of forums for communication 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.

Lloyds Pharmacy recognises that the achievement of success should be an objective assessment that includes 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 was reflected in the company's commitment to a sustained and robust approach to environmental management activity. Lloyds Pharmacy has also continued 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.

Looking forward to 2011, the company will continue to focus on health, building on its achievements in 2010 in sales and service growth and operational efficiency and continuing to be at the forefront of community healthcare service provision throughout the UK. Opportunities for opening or acquiring pharmacies will continue to be pursued where appropriate.

LLOYDS PHARMACY LIMITED

DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2010

Review of business and future developments *(continued)*

Lloyds Pharmacy has our customers' health at the centre of all we do. We are continually working to improve the health of the communities we serve through specific initiatives and the products and services we provide. We are committed to a responsible approach to business and are working on a number of programmes that seek to manage the impact of our business activities and, in doing so, make a positive contribution to the well-being of our customers, employees, communities and the environment.

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 year on summary KPIs is as follows -

Turnover growth 1% growth year on year. This has been driven by like for like growth in the number of prescriptions dispensed, over the counter sales and professional services and changes in pharmacy numbers.

Gross profit as a percentage of turnover 0.1 percentage points increase year on year. A number of initiatives to improve buying margins have helped to partially mitigate the impact of NHS tariff reductions.

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, Celesio AG.

Regulation

Lloyds Pharmacy 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

The change in the control of entry regulations in England during 2005 has meant that the number of new entrants into the pharmacy market has continued to increase. There has also been further consolidation within the market continuing the move from independent pharmacies to multiples and a consolidation of multiple chains including the merger of Alliance Unichem and Boots. Lloyds Pharmacy has continued to expand its pharmacy portfolio through acquisitions and new openings to match the change in the competitive arena and will continue to focus its location strategy on being within the community, meeting local needs and being close to the source of prescriptions.

People

The company recognises that its success is dependent almost entirely upon 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.

LLOYDS PHARMACY LIMITED

DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2010

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 - which are described in more detail below - on the financial performance of the company.

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

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £73,261,000 (2009: £71,379,000). Particulars of dividends paid are detailed in note 11 to the financial statements.

DIRECTORS

The directors who served the company during the year and up to the date of this report are as follows:

A Page	(Appointed 21 February 2011)
R Smith	(Resigned 31 May 2010)
A J Willetts	
A M Murdock	
S Gray	
P J O'Hanlon	
F Morgan	

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

Liability insurance, a qualifying third party indemnity provision for the purposes of the Companies Act 2006 is provided for the UK directors by Franz Haniel & Cie GmbH, the ultimate controlling party. This was in force during the year and also on the date of approval of the financial statements.

LLOYDS PHARMACY LIMITED

DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2010

POLICY ON THE PAYMENT OF CREDITORS

The policy of the company regarding the payment of trade creditors is determined internally rather than drawing upon any published supplier payment code. For the company, the policy is to

- (a) settle the terms of payment with suppliers when agreeing the terms of each transaction,
- (b) ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts, and
- (c) pay in accordance with their contractual and other legal obligations

The payment policy applies to all creditors for revenue and capital supplies of goods and services, without exception

The company had 107 days purchases outstanding at 31 December 2010 based on the average daily amount invoiced by suppliers during the year (2009 103 days)

DISABLED EMPLOYEES

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 annual report and news releases are distributed and other matters of importance or interest are featured in regular issues of the group 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 or 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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent.

LLOYDS PHARMACY LIMITED

DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES *(continued)*

- 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.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

In so far as the directors 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 directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



A J Willetts
Director

Approved by the directors on 4 APRIL 2011

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LLOYDS PHARMACY LIMITED

We have audited the financial statements of Lloyds Pharmacy Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Statement of Directors' Responsibilities set out on pages 4 to 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by directors, and the overall presentation of the financial statements.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

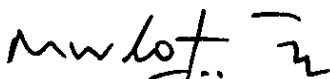
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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



Mike Robinson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

6 April 2011

LLOYDS PHARMACY LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2010

	Note	£000	2010 £000	2009 £000
TURNOVER				
Continuing operations		1,757,595		1,740,517
Acquisitions		<u>934</u>		<u>-</u>
			1,758,529	1,740,517
Cost of sales	2		<u>(1,185,664)</u>	<u>(1,175,502)</u>
GROSS PROFIT			572,865	565,015
Net operating expenses	2		<u>(451,054)</u>	<u>(437,371)</u>
OPERATING PROFIT:	4			
Continuing operations		121,752		127,644
Acquisitions		<u>59</u>		<u>-</u>
			121,811	127,644
Interest receivable and similar income	7		4	40
Amounts written off investments	8		(1,080)	-
Interest payable and similar charges	9		<u>(16,036)</u>	<u>(22,564)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			104,699	105,120
Tax on profit on ordinary activities	10		<u>(31,438)</u>	<u>(33,741)</u>
PROFIT FOR THE FINANCIAL YEAR			<u>73,261</u>	<u>71,379</u>

All of the activities of the company are classed as continuing

There is no material difference between the results above and the results on an unmodified historical cost basis

The notes on pages 11 to 30 form part of these financial statements

LLOYDS PHARMACY LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

YEAR ENDED 31 DECEMBER 2010

	2010	2009
	£000	£000
Profit for the financial year attributable to the shareholders	73,261	71,379
Actuarial gain/(loss) in respect of defined benefit pension scheme (note 22)	444	(4,039)
Deferred tax in respect of defined benefit pension scheme (note 20)	(120)	1,130
Total gains and losses recognised since the last annual report	<u>73,585</u>	<u>68,470</u>

The notes on pages 11 to 30 form part of these financial statements

LLOYDS PHARMACY LIMITED

BALANCE SHEET

31 DECEMBER 2010

	Note	£000	2010 £000	2009 £000
FIXED ASSETS				
Intangible assets	12		178,301	191,364
Tangible assets	13		144,919	149,923
Investments	14		17,648	10,803
			<u>340,868</u>	<u>352,090</u>
CURRENT ASSETS				
Stocks	15	100,076		113,757
Debtors	16	268,225		271,763
Cash at bank and in hand		124,135		106,428
		<u>492,436</u>		<u>491,948</u>
CREDITORS: Amounts falling due within one year	17	<u>(562,567)</u>		<u>(590,713)</u>
NET CURRENT LIABILITIES			<u>(70,131)</u>	<u>(98,765)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>270,737</u>	<u>253,325</u>
CREDITORS: Amounts falling due after more than one year	18		<u>(985)</u>	<u>(88)</u>
PROVISIONS FOR LIABILITIES				
Deferred taxation	20		<u>(6,672)</u>	<u>(10,133)</u>
Other provisions	21		<u>(9,179)</u>	<u>(10,780)</u>
NET ASSETS EXCLUDING PENSION LIABILITY			<u>253,901</u>	<u>232,324</u>
Defined benefit pension scheme liability	22		<u>(9,387)</u>	<u>(11,395)</u>
NET ASSETS INCLUDING PENSION LIABILITY			<u>244,514</u>	<u>220,929</u>
CAPITAL AND RESERVES				
Share capital	25		125,242	125,242
Share premium account	26		63	63
Profit and loss account	26		119,209	95,624
TOTAL SHAREHOLDERS' FUNDS	27		<u>244,514</u>	<u>220,929</u>

These financial statements on pages 8 to 30 were approved by the board of directors and authorised for issue on 4 APRIL 2011, and are signed on its behalf by



A J Willetts
Director

Company Registration Number 758153

The notes on pages 11 to 30 form part of these financial statements

LLOYDS PHARMACY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom and the Companies Act 2006

Set out below is a summary of the more important accounting policies, which have been applied consistently except where stated otherwise

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 parent company, Admenta UK plc, for financial support. A facility of £700m (2009 £850m) is made available to Admenta UK plc by another group company, Celesio B V. The intermediate parent company, Celesio AG continues to instruct Celesio B V to provide this on-going support and the directors of Admenta UK plc have received confirmation from the directors of Celesio B V that this support remains in place. The directors of Lloyds Pharmacy Limited have received written confirmation from the directors of Admenta UK plc that the support provided to Lloyds Pharmacy Limited remains in place.

Consolidated accounts

The financial statements contain information about Lloyds Pharmacy Limited as an individual company, rather than consolidated information as the parent of the group. The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare group accounts as its results are included by full consolidation in the financial statements of its ultimate parent, Franz Haniel & Cie GmbH, a company incorporated in Germany.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

Turnover

Turnover comprises sales of goods and services at invoice value excluding value added tax. Turnover 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. Turnover from the provision of goods and all services is only recognised when the amounts to be recognised are fixed or determinable and collectability is reasonably assured. Income relating to the period that has not been invoiced at the year end is accrued as required by FRS 18.

LLOYDS PHARMACY LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2010

1. ACCOUNTING POLICIES *(continued)*

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.

Amortisation

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

Goodwill - straight line basis over 20 years

Fixed assets

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

Depreciation

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

Freehold buildings - 2% on a straight line basis

Leasehold property - 2% on a straight line basis / over the period of the lease if less than 50 years

Fixtures, fittings, plant and equipment - 10% - 33% on a straight line basis

Motor vehicles - 25% on a straight line basis

Impairment of fixed assets and goodwill

The basis for any impairment write down of fixed assets and goodwill 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 plc group.

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, Celesio AG, as used within internal investment appraisal mechanisms.

The Company evaluates the carrying value of goodwill in each financial year to determine if there has been an impairment in value, which would result in the inability to recover the carrying amount. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the profit and loss account.

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 DECEMBER 2010

1. ACCOUNTING POLICIES *(continued)*

Finance lease agreements

Assets acquired under finance leases are capitalised and depreciated over the shorter of the lease term and the useful economic lives of equivalent owned assets. The capital element of future payments is treated as a liability and the interest element is charged to the profit and loss account over the period of the leases.

Operating lease agreements

The cost of assets used in respect of all operating leases are 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.

Pension costs and other post-retirement benefits

The company participates in group pension schemes operated by Admenta UK plc, one of which is defined benefit and two defined contribution. All schemes are funded and constituted as independently administered funds 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 total recognised gains and losses.

Provisions for liabilities

Provision is made in the accounts 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 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.

Deferred taxation

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. A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

LLOYDS PHARMACY LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2010

1. 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 accounts. 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 on a store by store basis. 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 year end, we will adjust for this value.

Investments

Shares in group companies are shown at historic cost less any write down for impairment. The basis for any impairment is by reference to the net asset value of the investment.

2. ANALYSIS OF COST OF SALES AND NET OPERATING EXPENSES

	Continuing operations £000	Acquired operations £000	Total £000
YEAR ENDED 31 DECEMBER 2010			
Cost of sales	<u>1,185,001</u>	<u>663</u>	<u>1,185,664</u>
Distribution costs	380,003	216	380,219
Administrative expenses	85,143	-	85,143
Other operating income (Note 3)	<u>(14,304)</u>	<u>(4)</u>	<u>(14,308)</u>
Net operating expenses	<u>450,842</u>	<u>212</u>	<u>451,054</u>
YEAR ENDED 31 DECEMBER 2009			
Cost of sales	<u>1,174,192</u>	<u>1,310</u>	<u>1,175,502</u>
Distribution costs	374,293	378	374,671
Administrative expenses	81,596	-	81,596
Other operating income (Note 3)	<u>(18,896)</u>	<u>-</u>	<u>(18,896)</u>
Net operating expenses	<u>436,993</u>	<u>378</u>	<u>437,371</u>

LLOYDS PHARMACY LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2010

3. OTHER OPERATING INCOME

	2010 £000	2009 £000
Rent receivable	1,708	1,749
Other operating income	12,600	17,147
	<u>14,308</u>	<u>18,896</u>

4. OPERATING PROFIT

Operating profit is stated after charging/(crediting)

	2010 £000	2009 £000
Amortisation of intangible assets	15,530	15,617
Depreciation of owned fixed assets	30,484	27,433
Depreciation of assets held under finance lease agreements	300	3
Profit on disposal of fixed assets	(392)	(753)
Operating lease costs		
- Plant and equipment	2,973	3,541
- Land and buildings	33,812	34,758
Net loss on foreign currency translation	27	—
Auditors' remuneration	185	248

	2010 £000	2009 £000
Auditors' remuneration		
- Audit of the financial statements	185	190
- Accounting services	—	58

5. PARTICULARS OF EMPLOYEES

The monthly average number of staff employed by the company (including directors) during the financial year amounted to

	2010 No	2009 No
Number of distribution staff	16,517	15,701
Number of head office staff	792	834
	<u>17,309</u>	<u>16,535</u>

The aggregate payroll costs of the above were

	2010 £000	2009 £000
Wages and salaries	247,309	235,975
Social security costs	18,073	17,692
Other pension costs (see note 22)	2,984	2,984
	<u>268,366</u>	<u>256,651</u>

LLOYDS PHARMACY LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2010

6. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services was

	2010	2009
	£000	£000
Remuneration receivable	1,976	1,419
Value of company pension contributions to money purchase schemes	124	159
Value of company pension contributions to defined benefit schemes	25	24
	<u>2,125</u>	<u>1 602</u>

Remuneration of highest paid director:

	2010	2009
	£000	£000
Total remuneration (excluding pension contributions)	641	439
Value of company pension contributions to money purchase schemes	34	66
	<u>675</u>	<u>505</u>

The number of directors who accrued benefits under company pension schemes was as follows

	2010	2009
	No	No
Money purchase schemes	5	5
Defined benefit schemes	<u>1</u>	<u>1</u>

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2010	2009
	£000	£000
Bank interest receivable	<u>4</u>	<u>40</u>

8. AMOUNTS WRITTEN OFF INVESTMENTS

	2010	2009
	£000	£000
Amount written off investments (note 14)	<u>1,080</u>	<u>-</u>

9. INTEREST PAYABLE AND SIMILAR CHARGES

	2010	2009
	£000	£000
Group interest payable	13,489	21,793
Pension interest payable	587	613
Bank interest and other similar charges payable	1,917	158
Finance charges	43	-
	<u>16,036</u>	<u>22,564</u>

LLOYDS PHARMACY LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2010

10. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2010 £000	2009 £000
Current tax		
UK Corporation tax based on the results for the year at 28% (2009 28%)	34,106	32,382
Adjustments in respect of previous years	(46)	185
Total current tax	34,060	32,567
Deferred tax		
Origination and reversal of timing differences	(2,622)	1,174
Tax on profit on ordinary activities	31,438	33,741

Included within the deferred tax movement is an amount of £839,000 (2009 £(108,000)) relating to the movement in the pension provision

The deferred tax movement includes £203,604 relating to the change in rate used to provide for deferred tax in the year. The rate used in 2010 was 27% (2009 28%)

No provision has been made for deferred tax on the sale of assets where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the assets were sold without it being possible to claim rollover relief. The total unprovided for is £9,324,000 (2009 £9,804,000). At present it is not envisaged that any tax will be payable in respect of these items in the foreseeable future.

LLOYDS PHARMACY LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2010

10. TAX ON PROFIT ON ORDINARY ACTIVITIES *(continued)*

(b) Tax included in statement of total recognised gains and losses

Included within the statement of recognised gains and losses is a movement on deferred taxation in respect of the defined benefit pension scheme of (£120,000) (2009 £1,130,000)

(c) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher (2009 higher) than the standard rate of corporation tax in the UK of 28% (2009 28%) The differences are explained below

	2010 £000	2009 £000
Profit on ordinary activities before taxation	<u>104,699</u>	<u>105,120</u>
Profit on ordinary activities before taxation multiplied by the standard rate of tax	29,316	29,434
Effects of		
Expenses not deductible for tax purposes	370	296
Capital allowances in excess of depreciation	3,185	2,048
Adjustments to tax charge in respect of previous years	(46)	185
Other short term timing differences	(962)	(310)
Amortisation of goodwill	3,345	3,378
Loss on sale of fixed assets to extent differs from chargeable gains	<u>(1,148)</u>	<u>(2,464)</u>
Total current tax (note 10(a))	<u>34,060</u>	<u>32,567</u>

(d) Changes to the UK corporation tax system

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement The Finance (No 2) Act 2010, which was substantively enacted on 20 July 2010, included legislation reducing the main rate of corporation tax from 28 per cent to 27 per cent from 1 April 2011 Further reductions to the main rate were proposed to reduce the rate by 1 per cent per annum to 24 per cent by 1 April 2014 The further reductions had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements

Further changes to the UK corporation tax system were announced in the March 2011 Budget Statement A resolution passed by Parliament on 29 March 2011 has now reduced the main rate of corporation tax from 28 per cent to 26 per cent from 1 April 2011 Legislation to reduce the main rate of corporation tax from 26 per cent to 25 per cent from 1 April 2012 is expected to be included in the Finance Act 2011 Further reductions to the main rate are proposed to reduce the rate by 1 per cent per annum to 23 per cent by 1 April 2014

The proposed reductions of the main rate of corporation tax to 23 per cent by 1 April 2014 are expected to be enacted separately each year The impact of these reductions on the deferred tax balance will be reflected in future years' financial statements as the reductions become substantively enacted The effect of the change of rate enacted on 29 March 2011 is not expected to have a material effect on the balance sheet of the company

LLOYDS PHARMACY LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2010

11. DIVIDENDS

	2010	2009
	£000	£000
Paid during the year		
Final paid 2010 £0 40 per share (2009 £0 40)	<u>50,000</u>	<u>50,000</u>

12. INTANGIBLE ASSETS

	Goodwill
	£000
COST	
At 1 January 2010	325,548
Additions (see note 30)	2,550
Disposals (see note 30)	(83)
At 31 December 2010	<u>328,015</u>
AMORTISATION	
At 1 January 2010	134,184
Charge for the year	15,530
At 31 December 2010	<u>149,714</u>
NET BOOK VALUE	
At 31 December 2010	<u>178,301</u>
At 31 December 2009	<u>191,364</u>

LLOYDS PHARMACY LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2010

13. TANGIBLE ASSETS

	Freehold property	Long leasehold property	Short leasehold property	Fixtures, fittings, plant and equipment	Motor vehicles	Total
	£000	£000	£000	£000	£000	£000
COST						
At 1 Jan 2010	12,822	2,542	49,712	265,546	454	331,076
Additions	550	–	5,387	21,230	–	27,167
Disposals	(873)	(220)	(279)	(3,397)	(17)	(4,786)
At 31 Dec 2010	<u>12,499</u>	<u>2,322</u>	<u>54,820</u>	<u>283,379</u>	<u>437</u>	<u>353,457</u>
DEPRECIATION						
At 1 Jan 2010	1,649	445	17,044	161,577	438	181,153
Charge for the year	499	100	2,576	27,607	2	30,784
On disposals	(84)	(36)	(276)	(2,994)	(9)	(3,399)
At 31 Dec 2010	<u>2,064</u>	<u>509</u>	<u>19,344</u>	<u>186,190</u>	<u>431</u>	<u>208,538</u>
NET BOOK VALUE						
At 31 Dec 2010	<u>10,435</u>	<u>1,813</u>	<u>35,476</u>	<u>97,189</u>	<u>6</u>	<u>144,919</u>
At 31 Dec 2009	<u>11,173</u>	<u>2,097</u>	<u>32,668</u>	<u>103,969</u>	<u>16</u>	<u>149,923</u>

Finance lease agreements

Included within the net book value of £144,919,000 is £1,322,637 (2009 £114,000) relating to assets held under finance lease agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £299,673 (2009 £3,000).

LLOYDS PHARMACY LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2010

14. INVESTMENTS

	Total £000
COST	
At 1 January 2010	10,803
Additions	7,925
At 31 December 2010	<u>18,728</u>
AMOUNTS WRITTEN OFF	
Written off in year	1,080
At 31 December 2010	<u>1,080</u>
NET BOOK VALUE	
At 31 December 2010	<u>17,648</u>
At 31 December 2009	<u>10,803</u>

The company acquired a 80% holding in BetterlifeHealthcare Limited on 1 October 2010 for a consideration of £7,846,000. The remaining addition in the year of £79,000 represents assets contributed by Lloyds Pharmacy Limited into AHLP Limited.

An amount of £1,080,000 was written off during the year relating to the impairment of the investment in 28 CVR Limited.

The principal subsidiaries and associated undertakings included in the financial statements at 31 December 2010 are listed below:

	Nature of business	Country of incorporation	% held
Subsidiaries			
A E Cooper (Aylestone) Limited	Dormant	England & Wales	100
A Miller (Chemists) Limited	Dormant	Scotland	100
BZB Limited	Dormant	England & Wales	100
Fullpad Limited	Dormant	England & Wales	100
Galen Heavitree Limited	Dormant	England & Wales	100
Health Centre Pharmacy (Kirkcaldy) Limited	Dormant	Scotland	100
J E Baker (Burntwood) Limited	Dormant	England & Wales	100
John Hall (Abergele) Limited	Dormant	England & Wales	100
Ralph Cuthbert (Stockport) Limited	Dormant	England & Wales	100
Rose and Boyle Limited	Dormant	Scotland	100
S & J Hallett Limited	Dormant	England & Wales	100
Silver Street Pharmacy Limited	Dormant	England & Wales	100
Tile Hill Pharmacy (1964) Limited	Dormant	England & Wales	100
W P Mallinson Limited	Dormant	England & Wales	100
Wallace Chemists Limited	Dormant	England & Wales	100
AHLP Pharmacy Limited	Retail pharmacy	England & Wales	75
BetterlifeHealthcare Limited	On line retailer	England & Wales	80

During the year Victoria HCP Limited had its name changed to AHLP Pharmacy Limited.

LLOYDS PHARMACY LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2010

14. INVESTMENTS *(continued)*

Associates

28 CVR Limited	Holding company	England & Wales	33
30 MC Limited*	Medical clinic	England & Wales	33
Expert Health Limited*	Online health	England & Wales	33
55 MR Limited*	Dormant	England & Wales	33

* Held indirectly through 28 CVR Limited

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

15. STOCKS

	2010 £000	2009 £000
Finished goods	<u>100,076</u>	<u>113,757</u>

16. DEBTORS

	2010 £000	2009 £000
Trade debtors	19,528	54,281
Amounts owed by immediate parent	24,344	—
Amounts owed by fellow subsidiaries	173,681	174,079
Amounts owed by other group companies	5,370	5,347
Amounts owed by subsidiaries	250	—
Other debtors	32,737	26,295
Other prepayments and accrued income	12,315	11,761
	<u>268,225</u>	<u>271,763</u>

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

Amounts owed by subsidiaries of £250,000 (2009 £nil) are repayable on demand with interest charged at market rates.

In order to maximise the company's net working capital position, a £30 million facility relating to the sale of Wales and Scotland NHS debt was secured with a third party bank during the year. At the end of 2010, £27 million of the facility was utilised, representing 90% of the total Wales and Scotland debt at the end of the year. The trade receivable for the amount has therefore been de-recognised in the accounts as the control of the contractual rights which comprise the receivable has been transferred to the bank.

LLOYDS PHARMACY LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2010

17. CREDITORS: Amounts falling due within one year

	2010	2009
	£000	£000
Overdrafts	25,976	24,621
Trade creditors	73,076	65,797
Amounts owed to immediate parent	–	35,812
Amounts owed to fellow subsidiaries	395,258	392,079
Amounts owed to other group companies	4,538	8,998
Amounts owed to subsidiaries	4,493	4,491
Corporation tax	14,485	12,427
Other taxation and social security	5,932	5,957
Finance lease agreements	390	30
Other creditors	1,533	586
Accruals and deferred income	36,886	39,915
	<u>562,567</u>	<u>590,713</u>

The bank overdrafts are secured by an inter-company composite guarantee

Of the amounts owed to fellow subsidiaries £70,000,000 (2009 £130,000,000) is due by the end of 2011 with interest charged on these balances at market rates. The remaining balances due to the immediate parent, fellow subsidiaries, other group companies and subsidiaries are on demand and are interest free.

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

	2010	2009
	£000	£000
Finance lease agreements	<u>985</u>	<u>88</u>

19. COMMITMENTS UNDER FINANCE LEASE AGREEMENTS

Future commitments under finance lease agreements are as follows

	2010	2009
	£000	£000
Amounts payable within 1 year	442	30
Amounts payable between 1 and 2 years	437	88
Amounts payable between 2 and 5 years	597	–
	<u>1,476</u>	<u>118</u>

20. DEFERRED TAXATION

The movement in the deferred taxation provision during the year was

	2010	2009
	£000	£000
Provision brought forward at 1 January 2010	10,133	8,862
Arising on acquisition of a business	–	(10)
Transfer from group company	–	1
Profit and loss account movement arising during the year	(3,461)	1,280
Provision carried forward at 31 December 2010	<u>6,672</u>	<u>10,133</u>

LLOYDS PHARMACY LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2010

20. DEFERRED TAXATION *(continued)*

The provision for deferred taxation consists of the tax effect of timing differences in respect of

	2010 £000	2009 £000
Excess of taxation allowances over depreciation on fixed assets	(405)	598
Short term timing difference	(2,696)	(3,088)
Other timing differences	9,773	12,623
	<u>6,672</u>	<u>10,133</u>

Deferred tax has been provided in 2010 at 27% (2009 28%)

The movement in the deferred tax asset relating to the pension deficit during the year was

	2010 £000	2009 £000
Provision brought forward at 1 January 2010	4,431	3,193
Deferred tax (charge)/credit in profit and loss account (note 10)	(839)	108
Deferred tax (charged)/credited to the statement of total recognised gains and losses		
- on actuarial loss	(120)	1,130
Provision carried forward at 31 December 2010	<u>3,472</u>	<u>4,431</u>

The deferred tax asset relating to the pension deficit has been deducted from the gross pension liability in arriving at the net pension liability (see note 22)

21. OTHER PROVISIONS

	2010 £000	2009 £000
Property provisions:		
Balance brought forward	10,780	8,781
Movement for year	(1,601)	1,999
	<u>9,179</u>	<u>10,780</u>

The property provision represents an assessment of the costs to cover (a) rent and rates for 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 the Admenta UK plc's property services department.

It is expected that approximately £2,000,000 of the property provision will be utilised within one year. The remaining balance of £7,179,000 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 80 years.

LLOYDS PHARMACY LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2010

22. PENSIONS AND OTHER POST RETIREMENT BENEFITS

The company participates in group pension schemes operated by Admenta UK plc, one of which is a defined benefit and two are defined contribution. The defined benefit scheme is a joint scheme with fellow subsidiary AAH Pharmaceuticals Limited and is divided by reference to the number of employees. All of the schemes are funded and constituted as independently administered funds with their assets being held separately from those of the company. The funds are valued every three years by a professionally qualified, independent actuary, the rates of contribution payable being determined by the actuary. Particulars of the valuations are also contained in the accounts of Admenta UK plc.

Surpluses and deficiencies are dealt with over the expected working lifetime of the members by appropriate adjustments to the contribution rates.

The pension cost for all schemes were borne by each fund. The pension charge in respect of the company was £2,984,000 (2009 £2,984,000).

There were amounts of £504,000 accrued in respect of pension scheme contributions at the balance sheet date (2009 £519,000).

The company provides no other post-retirement benefits to its employees.

An actuarial valuation was carried out as at 6 April 2008 and updated to 31 December 2010 by a qualified independent actuary. The major assumptions used by the actuary were:

	2010 %	2009 %	2008 %
Rate of increase in salaries	4.4	4.5	3.8
Discount rate	5.4	5.7	6.4
Inflation assumption	3.4	3.5	2.8
Expected return on scheme assets	5.6	6.0	6.57
Pension increases linked to price inflation subject to a maximum of 5% p.a.	3.3	3.5	2.7

The assumed life expectancies on retirement at age 65 are:

Male aged 65	86.6	86.5	86.4
Female aged 65	89.0	88.9	88.8
Male aged 45	88.5	88.4	88.3
Female aged 45	90.8	90.7	90.6

LLOYDS PHARMACY LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2010

22. PENSIONS AND OTHER POST RETIREMENT BENEFITS *(continued)*

The scheme has a range of different pension increases for different benefit categories, not all of which are detailed above. Further details of the various rates of pension increases can be found in the scheme documentation.

The group contributions during the year amounted to £3,469,000 (2009: £519,000) and the agreed company contribution rate for the coming year is 18.2% of pensionable salaries plus £4,181,000. The estimated contributions to be paid to the scheme by the company next year is £4,369,000. Expenses and levies to the Pension Protection Fund are payable in addition to this rate.

The scheme is closed to new entrants so the average age of the membership is expected to increase over time. The projected unit method is used to calculate the current service cost. This calculates the value of the following years' pension accrual and expresses it as a percentage of pensionable pay. This percentage increases as the members of the scheme approach retirement.

The fair value of the scheme assets, the present value of the scheme liabilities and the resulting deficit are:

	2010 £000	2009 £000	2008 £000
Equities	11,372	15,190	23,308
Bonds	49,117	35,733	31,431
Property	3,300	4,096	5,246
Absolute return fund	10,368	13,318	3,120
Others	1,640	240	144
Total market value of assets	75,797	68,577	63,249
Present value of funded scheme liabilities	(88,656)	(84,403)	(74,657)
Deficit in the scheme	(12,859)	(15,826)	(11,408)
Related deferred tax asset	3,472	4,431	3,193
Net pension deficit	(9,387)	(11,395)	(8,215)

There are no company related investments included in the fair value of assets.

The overall expected return on assets is calculated as the weighted average of the expected returns on each individual asset class. The expected returns for each asset class have been set with reference to market yields and include an allowance for expenses.

The actual return on scheme assets are:

	2010 £000	2009 £000
Actual return on scheme assets	8,252	9,230

LLOYDS PHARMACY LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2010

22. PENSIONS AND OTHER POST RETIREMENT BENEFITS *(continued)*

Reconciliation of the present value of scheme liabilities is shown below

	2010 £000	2009 £000
At 1 January	84,403	74,657
Current service cost	359	285
Interest cost	4,713	4,669
Members' contributions	65	66
Actuarial loss on scheme liabilities	3,682	9,213
Benefits paid	(4,566)	(4,487)
At 31 December	<u>88,656</u>	<u>84,403</u>

Reconciliation of the fair value of scheme assets is shown below

	2010 £000	2009 £000
At 1 January	68,577	63,249
Expected return on scheme assets	4,126	4,056
Actuarial gain on scheme assets	4,126	5,174
Contributions by the company	3,469	519
Members' contributions	65	66
Benefits paid	(4,566)	(4,487)
At 31 December	<u>75,797</u>	<u>68,577</u>

Amounts to be recognised in the income statement

	2010 £000	2009 £000
Current service cost	359	285
Interest cost	4,713	4,669
Expected return on pension scheme assets	(4,126)	(4,056)
Total expense	<u>946</u>	<u>898</u>

Amount recognised in statement of total recognised gains and losses

	2010 £000	2009 £000
Actuarial gain/(loss)	444	(4,039)
Effect of the limit on the net asset to be recognised	—	—
Actuarial gain/(loss) recognised in STRGL	<u>444</u>	<u>(4,039)</u>
Cumulative loss recognised in STRGL	<u>(28,439)</u>	<u>(28,883)</u>

LLOYDS PHARMACY LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2010

22. PENSIONS AND OTHER POST RETIREMENT BENEFITS *(continued)*

A history of assets, liabilities and actuarial gains and losses is shown below

	2010	2009	2008	2007	2006
Present value of scheme liabilities (£000)	(88,656)	(84,403)	(74,657)	(82,692)	(83,569)
Fair value of scheme assets (£000)	75,797	68,577	63,249	80,374	82,457
Surplus deficit (£000)	<u>(12,859)</u>	<u>(15,826)</u>	<u>(11,408)</u>	<u>(2,318)</u>	<u>(1,112)</u>
Difference between the expected and actual return on scheme assets					
- amount (£000)	4,126	5,174	(18,608)	(4,947)	982
- % of scheme assets	5	8	(29)	(6)	1
Experience (losses)/gains on scheme liabilities					
- amount (£000)	(644)	884	(475)	(43)	(47)
- % of the present value of scheme liabilities	(1)	1	(1)	-	-
Total amount recognised in statement of total recognised gains and losses					
- amount (£000)	444	(4,039)	(9,421)	(4 132)	3,171
- % of the present value of scheme liabilities	1	(5)	(13)	(5)	4

The value of the assets at 31 December 2010 and earlier have been taken at mid-value
Corresponding amounts have not been restated at bid value

23. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2010 the company had annual commitments under non-cancellable operating leases as set out below

	2010		2009	
	Land and buildings £000	Plant and equipment £000	Land and buildings £000	Plant and equipment £000
Operating leases which expire				
Within 1 year	1,188	607	1,127	1,251
Within 2 to 5 years	11,551	1,913	10,522	1,864
After more than 5 years	20,453	-	20 368	-
	<u>35,192</u>	<u>2,520</u>	<u>32,017</u>	<u>3,115</u>

LLOYDS PHARMACY LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2010

24. 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 Financial Reporting Standard 8

During 2009 the company acquired a 33% shareholding in 28 CVR Limited the parent company for Expert Health Limited trading as "Dr Thom" During the year the company recorded sales of £3,057,000 (2009 £820,000) arising from the Dr Thom website and the Lloyds Pharmacy online doctor website At the year end, the outstanding balance receivable from Dr Thom was £1,136,000 (2009 £502,000)

There was no trading with Betterlife Healthcare Limited or AHLP Limited during the year At the year end, there were outstanding balances payable to AHLP Limited of £10,000 (2009 £nil) and receivable from Betterlife Healthcare Limited of £250,000 (2009 £nil)

25. SHARE CAPITAL

Authorised share capital:

	2010	2009
	£000	£000
300,250,000 Ordinary shares of £1 each	<u>300,250</u>	<u>300,250</u>

Allotted, called up and fully paid:

	2010		2009
	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>

26. RESERVES

	Share premium	Profit and loss
	account	account
	£000	£000
Balance brought forward	63	95,624
Profit for the year	—	73,261
Dividends paid	—	(50,000)
Actuarial gain in respect of defined benefit pension scheme	—	444
Deferred tax in respect of defined benefit pension scheme	—	(120)
Balance carried forward	<u>63</u>	<u>119,209</u>

27. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2010	2009
	£000	£000
Profit for the financial year	73,261	71,379
Dividends paid	(50,000)	(50,000)
Actuarial gain/(loss) in respect of defined benefit pension scheme	324	(2,909)
Net addition to shareholders' funds	<u>23,585</u>	<u>18,470</u>
Opening shareholders' funds	<u>220,929</u>	<u>202,459</u>
Closing shareholders' funds	<u>244,514</u>	<u>220,929</u>

LLÖYDS PHARMACY LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2010

28. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the financial statements amounted to £1,104,749 (2009 £nil)

29. ULTIMATE PARENT COMPANY

The immediate parent undertaking is Admenta Holdings Limited. The company's ultimate parent undertaking and controlling party is Franz Haniel & Cie GmbH, a company registered in Germany, by virtue of its majority shareholding in the intermediate parent Celesio AG and its consolidation of the Celesio AG Group results into its own consolidated financial statements.

Consolidated financial statements for the largest group of undertakings are prepared by Franz Haniel & Cie GmbH and may be obtained from Franz Haniel Platz 1, D-47119 Duisburg, Ruhrort, Germany.

Consolidated accounts for the smallest group of companies are prepared by Celesio AG and may be obtained from Celesio AG, Neckartalstrasse 155, D-70376 Stuttgart, Germany.

30. ACQUISITIONS AND DISPOSALS

Summarised below are the fair values of the assets acquired by the company during the year on acquisition of unincorporated businesses. The goodwill arising on these acquisitions is detailed in note 12.

	Fair value and book value £000
Stock	83
Freehold property	75
Goodwill acquired	2,550
	<u>2,708</u>
Satisfied by	
Consideration paid - Cash	<u>2,708</u>

During the year a branch was disposed of with an associated reduction in goodwill of £83,000.