

**Anticipated Acquisition by Admenta Holdings Limited (“Lloyds”) of Independent Pharmacy
Care Centres Plc**

**Undertakings given by Lloyds to the Office of Fair Trading pursuant to section 73 of the
Enterprise Act 2002**

Whereas

- (A) Lloyds proposes to acquire IPCC by way of takeover offer (**Transaction**).
- (B) As the combined share of supply after the merger in relation to a substantial part of the UK will be 25% or more, the Transaction qualifies as a relevant merger situation under the Act.
- (C) The OFT has a duty to refer an anticipated merger to the Competition Commission for further investigation where it believes that it is or may be the case that the creation of the merger situation in question may be expected to result in a substantial lessening of competition within any market or markets in the UK for goods or services.
- (D) Under section 73 of the Act the OFT may, instead of making such a reference and for the purpose of remedying, mitigating or preventing the substantial lessening of competition concerned or any adverse effect which may be expected to result from it, accept undertakings to take such action as it considers appropriate, from such of the parties concerned as it considers appropriate.
- (E) The OFT considers that, in the absence of appropriate undertakings, it would be under a duty to refer the Transaction to the Competition Commission.
- (F) The OFT further considers that the undertakings given below by Lloyds are appropriate to remedy, mitigate or prevent the substantial lessening of competition, or any adverse effect which may be expected to result from it, as identified in its decision of 8 June 2007.

Now therefore Lloyds hereby gives to the OFT the following undertakings for the purpose of remedying, mitigating or preventing the substantial lessening of competition, or any adverse effect which may be expected to result from it.

1 Effective date of undertakings

- 1.1 These undertakings shall take effect from the date that the Transaction is unconditional in all respects.

2 Sale of Pharmacy Businesses

- 2.1 Lloyds shall, using its best endeavours and acting in good faith to the satisfaction of the OFT sell each of the Divestment Pharmacy Businesses as a going concern by the end of the Divestment Period to a purchaser approved by the OFT in accordance with these undertakings.
- 2.2 In paragraph 2.1 above and paragraphs 2.4 and 2.5 below, the words "sell" or "sale" shall include entering into a conditional contract of sale, provided that completion takes place within 3 months of:
 - (a) the date of such contract; or
 - (b) the end of the Divestment Period,

whichever is the later.

- 2.3 Where Lloyds proposes to enter into an agreement to sell any Divestment Pharmacy Business in accordance with its obligations under paragraph 2.1 above, it shall not sell to a proposed purchaser unless it has obtained the OFT's prior written approval in respect of the identity of the proposed purchaser in accordance with paragraph 3.1 below. Lloyds shall notify the OFT of the identity of the proposed purchaser as soon as is reasonably practicable and in any event, at least 15 Working Days in advance of completion of the proposed sale.
- 2.4 In the event that Lloyds fails to sell each of the Divestment Pharmacy Businesses within the Divestment Period (or by such later date as the OFT may specify), the OFT may require the appointment of a Trustee to carry out the Trustee Functions.
- 2.5 In the event that it appears to Lloyds that a Divestment Pharmacy Business may not be sold within the Divestment Period Lloyds may request the OFT to direct (at the OFT's discretion, acting reasonably) that an Alternative Divestment Pharmacy Business is sold, in which case these undertakings shall apply to the Alternative Divestment Pharmacy business as if it were a Divestment Pharmacy Business.
- 2.6 Lloyds will not as a condition of the purchase of any Divestment Pharmacy Business require that the purchaser enters into a Pharmaceutical Supply Agreement with Lloyds or any of its Affiliates or members of the Group of Interconnected Bodies Corporate to which Lloyds belongs.
- 2.7 Nothing in paragraph 2.6 shall prevent Lloyds or any of its Affiliates or members of the Group of Interconnected Bodies Corporate to which Lloyds belongs from entering into or extending Pharmaceutical Supply Agreements with the purchaser provided this is on an arm's length basis and in the reasonable opinion of the OFT, on normal commercial terms. Nothing in any such arrangement shall compromise the purchaser's independence or ability to compete with Lloyds.
- 2.8 Nothing in these undertakings shall prevent Lloyds or any of its Affiliates or members of the Group of Interconnected Bodies Corporate to which Lloyds belongs from offering or procuring to offer finance to a purchaser in order to assist with the acquisition of a Divestment Pharmacy Business provided this is given on an arm's length basis and in the reasonable opinion of the OFT, on normal commercial terms. Nothing in any such arrangements shall compromise the purchaser's independence or ability to compete with Lloyds. Any finance given as outlined above shall be repayable without penalty at three months' notice on the part of the debtor.

3 Purchaser Approval

- 3.1 A proposed purchaser for any Divestment Pharmacy Business sold in accordance with these undertakings will need to satisfy the OFT that:
 - (a) it is independent of an unconnected to Lloyds and the Group of Interconnected Bodies Corporate to which Lloyds belongs and any Associated Person or Affiliate of Lloyds or such Group of Interconnected Bodies Corporate;
 - (b) it has the financial resources, expertise and incentive to maintain and develop the Divestment Pharmacy Business as a viable and active business in competition with Lloyds and other competitors; and

- (c) it must reasonably be expected to obtain all necessary approvals and consents from any regulatory authority.
 - (d) The acquisition by the proposed purchaser of any of the Divestment Pharmacy Businesses is not expected to result in a substantial lessening of competition in the relevant local area such that it would fail to restore the local conditions of competition as required pursuant to paragraph 47 of the Decision.
- 3.2 The OFT may require Lloyds and/or a proposed purchaser to provide it with such information and documentation as it may reasonably require to demonstrate to the OFT that the proposed purchaser will fulfil the requirements set out in paragraph 3.1 above.

4 Interim Action

- 4.1 Pending the divestment of the Divestment Pharmacy Business in accordance with the provisions of these undertakings including paragraph 8.1, Lloyds shall ensure (without accepting any duty to make any investment additional to investment arrangements in place as at the date of these undertakings) that:
- (a) the Divestment Pharmacy Businesses shall be maintained as a going concern and Lloyds use its reasonable endeavours to ensure that the employees of the pharmacy remain in place;
 - (b) except with the prior written consent of the OFT the assets of the Divestment Pharmacy Businesses are maintained and preserved as in the ordinary course of business, including facilities and goodwill; and
 - (c) the nature, description, range and standard of goods and services currently supplied by the Divestment Pharmacy Businesses are maintained and preserved as in the ordinary course of business.

5 Continued Separation

- 5.1 Following the sale of a Divestment Pharmacy Business pursuant to paragraph 2.1, 2.5 or paragraph 8.1, Lloyds will not directly or indirectly acquire Control of that Divestment Pharmacy Business without the OFT's prior written consent if such an acquisition would give rise to the adverse effects identified in the decision of 8 June 2007 referred to at recital (F) above.
- 5.2 Where a reacquisition by Lloyds of a Divestment Pharmacy Business is prohibited pursuant to paragraph 5.1 above, Lloyds shall:
- (a) procure that no employee or director of Lloyds or of any members of the Group of Interconnected bodies Corporate to which Lloyds belongs holds any managerial position in that Divestment Pharmacy Business or any directorship or managerial position in any company or other undertaking carrying on or having Control of that Divestment Pharmacy Business for as long as that individual is an employee or director of Lloyds or of any member of the Group of Interconnected Bodies Corporate to which Lloyds belongs, without the OFT's written consent;
 - (b) not participate in the formulation of, or (other than in the ordinary course of business) influence or attempt to influence, the policy of that Divestment Pharmacy Business or of any company or other undertaking carrying on or having Control of that Divestment Pharmacy Business; and

- (c) not enter into or carry out any agreement or arrangement with any person, if the carrying out of the agreement or arrangement is intended to result or will result in any Associated Person or Affiliate of Lloyds or of any member of the Group of Interconnected Bodies Corporate to which Lloyds belongs directly or indirectly acquiring that Divestment Pharmacy Business or doing any of the things listed in subparagraphs (a) to (b) above.

6 Appointment of a Trustee

- 6.1 The provisions of paragraphs 6.2 to 6.7 below shall apply as required by paragraph 8.1 only as long as Lloyds has not satisfied, or where the OFT has reasonable grounds for believing that Lloyds will not satisfy, all or any part of the requirement to sell the Divestment Pharmacy Businesses in accordance with paragraph 2.1 or 2.5 of these undertakings.
- 6.2 Within 15 Working Days of the OFT notifying Lloyds that it must do so, Lloyds shall propose to the OFT:
 - (a) the names of at least two individuals to exercise the Trustee Functions; and
 - (b) the full terms of a mandate in accordance with which the Trustee shall carry out the Trustee Functions.
- 6.3 The individuals nominated by Lloyds pursuant to paragraph 6.2 shall meet the following requirements:
 - (a) they shall each be EU nationals with the necessary qualifications to carry out their mandates, and employees or partners of an investment bank, bank, buildings society or law firm or accountancy firm with an established reputation either nationwide or in a substantial part of the UK or in another EU member state;
 - (b) they shall each be independent of Lloyds and of the Group of Interconnected Bodies Corporate to which Lloyds belongs and of any Associated Person or Affiliate of Lloyds or of such Group of Interconnected Bodies Corporate and of any proposed purchaser of the Pharmacy Businesses to be sold pursuant to paragraph 2.1 or 2.5 above, and, in the opinion of Lloyds, appropriate to be appointed as Trustee; and
 - (c) they shall neither be nor become exposed, either directly or indirectly, to a conflict of interest that impairs or may be likely to impair their objectivity or independence in discharging the Trustee Functions.
- 6.4 Within 20 Working Days of the OFT approving, at its discretion, one or more of the persons nominated by Lloyds pursuant to paragraph 6.2 above and their proposed mandates, and subject to any modifications the OFT deems necessary for the Trustee to carry out the Trustee Functions, Lloyds shall use its best endeavours to appoint from the persons so approved one person to carry out the trustee Functions in accordance with the mandate approved by the OFT pursuant to this paragraph.
- 6.5 In the event that:
 - (a) Lloyds fails to nominate any person or persons in accordance with the provisions of paragraph 6.2 above; or
 - (b) none of the persons nominated by Lloyds pursuant to paragraph 6.2 is approved by the OFT; or

- (c) Lloyds is unable for any reason to conclude within the time limit stipulated in paragraph 6.4 the appointment of any such person following approval by the OFT.

Lloyds shall use its best endeavours to appoint from persons nominated by the OFT one person to carry out the Trustee Functions on the terms of a mandate approved by the OFT. Lloyds shall use its best endeavours to make such appointment within 7 Working Days of receiving the nominations from the OFT.

- 6.6 The appointment of the Trustee pursuant to paragraph 6.4 or 6.5 shall be irrevocable unless:
- (a) a conflict of interest that impairs or may be likely to impair the objectivity or independence of the Trustee in discharging the Trustee Functions arises;
 - (b) the Trustee ceases to perform its functions; or
 - (c) the OFT is otherwise satisfied that there is good cause for the appointment to be terminated in advance of the satisfactory fulfilment of the Trustee Functions.
- 6.7 In the event that the appointment of the Trustee is terminated under paragraph 6.6 above, Lloyds shall use its best endeavours to appoint from persons nominated by the OFT one person to carry out the Trustee Functions in accordance with such mandate as is approved by the OFT. Lloyds shall use its best endeavours to make such appointment within 7 Working Days of receiving the nominations from the OFT. Where required by the OFT, the outgoing Trustee shall continue as Trustee until a new Trustee is in place and a full handover of all relevant information has taken place.

7 The Mandate

- 7.1 The terms of the mandate proposed by Lloyds pursuant to paragraph 6.2 above shall, as a minimum, contain all provisions necessary to enable the Trustee to carry out the Trustee Functions including, without limitation to the generality of this paragraph:
- (a) an exclusive, irrevocable mandate to sell any Divestment Pharmacy Business as required by paragraph 8.1 below to a purchaser approved in advance in writing by the OFT at no minimum price and on such reasonable terms and conditions as the Trustee considers appropriate to effect an expedient sale (subject to paragraph 8.3 below);
 - (b) a comprehensive power of attorney to the Trustee (including the authority to grant sub-powers of attorney to the Trustee's officers, employees and agents) to enable it to take all steps reasonably necessary or appropriate to effect the sale of any such Divestment Pharmacy Business;
 - (c) a mandate to comply with any orders and directions given by the OFT for the purposes of remedying, mitigating or preventing the substantial lessening of competition, or any adverse effect which may be expected to result from it, as identified in the OFT decision of 8 June 2007 referred to at recital (F) above; and
 - (d) a mandate to appoint at Lloyds' expense such advisers as the Trustee considers necessary or appropriate in connection with the performance of the Trustee Functions.

8 Functions of Trustee

- 8.1 The Trustee shall procure within the Trustee Divestment Period, or within such other later period as may be specified by the OFT, the sale of any Divestment Pharmacy Businesses or Alternative Divestment Pharmacy Businesses necessary to remedy, mitigate or prevent the substantial lessening of competition, or any adverse effect which may be expected to result from it, as identified by the OFT in its decision dated 8 June 2007, as a going concern to a purchaser or purchasers approved by the OFT pursuant to paragraph 8.2 at no minimum price.
- 8.2 The Trustee shall not sell or permit the divestment of any Divestment Pharmacy Business to a proposed purchaser unless it has obtained the OFT's prior approval in writing in respect of the identity of the purchaser. The Trustee shall notify the OFT of the identity of a proposed purchaser as soon as reasonably practicable and in any event at least 20 Working Days in advance of the proposed completion of the proposed sale and purchase agreement in question.
- 8.3 The Trustee may not require Lloyds to:
- (a) offer any reverse premium or similar inducement to a purchaser; or
 - (b) accept any actual or contingent liability or obligation towards a purchaser or otherwise in connection with the divestment which would be unusual in scope or financially, having regard to the price and usual market practice in relation to similar disposals.
- 8.4 The Trustee may give written direction to Lloyds to take such steps within its competence as may be specified or described in the direction for the purpose of securing Lloyds compliance with its obligations under these undertakings or enabling the Trustee to carry out the Trustee Functions.
- 8.5 The Trustee shall provide to the OFT such information and reports in relation to the carrying out of the Trustee Functions as the OFT may require. The Trustee shall promptly report in writing to the OFT if the Trustee concludes on reasonable grounds that Lloyds is failing to comply with any of its obligations under these undertakings.
- 8.6 For the purpose of fulfilling the Trustee Functions, the Trustee shall not be bound by instructions of Lloyds nor shall the Trustee Functions be extended or varied in any way by Lloyds save with the prior express written consent of the OFT.

9 Functions of Lloyds following appointment of Trustee

- 9.1 Lloyds shall not give any instruction or make any request to the Trustee which conflicts with the Trustee Functions.
- 9.2 Lloyds shall take all such steps as are reasonably necessary to enable the Trustee to carry out the Trustee Functions, including but not limited to:
- (a) complying with such written directions as the Trustee may from time to time give pursuant to paragraph 8.3; and
 - (b) providing the Trustee with all such assistance and information, as it may reasonably require in carrying out the Trustee Functions.

10 Remuneration of Trustee

- 10.1 Lloyds shall pay the Trustee a reasonable remuneration for the services it provides in carrying out the Trustee Functions, and shall pay the Trustee in a way that does not impede the independent and effective fulfilment of the Trustee Functions.

11 Compliance

- 11.1 Lloyds shall comply with such written directions as the OFT may from time to time give:
- (a) to take such steps as may be specified or described in the directions for the purpose of carrying out or securing compliance with these undertakings; or
 - (b) to do or refrain from doing anything so specified or described which Lloyds might be required by these undertakings to do or to refrain from doing.
- 11.2 Lloyds shall procure that any member of the same Group of Interconnected Bodies Corporate as Lloyds complies with these undertakings if it had given them.
- 11.3 Where any Affiliate of Lloyds is not a member of the same Group of Interconnected Bodies Corporate as Lloyds, Lloyds shall use its best endeavours to procure that any such Affiliate shall comply with these undertakings as if it had given them.
- 11.4 Lloyds shall furnish promptly to the OFT such information as the OFT considers necessary to monitor these undertakings.

12 Extension of time limits

- 12.1 The OFT may, where appropriate, in response to a written request from Lloyds showing good cause, or otherwise at its own discretion, grant an extension to any time period referred to in these undertakings.

13 Interpretation

- 13.1 The Interpretation Act 1978 shall apply to these undertakings as it does to Acts of Parliament.
- 13.2 For the purposes of these undertakings:

Act means the Enterprise Act 2002

an **Affiliate** of a person is another person who satisfies the following condition, namely that the enterprise (which, in this context, has the meaning given in section 129(1) of the Act) that the first person carries on and any enterprise that the second person carries on from time to time would be regarded as being under common control for the purposes of section 26 of the Act

Alternative Investment Pharmacy Business means a Pharmacy Business operated by Lloyds that is an alternative Divestment Pharmacy Business and which if sold would remedy, mitigate or prevent the substantial lessening of competition, or any adverse effect which may be expected to result from it, as identified by the OFT in its decision date 8 June 2007;

Associated Person means a person or persons associated with Lloyds within the meaning of section 127(4) of the Act and includes any Subsidiary of such a person or persons construed in accordance with section 129(1) of the Act

Control shall be construed in accordance with section 26 of the Act, and in the case of a body corporate, a person shall be deemed to Control it if he holds or has an interest in shares of that body corporate amounting to 10 per cent or more of its issued share capital or carrying an entitlement to vote at meetings of that body corporate of 10 per cent or more of the total number of votes which may be cast at such meetings

Divestment Period means the periods of time determined by the OFT and notified in writing to Lloyds by the OFT

Divestment Pharmacy Business means each of the Pharmacy Businesses listed at Annex A, the divestment of which would remedy, mitigate or prevent the substantial lessening of competition, or any adverse effect which may be expected to result from it, as identified in the OFT decision of 8 June 2007

Excluded Assets means, in respect of a particular store:

- (a) any mark, logo or trade name owned or controlled by or licensed to Lloyds or any of its Affiliates or any member of the Group of Interconnected Bodies Corporate to which Lloyds belongs;
- (b) any other intellectual property rights owned or controlled by or licensed to Lloyds or any of its Affiliates or any member of the Group of interconnected Bodies Corporate to which Lloyds belongs;
- (c) all stocks of products intended to be sold or marketed under a brand, name, logo or style owned or controlled by or licensed to Lloyds or any of its Affiliates or any member of the Group of Interconnected Bodies Corporate to which Lloyds belongs;
- (d) all stocks of products intended to be sold or marketed under a brand, name, logo or style the use of which has been granted to Lloyds or to any of its Affiliates or to any member of the Group of Interconnected Bodies Corporate to which Lloyds belongs under an exclusive or semi-exclusive licence in the United Kingdom;
- (e) all computer hardware (including tills) and programmes owned, leased, licensed or controlled by Lloyds or by any of its Affiliates or by any member of the Group of Interconnected Bodies Corporate to which Lloyds belongs;
- (f) all accounts, accounting and other records and information which do not relate exclusively to that store;
- (g) any contract for the supply of monitored dosage systems and any equipment employed solely in connection with the supply of monitored dosage systems; and
- (h) any other rights or assets where membership of Lloyds' Group of Interconnected Bodies Corporate is a necessary condition to the enjoyment of such rights or assets.

Group of Interconnected Bodies Corporate has the meaning given in section 129(2) of the Act

Interest includes shares, an interest in shares and any other interest carrying an entitlement to vote at shareholders' meetings and for this purpose "an interest in shares" includes an entitlement by a person other than the registered holder, to exercise any right conferred by the holding of these shares or an entitlement to Control the exercise of such rights

IPCC means Independent Pharmacy Care Centres Plc

Lloyds means Admenta Holdings Limited

OFT means the Office of Fair Trading

Pharmaceutical Products means prescription only medicines and over the counter medicines

Pharmaceutical Supply Agreement means an agreement for the wholesale supply of Pharmaceutical Products

Pharmacy Business means:

- (a) all the tangible and intangible assets (including but not limited to stock, goodwill and intellectual property rights) which contribute to the current operation or are necessary to ensure the viability and competitiveness of that store and which are used solely in connection with that store;
- (b) all licences, permits and authorisations issued by any governmental organisation for the benefit of that store and which are used solely in connection with that store;
- (c) all contracts, commitments, customer orders, rights and title to the premises and/or land from which the business currently operates which are used solely in connection with that store;
- (d) all assets associated with that store which are used solely in connection with that store; and
- (e) any staff employed within that store;

but excludes the Excluded Assets; and

Subsidiary shall be construed in accordance with section 736(1) of the Companies Act 1985 (as amended), unless otherwise stated

Trustee means the person appointed pursuant to paragraph 6.4, 6.5 or 6.7 to carry out the Trustee Functions

Trustee Divestment Period means the period of time determined by the OFT and notified in writing to Lloyds by the OFT pursuant to paragraph 6.4 or 6.5

Trustee Functions means the functions set out in paragraphs 8.1, 8.2, 8.3, 8.4 and 8.5.

UK means the United Kingdom of Great Britain and Northern Ireland

Working Days means any days of the week other than a Saturday, Sunday or any other day that is a public holiday in England

For and on behalf of Admenta Holdings Limited

..... Signature

..... Signature

..... Name

..... Name

..... Title

..... Title

..... Date

..... Date

Annex A

	Area	Store to be divested
1	Grimsby	132 Chelmsford Avenue, Grimsby, DN34 5DA (Lloyds pharmacy)
2	Romiley (Stockport)	166 Higher Bents Lane, Bredbury, Stockport, SK6 2LU (Lloyds pharmacy)
3	Rubery (Birmingham)	108-110 New Road, Rubery, B45 9HY (Acquired pharmacy)
4	Rubery (Birmingham)	108-110 New Road, Rubery, B45 9HY (Acquired pharmacy – same store as above)