

Registered number: 10380256

INHEALTH PATHOLOGY LIMITED
Directors' Report and Financial Statements
For the Year Ended 30 September 2020

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INHEALTH PATHOLOGY LIMITED

Company Information

Directors	S Fox (resigned 16 February 2021) M Madan (resigned 3 February 2020) S J Scott D M Petrie (appointed 12 December 2019) R J Bradford (appointed 12 December 2019) A G Searle (appointed 15 April 2020)
Registered number	10380256
Registered office	Beechwood Hall Kingsmead Road High Wycombe Buckinghamshire HP11 1JL
Independent auditor	KPMG LLP Statutory Auditor The Pinnacle 170 Midsummer Boulevard Milton Keynes MK9 1BP
Banker	Bank of Scotland 4th Floor 25 Gresham Street London EC2V 7HN

INHEALTH PATHOLOGY LIMITED

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INHEALTH PATHOLOGY LIMITED

Directors' Report For the Year Ended 30 September 2020

The Directors present their report and audited Financial Statements for the Company for the year ended 30 September 2020.

Principal activity

The principal activity of the Company is the delivery of histopathology services, which will primarily include the processing and reporting of histopathology samples arising from tissue biopsy procedures.

Business review

Revenue for the year was £412,000 (2019: £788,000) generating an operating loss of £316,000 (2019: £7,000 loss). The Company has seen reduced activity levels as a result of Covid-19 during the year with immediate required responses to short term demand in certain areas, as well as some activities with reduced or no demand.

Despite the impact of Covid-19 the Company continues to look to strengthen its service offer to its customers. The Company anticipates that as the impact of the pandemic reduces it will continue to have many opportunities to grow where healthcare challenges meet with our skills and capabilities to offer clinical excellence, efficiency and productivity benefits to our patients and customers.

Covid-19

Following the outbreak of the Covid-19 global pandemic in early 2020, Healthcare systems across the world have worked to dedicate resources to fight the virus. In the UK the NHS focussed its attention on dealing with the pandemic which for some services led to a suspension or reduction in diagnostic tests. The Company has worked to support and partner with the NHS wherever possible during this period, mobilising specific and innovative Covid-19 responses utilising its people and assets across the UK.

The Company has seen reduced activity levels as a result of Covid-19 during the year, particularly during the initial wave from March through to July, which has impacted our finances. During the 'second wave' of the pandemic in late 2020 our services have continued in most areas (although at reduced levels) as the NHS has sought to maintain normal services where possible however the ability to operate efficiently remains restricted by the need to adopt Covid-19 safety protocols while managing staff absences.

Over the next 12 months services are expected to gradually recover as the backlog in diagnostic tests is addressed and the rollout of appropriate vaccines is implemented. Government restrictions are expected to lift over time and while the economic impact may continue in the UK, the demand for healthcare services is anticipated to remain high. The Directors therefore consider that the outlook for the Company remains strong and that it will continue to develop new and innovative patient services to make Healthcare better whilst remaining an essential partner for the NHS during this recovery period and beyond.

Following the outbreak of the virus the Directors have reassessed forecasts for the next 12 month period from the date of the approval of the Financial Statements including the potential impact of a slower recovery of services and consider that sufficient funds are available to meet liabilities as they fall due and have therefore prepared the Financial Statements on a Going Concern basis (see note 1.3 for further information on the going concern basis of preparation).

Dividends

The Directors do not recommend the payment of a dividend (2019: £nil).

INHEALTH PATHOLOGY LIMITED

Directors' Report (continued) For the Year Ended 30 September 2020

Directors

The Directors who held office during the year and up to the date of signing the Financial statements were as follows:

S Fox (resigned 16 February 2021)
M Madan (resigned 3 February 2020)
S J Scott
D M Petrie (appointed 12 December 2019)
R J Bradford (appointed 12 December 2019)
A G Searle (appointed 15 April 2020)

Political donations

The Company made no political donations during the period (2019: £nil).

Employees

Our people are central to our success in both delivering existing business and winning new contracts. Investment in our people and in building the right working environment will continue to be a priority. The Company employs 2 highly skilled and trained professionals, with many years of experience working within the health sector.

The Board is grateful for the contributions made by these individuals.

Engagement with employees

The Company's policy is to consult with its employees on matters likely to affect the employees' interests. Information on matters of concern to the employees is given through information bulletins and reports, which seek to achieve a common awareness on the part of the employees of the financial and economic factors affecting the Company's performance.

Employment of disabled people

It is the Company's policy that disabled people are given the same consideration as other applicants for all job vacancies for which they offer themselves as suitable candidates. Similarly, the Company's policy is to continue to employ and train employees who have become disabled, wherever possible.

Every effort has been made to ensure that line managers fully understand that disabled people must have the prospects and promotional opportunities that are available to other employees. The Company makes appropriate modifications to procedures and equipment where it is practical and safe to do so.

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

INHEALTH PATHOLOGY LIMITED

**Directors' Report (continued)
For the Year Ended 30 September 2020**

This report was approved by the Board on 25 March 2021 and signed on its behalf.

A handwritten signature in black ink, appearing to be 'R J Bradford', with several horizontal strokes extending to the right.

R J Bradford
Director

INHEALTH PATHOLOGY LIMITED

Directors' Responsibilities Statement

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 they have elected to prepare the Financial Statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 Company complies with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of InHealth Pathology Limited

Opinion

We have audited the Financial Statements of InHealth Pathology Limited ("the Company") for the year ended 30 September 2020 which comprise the Statement of Comprehensive Income, the Balance Sheet and the Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Independent Auditor's Report to the Members of InHealth Pathology Limited

Directors' report

The Directors are responsible for the Directors' report. Our opinion on the Financial Statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the Directors' report and, in doing so, consider whether, based on our Financial Statements audit work, the information therein is materially misstated or inconsistent with the Financial Statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Directors' report;
- in our opinion the information given in the Directors' report for the financial year is consistent with the Financial Statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.
- the Directors' were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the Directors are responsible for: the preparation of the Financial Statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditors responsibilities.

Independent Auditor's Report to the Members of InHealth Pathology Limited

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

C. Anderson

Charlotte Anderson (Senior statutory auditor)

for and on behalf of

KPMG LLP
Statutory Auditor
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
MK9 1BP

Date: 29 March 2021

INHEALTH PATHOLOGY LIMITED

Statement of Comprehensive Income For the Year Ended 30 September 2020

	Note	2020 £000	2019 £000
Revenue	3	412	788
Cost of sales		(464)	(588)
Gross (loss)/profit		(52)	200
Administrative expenses		(264)	(207)
Operating loss	4	(316)	(7)
Interest payable and expenses		(4)	-
Loss before tax		(320)	(7)
Tax on loss	7	(2)	(13)
Loss and total comprehensive loss for the financial year		(322)	(20)

The notes on pages 11 to 24 form part of these financial statements.

INHEALTH PATHOLOGY LIMITED
Registered number:10380256

Balance Sheet
As at 30 September 2020

	Note	2020 £000	2019 £000
Fixed assets			
Intangible assets	8	18	-
Tangible assets	9	436	509
		<u>454</u>	<u>509</u>
Current assets			
Debtors: amounts falling due within one year	10	52	318
Cash at bank and in hand		51	37
		<u>103</u>	<u>355</u>
Creditors: amounts falling due within one year	11	(1,166)	(1,153)
Net current liabilities		<u>(1,063)</u>	<u>(798)</u>
Total assets less current liabilities		<u>(609)</u>	<u>(289)</u>
Provisions for liabilities			
Deferred taxation	12	(15)	(13)
		<u>(15)</u>	<u>(13)</u>
Net assets excluding pension asset		<u>(624)</u>	<u>(302)</u>
Net liabilities		<u>(624)</u>	<u>(302)</u>
Capital and reserves			
Profit and loss account		(624)	(302)
		<u>(624)</u>	<u>(302)</u>

The Company's Financial Statements have been prepared in accordance with the provisions applicable to entities subject to the small companies regime.

The Financial Statements were approved and authorised for issue by the Board and were signed on its behalf on 25 March 2021.



R J Bradford
Director

The notes on pages 11 to 24 form part of these financial statements.

INHEALTH PATHOLOGY LIMITED**Statement of Changes in Equity
For the Year Ended 30 September 2020**

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 October 2018	-	(282)	(282)
Loss for the year	-	(20)	(20)
At 1 October 2019	-	(302)	(302)
Loss for the year	-	(322)	(322)
At 30 September 2020	-	(624)	(624)

The notes on pages 11 to 24 form part of these financial statements.

INHEALTH PATHOLOGY LIMITED

Notes to the Financial Statements For the Year Ended 30 September 2020

1. Accounting policies

1.1 Basis of preparation of financial statements

InHealth Pathology Limited is a private company incorporated, domiciled and registered in the UK. The registered number is 10380256 and the registered address is Beechwood Hall, Kingsmead Road, High Wycombe, Buckinghamshire, HP11 1JL.

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 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 2).

1.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- 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;
- 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 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

INHEALTH PATHOLOGY LIMITED

Notes to the Financial Statements For the Year Ended 30 September 2020

1. Accounting policies (continued)

1.3 Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Principal activity section of the Directors' Report on page 1.

The Financial Statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

As at 30 September 2020 the Company had net liabilities of £0.6m and cash and cash equivalents of £0.1m. As at 28 February 2021 the working capital position of the Company remains consistent with the year end.

The Directors have prepared forecasts for a period of 12 months from the date of approval of these Financial Statements which indicate that the Company will have sufficient funds to meet its liabilities as they fall due for that period.

Since the outbreak of the global pandemic Covid-19, the Directors have reassessed their prepared profit and cashflow forecasts for a period of 12 months from the date of approval of these Financial Statements including assumptions over the certainty of cash flows and the impact of reduced activity levels from February 2021 until August 2021, gradually recovering across the Group through this period. These forecasts indicate that, even when considering a severe but plausible downside, the Company will, subject to ongoing group support as set out below, continue to have sufficient funds to meet its liabilities as they fall due. The Company considers the medium-term outlook to be strong due to the opportunity to support the NHS in addressing the backlog of elective care.

The Group is funded by retained reserves and cash from operations. The Company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. In order to finance the working capital and capital investment, the Company's ultimate parent undertaking InHealth UK Holdings Limited has provided written confirmation that it will for at least 12 months from the date of approval of these Financial Statements continue to make available such funds as are needed by the Company and in particular will not seek repayment of amounts currently made available. The Directors, based on the financial position of the Group and the Group's own going concern assessment, are satisfied that these arrangements will continue for the foreseeable future. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these Financial Statements, they have no reason to believe that it will not do so.

After taking into consideration the factors likely to affect the future of the Company, set out in the Principal activity section of the Directors' Report on page 1, absence of external debt and availability of cash after considering the above impact of Covid-19, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future (at least 12 months after the approval of these Financial Statements). Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the Financial Statements and therefore have prepared the Financial Statements on a going concern basis.

INHEALTH PATHOLOGY LIMITED

Notes to the Financial Statements For the Year Ended 30 September 2020

1. Accounting policies (continued)

1.4 Impact of new international reporting standards, amendments and interpretations

IFRS 16

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 October 2019.

There has been no impact on the opening balance sheet upon the first-time adoption of IFRS 16.

1.5 Revenue

Revenue, which is measured as the fair value of consideration received for the activity performed, represents the amounts invoiced for the provision of histopathology services (excluding value added tax).

Revenue is recognised on the basis of the 5-step model under IFRS 15, which sets out the rules for revenue from contracts with customers based on the satisfaction of performance obligations. Management has undertaken a detailed assessment of all revenue streams using the 5-step approach specified by IFRS 15:

- Identify the contract(s) with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) a performance obligation is satisfied

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any transaction prices for the time value of money.

Rendering of services

Revenue from providing services is recognised in the accounting period in which the services are rendered and when performance obligations are satisfied. The Company typically satisfies its performance obligations as services are rendered on a "per procedure" basis, depending upon the terms of the contract. Revenue is recognised when control over the services transfers to the end customer ie. when the end customer has the ability to control the use of the transferred services provided and derive substantially their remaining benefits. Revenue is recognised when a contract with enforceable rights and obligations exists and the receipt of consideration is likely, taking into account the customer's credit quality. Payment terms are typically 30 days with no significant financing component or variable consideration. Revenue reflects all sales made by the Company, whether delivered directly or by sub-contractors as the Company remains the principal in all transactions.

For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

Where contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

INHEALTH PATHOLOGY LIMITED

Notes to the Financial Statements For the Year Ended 30 September 2020

1. Accounting policies (continued)

1.6 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.

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 not used this practical expedient.

1.7 Operating leases (policy applicable prior to 1 October 2019)

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.8 Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

INHEALTH PATHOLOGY LIMITED

Notes to the Financial Statements For the Year Ended 30 September 2020

1. Accounting policies (continued)

1.9 Fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- | | |
|-------------------------|-----------------------------|
| • Computer equipment | 3 to 5 years straight line |
| • Plant and equipment | 4 to 10 years straight line |
| • Fixtures and fittings | 3 to 6 years straight line |

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date. Assets in the course of construction have no depreciation charge.

INHEALTH PATHOLOGY LIMITED

Notes to the Financial Statements For the Year Ended 30 September 2020

1. Accounting policies (continued)

1.10 Financial instruments

i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii) Classification and subsequent measurement

Financial assets

(a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

(b) Subsequent measurement and gains and losses

Financial assets at FVPL - these assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities and equity

Financial liabilities are classified as measured at amortised cost or FVPL. A financial liability is classified as at FVPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

INHEALTH PATHOLOGY LIMITED

Notes to the Financial Statements For the Year Ended 30 September 2020

1. Accounting policies (continued)

1.9 Financial instruments (continued)

iii) Impairment

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECL, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12-month ECL.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held).

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

INHEALTH PATHOLOGY LIMITED

Notes to the Financial Statements For the Year Ended 30 September 2020

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

The preparation of the Financial Statements requires management to make judgements, estimates and assumptions in the application of accounting policies that affect reported amounts of assets, liabilities, revenues and expenses during the year.

Management periodically evaluates its estimates and judgements and bases them on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily available from other resources. Actual results may differ from these estimates.

3. Revenue

An analysis of revenue by class of business is as follows:

	2020 £000	2019 £000
Provision of services	412	788

All revenue arose within the United Kingdom.

4. Operating loss

The operating loss is stated after charging:

	2020 £000	2019 £000
Hire of other assets - operating leases	17	16
Depreciation of tangible fixed assets	93	54
Amortisation of intangible assets	3	-

5. Auditor's remuneration

	2020 £000	2019 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	6	6

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.

INHEALTH PATHOLOGY LIMITED

Notes to the Financial Statements For the Year Ended 30 September 2020

6. Employees

	2020 £000	2019 £000
Wages and salaries	121	121
Social security costs	11	12
Cost of defined contribution scheme	5	4
	<u>137</u>	<u>137</u>

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

	2020 No.	2019 No.
Operations	<u>2</u>	<u>3</u>

Directors' remuneration was borne by InHealth Limited and InHealth Endoscopy Limited during the period. The notional cost of Directors to the Company was £4,000 during the year (2019: £4,000). None of the Directors received any remuneration from the Company during the current year.

7. Taxation

	2020 £000	2019 £000
UK corporation tax		
Current tax on loss for the year	-	-
Total current tax	<u>-</u>	<u>-</u>
Origination and reversal of timing differences	(1)	6
Prior year adjustment	3	7
Total deferred tax	<u>2</u>	<u>13</u>
Taxation on loss on ordinary activities	<u>2</u>	<u>13</u>

INHEALTH PATHOLOGY LIMITED

Notes to the Financial Statements For the Year Ended 30 September 2020

7. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019: higher than) the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%) as set out below:

	2020 £000	2019 £000
Loss on ordinary activities before tax	(320)	(7)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2019:19.00%)	(61)	(1)
Effects of:		
Capital allowances for year in excess of depreciation	3	-
Other fixed asset differences, adjustments and movements	(2)	6
Prior year adjustment deferred tax	3	7
Group relief	59	1
Total tax charge for the year	2	13

Factors that may affect future tax charges

A change in the UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 remained at 19%, rather than the previously enacted reduction to 17%. The deferred tax liability at 30 September 2020 has been calculated based on these rates.

INHEALTH PATHOLOGY LIMITED

Notes to the Financial Statements For the Year Ended 30 September 2020

8. Intangible assets

	Computer software £000
Cost	
Additions - internal	21
	<hr/>
At 30 September 2020	21
	<hr/>
Amortisation	
Charge for the year on owned assets	3
	<hr/>
At 30 September 2020	3
	<hr/>
Net book value	
At 30 September 2020	18
	<hr/> <hr/>
At 30 September 2019	-
	<hr/> <hr/>

INHEALTH PATHOLOGY LIMITED

Notes to the Financial Statements For the Year Ended 30 September 2020

9. Tangible fixed assets

	Plant and equipment £000	Fixtures and fittings £000	Computer equipment £000	Assets in course of construction £000	Total £000
Cost					
At 1 October 2019	473	4	95	18	590
Additions	-	-	18	2	20
At 30 September 2020	473	4	113	20	610
Depreciation					
At 1 October 2019	55	1	25	-	81
Charge for the year on owned assets	67	1	25	-	93
At 30 September 2020	122	2	50	-	174
Net book value					
At 30 September 2020	351	2	63	20	436
At 30 September 2019	418	3	70	18	509

10. Debtors

	2020 £000	2019 £000
Amounts owed by group undertakings	1	236
Prepayments and accrued income	51	82
Amounts falling due within one year	52	318

11. Creditors

	2020 £000	2019 £000
Trade creditors	6	15
Amounts owed to group undertakings	1,133	1,079
Accruals and deferred income	27	59
	1,166	1,153

INHEALTH PATHOLOGY LIMITED

Notes to the Financial Statements For the Year Ended 30 September 2020

12. Deferred taxation

	2020 £000	2019 £000
At beginning of year	(13)	-
Charged to profit or loss	(2)	(13)
At end of year	(15)	(13)

The provision for deferred taxation is made up as follows:

	2020 £000	2019 £000
Tangible Fixed assets	(15)	(13)
	(15)	(13)

13. Share capital

	2020 £000	2019 £000
Allotted, called up and fully paid		
100 (2019: 100) A Ordinary shares of £0.01 each	-	-
100 (2019: 100) B Ordinary shares of £0.01 each	-	-
	-	-

14. Financial instruments

Financial risk management

Management continually monitor the credit risk, liquidity risk and market risk affecting the business and its financial assets and liabilities.

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments.

Credit risk, liquidity risk and market risk are not considered material for the Company. These financial risks are considered on a consolidated basis in the Company's ultimate parent company's consolidated Financial Statements

INHEALTH PATHOLOGY LIMITED

Notes to the Financial Statements For the Year Ended 30 September 2020

15. Controlling party

The ultimate parent undertaking and controlling party is The Damask Trust, the Trustees of which are I H Bradbury and the Embleton Trust Corporation Limited.

The largest Group in which the results of the Company are consolidated is that headed by InHealth UK Holdings Limited, which is incorporated in England and Wales. The smallest Group in which the results of the Company are consolidated is that headed by InHealth Group Limited, which is incorporated in England and Wales. The consolidated Financial Statements of these groups are available to the public and may be obtained from Beechwood Hall, Kingsmead Road, High Wycombe, Buckinghamshire, HP11 1JL.