REGISTERED NUMBER: OC391023

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

FOR

HSL (FM) LLP

CONTENTS OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

BOARD AND ADVISERS
FOR THE YEAR ENDED 30 JUNE 2021

MEMBERS:	Health Services Laboratories LLP HSL (Nominee) Limited
REGISTERED OFFICE:	The Halo Building 1 Mabledon Place London WC1H 9AX
REGISTERED NUMBER:	OC391023
INDEPENDENT AUDITORS:	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 40 Clarendon Road Watford Hertfordshire WD17 1JJ
BANKERS:	HSBC Bank Level 2 62-76 Park Street London SE1 9DZ

MEMBERS' REPORT
FOR THE YEAR ENDED 30 JUNE 2021

The Members present their report and audited financial statements of the LLP for the year ending 30 June 2021. The partnership commenced trading on 1 April 2015.

PRINCIPAL ACTIVITIES

The principal activity of the partnership is the provision of managed pathology laboratory facilities. The LLP provides managed laboratory facilities for use by pathology departments and clinical organisations including NHS Trusts. By agreement customers may direct their own or third party analytical workforces to operate in our facilities.

REVIEW OF BUSINESS

The results for the year show an operating profit for the financial year available for discretionary division among Members of £2,035,000 (2020: operating loss of £3,614,000) and revenue of £109,789,000 (2020: £72,777,000). The LLP's income statement is set out on page 11. The LLP provides laboratory facilities to a number of NHS Trusts and other National Health Service bodies.

Our business has continued to feel the effects of the global pandemic in the year to 30 June 2021; our major customers, NHS hospitals and Community Trusts experienced reduced levels of routine activity and this has been reflected in lower levels of demand for many of our diagnostic pathology tests. By the end of the financial year, however, acute hospital testing rates had returned to pre-pandemic levels but community diagnostic request volumes, although recovering, were still below the historic norm. Acute hospitals have an ongoing requirement for laboratory-based and near-patient testing for the Covid 19 virus.

HSL has displayed a strong spirit of partnership with the NHS and delivered significant additional capacity for these new Covid 19 tests including antigen and antibody testing. Throughout this period we have been working in line with the governments pandemic response and co-operating with Public Health England and NHS England in all aspects of our Covid service.

In partnership with academic institutions in the MedCity cluster including University College London we responded to the Department of Health and Social Care's request for Covid-19 testing facilities in the autumn of 2020. The resulting new laboratory was opened on Level 9 of the Halo building in December 2020.

GOING CONCERN

The financial statements have been prepared on a going concern basis, despite having net current liabilities which are primarily intercompany payables. An intermediate parent undertaking, Health Services Laboratories LLP, has confirmed its intention not to require HSL (FM) LLP ('the LLP') to repay all or part of the loans owing to it or any of the partnerships Health Services Laboratories LLP have majority interest in, within 12 months of the date of signing the LLP's financial statements for the year ended 30 June 2021, if it could be reasonably expected that such repayment would negatively impact the ability of the LLP to pay its external creditors when due within this year.

FUTURE OUTLOOK

We aim to provide state of the art pathology laboratory facilities, which deliver substantial efficiencies through economies of scale, leading edge technology, infrastructure and IT.

We believe that we are able to do this most effectively as a partnership organisation within the NHS. We expect to see increasing numbers of NHS Trusts and Commissioners requiring investment in efficient pathology services and we are well placed to meet this need. Our high service levels and the continued application of leading edge technologies are important to our existing customer base and, we believe, will be a factor in delivering new customer contracts.

The NHS has identified the pathology sector as a possible source of efficiencies in the coming years and an important part of the NHS initiative to reduce the backlog of treatments and procedures in the wake of the pandemic. We welcome these initiatives because of our Members' long experience in supporting and transforming public sector laboratory services.

SECTION 172 STATEMENT AND REPORTING

The Members of the LLP must act in the way it considers, in good faith, would be most likely to promote success of the LLP for the benefit of its Members as a whole, and in doing so have regard (amongst other matters) to;

- the likely consequences of any decision in the long term,
- the interests of the LLP's employees,
- the need to foster the LLP's business relationships with suppliers, customers and others,
- the impact of the LLP's operations on the community and the environment,
- the desirability of the LLP maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between Members of the LLP.

FINANCIAL RISK MANAGEMENT

The LLP's operations expose it to a variety of financial risks which include credit risk, market risk, exchange rate risk and liquidity risk. Given the size of the LLP, responsibility for monitoring financial risk management lies with the Board. The LLP implements rigorous cash flow management processes to manage liquidity risk. The LLP also reviews foreign exchange exposures on an ongoing basis given a proportion of the capital and operational costs of the Group are incurred with suppliers from outside the UK. The LLP also has policies that require appropriate credit checks for potential customers and suppliers dependent on the size and type of account.

EMPLOYEES

The LLP does not discriminate on the basis of age, gender, race, religion, sexual orientation or any basis other than merit. Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the LLP continues and the appropriate training and reasonable adjustments are arranged. It is the policy of the LLP that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

MEMBERS' REPORT - continued
FOR THE YEAR ENDED 30 JUNE 2021

SECTION 172 STATEMENT AND REPORTING - continued

EMPLOYEES - continued
Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests in the context of the financial and economic performance of their business units. Communication with all employees continues through employee representation and briefing groups.

The LLP is committed to trading ethically, with zero tolerance for modern slavery (including forced labour or human trafficking in any form), human rights violations and child labour.

We aim to uphold internationally agreed standards of labour, and we expect our suppliers and subcontractors to treat workers fairly, honestly and with respect for their basic human rights and wellbeing.

We have established processes for reviewing our supply chain to identify risks of the occurrence of modern slavery. We will not use suppliers whom we have identified do not meet the agreed standards in this area.

BUSINESS RELATIONSHIPS
The LLP's strategy prioritises strong customer relationships. Growth of existing customers and bringing new customers to the Group are important aspects of this. HSL values all the customers and suppliers to the group and will enter into multi-year contracts with many key suppliers particularly where this provides a level of confidence and visibility around future commitments for both parties.

COMMUNITY AND ENVIRONMENT
HSL aims to create positive change for the people and communities with which it interacts. HSL leverages its expertise and enables colleagues to support communities through initiatives such as matched charitable giving.

DESIGNATED MEMBERS
The LLP is committed to openly engage with its Members and recognises the importance of continuing effective dialogue.

The designated Members of the Limited Liability Partnership ("LLP") who were in office during the year and up to the date of signing the financial statements were:
Health Services Laboratories LLP
HSL (Nominee) Limited

PRINCIPAL RISKS AND UNCERTAINTIES
Pathology is a fast changing discipline; molecular technologies and emerging diagnostic platforms make it more important than ever to ensure that our facilities provide users with access to these new platforms. We work closely with our suppliers and partners to achieve this. The LLP has invested over £70m in our laboratory facilities to meet this challenge.

As a provider of laboratory facilities to clinical organisations we are always subject to reputational risk. The organisation invests heavily in quality; both systems and personnel, and we work closely with all the relevant regulatory authorities to minimise our risk exposure in this key area.

MEMBERS' PROFIT SHARE
Introduction of Members capital is made only upon unanimous agreement by all Members. No capital can be repaid to Members except in circumstances of unanimous approval of the Board. Members are remunerated solely out of the profits of the LLP. Final decisions on the distribution of profits to Members is made by the Board as per the Limited Liability Partnership Agreement dated 30 July 2014. The distribution of profits to those who were Members during the financial year is discretionary and needs to be approved by the Board within 2 months after year-end.

MEMBERS' PROFIT SHARE - continued

Members' capital contributions are determined by the Board having regard, inter alia, to the working capital needs of the business. In the event of winding up all creditors will be settled and if any surplus remains and this relates to undivided profits of the LLP in that financial year this will be divided amongst the Members. Any remaining balance will be paid to the Members in proportion to their Capital Interests.

Other Members Interests consists of fixed assets that were contributed by each of the Members to HSL (FM) LLP on 1 April 2015. Depreciation for these assets is offset against Other Members Interests and does not form part of Members Capital.

CARBON EMISSION STATEMENT

The LLP is committed to playing its part in addressing the risks of climate change by operating energy efficient laboratories and logistics. The LLP aims to remain socially and environmentally responsible while implementing measures that will make a positive impact.

INTENSITY RATIO

The LLP uses revenue as a metric for calculating an 'intensity ratio'. The resulting intensity ratio of Tonnes of CO^2 Emitted / Total Group Revenue will best reflect changes in operational and energy consumption over time.

To normalise these results, a metric is selected to take growth into account. The LLP has on an-going programme of energy efficiency projects and as a result of these projects the LLP's Scope 2 electricity consumption is lower than would have otherwise been, contributing to a reduction in intensity ratio.

These projects include; further replacement of traditional lighting with LED, reduction of lighting levels across floors, installation of a side stream filter to the main water intake which will remove debris assisting pumps to run more efficiently, A+ Euro vent rated air filters were installed, lighting re-configured to turn off after set period of time if switches are not being used and BMS strategy changes to optimise boiler usage, reduce gas consumption and improve efficient of equipment used in the laboratories.

EFFICIENCY NARRATIVE

A summary of the greenhouse gas emissions and energy consumption for 30 June 2021 is presented below:

Type of emission	Activity	kWh	tCO2e	% of total
Scope 1	Natural gas	1,648,645	301.98	19.53%
	Vehicle fleet	-	-	0.00%
	Subtotal	**1,648,645**	**301.98**	**19.53%**
Scope 2	Electricity	5,859,299	1,244.11	80.47%
	Subtotal	**5,859,299**	**1,244.11**	**80.47%**
Scope 3	Grey fleet	-	-	0.00%
	Subtotal	**-**	**-**	**0.00%**
Total gross consumption and emissions		7,507,944	1,546.09	100.00%
Metric used: Total HSL Group revenue (£'000) (see note 20)			206,301	
Intensity ratio: Tonnes of CO2 per total HSL Group revenue			7.50	

MEMBERS' REPORT - continued
FOR THE YEAR ENDED 30 JUNE 2021

CARBON EMISSION STATEMENT - continued

EFFICIENCY NARRATIVE - continued
A summary of the greenhouse gas emissions and energy consumption for 30 June 2020 is presented below:

Type of emission	Activity	kWh	tCO2e	% of total
Scope 1	Natural gas	1,322,833	243.23	17.23%
	Vehicle fleet	-	-	0.00%
	Subtotal	**1,322,833**	**243.23**	**17.23%**
Scope 2	Electricity	5,013,211	1,168.78	82.77%
	Subtotal	**5,013,211**	**1,168.78**	**82.77%**
Scope 3	Grey fleet	-	-	0.00%
	Subtotal	**-**	**-**	**0.00%**
Total gross consumption and emissions		6,336,044	1,412.01	100.00%
Metric used: Total HSL Group revenue (£'000) (see note 20)			132,941	
Intensity ratio: Tonnes of CO2 per total HSL Group revenue			10.62	

BUSINESS TRAVEL
The LLP restricts business travel to essential journeys between laboratory sites which are predominantly situated around central London and periodic meetings with key suppliers and customers. The use of public transport is encouraged to minimise emissions when travelling between sites, subject to other restrictions related to Covid19. The LLP has increased the use of video conferencing over the last few years with increased facilities available and accessible to staff at the core laboratory, 1 Mabledon Place, and encourages the use of on-line readily available meeting rooms.

FINANCE AND INVESTMENT
The facilities where the LLP has operational control are managed by a third party provider and together with the outsourced provider the LLP has implemented a programme of energy efficiency projects which include:
- Control of the three boilers serving the core laboratory has been re-configured to switch on in cascade based on heating demand. The BMS has been adjusted for more efficient running.
- The core laboratory has been fitted with LED lighting with PIR (passive infrared sensor) controls.

QUANTIFICATION AND REPORTING METHODOLOGY
The LLP has followed the 2013 UK Government Environmental Reporting Guidelines (updated March 2019) and has used the 2020 UK Governments' Conversion Factors for Company Reporting. The energy efficiency narrative methodology has been created based on energy management best practice.

Electricity and gas: Meter readings from supplier invoices were used to calculate the consumption in kWh. Greenhouse gas conversion factors have been used to convert kWh into tCO2e. Where billed consumption from and to dates do not match the financial year readings from the closest billed dates have been used. Consumption has been annualised or, where a property has been added or vacated during the financial year, a pro-rata calculation has been applied.

CARBON EMISSION STATEMENT - continued

ORGANISATIONAL BOUNDARY
The LLP has used the operational control approach. Facilities are managed by an outsourced provider with electricity and gas charges being billed to the LLP. Energy costs for the core laboratory are apportioned between another company in the wider UK Group and the LLP based on their use of the facilities.

Serviced facilities (Rapid Response Laboratories within NHS Hospitals) where the energy is billed directly to the NHS are out of HSL's operational control as far as energy efficiency is concerned and are therefore outside of HSL's operational boundary and not reported on.

POST BALANCE SHEET EVENTS
There were no post balance sheet events in the current financial year.

STATEMENT OF MEMBERS' RESPONSIBILITIES
The Members are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law, as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the "Regulations"), requires the Members to prepare financial statements for each financial year. Under that law the Members have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law, as applied to limited liability partnerships, the Members 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 limited liability partnership and of the profit or loss of the limited liability partnership for that period. In preparing the financial statements, the Members are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
  prepare the financial statements on the going concern basis unless it is inappropriate to presume that the limited liability partnership will continue in business.

The Members are responsible for keeping adequate accounting records that are sufficient to show and explain the limited liability partnership's transactions and disclose with reasonable accuracy at any time the financial position of the limited liability partnership and enable them to ensure that the financial statements comply with the Companies Act 2006 as applied to limited liability partnerships by the Regulations.

The Members are also responsible for safeguarding the assets of the limited liability partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

MEMBERS' REPORT - continued
FOR THE YEAR ENDED 30 JUNE 2021

Disclosure of information to auditors
The designated Members who held office at the date of approval of this Members' report confirm that, so far as they are each aware, there is no relevant audit information of which the LLP's auditors are unaware; and each designated Member has taken all the steps that they ought to have taken as a designated Member to make themselves' aware of any relevant audit information and to establish that the LLP's auditors are aware of that information.

THE FINANCIAL STATEMENTS ON PAGES 12 TO 33 WERE APPROVED BY THE MEMBERS AND SIGNED ON THEIR BEHALF ON 9 NOVEMBER 2021:

....
M Dinan – On behalf of Health Services Laboratories LLP
Designated Member on behalf of HSL (FM) LLP

....
D Firth – On behalf of Health Services Laboratories LLP
Designated Member on behalf of HSL (FM) LLP

....
D Byrne – On behalf of HSL (Nominee) Limited
Designated Member on behalf of HSL (FM) LLP

Report on the audit of the financial statements

Opinion

In our opinion, HSL (FM) LLP's financial statements:

- give a true and fair view of the state of the LLP's affairs as at 30 June 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 30 June 2021; the income statement and statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the LLP in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the LLP's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the LLP's ability to continue as a going concern.

Our responsibilities and the responsibilities of the members with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The members are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

Reporting on other information - continued

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the members for the financial statements

As explained more fully in the Statement of Members' Responsibilities, the members are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The members are also 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.

In preparing the financial statements, the members are responsible for assessing the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the LLP and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, Employment regulation, Health and safety regulation and related legislation governing entities providing services to NHS Trusts, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to related to fraudulent journal entries, designed to manipulate the financial performance and/or position of the company and management bias in accounting estimates. Audit procedures performed by the engagement team included:

Responsibilities for the financial statements and the audit – continued

Auditors' responsibilities for the audit of the financial statements - continued

- Inquiry with management in respect of potential non-compliance with laws and regulations;
- Testing journal entries meeting specific risk criteria, testing accounting estimates for indication of management bias, and evaluating the business rationale of any significant transactions outside the normal course of business or those significant and one off in nature; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the members of the partnership as a body in accordance with the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 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.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 as applicable to limited liability partnerships we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the LLP, 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.

We have no exceptions to report arising from this responsibility.

David Beer (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
10 November 2021

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 £'000	2020 £'000
REVENUE	4	**109,789**	72,777
Cost of sales		**(79,924)**	(52,645)
GROSS PROFIT		**29,865**	20,132
Administrative expenses		**(29,900)**	(25,365)
Other income	5	**4,469**	3,664
OPERATING PROFIT/(LOSS)	7	**4,434**	(1,569)
Finance cost	8	**(2,399)**	(2,045)
OPERATING PROFIT/(LOSS) FOR THE FINANCIAL YEAR AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS		**2,035**	(3,614)
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO MEMBERS	18	**2,035**	(3,614)

The notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION
As at 30 JUNE 2021

	Note	2021 £'000	2021 £'000	2020 £'000	2020 £'000
FIXED ASSETS					
Intangible Assets	10		**425**		522
Property, Plant & Equipment	11		**69,676**		70,833
Right-of-use assets	12		**72,647**		75,124
			142,748		146,479
CURRENT ASSETS					
Inventory	13	**10,695**		8,035	
Trade debtors and other receivables	14	**20,874**		13,000	
Cash and cash equivalents		**12,015**		12,778	
		43,584		33,813	
CREDITORS					
Amounts falling due within one year	15	**(73,296)**		(70,150)	
NET CURRENT LIABILITIES			**(29,712)**		(36,337)
TOTAL ASSETS LESS CURRENT LIABILITIES			**113,036**		110,142
NON CURRENT CREDITORS					
Amounts falling due after one year	16		**(86,001)**		(86,860)
NET ASSETS ATTRIBUTABLE TO MEMBERS OF THE LLP			**27,035**		23,282
REPRESENTED BY:					
Members' capital			**27,035**		23,282
TOTAL MEMBERS' INTERESTS	18		**27,035**		23,282

The financial statements on pages 12 to 33 were approved by the Members on 9 November 2021 and were signed on its behalf by:

....
M Dinan – On behalf of Health Services Laboratories LLP
Designated Member on behalf of HSL (FM) LLP

....
D Firth – On behalf of Health Services Laboratories LLP
Designated Member on behalf of HSL (FM) LLP

....
D Byrne – On behalf of HSL (Nominee) Limited
Designated Member on behalf of HSL (FM) LLP

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	Note	Members' capital	Other Members interests	Total Members' interests
		£'000	£'000	£'000
Balance at 1 July 2019		**23,393**	**-**	**23,393**
Members capital contributions		3,503	-	3,503
Total comprehensive loss for the year		(3,614)	-	(3,614)
Balance as at 30 June 2020		**23,282**	**-**	**23,282**
Members capital contributions		1,718	-	1,718
Total comprehensive profit for the year		2,035	-	2,035
Balance as at 30 June 2021	18	**27,035**	**-**	**27,035**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

1. GENERAL INFORMATION

The principal activity of the partnership is the provision of managed pathology laboratory facilities. The LLP provides managed laboratory facilities for use by pathology departments and clinical organisations including NHS Trusts. By agreement customers may direct their own or third party analytical workforces to operate in our facilities.

The LLP is incorporated and domiciled in the UK. The address of its registered office is The Halo Building, 1 Mabledon Place, London, WC1H 9AX.

Significant accounting policies
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparing the financial statements
The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and in accordance with the Companies Act 2006 as applied to Limited Liability Partnerships and applicable accounting standards in the United Kingdom including the Statement of Recommended Practice "Accounting by Limited Liability Partnerships".

The financial statements have been prepared on a going concern basis under the historical cost convention. The accounting policies have been applied consistently.

The LLP has notified its Members in writing, and they do not object to the disclosure exemptions used by the LLP in these financial statements. FRS 101 sets out amendments to UK-adopted IFRS that are necessary to achieve compliance with the Act and related Regulations.

The preparation of the financial statements in conformity with FRS101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the LLPs accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

(i) Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).

(ii) Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
a) paragraph 79(a)(iv) of IAS 1
b) paragraph 73(e) of IAS 16 Property, Plant & Equipment
c) paragraph 118(e) of IAS 38 Intangible Assets (reconciliations between the carrying amount at the beginning and end of the period)

(iii) The following paragraphs of IAS 1, 'Presentation of financial statements':
a) 10(d), (statement of cash flow),
b) 38A (requirement for minimum of two primary statements, including cash flow statements);
c) 16 (statement of compliance with IFRS),
d) 38B-D (additional comparative information);
e) 111 (cash flow statement information); and
f) 134-136 (capital management disclosures)

1 GENERAL INFORMATION - continued

Basis of preparing the financial statements - continued

(iv) IAS 7, 'Statement of cash flows'
(v) Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
(vi) Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
(vii) IFRS 7 'Financial Instruments: Disclosures'
(viii) Paragraphs 91 to 99 of IFRS 13 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).

The Board has approved the adoption of this accounting basis.

Going concern
The financial statements have been prepared on a going concern basis, despite having net current liabilities which are primarily intercompany payables. An intermediate parent undertaking, Health Services Laboratories LLP, has confirmed its intention not to require HSL (FM) LLP ('the LLP') to repay all or part of the loans owing to it or any of the partnerships Health Services Laboratories LLP have majority interest in, within 12 months of the date of signing the LLP's financial statements for the year ended 30 June 2021, if it could be reasonably expected that such repayment would negatively impact the ability of the LLP to pay its external creditors when due within this year.

New standards, amendments and interpretations adopted
The LLP adopted the amendment to IFRS 16, Leases, Covid 19 – Related Lease concessions on 1 July 2020. Rent concessions include payment holidays and deferral of lease payments for a period of time, sometimes followed by increased rent payments in future periods.

The IASB provided lessees with relief in the form of an optional exemption from assessing whether a rent concession related to Covid-19 is a lease modification only if the concession is a direct consequence of the Covid-19 pandemic and certain conditions are met.

Lessees that apply the exemption will need to disclose that fact, as well as the amount recognised in the profit or loss arising from the Covid-19-related rent concessions. The amendment is to be applied retrospectively in accordance with IAS 8, but lessees are not required to restate prior period figures or to provide the disclosure under paragraph 28 (f) of IAS 8.

The LLP has adopted the practical expedient to not apply lease modifications accounting for rent concessions occurring as a direct consequence of Covid-19. The derecognition of any part of the lease liability forgiven is recognised as a negative variable lease payment through the Statement of Comprehensive Income.

There were no other amendments to accounting standards, or IFRIC interpretations that were effective for the financial year ended 30 June 2021 that had a material impact on the LLP.

New standards and interpretations not yet adopted
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after a period from 1 January 2021 to 1 January 2023 and have not been applied in preparing these financial statements.

New standards and interpretations that are effective and are not expected to have an effect on the financial statements of the LLP are set out below:

1 **GENERAL INFORMATION - continued**

New Standards and interpretations not yet adopted – continued

IAS 39, IFRS 9, IFRS 4, IFRS 16 and IFRS 17: Interest rate benchmark reform – Phase 2 (effective: 1 January 2021)
IFRS 3: Amendments to Business combinations (effective: 1 January 2022)
IAS 16: Amendments to Property, plant and equipment (effective: 1 January 2022)
IAS 37: Amendments to Provisions, Contingent Liabilities and Assets (effective: 1 January 2022)
Annual improvements 2018 – 2020: (effective: 1 January 2022)
IAS 1: Presentation of financial statements on classification of liabilities (effective: 1 January 2023)
IAS 1: Presentation of financial statements (effective: 1 January 2023)
IFRS Practice statement 2 (effective: 1 January 2023)
IAS 8: Accounting policies, changes in accounting estimates and errors (effective: 1 January 2023)
IFRS 17: Insurance Contracts (effective: 1 January 2023)

The LLP's assessment of effective standards that could have an impact on the financial statements is set out below:

***IAS 1* Presentation of financial statements on classification of liabilities**
On 23 January 2020, the IASB issued a narrow-scoped amendment to IAS 1 to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendment no longer refers to unconditional rights, since loans are rarely unconditional.

The assessment determines whether a right exists, but it does not consider whether the entity will exercise the right. Therefore management expectations do not affect the classification. The right to defer only exists if the entity complies with the relevant conditions at the reporting date.

The changes in the standard are unlikely to have a material impact on the LLP's financial statements.

IAS 1 Presentation of financial statements on classification of liabilities is mandatory for financial years commencing on or after 1 January 2023. At this stage the LLP does not intend to adopt the standard before its effective date.

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Revenue
Revenue is measured at fair value of the consideration received or receivable, and represents amounts receivable for services supplied, net of discounts, returns and value added taxes.

The LLP recognises revenue when performance obligations have been satisfied and for the LLP this is when services have transferred to the customer and the customer has control of these. The LLP's activities are described in detail below. The LLP bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sale of services
The LLP provides managed pathology laboratory facility services under fixed-price contracts. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts revenue is recognised based on the actual service provided to the end of the reporting period. Revenue is recognised when the customer receives and uses the benefit of the service which is determined and calculated when the test is resulted.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue - continued
Certain fixed-price contracts make provision for volume discounts and turn-around time penalties. Where these elements are present the discount is estimated based on projected volume using historical estimates and losses.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit and loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a contractual payment schedule. If the services rendered by the LLP exceed the payment, accrued revenue is recognised. If the payments exceed the services rendered, deferred revenue is recognised.

Pension costs
The LLP is a NHS Pension Direction employer and employees include members of the NHS's pension schemes. Contributions to these and the LLP's other defined contribution pension schemes are charged to the Income Statement in the period in which they become payable.

Income tax
The income tax payable on the profits of HSL (FM) LLP is the liability of the Members and not dealt with in these financial statements.

Foreign currencies
Monetary assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the reporting date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating result.

Property, Plant & Equipment
Property, plant & equipment are stated at historic purchase cost less accumulated depreciation. The cost of property, plant & equipment is their purchase cost, together with any incidental expenses of acquisition. Assets in the course of construction are classified as work-in-progress and are depreciated from the date the asset is brought into use.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life taking into consideration any residual value of the assets. The residual values of assets are reviewed, and adjusted, as appropriate at the end of each reporting period.

Leasehold improvements	- 4-10% on cost per annum
Furniture, fixtures & fittings	- 14-25% on cost per annum
IT Equipment (Hardware)	- 20-33.33% on cost per annum
IT Equipment (Software)	- 20-25% on cost per annum
Laboratory equipment	- 10-50% on cost per annum

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying value is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other income' in the Income Statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Intangible assets
Intangible assets comprise software items which are not an integral part of the related hardware. Items are initially recognised at cost which includes directly attributable costs to bring the software into its condition for use. Subsequently, software items are measured at cost less accumulated amortisation and any impairment losses. Software items are amortised on a straight-line basis over their estimated useful lives of two to five years.

Impairment reviews
Impairment reviews of property, plant and equipment and intangible assets are performed by management if there is an indication of potential impairment. The need for impairment is assessed by comparison of the carrying value of the asset against the higher of realisable value and value in use.

Functional and presentation currency
Items included in the financial statements of the LLP are measured using the currency of the primary economic environment in which the LLP operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the LLP's functional currency.

Financial instruments
The LLP classifies its financial assets in the following categories: at fair value through profit or loss and amortised cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss or at fair value through other comprehensive income

Financial assets at fair value through profit or loss
Financial assets that are classified through the profit and loss by the LLP include;
- Debt instruments that do not qualify for measurement at amortised cost;
- Equity investments that are held for trading; and
- Equity investments for which the entity has not elected to recognise fair value gains through other comprehensive income.

Financial assets at fair value through other comprehensive income comprise:
Equity securities which are not held for trading, and which the LLP has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the LLP considers this classification to be more relevant. Debt securities where the contractual cash flows are solely principal and interest and the objective of the LLP's business model is achieved both by collecting contractual cash flows and selling financial assets.

b) Financial assets at amortised cost
The LLP classifies its financial assets as at amortised cost only if the asset is held within a business model whose objective is to collect the contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest.

Impairment of financial assets
Assets carried at amortised cost
The LLP assesses, at the end of each reporting period, whether there is objective evidence that the financial asset or group of financial assets is impaired. Refer Trade and other receivables and amounts owed by group undertakings below.

Derivative financial instruments and hedging activities
The LLP has not applied hedge accounting, and all derivatives are measured at fair value through the profit and loss.

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Financial instruments - continued

a) Inventories
Inventory is valued at cost as the services rendered to customers use reagents and consumables in the laboratories to determine the result of the test sample. Cost is determined using the first-in, first-out (FIFO method). The cost of goods includes the purchase price of raw materials and excludes borrowing costs. Provision has been made, where necessary, for slow moving, obsolete and defective stocks.

b) Trade and other receivables and accounts owed by group undertakings
Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer) they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. Amounts owed by group undertakings are balances with related parties which arise in the normal course of business.

The LLP applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and accrued revenue.

To measure expected credit losses, trade receivables and accrued revenue have been grouped based on shared credit risk characteristics and days past due. Accrued revenue relates to unbilled work in progress and has subsequently the same risk characteristics as the trade receivables for the same types of contracts. The LLP has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for accrued revenue.

c) Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the balance sheet bank overdrafts are shown within borrowings in current liabilities.

d) Creditors and amounts owed to group undertakings
Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts owed to group undertakings are balances which arise in the normal course of business. Creditors are recognised at fair value on initial recognition and are subsequently measured at amortised cost using the effective interest method.

Government grants
Government grants are recognised when there is reasonable assurance that the LLP will comply with the conditions attaching to the grants and the grants are receivable.

Government grants are recognised in the Statement of Comprehensive Income on a systematic basis over the periods in which the entity recognised as expenses the related costs for which the grants are intended to compensate. Government grants are shown in the Statement of Comprehensive Income as Other Income.

Exceptional items
Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the LLP.

Other Income
Other income is recognised when services have been rendered by the LLP and includes Government grants and other distinct services delivered to customers.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The LLP makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Useful economic lives of property, plant and equipment
The annual depreciation charge is sensitive to changes in the economic useful lives and residual values of the assets. The useful economic lives and residual values are assessed annually. They are amended when necessary to reflect current estimates, based on the physical condition and economic useful utilisation. See note 11 for the carrying value of the property, plant and equipment and note 2 for the economic useful lives.

b) Impairment of financial assets

Impairment of financial assets
The LLP assesses, at the end of each reporting period, whether there is objective evidence that the financial asset or group of financial assets is impaired. Refer Trade and other receivables and amounts owed by group undertakings below.

The LLP applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and accrued revenue.

To measure expected credit losses, trade receivables and accrued revenue have been grouped based on shared credit risk characteristics and days past due. Accrued revenue relates to unbilled work in progress and has subsequently the same risk characteristics as the trade receivables for the same types of contracts. The LLP has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the accrued revenue.

c) Dilapidations provision
The LLP's provision comprises of dilapidation obligations under the lease agreement. The provision is measured at the present value of the expenditure estimated to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. See note 16.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2021

4 REVENUE

The revenue is attributable to the principal activity of the LLP and derived in the United Kingdom. An analysis of revenue by class of business is given below:

	2021	2020
	£'000	£'000
Facilities services	**109,789**	72,777

Assets and liabilities related to contracts with customers

The LLP has recognised the following assets and liabilities related to contracts with customers:

	2021	2020
	£'000	£'000
Current accrued revenue	**9,038**	-
Loss allowance	**(5,638)**	-
Accrued revenue	**3,400**	-
Current deferred revenue	**-**	176
Loss allowance	**-**	(3,058)
Deferred revenue	**-**	(2,882)

Significant changes in accrued and deferred revenue

Accrued revenue has increased compared to the prior year due to the timing of invoicing, and an increase in overall test activity from customers as activity started recovering from the pandemic.

The LLP recognised a loss allowance against accrued revenue which reduces the accrued revenue recognised in the current year. (In 2020 a loss allowance was recognised against deferred revenue which increased the overall value of the deferred revenue).

The comparative year included deferred revenue that represented payments received on account from customers in excess of the contractual testing income as a result of the pandemic.

Revenue recognised in relation to deferred revenue

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward deferred revenue.

	2021	2020
	£'000	£'000
Revenue recognised that was included in deferred revenue at the beginning of the period:		
Facility services contracts	**176**	545

During the year no losses were recognised in the profit and loss in relation to impaired financial assets.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2021

5 OTHER INCOME

	2021 £'000	2020 £'000
Government grants	**33**	2,907
Rental income and service charges	**846**	546
Other revenue	**3,590**	211
	4,469	3,664

Other income includes income of £3,376,000 (2020: £nil) for mobilisation and fit out income received from The Department of Health and Social Care for the set up and mobilisation of the Covid surge laboratory.

The LLP participated in the Government assistance programmes that were made available during the global pandemic contributing to £33,000 (2020: £2,907,000) of Other Income.

6 STAFF COSTS

	2021 £'000	2020 £'000
Wages and salaries	**4,410**	3,592
Social security costs	**317**	271
Other pension costs (note 17)	**136**	124
	4,863	3,987

The average monthly number of employees during the year:

	2021 Number	2020 Number
Laboratory	**4**	4
Administration	**93**	79
	97	83

7 OPERATING PROFIT/(LOSS)

The operating profit/(loss) is stated after charging/(crediting):

	2021 £'000	2020 £'000
Depreciation of fixed assets	**10,479**	6,813
Depreciation of right-of-use assets	**5,601**	4,400
Amortisation of intangible assets	**148**	158
Staff costs (note 6)	**3,621**	3,987
Foreign exchange loss	**17**	50
Lease expense	**2,389**	2,226
(Gain)/loss on disposal of property, plant and equipment	**(4)**	60
Inventory recognised as an expense	**61,505**	35,138
Audit fees payable to the LLP's auditors	**50**	29

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2021

7 OPERATING PROFIT/(LOSS) – continued

The non-audit fees for the year were £nil (2020: £nil).

The operating profit/(loss) for the year includes exceptional spend of £203,000 (2020: £130,000) for external consultants relating to on-going tenders and consultant fees relating to the transformation of the laboratory services.

8 FINANCE COST

	2021 £'000	2020 £'000
Lease interest	2,255	1,970
Interest on dilapidations (note 16)	144	75
	2,399	2,045

9 MEMBERS' PROFIT SHARES

Members are remunerated solely out of the profits/losses of the LLP. Final allocation of profits/losses to Members is made by the Board as per the Limited Liability Partnership Agreement dated 30 July 2014. The allocation of profits/losses to those who were Members during the financial year is discretionary and needs to be approved by the Board within 2 months after year-end.

	2021 Number	2020 Number
The average monthly number of Members during the year was	2	2

The Statement of Recommended Practice, "Accounting by Limited Liability Partnerships", requires that the average profit per Member is calculated by dividing the profit/(loss) for the financial year before Members' remuneration and profit/(loss) shares by the average number of Members:

	2021 £'000	2020 £'000
Average profit/(loss) per Member	1,017	(1,807)

The Member with the largest Members' remuneration and profit share for the current year was Health Services Laboratories LLP with a share of £2,032,000 (2020: loss of £3,613,000). Total owed to Health Services Laboratories LLP at 30 June 2021 is £23,124,000 (2020: £21,092,000).

NOTES TO THE FINANCIAL STATEMENTS – continued
FOR THE YEAR ENDED 30 JUNE 2021

10 INTANGIBLE ASSETS

	Software	Total
	£'000	£'000
COST		
At 1 July 2020	1,045	1,045
Additions	51	51
At 30 June 2021	**1,096**	**1,096**
ACCUMULATED AMORTISATION		
At 1 July 2020	523	523
Amortisation for the financial year	148	148
At 30 June 2021	**671**	**671**
NET BOOK VALUE		
At 30 June 2021	**425**	**425**
At 30 June 2020	522	522

Amortisation of intangible assets is included in administrative expenses in the Statement of Comprehensive Income.

11 PROPERTY, PLANT & EQUIPMENT

	Leasehold improve-ments	Fixtures, fittings and equipment	IT Equip-ment	Work in progress	Total
	£'000	£'000	£'000	£'000	£'000
COST					
At 1 July 2020	60,285	27,632	2,047	1,434	91,398
Additions	6,583	3,449	708	(1,418)	9,322
At 30 June 2021	**66,868**	**31,081**	**2,755**	**16**	**100,720**
ACCUMULATED DEPRECIATION					
At 1 July 2020	8,253	11,315	997	-	20,565
Charge for the financial year	6,058	3,763	658	-	10,479
At 30 June 2021	**14,311**	**15,078**	**1,655**	**-**	**31,044**
NET BOOK VALUE					
At 30 June 2021	**52,557**	**16,003**	**1,100**	**16**	**69,676**
At 30 June 2020	52,032	16,317	1,050	1,434	70,833

11 PROPERTY, PLANT & EQUIPMENT - continued

There are no restrictions on the title of property, plant and equipment and no assets are pledged as security for liabilities.

The fit out and refurbishment for the building project at the 60 Whitfield Street was completed during the financial year. The assets previously reported as work and progress were capitalised and depreciated.

12 LEASES

This note provides information for leases where the LLP is a lessee directly with the landlord.

The Statement of Financial Position shows the following amounts relating to leases:

	2021	2020
	£'000	£'000
Right-of-use-assets		
Buildings	**43,286**	45,539
Other	**50**	-
	43,336	45,539
Leases liabilities		
Current (note 15)	**818**	262
Non-current (note 16)	**49,418**	50,188
	50,236	50,450

Additions to the right-of-use assets for the year ended 30 June 2021 were £61,000 (2020: £1,406,000).

The Statement of Comprehensive Income shows the following amounts relating to leases:

	2021	2020
	£'000	£'000
Depreciation charge of right-of-use assets		
Buildings	**2,252**	2,002
Other	**11**	-
	2,263	2,002
Interest expense	**1,382**	1,252
Expense relating to short-term leases	**263**	262
Expense relating to variable lease payments not included in lease liabilities	**2,126**	1,964
	3,771	3,478

The total cash outflow for leases for the year ended 30 June 2021 was £4,046,000 (2020: £3,546,000). Excluding payments for short term leases and variable lease payments the cash outflow reduces to £1,657,000 (2020: £1,320,000).

12 **LEASES - continued**

This note provides information for leases where the LLP is a lessee for intercompany lease arrangements where the lease liability is included in intercompany.

The Statement of Financial Position shows the following amounts relating to leases:

	2021	2020
	£'000	£'000
Right-of-use-assets		
Buildings	**29,311**	29,585
	29,311	29,585
Leases liabilities		
Current (note 15)	**3,451**	3,863
Non-current (note 16)	**28,685**	29,312
	32,136	33,175

Additions to intercompany right-of-use assets for the year ended 30 June 2021 were £3,158,000 (2020: £5,831,000).

The Statement of Comprehensive Income shows the following amounts relating to leases:

	2021	2020
	£'000	£'000
Depreciation charge of right-of-use assets		
Buildings	**3,338**	2,398
	3,338	2,398
Interest expense	**873**	718
	873	718

The total cash outflow for leases for the year ended 30 June 2021 was £5,072,000 (2020: £2,331,000).

12 **LEASES - continued**

The LLP's leasing activities and how these are accounted for
The LLP leases various buildings, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods of 6 months to 25 years, but may have extension options as described below.

Contracts may contain both lease and non-lease components. For leases where the non-lease component is not separately identified the LLP has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the LLP under residual value guarantees
- the exercise price of a purchase option if the LLP is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the LLP exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

In calculating the present value of lease payments, the LLP uses the incremental borrowing rate at the lease commencement, if the interest rate implicit in the lease is not readily determinable. To determine the incremental borrowing rate the LLP uses a build-up approach that starts with appropriate swap and corporate bond rates with adjustments specific to the lease based on term and currency.

The LLP is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

12 LEASES - continued

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the LLP is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the LLP revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the LLP.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Variable leases payments reflect the lease component of consumables expenditure in situations where supplier contracts include the placement of equipment which the LLP does not own. Such arrangements are used where it is commercially advantageous to the LLP. Variable lease payments are not significant in comparison to fixed lease payments and vary based on a number of factors including the value and quantity of equipment placed and the length of the supplier contract.

Extension and termination options
Extension and termination options are included in a number of property leases across the LLP. These are used to maximise operational flexibility in terms of managing the assets used in the LLP's operations. The majority of extension and termination options held are exercisable only by the LLP and not by the respective lessor.

13 INVENTORY

	2021	2020
	£'000	£'000
Consumables and reagents	**10,695**	8,035

Inventories represent materials consumed in pathology testing and forms part of the service HSL (FM) LLP delivers to its customers.

The Members estimate the carrying value of inventories to approximate their fair value and no inventory has been pledged as security.

During the year £61,505,000 (2020: £35,138,000) of consumables and reagents were recognised in Cost of sales in the Income Statement and Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2021

14 TRADE DEBTORS AND OTHER RECEIVABLES

AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £'000	2020 £'000
Trade debtors	**15,045**	8,057
Amounts owed by group undertakings	**389**	460
Other debtors	**1,969**	685
Prepayments	**3,471**	3,798
	20,874	13,000

Trade debtors are stated after provisions for impairment of £nil (2020: £nil). All trade debtors are considered to be current and the payment terms are between 30-60 days once the invoice is issued. Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Amounts owed by group undertakings are unsecured, interest free and repayable on demand. Amounts owed by group undertakings include accrued revenue of £385,000 (2020: £368,000) offset by deferred revenue of £nil (2020: £nil).

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £'000	2020 £'000
Trade creditors	**6,632**	9,019
Lease liabilities (note 12)	**818**	262
Amounts owed to group undertakings	**47,627**	52,327
Other creditors including social security and taxation	**126**	1,746
Accruals	**17,080**	3,341
Deferred revenue	**1,013**	3,455
	73,296	70,150

Amounts owed to group undertakings are unsecured, interest free and repayable on demand. Amounts owed to group undertakings include accrued revenue of £4,028,000 (2020: £482,000) offset by deferred revenue of £nil (2020: £277,000).

Amounts owed to group undertakings also include the lease liability arising from intercompany sublease arrangements for 1 Mabledon Place and the detail is presented in note 12.

16 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2021 £'000	2020 £'000
Dilapidation provision	**7,898**	7,360
Lease liabilities (note 12)	**49,418**	50,188
Amounts owed to group undertakings (note 12)	**28,685**	29,312
	86,001	86,860

16 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR - continued

Amounts owed to group undertakings include the lease liability arising from intercompany sublease arrangements for 1 Mabledon Place and the detail is presented in note 12.

Dilapidation provision movements for the year were:

	£'000
Dilapidation obligation under non-cancellable leases:	
Dilapidation provision at 1 July 2020	7,360
Increase in dilapidation provision	394
Charged to the Statement of Comprehensive Income	144
Balance at 30 June 2021	**7,898**

HSL (FM) LLP is obligated at the end the lease term to reinstate the premises to their original condition within their specific demise.

The LLP obtained professional advice on the dilapidation assessment for 1 Mabledon Place and 60 Whitfield Street on 1 May 2020 to determine the present value of the dilapidation provision required. The dilapidation provisions for the office floor at Shropshire House and the warehouse at Elstree were based on management's best estimate using dilapidations paid on similar size properties.

Dilapidations were discounted to their present value using a discount rate of 2% (2020: 2%) where the current costs were not used.

The dilapidations provision are as follows:

	2021	2020
	£'000	£'000
1 Mabledon Place – 15 year lease	**6,135**	5,631
60 Whitfield Street – 25 year lease	**1,678**	1,644
Shropshire House – 5 year lease	**20**	20
Elstree Warehouse – 10 year lease	**65**	65
	7,898	7,360

Interest due to the discounting of the dilapidation provisions that were recognised through the Statement of Comprehensive Income during the year:

	2021	2020
	£'000	£'000
1 Mabledon Place – 15 year lease	**111**	40
60 Whitfield Street – 25 year lease	**33**	35
	144	75

17 PENSIONS

The LLP operates a number of defined contribution schemes for its employees. The total cost for the year was £136,000 (2020: £124,000) and the amount outstanding as at 30 June 2021 was £80,000 (2020: £19,000).

18 TOTAL MEMBERS' INTERESTS

	Other Members' interests £'000
Members' interests at the beginning of the year	**23,282**
Members' capital contributions	1,718
Allocation of operating profit	2,035
Members' interests after the profit for the year	**27,035**
Amounts withdrawn by Members	-
Members' interests at end of the year	**27,035**

The basis on which the profits and losses are allocated is described in note 9.

Members' capital contributions are determined by the Board having regard, inter alia, to the working capital needs of the business. In the event of winding up all creditors will be settled and if any surplus remains and this relates to undivided profits of the LLP in that financial year this will be divided amongst the Members. Any remaining balance will be paid to the Members in proportion to their Capital Interests.

19 COMMITMENTS

At 30 June 2021 the LLP had capital commitments of £488,000 (2020: £463,000) and other commitments of £1,532,000 (2020: £1,684,000) for non-cancellable maintenance contracts for equipment.

20 CONTROLLING PARTIES

At 30 June 2021, the LLP's intermediate parent is, The Doctors Laboratory Limited and the ultimate parent company and controlling party, and the parent company of the largest group preparing consolidated financial statements, of which the LLP is a Member, was Sonic Healthcare Limited, a company incorporated in Australia. The immediate parent and smallest group preparing consolidated financial statements of which the LLP is a Member, is Health Services Laboratories LLP.

Copies of the consolidated financial statements of Sonic Healthcare Limited are available from Level 22, 225 George Street, Sydney NSW 2000, Australia.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2021

21 RELATED PARTIES

The related parties transactions for the year ended 30 June 2021 are set out below:

	Trade debtors and other receivables	Creditors	Revenue and Other Income	Cost of sales and Administrative expenses
	£'000	£'000	£'000	£'000
The Doctors Laboratory Limited	-	31,008	29,682	12,999
TDL Genetics Limited	-	225	4,896	8
Health Services Laboratories LLP	-	24,705	-	1,992
HSL (Analytics) LLP	-	18,220	-	-
Royal Free London NHS Foundation Trust	2,770	(3)	15,604	1,271
University College London Hospitals NHS Foundation Trust	10,731	70	25,698	935
HSL Pathology LLP	-	2,154	7,125	-
NWLHT Facilities LLP	-	-	(368)	-
Barnet and Chase Farm Hospitals	5,276	6	9,343	1,547
LABEX Facilities LLP	389	-	3,011	26
	19,166	**76,385**	**94,991**	**18,778**

The related parties transactions for the year ended 30 June 2020 are set out below:

	Trade debtors and other receivables	Creditors	Revenue and Other Income	Cost of sales and Administrative expenses
	£'000	£'000	£'000	£'000
The Doctors Laboratory Limited	-	34,133	14,601	12,384
TDL Genetics Limited	-	2,075	3,881	12
Health Services Laboratories LLP	-	26,601	-	1,953
HSL (Analytics) LLP	-	16,220	11	-
Royal Free London NHS Foundation Trust	1,646	712	13,967	1,270
University College London Hospitals NHS Foundation Trust	5,252	507	21,677	985
HSL Pathology LLP	-	2,610	2,688	-
NWLHT Facilities LLP	460	-	1,830	-
Barnet and Chase Farm Hospitals	1,121	317	7,240	-
Labor 28 GmBH	30	-	28	-
	8,509	**83,175**	**65,923**	**16,604**