REGISTERED NUMBER: OC391023

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

FOR

HSL (FM) LLP

CONTENTS OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

MANAGEMENT BOARD AND ADVISERS
FOR THE YEAR ENDED 30 JUNE 2022

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 Plc 8 Canada Square London E14 5HQ

MEMBERS' REPORT
FOR THE YEAR ENDED 30 JUNE 2022

The Members present their report and audited financial statements of HSL (FM) LLP ('the LLP') for the year ending 30 June 2022.

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 National Health Service ("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 LLP show an operating profit for the financial year available for discretionary division among Members of £16,354,000 (2021: £2,035,000) and revenue of £116,971,000 (2021: £109,789,000). The LLP's Statement of Comprehensive Income is set out on page 11. The LLP provides laboratory facilities to a number of NHS Trusts and other National Health Service bodies. The total net assets of the LLP as at 30 June 2022 were £43,558,000 (2021: £27,035,000).

We continue in our commitment to supporting patients in the National Health Service ("NHS") with efficient, high quality pathology services. It is a key strategic objective for us to work with our customers to expand diagnostic capabilities and introduce leading edge, clinically relevant tests for the benefit of patients across the UK.

The cash balance for the LLP is higher than the previous financial year as a result of a strong business performance and a number of large prior year customer invoices being settled.

At the start of the financial year, mass Covid testing was still a priority for the UK Government, and we were in a position to rapidly scale up testing services to support the Government response to the Covid pandemic. Within HSL, the financial year saw a transition away from a focus on the pandemic response and back to our business as usual clinical pathology services. By December 2021, we had mostly attained non-Covid activity levels similar to February 2020, and by the fourth quarter of 2022, Covid testing volumes had markedly decreased in line with the UK Government's policy of living with Covid. Notwithstanding this policy, we are prepared to respond to any mass testing requirements from the UK Government to support the management of any further Coronavirus outbreaks.

As part of our ongoing business development, we worked with our equipment suppliers to develop and implement new testing capacity and capability within our laboratories and expanded the range of diagnostic tests that we offer.

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 the LLP to repay all or part of the loans owing to it or any of the partnerships Health Services Laboratories LLP has a majority interest in, within 12 months of the date of signing the LLP's financial statements for the year ended 30 June 2022, 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 that 12 month period.

FUTURE OUTLOOK
We expect to see further growth in public and private sector business as we respond to the increasing need for pathology services due to pent up demand for healthcare in the UK. Our high service levels and medically led approach and the application of leading-edge technologies are, we believe, important to our existing customer base and a factor in attracting new business.

The NHS has identified the pathology sector as a possible source of efficiencies in the coming years. We are well placed to take advantage of opportunities created by this initiative because of our long experience in supporting and transforming public sector laboratory services.

MEMBERS' REPORT - continued
FOR THE YEAR ENDED 30 JUNE 2022

SECTION 172 STATEMENT AND REPORTING

The Members of the LLP must act in the way they consider, 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 and liquidity risk. Given the size of the LLP, responsibility for monitoring financial risk management lies with the Management Board.

The LLP's exposure to exchange rate risk is now considered minimal.

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 that 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 without a disability.

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.

Employee consultation groups are used to inform and elicit feedback from the implementation of Management Board decisions.

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

The LLP aims to create positive change for the people and communities with which it interacts. The LLP leverages its expertise and enables colleagues to support communities.

SECTION 172 STATEMENT AND REPORTING - continued

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 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 continues to invest heavily in its laboratory facilities and staff 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 Management Board. Members are remunerated solely out of the profits of the LLP. Final decisions on the distribution of profits to Members are made by the Management 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 Management Board within 2 months after the year-end. No profits have been distributed (2021 – none).

Members' capital contributions are determined by the Management 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 consist 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.

CARBON EMISSION STATEMENT - continued

EFFICIENCY NARRATIVE

A summary of the greenhouse gas emissions and energy consumption for 30 June 2022 is presented below:

Type of emission	Activity	kWh	tCO2e	% of total
Scope 1	Natural gas	1,593,446	290.87	20.05%
	Vehicle fleet	-	-	0.00%
	Subtotal	**1,593,446**	**290.87**	**20.05%**
Scope 2	Electricity	5,998,525	1,159.99	79.95%
	Subtotal	**5,998,525**	**1,159.99**	**79.95%**
Scope 3 - limited * (tonnes CO_2-e)	Grey fleet	-	-	0.00%
	Subtotal	**-**	**-**	**0.00%**
Total gross consumption and emissions		7,591,971	1,450.86	100.00%
Metric used: Total HSL Group revenue (£'000) (see note 20)			216.375	
Intensity ratio: Tonnes of CO2 per total HSL Group revenue			6.71	

*UK limited Scope 3 data relates to the mileage of contract courier fleet and non-courier private cars

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	

The following improvements were made to the Halo Building, 1 Mabledon Place during the reporting year:

- A bigger LED replacement project was started in all the lift lobbies (completed in August 2022).
- We have been in the process of installing hand dryers to all toilets across the Halo Building to reduce the amount of paper hand towels used.
- A sustainability project was started which is going to highlight further areas within the building which can be streamlined and made more efficient.

The following was completed at our 60 Whitfield Street site:

- Sensors within the air handling unit at this site were identified as being installed in the wrong position. They were moved and as a result are now running more efficiently.

Although our total emissions have increased slightly, this is normalised by the lower intensity ratio due to increased sales revenue.

MEMBERS' REPORT - continued
FOR THE YEAR ENDED 30 JUNE 2022

CARBON EMISSION STATEMENT - continued

QUANTIFICATION AND REPORTING METHODOLOGY
The LLP has used The GHG Protocol Corporate Accounting and Reporting Standard, has followed the 2013 UK Government Environmental Reporting Guidelines (updated March 2019) and has used the 2022 UK Government's Conversion Factors for Company Reporting. The energy efficiency narrative methodology has been created based on energy management best practice.

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 the associated energy usage is not reported here.

POST BALANCE SHEET EVENTS
There were no post balance sheet events.

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 2022

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 11 TO 30 WERE APPROVED BY THE MEMBERS AND SIGNED ON THEIR BEHALF ON ~~20 MARCH 2023~~ 26 June 2023 MR

....
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 2022 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 2022; the 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 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 LLP 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.
- Reviewing minutes of meetings of those charged with governance;

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.

DBeer

David Beer (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
27 June 2023

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 £'000	2021 £'000
REVENUE	4	**116,971**	109,789
Cost of sales		**(71,521)**	(79,924)
GROSS PROFIT		**45,450**	29,865
Administrative expenses		**(28,065)**	(29,900)
Other income	5	**1,303**	4,469
OPERATING PROFIT	7	**18,688**	4,434
Finance cost	8	**(2,334)**	(2,399)
OPERATING PROFIT FOR THE FINANCIAL YEAR AVAILABLE FOR DISCRETIONARY DIVISION AMONGST MEMBERS		**16,354**	2,035
TOTAL COMPREHENSIVE PROFIT FOR THE YEAR ATTRIBUTABLE TO MEMBERS	18	**16,354**	2,035

The notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 30 JUNE 2022

	Note	2022 £'000	2022 £'000	2021 £'000	2021 £'000
FIXED ASSETS					
Intangible assets	10		**331**		425
Property, plant & equipment	11		**65,960**		69,676
Right-of-use assets	12		**66,921**		72,647
			133,212		142,748
CURRENT ASSETS					
Inventory	13	**10,511**		10,695	
Trade debtors and other receivables	14	**25,692**		20,874	
Cash and cash equivalents		**27,222**		12,015	
		63,425		43,584	
CREDITORS					
Amounts falling due within one year	15	**(71,998)**		(73,296)	
NET CURRENT LIABILITIES			**(8,573)**		(29,712)
TOTAL ASSETS LESS CURRENT LIABILITIES			**124,639**		113,036
CREDITORS					
Amounts falling due after one year	16		**(81,081)**		(86,001)
NET ASSETS ATTRIBUTABLE TO MEMBERS OF THE LLP			**43,558**		27,035
REPRESENTED BY:					
Members' interests			**43,558**		27,035
TOTAL MEMBERS' INTERESTS	18		**43,558**		27,035

The financial statements on pages 11 to 30 were approved by the Members on ~~28 March 2023~~ 26 June 2023 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

The notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	Note	Total Members' interests £'000
Balance at 1 July 2020		**23,282**
Members capital contributions		1,718
Total comprehensive profit for the year		2,035
Balance as at 30 June 2021		**27,035**
Members capital contributions		169
Total comprehensive profit for the year		16,354
Balance as at 30 June 2022	18	**43,558**

The notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

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 FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the LLP's 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; and
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 Management 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 has a majority interest in, within 12 months of the date of signing the LLP's financial statements for the year ended 30 June 2022, 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 that 12 month period.

New standards, amendments and interpretations adopted

There were no amendments to accounting standards, or IFRIC interpretations that were effective for the financial year ended 30 June 2022 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 periods from 1 January 2022 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:

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.

1 **GENERAL INFORMATION - continued**

New Standards and interpretations not yet adopted - continued

***IAS 1*: Presentation of financial statements on classification of liabilities - continued**
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.

***IAS 1*: Presentation of financial statements, IFRS Practice Statement 2, IAS 8: Accounting policies, changes in accounting estimates and errors**
The IASB amended IAS 1, Presentation of financial statements, to require LLP's to disclose their material accounting policy information rather than their significant accounting policies. Accounting policies are material, if when considered together with other information included in a LLP's financial statements, they can reasonably be expected to influence decisions made by the primary users of general purpose financial statements or without the information the users would be unable to understand other material information in the financial statements.

IAS 1 clarifies that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. IFRS Practice Statement 2, 'Making Materiality Judgements', provides guidance on how to apply the concept of materiality to accounting policy disclosures. IAS 8, clarifies how LLPs should distinguish changes in accounting policies from accounting estimates.

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

The amendments are mandatory for financial years commencing on or after 1 January 2023. At this stage the LLP does not intend to adopt these standards before their 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue - continued

Sale of services - continued
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 the 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 Statement of Comprehensive Income 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 the 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
Laboratory equipment	- 10-50% on cost per annum
IT Equipment (Hardware)	- 20-33.33% on cost per annum
IT Equipment (Software)	- 20-25% 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 in the Statement of Comprehensive Income.

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.

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.

Financial instruments
The classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and has classified all of the assets at amortised cost.

a) Financial assets at amortised cost
The LLP classifies its financial assets 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 to Trade and other receivables and amounts owed by group undertakings below.

b) Trade and other receivables and amounts 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 and amounts owed by group undertakings are recognised initially at the transaction price 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's simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and accrued revenue.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

b) Trade and other receivables and amounts owed by group undertakings - continued
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) 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 with related parties, which arise in the normal course of business. Creditors are recognised at the transaction price on initial recognition and are subsequently measured at amortised cost using the effective interest method.

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 creditors falling due within one year.

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 recognises 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) 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 to Trade and other receivables and amounts owed by group undertakings above.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS - continued

a) Impairment of financial assets - continued

The LLP applies IFRS 9's 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.

b) Dilapidation provision

The LLP's provision comprises 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.

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:

	2022	2021
	£'000	£'000
Facilities services	**116,971**	109,789

Assets and liabilities related to contracts with customers

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

	2022	2021
	£'000	£'000
Current accrued revenue	**588**	9,038
Loss allowance	**-**	(5,638)
Accrued revenue	**588**	3,400
Current deferred revenue	**(2,818)**	-
Loss allowance	**(2,466)**	-
Deferred revenue	**(5,284)**	-

Significant changes in accrued and deferred revenue

Accrued revenue has decreased compared to the prior year due to the timing of invoicing.

The LLP recognised a loss allowance against deferred revenue (2021: against accrued revenue) which increases the deferred revenue recognised in the current year. The allowance is in relation to invoices *raised during year end.*

4 REVENUE - continued

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.

	2022 £'000	2021 £'000
Revenue recognised that was included in deferred revenue at the beginning of the period:		
Facilities services contracts	-	176

5 OTHER INCOME

	2022 £'000	2021 £'000
Government grants	-	33
Rental income and service charges	559	846
Other revenue	744	3,590
	1,303	4,469

Other revenue includes income of £nil (2021: £3,376,000) 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.

6 STAFF COSTS

	2022 £'000	2021 £'000
Wages and salaries	4,967	4,410
Social security costs	373	317
Other pension costs (note 17)	159	136
	5,499	4,863

The average monthly number of employees during the year:

	2022 Number	2021 Number
Laboratory	4	4
Administration	100	93
	104	97

7 OPERATING PROFIT

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

	2022 £'000	2021 £'000
Depreciation of fixed assets	**7,890**	10,479
Depreciation of right-of-use assets	**5,726**	5,601
Amortisation of intangible assets	**95**	148
Staff costs (note 6)	**5,499**	4,863
Foreign exchange loss	**23**	17
Lease expense	**1,909**	2,389
(Gain)/loss on disposal of property, plant and equipment	**-**	(4)
Inventory recognised as an expense	**49,785**	61,505
Audit fees payable to the LLP's auditors	**55**	50

The non-audit fees for the year were £nil (2021: £nil).

The operating profit/(loss) for the year includes exceptional spend of £310,000 (2021: £203,000) for external consultancy relating to on-going tenders and consultancy fees relating to the transformation of the laboratory services.

8 FINANCE COST

	2022 £'000	2021 £'000
Lease interest	**2,175**	2,255
Interest on dilapidation (note 16)	**159**	144
	2,334	2,399

9 MEMBERS' PROFIT SHARES

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

	2022 Number	2021 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 for the financial year before Members' remuneration and profit shares by the average number of Members:

	2022 £'000	2021 £'000
Average profit per Member	**8,177**	1,017

The Member with the largest Members' remuneration and profit share for the current year was Health Services Laboratories LLP with a share of £16,352,000 (2021:£2,032,000). Total owed to Health Services Laboratories LLP at 30 June 2022 is £39,476,000 (2021: £23,124,000).

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2022

10 INTANGIBLE ASSETS

	Software	Total
	£'000	£'000
COST		
At 1 July 2021	1,096	1,096
Additions	1	1
At 30 June 2022	**1,097**	**1,097**
ACCUMULATED AMORTISATION		
At 1 July 2021	671	671
Amortisation for the financial year	95	95
At 30 June 2022	**766**	**766**
NET BOOK VALUE		
At 30 June 2022	**331**	**331**
At 30 June 2021	425	425

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

11 PROPERTY, PLANT & EQUIPMENT

	Leasehold improvements	Furniture, fittings and equipment	IT Equipment	Work in progress	Total
	£'000	£'000	£'000	£'000	£'000
COST					
At 1 July 2021	66,868	31,081	2,755	16	100,720
Additions	197	2,558	382	1,037	4,174
At 30 June 2022	**67,065**	**33,639**	**3,137**	**1,053**	**104,894**
ACCUMULATED DEPRECIATION					
At 1 July 2021	14,311	15,078	1,655	-	31,044
Charge for the financial year	3,681	3,763	446	-	7,890
At 30 June 2022	**17,992**	**18,841**	**2,101**	-	**38,934**
NET BOOK VALUE					
At 30 June 2022	**49,073**	**14,798**	**1,036**	**1,053**	**65,960**
At 30 June 2021	52,557	16,003	1,100	16	69,676

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

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:

	2022	2021
	£'000	£'000
Right-of-use-assets		
Buildings	**41,035**	43,286
Other	**35**	50
	41,070	43,336
Leases liabilities		
Current (note 15)	**1,378**	818
Non-current (note 16)	**47,884**	49,418
	49,262	50,236

Additions to the right-of-use assets for the year ended 30 June 2022 were £nil (2021: £61,000).

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

	2022	2021
	£'000	£'000
Depreciation charge of right-of-use assets		
Buildings	**2,252**	2,252
Other	**15**	11
	2,267	2,263
Interest expense	**1,373**	1,382
Expense relating to short-term leases	**320**	263
Expense relating to variable lease payments not included in lease liabilities	**1,589**	2,126
	3,282	3,771

The total cash outflow for leases for the year ended 30 June 2022 was £4,257,000 (2021: £4,046,000). Excluding payments for short term leases and variable lease payments the cash outflow reduces to £2,348,000 (2021: £1,657,000).

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 amounts owed to group undertakings.

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

	2022	2021
	£'000	£'000
Right-of-use-assets		
Buildings	**25,851**	29,311
Leases liabilities		
Current (note 15)	**3,036**	3,451
Non-current (note 16)	**25,140**	28,685
	28,176	32,136

Additions to intercompany right-of-use assets for the year ended 30 June 2022 were £nil (2021: £3,158,000).

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

	2022	2021
	£'000	£'000
Depreciation charge of right-of-use assets		
Buildings	**3,459**	3,338
Interest expense	**802**	873

The total cash outflow for leases for the year ended 30 June 2022 was £4,762,000 (2021: £5,072,000).

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

12 **LEASES - continued**

The LLP's leasing activities and how these are accounted for - continued

- 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.

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.

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 lease payments reflect the lease component of consumable 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

	2022 £'000	2021 £'000
Consumables and reagents	**10,511**	10,695

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

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

During the year £49,785,000 (2021: £61,505,000) of consumables and reagents were recognised in Cost of sales in the Statement of Comprehensive Income.

14 TRADE DEBTORS AND OTHER RECEIVABLES

AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 £'000	2021 £'000
Trade debtors	**20,904**	15,045
Amounts owed by group undertakings	**704**	389
Other debtors	**41**	1,969
Accrued revenue	**421**	-
Prepayments	**3,622**	3,471
	25,692	20,874

Trade debtors are stated after provisions for impairment of £nil (2021: £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 £167,000 (2021: £385,000).

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 £'000	2021 £'000
Trade creditors	**9,252**	6,632
Lease liabilities (note 12)	**1,378**	818
Amounts owed to group undertakings	**47,147**	47,627
Other creditors including social security and taxation	**2,659**	126
Accruals	**7,019**	17,080
Deferred revenue	**4,543**	1,013
	71,998	73,296

Amounts owed to group undertakings are unsecured, interest free and repayable on demand. Amounts owed to group undertakings include deferred revenue of £741,000 (2021: £4,028,000).

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.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2022

16 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2022 £'000	2021 £'000
Dilapidation provision	**8,057**	7,898
Lease liabilities (note 12)	**47,884**	49,418
Amounts owed to group undertakings (note 12)	**25,140**	28,685
	81,081	86,001

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 2021	7,898
Increase in dilapidation provision	-
Charged to the Statement of Comprehensive Income	159
Balance at 30 June 2022	**8,057**

HSL (FM) LLP is obligated at the end of 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% (2021: 2%) where the current costs were not used.

The dilapidation provision comprises:

	2022 £'000	2021 £'000
1 Mabledon Place – 15 year lease	**6,260**	6,135
60 Whitfield Street – 25 year lease	**1,712**	1,678
Shropshire House – 5 year lease	**20**	20
Elstree Warehouse – 10 year lease	**65**	65
	8,057	7,898

16 **CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR - continued**

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

	2022	2021
	£'000	£'000
1 Mabledon Place – 15 year lease	**125**	111
60 Whitfield Street – 25 year lease	**34**	33
	159	144

17 **PENSIONS**

The LLP operates a number of defined contribution schemes for its employees. The total cost for the year was £159,000 (2021: £136,000) and the amount outstanding as at 30 June 2022 was £95,000 (2021: £80,000).

18 **TOTAL MEMBERS' INTERESTS**

	£'000
Members' interests at the beginning of the year	**27,035**
Members' capital contributions	169
Allocation of operating profit	16,354
Members' interests after the profit for the year	**43,558**
Amounts withdrawn by Members	-
Members' interests at end of the year	**43,558**

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

Members' capital contributions are determined by the Management 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 2022 the LLP had capital commitments of £846,000 (2021: £488,000) and other commitments of £1,627,000 (2021: £1,532,000) for non-cancellable maintenance contracts for equipment.

20 **CONTROLLING PARTIES**

At 30 June 2022, the LLP's intermediate parent was The Doctors Laboratory Limited and the ultimate parent company and controlling party, and the parent company of the smallest and 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 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.

21 RELATED PARTIES

The related parties' transactions for the year ended 30 June 2022 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	-	27,947	23,761	12,241
TDL Genetics Limited	-	714	4,113	-
Health Services Laboratories LLP	-	22,423	-	1,032
HSL (Analytics) LLP	-	18,225	-	-
Royal Free London NHS Foundation Trust	7,995	1,375	17,679	1,271
University College London Hospitals NHS Foundation Trust	4,958	656	27,968	935
HSL Pathology LLP	-	2,979	8,983	-
Barnet and Chase Farm Hospitals	5,046	-	11,079	1,548
LABEX Facilities LLP	704	-	2,250	3
	18,703	**74,319**	**95,832**	**17,030**

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**