REGISTERED NUMBER: OC391023

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

FOR

HSL (FM) LLP

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MANAGEMENT BOARD AND ADVISERS
FOR THE YEAR ENDED 30 JUNE 2020

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 2020

The Members present their report and audited financial statements of the LLP for the year ending 30 June 2020. 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 a loss for the financial year available for discretionary division among Members of £3,614,000 (2019: £1,532,000) and revenue of £72,777,000 (2019: £69,712,000). 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.

During the year we completed the refurbishment of a new histopathology facility and rapid response laboratory at 60 Whitfield Street. The facility allows the Group to consolidate its histopathology services and creates the largest laboratory service for this discipline in the U.K. In addition we fitted out and equipped a new HPV screening laboratory at 1 Mabledon Place, to support the new HPV primary screening service for the London region, this completed in March 2020.

HSL in partnership with University College London submitted a successful proposal to the Department of Health and Social Care for a new Covid surge laboratory which will provide critical Covid-19 capacity. The letter of intent for the Covid surge laboratory was signed on 1 September 2020. The project will include the conversion of floor 9 in the core laboratory from office space into a Covid surge laboratory within a short timeframe.

IMPACT OF THE GLOBAL PANDEMIC
In the last four months of the financial year we experienced a significant reduction in testing throughput in our managed laboratory service. Demand from our major laboratory service users reduced by 70% for a short period of time in April as routine healthcare services and elective treatments were limited during the U.K.'s lockdown. Despite the fall in activity the LLP continued to deliver a 24 hour, seven days a week service to its NHS customers to ensure the NHS had the laboratory services required at all times to fight Coronavirus and continue to support acute and chronic patients with non-Covid related conditions. As lockdown restrictions were lifted our laboratories became busy again and routine testing activity returned and by the end of the year test levels were just 20% down on pre-Covid levels.

Had the severe lockdown status experienced in April been extended indefinitely the LLP would have faced significant financial pressures and its ability to maintain normal contract delivery would have been at risk. The wider organisation of which the LLP is a part put in place various mitigating measures without compromising its service delivery and commitment for a 24/7 managed laboratory service to its NHS customers. These mitigations included; agreeing revised payment terms with its suppliers, approaching landlords for rental concessions and utilising Government schemes where these were available.

The Members are proud of the fact that the LLP has made a significant contribution to the U.K.'s fight against Coronavirus including facilitating the development of Covid19 testing methodologies and workflows and processes which are safe and effective, and which also reduce demand for key reagents which at times have been in short supply as a result of the pandemic. We are particularly focused upon maintaining a safe working environment for all of our laboratory users and staff who have continued to travel to work throughout the pandemic to serve the need for diagnostics. We extend our gratitude to all of them for their commitment.

A further lockdown period is likely to impact the routine services and HSL could see another declined in activity. However demand for Covid19 managed laboratory service in the coming months may offset some of the financial impact of a loss in routine throughput.

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 2020, 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 we welcome this initiative because of our parent organisations' long experience in supporting and transforming public sector laboratory services.

The impact of the Covid pandemic on the future outlook is set out above.

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 Management 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 is 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.

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 growth to existing customers and bringing new customers to the Group. To do this, the LLP needs to develop and maintain strong customer relationships. HSL values all our suppliers and have multi-year contracts with most of the key suppliers.

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.

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.

The Covid pandemic remains a source of risk to our staff and financial performance as set out above. We continue to engage with our key suppliers to minimise the risk of any disruption to our supply chain arising from the U.K.'s departure from the European Union at the end of the calendar year.

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' REPORT - continued
FOR THE YEAR ENDED 30 JUNE 2020

MEMBERS' PROFIT SHARE - continued

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 year-end.

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 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.

EFFICIENCY NARRATIVE

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)			132,941	
Intensity ratio: Tonnes of CO2 per total HSL Group revenue			10.62	

CARBON EMISSION STATEMENT - continued

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 for staff to use.

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.

Transport fleet: Fuel quantities were taken from fuel card invoices / data. greenhouse gas conversion factors have been used to convert litres of diesel and petrol into kWH and tCO2e.

Grey fleet: As the proportion of petrol, diesel and other vehicle propulsion is unknown; to arrive at kWh and tCO2e for private vehicles used for business fuel, the split is based on the latest DoT statistical data set VEH0203. Use of hybrid electric, gas and electric cars are assumed to be negligible. Petrol percentage has been rounded up slightly to reflect a trend away from diesel cars. greenhouse gas conversion factors have been used to convert mileage into kWh and tCO2e.

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.

MEMBERS' REPORT - continued
FOR THE YEAR ENDED 30 JUNE 2020

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.

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 36 WERE APPROVED BY THE MEMBERS AND SIGNED ON THEIR BEHALF ON 6 OCTOBER 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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HSL (FM) LLP

Report on the financial statements

Our opinion

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

- give a true and fair view of the state of the limited liability partnership's affairs as at 30 June 2020 and of its loss 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 2020; 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 limited liability partnership 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the limited liability partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HSL (FM) LLP - continued

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.

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 of the members for the financial statements

As explained more fully in the Statement of the Members' Responsibilities set out on page 7, 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 limited liability partnership'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 limited liability partnership 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.

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 opinion, 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 this opinion, 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 received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the limited liability partnership, 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
6 October 2021

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 £'000	2019 £'000
REVENUE	4	**72,777**	69,712
Cost of sales		**(52,645)**	(52,996)
GROSS PROFIT		**20,132**	16,716
Administrative expenses		**(25,365)**	(18,213)
Other income	5	**3,664**	-
OPERATING LOSS	7	**(1,569)**	(1,497)
Finance cost	8	**(2,045)**	(35)
OPERATING LOSS FOR THE FINANCIAL YEAR AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS		**(3,614)**	(1,532)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO MEMBERS	18	**(3,614)**	(1,532)

The notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION
As at 30 JUNE 2020

	Note	2020 £'000	2020 £'000	2019 £'000	2019 £'000
FIXED ASSETS					
Intangible Assets	10		**522**		647
Property, Plant & Equipment	11		**70,833**		67,907
Right-of-use assets	12		**75,124**		-
			146,479		68,554
CURRENT ASSETS					
Inventory	13	**8,035**		5,451	
Trade debtors and other receivables	14	**13,000**		12,191	
Cash and cash equivalents		**12,778**		2,767	
		33,813		20,409	
CREDITORS					
Amounts falling due within one year	15	**(70,150)**		(57,201)	
NET CURRENT LIABILITIES			**(36,337)**		(36,792)
TOTAL ASSETS LESS CURRENT LIABILITIES			**110,142**		31,762
NON CURRENT CREDITORS					
Amounts falling due after one year	16		**(86,860)**		(7,056)
NET ASSETS ATTRIBUTABLE TO MEMBERS OF THE LLP			**23,282**		24,706
REPRESENTED BY:					
Members' capital			**23,282**		24,706
TOTAL MEMBERS' INTERESTS	18		**23,282**		24,706

The financial statements on pages 11 to 36 were approved by the Members on 6 October 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 2020

	Note	Members' capital £'000	Other Members interests £'000	Total Members' interests £'000
Balance at 1 July 2018		**26,238**	**-**	**26,238**
Members capital contributions		-	-	-
Total comprehensive loss for the year		(1,532)	-	(1,532)
Balance as at 30 June 2019		**24,706**	**-**	**24,706**
Change in accounting policy	22	(1,313)	-	(1,313)
Restated Balance as 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	18	**23,282**	**-**	**23,282**

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 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 EU-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 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 have majority interest in, within 12 months of the date of signing the LLP's financial statements for the year ended 30 June 2020, 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 has adopted the new accounting standard IFRS 16 Leases from 1 July 2019 and applied the modified retrospective provision from the standard which allowed adjustments to be made to the amounts recognised in the Statement of Financial Position and Retained Earnings as at the date of initial application without restating comparatives for the 30 June 2019 reporting period.

IFRS 16 Leases
IFRS 16 was issued in January 2016. It results in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability (to pay rentals) are both recognised. The only exceptions to this are short term and low-value leases. The accounting for lessors will not significantly change.

The standard affected primarily the accounting for the LLP's operating leases. Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16. The majority of the LLP's leases are expected to be carried on the balance sheet.

The LLP had to change its accounting policies as a result of adopting IFRS 16. The LLP elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 July 2019. This is disclosed in note 22.

There were no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 30 June 2020 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 2020 to 1 January 2022 and have not been applied in preparing these financial statements.

1 GENERAL INFORMATION - continued

New Standards and interpretations not yet adopted – continued
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: Business Combinations (effective: 1 January 2020)
IAS 1: Presentation of financial statements (effective: 1 January 2020)
IAS 39, IFRS 9 and IFRS 17: Interest rate benchmark reform (effective: 1 January 2020)
IAS 8: Accounting policies, changes in accounting estimates and errors (definition material) (effective: 1 January 2020)
Amendments to the conceptual framework (effective: 1 January 2020)
IFRS 17: Insurance Contracts (effective: 1 January 2021)

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 2022. 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.

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
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.

Operating leases
Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-lined basis over the period of the lease.

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.

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:

	2020	2019
	£'000	£'000
Facilities services	**72,777**	69,712

Assets and liabilities related to contracts with customers

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

	2020	2019
	£'000	£'000
Current accrued revenue	-	2,941
Loss allowance	-	(400)
Accrued revenue	-	2,541
Current deferred revenue	**176**	(545)
Loss allowance	**(3,058)**	-
Deferred revenue	**(2,882)**	(545)

Significant changes in accrued and deferred revenue

Accrued revenue has decreased due to; the timing of invoicing, and lower overall testing activity during the year for our customers (as a result of the global pandemic).

Deferred revenue represents payments received on account from customers in excess of the contractual activity in our managed laboratories. The LLP recognised a loss allowance against deferred revenue in the current year. (In 2019 a loss allowance was recognised against accrued revenue). The loss allowance increases the overall value of deferred revenue. (In 2019 the loss allowance decreased overall accrued revenue value).

Deferred revenue has increased due to lower overall contractual activity and customers continuing to pay baseline contractual volumes during 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.

	2020	2019
	£'000	£'000
Revenue recognised that was included in deferred revenue at the beginning of the period:		
Facility services contracts	**545**	45

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

5 OTHER INCOME

	2020 £'000	2019 £'000
Government grants	**2,907**	-
Rental income and service charges	**546**	-
Other revenue	**211**	-
	3,664	-

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

6 STAFF COSTS

	2020 £'000	2019 £'000
Wages and salaries	**3,592**	3,264
Social security costs	**271**	240
Other pension costs (note 17)	**124**	114
	3,987	3,618

Included in staff costs is an element of capitalised staff costs relating to setting up the HPV cervical screening programme (2019: The validation and calibration on the building project at 60 Whitfield Street) and the implementation of a new payroll platform.

The average monthly number of employees during the year:

	2020 Number	2019 Number
Laboratory	**4**	6
Administration	**79**	63
	83	69

7 OPERATING LOSS

The operating loss is stated after charging:

	2020 £'000	2019 £'000
Depreciation of fixed assets	**6,813**	4,386
Depreciation of right-of-use assets	**4,400**	-
Amortisation of intangible assets	**158**	156
Foreign exchange loss	**50**	59
Staff costs (note 6)	**3,987**	3,618
Lease expense	**2,226**	5,693
Loss on disposal of property, plant and equipment	**60**	21
Inventory recognised as an expense	**35,138**	38,396
Audit fees payable to the LLP's auditors	**29**	23

7 OPERATING LOSS – continued

The non-audit fees for the year were £nil (2019: £nil).

The operating loss for the year includes exceptional spend of £130,000 (2019: £380,000) for external consultants relating to on-going tenders and consultant fees relating to the transformation of the laboratory services.

8 FINANCE COST

	2020 £'000	2019 £'000
Lease interest	1,970	-
Interest on dilapidations (note 16)	75	35
	2,045	35

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 Management 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 Management Board within 2 months after year-end.

	2020 Number	2019 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 (loss)/profit for the financial year before Members' remuneration and (loss)/profit shares by the average number of Members:

	2020 £'000	2019 £'000
Average loss per Member	(1,807)	(766)

The Member with the largest Members' remuneration and loss share for the current year was Health Services Laboratories LLP with a share of £3,613,000 (2019: £1,531,000). Total owed to Health Services Laboratories LLP at 30 June 2020 is £21,092,000 (2019: £24,705,000).

10 INTANGIBLE ASSETS

	Software £'000	Work in progress £'000	Total £'000
COST			
At 1 July 2019	1,012	-	1,012
Additions	33	-	33
At 30 June 2020	**1,045**	-	**1,045**
ACCUMULATED AMORTISATION AND IMPAIRMENT			
At 1 July 2019	365	-	365
Amortisation for the financial year	158	-	158
At 30 June 2020	**523**	-	**523**
NET BOOK VALUE			
At 30 June 2020	**522**	-	**522**
At 30 June 2019	647	-	647

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 2019	34,328	21,238	1,267	24,860	81,693
Adjustment on adoption of IFRS (note 22)	-	-	-	-	-
Adjusted at 1 July 2019	**34,328**	**21,238**	**1,267**	**24,860**	**81,693**
Additions	25,957	6,520	780	(23,426)	9,831
Disposals	-	(126)	-	-	(126)
At 30 June 2020	**60,285**	**27,632**	**2,047**	**1,434**	**91,398**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 July 2019	4,937	8,191	658	-	13,786
Adjustment on adoption of IFRS (note 22)	-	-	-	-	-
Adjusted at 1 July 2019	**4,937**	**8,191**	**658**	**-**	**13,786**
Charge for the financial year	3,316	3,158	339	-	6,813
Disposal	-	(34)	-	-	(34)
At 30 June 2020	**8,253**	**11,315**	**997**	**-**	**20,565**
NET BOOK VALUE					
At 30 June 2020	**52,032**	**16,317**	**1,050**	**1,434**	**70,833**
At 30 June 2019	29,391	13,047	609	24,860	67,907

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 in 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.

	30 June 2020 £'000	1 July 2019 £'000
The Statement of Financial Position shows the following amounts relating to leases:		
Right-of-use-assets		
Buildings	**45,539**	44,740
Other	**-**	-
	45,539	44,740
Leases liabilities		
Current (note 15)	**262**	117
Non-current (note 16)	**50,188**	47,348
	50,450	47,465

The LLP had no assets at 30 June 2019 in relation to leases that were classified as finance leases under IAS 17 and therefore no adjustment on transition had to be made. For adjustments recognised on adoption of IFRS 16 on 1 July 2019, please refer to note 22.

Additions to the right-of-use assets for the year end June 2020 were £1,406,000.

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

	30 June 2020 £'000	1 July 2019 £'000
Depreciation charge of right-of-use assets		
Buildings	**2,002**	-
Other	**-**	-
	2,002	-
Interest expense	**1,252**	-
Expense relating to short-term leases	**262**	-
Expense relating to variable lease payments not included in lease liabilities	**1,550**	-
	3,064	-

The total cash outflow for leases for the year end June 2020 was £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 are included in intercompany.

	30 June 2020 £'000	1 July 2019 £'000
The Statement of Financial Position shows the following amounts relating to leases:		
Right-of-use-assets		
Buildings	**29,585**	15,344
Other	**-**	-
	29,585	15,344
Leases liabilities		
Current (note 15)	**3,863**	1,518
Non-current (note 16)	**29,312**	16,630
	33,175	18,148

The LLP had no assets at 30 June 2019 in relation to leases that were classified as finance leases under IAS 17 and therefore no adjustment on transition had to be made. For adjustments recognised on adoption of IFRS 16 on 1 July 2019, please refer to note 22.

Additions to intercompany right-of-use assets for the year end June 2020 were £5,831,000.

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

	30 June 2020 £'000	1 July 2019 £'000
Depreciation charge of right-of-use assets		
Buildings	**2,398**	-
Other	**-**	-
	2,398	-
Interest expense	**718**	-
Expense relating to short-term leases	**-**	-
Expense relating to variable lease payments not included in lease liabilities	**-**	-
	718	-

The total cash outflow for leases for the year end June 2020 was £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.

Historically up until the financial year ending 30 June 2019, leases of property, plant and equipment were classified as either finance leases or operating leases, see note 19 for details. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the LLP.

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 payment 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

	2020	2019
	£'000	£'000
Consumables and reagents	**8,035**	5,451

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 £35,138,000 (2019: £38,396,000) of consumables and reagents were recognised in Cost of sales in the Income Statement and Statement of Comprehensive Income.

14 TRADE DEBTORS AND OTHER RECEIVABLES

AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £'000	2019 £'000
Trade debtors	**8,057**	3,570
Amounts owed by group undertakings	**460**	2,588
Other debtors	**685**	1,988
Prepayments	**3,798**	2,336
Accrued revenue	**-**	1,709
	13,000	12,191

Trade debtors are stated after provisions for impairment of £nil (2019: £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 £368,000 (2019: £320,000) offset by deferred revenue of £nil (2019: £nil).

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £'000	2019 £'000
Trade creditors	**9,019**	5,699
Lease liabilities (note 12)	**262**	-
Amounts owed to group undertakings	**52,327**	47,529
Other creditors including social security and taxation	**1,746**	3,107
Accruals	**3,341**	586
Deferred revenue	**3,455**	280
	70,150	57,201

Amounts owed to group undertakings are unsecured, interest free and repayable on demand. Amounts owed to group undertakings include accrued revenue of £482,000 (2019: £512,000) offset by deferred revenue of £277,000 (2019: £265,000).

From 1 July 2019 Amounts owed to group undertakings also includes 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

	2020 £'000	2019 £'000
Dilapidation provision	**7,360**	2,794
Lease liabilities (note 12)	**50,188**	-
Amounts owed to group undertakings (note 12)	**29,312**	-
Other	**-**	4,262
	86,860	7,056

16 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR - continued

From 1 July 2019 Amounts owed to group undertakings include the lease liability arising from intercompany sublease arrangements for 1 Mabledon Place.

Dilapidation provision movements for the year were:

	£'000
Dilapidation obligation under non-cancellable leases:	
Dilapidation provision at 1 July 2019	2,794
Increase in dilapidation provision	4,491
Charged to the Statement of Comprehensive Income	75
Balance at 30 June 2020	**7,360**

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.

The Other provision in 30 June 2019 relates to 60 Whitfield Street. The property includes a rent free and reduced rent period in the initial years of the lease. The lease was recognised on a straight-line basis and the accrued rent incentive that is expected to be utilised later than 12 months was classified as non-current.

Dilapidations were discounted to their present value using a discount rate of 2% (2019: 2%) where the current costs were not used.

The dilapidations provision are as follows:

	2020	2019
	£'000	£'000
1 Mabledon Place – 15 year lease	**5,631**	1,801
60 Whitfield Street – 25 year lease	**1,644**	993
Shropshire House – 5 year lease	**20**	-
Elstree Warehouse – 10 year lease	**65**	-
	7,360	2,794

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

	2020	2019
	£'000	£'000
1 Mabledon Place – 15 year lease	**40**	35
60 Whitfield Street – 25 year lease	**35**	-
	75	35

17 PENSIONS

The LLP operates a number of defined contribution schemes for its employees. The total cost for the year was £124,000 (2019: £114,000) and the amount outstanding as at 30 June 2020 was £19,000 (2019: £13,000).

18 TOTAL MEMBERS' INTERESTS

	Other Members' interests £'000
Members' interests at the beginning of the year	24,706
Reinstatement in relation to IFRS16	(1,313)
	23,393
Members capital contributions	3,503
Allocation of operating loss	(3,614)
Depreciation on assets contributed by Members	-
Members' interests after the loss for the year	**23,282**
Amounts withdrawn by Members	-
Members' interests at end of the year	**23,282**

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 2020 the LLP had capital commitments of £463,000 (2019: £1,553,000) and other commitments of £1,684,000 (2019: £1,102,000) for non-cancellable maintenance contracts for equipment.

The LLP has entered into commercial leases on properties and the disclosure sets out the commitments for the leases before the implementation of IFRS16. See note 12. The following operating lease commitments under non-cancellable leases in the prior year were:

	2020 £'000	2019 £'000
Expiring:		
Within one year	-	3,619
Between one and five years	-	16,595
More than five years	-	68,775
	-	88,989

20 CONTROLLING PARTIES

At 30 June 2020, 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.

21 RELATED PARTIES

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**

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2020

21 **RELATED PARTIES - continued**

The related parties transactions for the year ended 30 June 2019 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	-	2,417	11,920	7,481
TDL Genetics Limited	321	-	6,344	37
Health Services Laboratories LLP	-	28,742	-	1,907
HSL (Analytics) LLP	-	16,370	-	-
Royal Free London NHS Foundation Trust	609	14	13,643	1,271
University College London Hospitals NHS Foundation Trust	2,199	91	20,486	935
HSL Pathology LLP	984	-	2,906	-
NWLHT Analytical LLP	-	-	-	11
NWLHT Facilities LLP	1,283	-	1,053	(49)
Barnet and Chase Farm Hospitals	2,083	10	7,598	1,547
	7,479	**47,644**	**63,950**	**13,140**

22 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 16 Leases on the LLP's financial statements.

The LLP has adopted IFRS 16 Leases retrospectively from 1 July 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019. The new accounting policies are disclosed in note 12.

On adoption of IFRS 16, the LLP recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 2.75%

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. The LLP has no leases that were classified as finance leases prior to the implementation of IFRS16.

Practical expedients applied
In applying IFRS 16 for the first time, the LLP has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The LLP has reassessed its contract portfolios at the date of initial application to ascertain whether a contract is, or contains a lease, and not to rely on assessments made by applying IAS17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

22 CHANGES IN ACCOUNTING POLICIES - continued

Measurement of lease liabilities

	2019 £'000
Operating lease commitments disclosed as at 30 June 2019	88,989
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(21,414)
Less short-term, low value and other leases not recognised as a liability	(1,962)
Lease liability recognised as at 1 July 2019	**65,613**
Of which are:	
Current lease liabilities	1,635
Non-current lease liabilities	63,978
	65,613

Measurement of right-of-use assets
The associated right-of-use assets were measured at either an amount equal to the lease liability or on a retrospective basis as if the new rules had applied since lease commencement.

Adjustments recognised in the balance sheet on 1 July 2019

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

	1 July 2019 £'000
Increase in Right of use assets	60,084
Decrease in Accrued rent incentives	(2,727)
Increase in Amounts owed to Group undertakings	16,659
Increase in Lease Liabilities	47,465
The net impact on retained earnings on 1 July 2019 was a decrease	(1,313)