

Registered number: 10380256

**INHEALTH PATHOLOGY LIMITED**  
**Directors' Report and Financial Statements**  
**For the Year Ended 30 September 2019**

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**INHEALTH PATHOLOGY LIMITED**  
**Directors' Report and Financial Statements**  
**For the Year Ended 30 September 2019**

**Company Information**

**Directors**

S Fox  
M Madan (resigned 1 March 2020)  
S J Scott  
D M Petrie (appointed 12 December 2019)  
R J Bradford (appointed 12 December 2019)  
A G Searle (appointed 15 April 2020)

**Registered number**

10380256

**Registered office**

Beechwood Hall  
Kingsmead Road  
High Wycombe  
Buckinghamshire  
HP11 1JL

**Independent auditor**

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

**Bankers**

Bank of Scotland  
4th Floor  
25 Gresham Street  
London  
EC2V 7HN

**INHEALTH PATHOLOGY LIMITED**  
**Directors' Report and Financial Statements**  
**For the Year Ended 30 September 2019**

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**INHEALTH PATHOLOGY LIMITED**  
**Directors' Report and Financial Statements**  
**For the Year Ended 30 September 2019**

**Directors' Report**

The Directors present their report and audited Financial Statements for the Company for the year ended 30 September 2019.

**Principal activity**

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

**Business review**

Revenue for the year was £788,000 (2018: £339,000), the operating loss for the year was £7,000 (2018: £232,000 loss).

The company continues to have many opportunities to grow and continues to explore wider opportunities for growth where challenges for healthcare meet with our skills and capabilities to offer clinical excellence, efficiency and productivity benefits to our patients and customers.

**Covid-19**

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

In the short term the Company has seen a drop in activity in some services, overall revenue has fallen as a result of the pandemic but over the next 12 months is expected to gradually recover as the backlog in diagnostic tests is addressed. Government restrictions are expected to lift over time and while the economic impact may continue in the UK, the demand for healthcare services is anticipated to remain high.

The Directors consider that the outlook for the Company therefore remains strong and that it will continue to develop new and innovative patient services to make Healthcare better whilst remaining an essential partner for the NHS during this recovery period and beyond.

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

**Dividends**

The Directors do not recommend the payment of a dividend (2018: £nil).

**INHEALTH PATHOLOGY LIMITED**  
**Directors' Report and Financial Statements**  
**For the Year Ended 30 September 2019**

**Directors' Report (continued)**

**Directors**

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

S Fox  
M Madan (resigned 1 March 2020)  
S J Scott  
R J Bradford (appointed 12 December 2019)  
D M Petrie (appointed 12 December 2019)  
A G Searle (appointed 15 April 2020)

**Political donations**

The Company made no political donations during the period (2018: £nil).

**Employees**

Our people are central to our success in both delivering existing business and winning new contracts. Investment in our people and in building the right working environment will continue to be a priority. The Company employs 3 highly skilled and trained professionals, with many years of experience working within the health sector.

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

**Employee involvement**

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

**Employment of disabled people**

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

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

**Disclosure of information to auditor**

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**Post balance sheet events**

Following the outbreak of the Covid-19 global pandemic declared by the World Health Organisation on 11 March 2020, the Company has had to adapt its operations following government measures to contain the virus. The Directors consider this event to be a non-adjusting post balance sheet event.

**INHEALTH PATHOLOGY LIMITED**  
**Directors' Report and Financial Statements**  
**For the Year Ended 30 September 2019**

**Directors' Report (continued)**

**Auditor**

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

This report was approved by the Board on 15 July 2020 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'R J Bradford', written over a horizontal line.

**R J Bradford**  
Director

**INHEALTH PATHOLOGY LIMITED**  
**Directors' Report and Financial Statements**  
**For the Year Ended 30 September 2019**

**Directors' Responsibilities Statement**

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these Financial Statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

### **Opinion**

We have audited the Financial Statements of InHealth Pathology Limited ("the Company") for the year ended 30 September 2019 which comprise the Statement of Comprehensive Income, the Balance Sheet and the Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Going concern**

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

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

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



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

### **Directors' report**

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

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

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

### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

### **Directors' responsibilities**

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

### **Auditor's responsibilities**

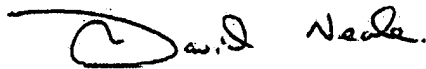
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditors](http://www.frc.org.uk/auditors) responsibilities.

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

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

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

A handwritten signature in black ink, appearing to read 'David Neale', with a stylized flourish at the end.

**David Neale (Senior statutory auditor)**

for and on behalf of

**KPMG LLP**  
Statutory Auditor  
The Pinnacle  
170 Midsummer Boulevard  
Milton Keynes  
MK9 1BP  
Date: 17 July 2020

**INHEALTH PATHOLOGY LIMITED**  
**Directors' Report and Financial Statements**  
**For the Year Ended 30 September 2019**

**Statement of Comprehensive Income**  
**For the Year Ended 30 September 2019**

	Note	2019 £000	2018 £000
Revenue	3	788	339
Cost of sales		(588)	(332)
<b>Gross profit</b>		<b>200</b>	<b>7</b>
Administrative expenses		(207)	(239)
<b>Operating loss</b>	4	<b>(7)</b>	<b>(232)</b>
Interest payable and expenses	7	-	(8)
<b>Loss before tax</b>		<b>(7)</b>	<b>(240)</b>
Tax on loss	8	(13)	-
<b>Loss and total comprehensive loss for the financial year</b>		<b>(20)</b>	<b>(240)</b>

The notes on pages 11 to 23 form part of these financial statements.


**INHEALTH PATHOLOGY LIMITED**  
**Directors' Report and Financial Statements**  
**Registered number:10380256**

**Balance Sheet**  
**As at 30 September 2019**

	<b>Note</b>	<b>2019 £000</b>	<b>2018 £000</b>
<b>Fixed assets</b>			
Tangible assets	9	509	354
		<u>509</u>	<u>354</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	10	318	151
Cash at bank and in hand		37	39
		<u>355</u>	<u>190</u>
Creditors: amounts falling due within one year	11	(1,153)	(826)
<b>Net current liabilities</b>		<u>(798)</u>	<u>(636)</u>
<b>Total assets less current liabilities</b>		<u>(289)</u>	<u>(282)</u>
<b>Provisions for liabilities</b>			
Deferred taxation	13	(13)	-
		<u>(13)</u>	<u>-</u>
<b>Net liabilities</b>		<u>(302)</u>	<u>(282)</u>
<b>Capital and reserves</b>			
Profit and loss account		(302)	(282)
		<u>(302)</u>	<u>(282)</u>

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

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 15 July 2020.

  
**R J Bradford**  
 Director

The notes on pages 11 to 23 form part of these financial statements.

**INHEALTH PATHOLOGY LIMITED**  
**Directors' Report and Financial Statements**  
**For the Year Ended 30 September 2019**

**Statement of Changes in Equity**  
**For the Year Ended 30 September 2019**

	<b>Called up share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total equity £000</b>
<b>At 1 October 2017</b>	-	(42)	(42)
Loss for the year	-	(240)	(240)
<b>At 1 October 2018</b>	-	(282)	(282)
Loss for the year	-	(20)	(20)
<b>At 30 September 2019</b>	-	(302)	(302)

The notes on pages 11 to 23 form part of these financial statements.

**INHEALTH PATHOLOGY LIMITED**  
**Directors' Report and Financial Statements**  
**For the Year Ended 30 September 2019**

**Notes to the Financial Statements**

**1. Accounting policies**

**1.1 Basis of preparation of financial statements**

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

The Financial Statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of Financial Statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 2).

**1.2 Financial reporting standard 101 - reduced disclosure exemptions**

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

- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1; and
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements.
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

**INHEALTH PATHOLOGY LIMITED**  
**Directors' Report and Financial Statements**  
**For the Year Ended 30 September 2019**

**Notes to the Financial Statements**

**1. Accounting policies (continued)**

**1.3 Going concern**

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

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

As at 30 September 2019 the Company had net liabilities of £0.3m and cash and cash equivalents of £37,000. As at 30 June 2020 the working capital position of the Company remains consistent with the year end.

Since the outbreak of the global pandemic Covid-19, the Directors have reassessed their prepared profit and cashflow forecasts for a period of 12 months from the date of approval of these Financial Statements. This includes assumptions over the certainty of cash flows and including the impact of immediate reduced activity levels from March 2020 until October 2020, gradually recovering across the Group over the next 12 months. These forecasts indicate that, even when considering a severe but plausible downside, the Company will, subject to ongoing group support as set out below, continue to have sufficient funds to meet its liabilities as they fall due. The Company considers the medium-term outlook to be strong due to the opportunity to support the NHS in addressing the backlog of diagnostic tests.

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

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

**INHEALTH PATHOLOGY LIMITED**  
**Directors' Report and Financial Statements**  
**For the Year Ended 30 September 2019**

**Notes to the Financial Statements**

**1. Accounting policies (continued)**

**1.4 Impact of new international reporting standards, amendments and interpretations**

**IFRS 9**

There have been no material impacts on the Company's Financial Statements as a result of adopting IFRS 9 from 1 October 2018.

**IFRS 15**

From 1 October 2018, the Company has applied IFRS 15 using the cumulative effect method. The revenue accounting policy for the prior period was under IAS 18.

There have been no material impacts on the Company's Financial Statements as a result of adopting IFRS 15 across all areas of the business from 1 October 2018.

**IFRS 16**

IFRS 16 – Leases, comes into effect for periods starting on or after 1 January 2019. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. InHealth are currently performing an assessment of the impact.



**INHEALTH PATHOLOGY LIMITED**  
**Directors' Report and Financial Statements**  
**For the Year Ended 30 September 2019**

**Notes to the Financial Statements**

**1. Accounting policies (continued)**

**1.5 Revenue**

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

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

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

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

**Rendering of services**

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

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

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

**1.6 Operating leases**

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

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

**INHEALTH PATHOLOGY LIMITED**  
**Directors' Report and Financial Statements**  
**For the Year Ended 30 September 2019**

**Notes to the Financial Statements**

**1. Accounting policies (continued)**

**1.7 Taxation**

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

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

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

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

**1.8 Fixed assets**

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

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

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

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

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Assets in the course of construction have no depreciation charge.

**Notes to the Financial Statements**

**1. Accounting policies (continued)**

**1.9 Financial instruments (policy applicable from 1 October 2018)**

**i) Recognition and initial measurement**

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

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

**ii) Classification and subsequent measurement**

***Financial assets***

***(a) Classification***

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

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

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

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

***Cash and cash equivalents***

Cash and cash equivalents comprise cash balances and call deposits.

***(b) Subsequent measurement and gains and losses***

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

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

***Financial liabilities and equity***

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

**Notes to the Financial Statements**

**1. Accounting policies (continued)**

**1.9 Financial instruments (policy applicable from 1 October 2018) (continued)**

**iii) Impairment**

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

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

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

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

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

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

*Measurement of ECLs*

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

*Credit-impaired financial assets*

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

*Write-offs*

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

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**1. Accounting policies (continued)**

**1.10 Non-derivative financial instruments (policy applicable prior to 1 October 2018)**

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

*Trade and other debtors*

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

*Trade and other creditors*

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

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

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

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

**3. Revenue**

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

	2019 £000	2018 £000
Provision of services	788	339

All revenue arose within the United Kingdom.

**4. Operating loss**

The operating loss is stated after charging:

	2019 £000	2018 £000
Hire of other assets - operating leases	16	16
Depreciation of tangible fixed assets	55	26

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**5. Auditor's remuneration**

	<b>2019</b> <b>£000</b>	<b>2018</b> <b>£000</b>
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>6</u>	<u>5</u>

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

**6. Employees**

	<b>2019</b> <b>£000</b>	<b>2018</b> <b>£000</b>
Wages and salaries	121	90
Social security costs	12	9
Cost of defined contribution scheme	4	3
	<u>137</u>	<u>102</u>

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

	<b>2019</b> <b>No.</b>	<b>2018</b> <b>No.</b>
Operations	<u>3</u>	<u>2</u>

Directors' remuneration was borne by InHealth Limited and InHealth Endoscopy Limited during the period. The notional cost of Directors to the Company was £4,000 during the year (2018: £4,000). None of the Directors received any remuneration from the Company during the current year.

**7. Interest payable and similar expenses**

	<b>2019</b> <b>£000</b>	<b>2018</b> <b>£000</b>
Interest payable on financial liabilities	<u>-</u>	<u>8</u>

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**8. Taxation**

	<b>2019 £000</b>	<b>2018 £000</b>
<b>UK corporation tax</b>		
Current tax on loss for the year	-	-
<b>Total current tax</b>	-	-
Origination and reversal of timing differences	6	-
Prior year adjustment	7	-
<b>Total deferred tax</b>	13	-
<b>Taxation on loss on ordinary activities</b>	13	-

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2018: higher than) the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%) as set out below:

	<b>2019 £000</b>	<b>2018 £000</b>
Loss on ordinary activities before tax	(7)	(240)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(1)	(46)
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	-	(1)
Other fixed asset differences, adjustments and movements	6	-
Prior year adjustment deferred tax	7	-
Group relief	1	47
<b>Total tax charge for the year</b>	13	-

**Factors that may affect future tax charges**

A reduction in the UK corporation tax rate from 19% to 18% (effective 1 April 2020) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax liability at 30 September 2019 has been calculated based on these rates.

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**9. Tangible fixed assets**

	Plant and equipment £000	Fixtures and fittings £000	Computer equipment £000	Assets in course of construction £000	Total £000
<b>Cost</b>					
At 1 October 2018	281	4	95	-	380
Additions	192	-	-	18	210
At 30 September 2019	473	4	95	18	590
<b>Depreciation</b>					
At 1 October 2018	17	-	9	-	26
Charge for the year on owned assets	38	1	16	-	55
At 30 September 2019	55	1	25	-	81
<b>Net book value</b>					
At 30 September 2019	418	3	70	18	509
At 30 September 2018	264	4	86	-	354

**10. Debtors**

	2019 £000	2018 £000
Amounts owed by group undertakings	236	52
Prepayments and accrued income	82	99
<b>Amounts falling due within one year</b>	<b>318</b>	<b>151</b>

**11. Creditors**

	2019 £000	2018 £000
Trade creditors	15	78
Amounts owed to group undertakings	1,079	692
Accruals and deferred income	59	56
<b>Amounts falling due within one year</b>	<b>1,153</b>	<b>826</b>



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**12. Financial instruments**

*Financial risk management*

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

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

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

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

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

**13. Deferred taxation**

	2019 £000
Charged to profit or loss	(13)
<b>At end of year</b>	<b>(13)</b>

The deferred taxation balance is made up as follows:

	2019 £000	2018 £000
Tangible fixed assets	(13)	-
	<b>(13)</b>	<b>-</b>

**14. Share capital**

	2019 £000	2018 £000
<b>Allotted, called up and fully paid</b>		
100 (2018: 100) A Ordinary shares of £0.01 each	-	-
100 (2018: 100) B Ordinary shares of £0.01 each	-	-
	<b>-</b>	<b>-</b>

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**15. Post balance sheet events**

Following the outbreak of the Covid-19 global pandemic declared by the World Health Organisation on 11 March 2020, the Company has had to adapt its operations following government measures to contain the virus. The Directors consider this event to be a non-adjusting post balance sheet event. The detailed consideration of this significant event which has occurred since the end of the financial year is included in the Directors' Report on page 1.

**16. Controlling party**

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

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