



**Viapath Group LLP
Annual Report and Financial Statements
for the year ended 31 December 2014**

**A limited liability partnership registered in England and Wales
Registered number OC337242**

VIAPATH GROUP LLP

ANNUAL REPORT AND FINANCIAL STATEMENTS

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VIAPATH GROUP LLP

ANNUAL REPORT AND FINANCIAL STATEMENTS

DESIGNATED MEMBERS AND ADVISERS

Registration number: OC337242

Registered office: VIAPATH GROUP LLP
Francis House
9 King's Head Yard
London
SE1 1NA

Designated members: Pathology Services Limited (registered number 06593374)
Serco Limited (registered number 00242246)
KCH Commercial Services Limited (registered number 06023863)

Bankers: HSBC Bank plc
Regional Service Centre Europe
PO Box 125
62-76 Park Street
London
SE1 9DZ

Independent auditor: Deloitte LLP
Chartered Accountants and Statutory Auditor
2 New Street Square
London
EC4A 3BZ

VIAPATH GROUP LLP

SUMMARY INFORMATION

for the year ended 31 December 2014

About us

The principal activity of Viapath Group LLP (Viapath) is the provision of pathology services in the United Kingdom. We aim to achieve high clinical standards and high levels of operating efficiency by consolidating existing services and focusing on innovative service delivery.

Financial Highlights

	2014	2013
	£000	£000
Revenue	97,058	92,524
Operating profit before restructuring costs	5,633	4,205
Profit for the financial year	3,713	3,839
Total assets	37,471	35,661
Return on capital employed	24%	31%

Revenue has increased due to the successful introduction of new tests in the year; and the successful bid and implementation of new contract work.

Operating Profit before restructuring costs has increased due to the improved revenue and strong control over costs driving up the average margin for Viapath. The continued focus of the business on its cost improvement programme has continued to reduce operating costs and this is reflected in the operating profit before restructuring costs, which shows an increase of £1.4m. This is a 34% increase compared to 2013.

Profit has marginally decreased due to a high level of one-off costs incurred due to activity to restructure Viapath's pathology service from 1 January 2015 (see note 19).

The business has maintained its investment programme which is reflected in the increase in total assets. The business has also reduced its current liabilities, in particular in relation to its members. Both these factors contribute to a lower return on capital employed compared to 2013.

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STRATEGIC REPORT for the year ended 31 December 2014

This Strategic report has been prepared solely to provide additional information to assess the partnership's strategies and the potential for those strategies to succeed.

The Strategic report contains certain forward-looking statements. These statements are made by the Members in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

The Members in preparing this Strategic report have complied with s414C of the Companies Act 2006.

Business review and future developments

On 1 May 2014, the partnership rebranded and launched its services under the Viapath brand. As part of the rebrand, GSTS Pathology LLP changed its name to Viapath Group LLP. The Viapath brand launch was a major development for the company and will be used as a vehicle to differentiate our products and services in the wider pathology market and as a focus for internal alignment for our clinical and scientific staff. The new name and look of the brand has been well received by customers and by our staff. The change to a single unique brand supports the business in penetrating the pathology market and gives a platform for management to develop the 'One Organisation' message that is so important for staff engagement.

The results for the year ended 31 December 2014 are set out on page 16. The Members believe that these results appropriately reflect Viapath's activities during the year and reflect management's focus on quality, innovation, improving efficiency and driving cost reductions for its customers.

A summary of key financial results is set out in the table below and discussed in this section.

	Revenue		Gross profit		Operating profit before restructuring costs	
	2014	2013	2014	2013	2014	2013
	£000	£000	%	%	£000	£000
Continuing operations	97,058	92,524	27.7	26.6	5,633	4,205

Revenue increased by £4.5m compared to last year, delivering revenue growth of 4.9%. This has been achieved through continued development and introduction of new pathology tests for our acute trust customers and other third party customers. We have continued to target the contractual work that we perform for new customers and we are confident that we will continue to successfully service these contracts, through Viapath Services LLP and Viapath Analytics LLP. Both organic and new business growth is expected in 2015.

Viapath was set up in order to deliver the potential for the transformation of the pathology market and while the pace of change envisaged following the Carter reforms has been slower than anticipated, Viapath is well placed to develop enhanced services for its customers. New bid activity is a key strand of the organisation's strategy and during 2014 Viapath continued to develop a pipeline of bid opportunities. Following the strengthening of the sales and marketing capacity in 2013 and 2014, an encouraging level of opportunities are being developed for 2015. Our commitment to expand our operations and to be a catalyst for change in the wider pathology market remains unchanged.

Operational performance metrics continue to improve and contractual targets with our NHS customers are being exceeded on a regular basis. Viapath's 2014 Quality Account demonstrates our commitment to quality and transparency and describes the approach adopted to ensure adherence to regulatory standards and best practice.

The gross profit percentage has improved to 27.7%. A key driver of the improvement in the metric this year has been the continued progress of the cost improvement programme. The programme is delivering sustainable operational efficiencies and improved service for our existing hospital contracts at Guy's and St Thomas' Hospitals, King's College Hospital and Bedford Hospital and has delivered an annual cost reduction in excess of £4.7m in 2014. The programme will continue to be implemented without compromising Viapath's commitment to deliver clinical and scientific excellence. Further operational efficiencies will be delivered throughout 2015. The programme is central to the delivery of further capital investment and the planned repayment of long-term loans to members.

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STRATEGIC REPORT (continued) for the year ended 31 December 2014

Viapath approved a capital expenditure investment programme of £7m in 2014 to renew laboratory technology, modernise infrastructure and to continue the IT modernisation programme. A further £7m investment programme is planned in 2015.

Staff turnover in the 12 months to 31 December 2014 was 16.0% (2013: 24.9%). This reduction compared to 2013 reflects the greater maturity of the organisation and the improved engagement of staff. For 2015, the focus will continue to be on staff engagement and a number of initiatives are planned under the 'One Organisation' programme.

Principal risks and uncertainties

- Interest rate risk

Viapath is exposed to interest rate risk on funding from its members. As at 31 December 2014, Viapath had drawn down loans totalling £14.3m (2013: £14.3m) from its members. Interest is paid on member loans at 2% above LIBOR relating to three month deposits. There are no other significant borrowings or bank overdrafts.

- Credit risk

Viapath's principal financial assets are trade and other receivables.

The Members do not consider that Viapath is exposed to significant credit risk, on the basis that the three main customers account for substantially all receivables and are successful NHS foundation trusts. The Trusts are independently regulated by Monitor and are largely government funded.

Monitor authorises and regulates NHS foundation trusts and supports their development, ensuring they are well-governed and financially robust. The NHS Trust Development Authority oversees the performance management of NHS trusts that are not foundation trusts, providing support to help them improve the quality and sustainability of their services. The Members monitor public information on the risk ratings of its principal customers.

Viapath trades with its designated members and creditworthy third parties. It is the organisation's policy that, as deemed appropriate, clients and customers are subject to credit vetting procedures. During the accounting year, Viapath had three major public sector customers and a number of smaller public sector and commercial customers.

- Liquidity risk

Viapath has received funding from its members and has no other significant borrowings. The partnership continues to benefit from the joint support of its members. Adequate funds are provided by the members through a combination of loan funding and working capital management. The Members, therefore, do not consider that Viapath is exposed to significant liquidity risk.

Corporate governance

- Overview

The board structure is comprised of the Members' Board, Operating Board and three sub-committees of the Operating Board being the Audit Committee, Remuneration Committee and the Governance, Risk and Quality Committee.

- Members' Board

The Members' Board oversees the strategic direction of the business, takes decisions on items reserved for unanimous member approval and ensures accountability to investors. It meets at least once every six months. The meeting is chaired by the independent chairman of Viapath and attendees are individuals from each of the members of Viapath. Representatives of the Viapath Executive team and the Viapath company secretary also attend but do not have voting rights.

**STRATEGIC REPORT (continued)
for the year ended 31 December 2014**

The Board has agreed the specific business and governance matters that are reserved for its decision to help it discharge its responsibilities and oversee Viapath's affairs. These matters include:

- annual objectives, budget and forecast;
- monitoring delivery of Viapath's strategy and objectives;
- profit sharing agreements;
- annual report and accounts;
- overall system of internal control and risk management;
- major capital projects;
- communications policy;
- changes to the structure, size and composition of the board;
- appointment of executive officers;
- material changes to pension plans or the introduction of new schemes.

Certain specific responsibilities are delegated to the Operating Board and to board committees, notably the Audit and Remuneration committees, which operate within clearly defined terms of reference and are described below.

- **Operating Board**
The Operating Board is accountable to the members and meets monthly. It reviews the monthly performance of the business, cost improvement plans, clinical engagement, investments and significant new business opportunities. The meeting is chaired by the independent chairman of Viapath and attendees are individuals from each of the corporate members of Viapath. Representatives of the Viapath executive team and the Viapath company secretary also attend but do not have voting rights.
- **Operating Board sub-committees**
 - **Remuneration Committee**
The Remuneration Committee is a standing sub-committee of the Operating Board. It meets at least once a year and reviews the remuneration arrangements including salary and benefits for the Viapath executive team. The meeting is chaired by the independent chairman of Viapath and attendees represent each of the members. The Viapath company secretary also attends.
 - **Audit Committee**
The Audit Committee is a standing sub-committee of the Operating Board. It meets at least twice a year to review the financial risk, control and assurance processes, audit compliance and the corporate risk register. The Committee also reviews and approves the statutory accounts. The meeting is chaired by the independent chairman of Viapath and attendees represent each of the members. The Viapath company secretary also attends.
 - **Governance, Risk and Quality Committee**
The Governance, Risk and Quality Committee is a standing sub-committee of the Operating Board. It supports the Board in gaining reasonable assurance that Viapath has unified and effective structures for clinical governance, quality and the related aspects of risk management and assurance to support the organisation's programme for quality improvement and safety. The meeting is chaired by the independent chairman of Viapath and attendees represent each of the members. The Viapath company secretary also attends.
- **Chairman and Chief Executive Officer**
The Chairman, Christopher Baker MBE, is responsible for the operation and leadership of the Board, ensuring its effectiveness and setting its agenda. The Chief Executive Officer, Richard Jones, is responsible for leading and managing Viapath's business within the authorities delegated by the Board and implementing board strategy and policy.

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STRATEGIC REPORT (continued) for the year ended 31 December 2014

Going concern

The financial position of Viapath is shown on the statement of financial position on page 17 and its cash flows are described in the statement of cash flows on page 19 of the financial statements. The liquidity and financial risk are described above and in addition, note 16 of the financial statements provides details of Viapath's objectives, policies and processes for managing its capital and details of its financial instruments.

On 1 January 2015, Viapath underwent a major corporate restructure (see note 19 Subsequent Events). Viapath Group LLP continues to play a strategic role in the direction of the Viapath group's business. As such the going concern is reviewed for the group as a whole. A high proportion of Viapath's expenditure and over 90% of Viapath's forecast revenue is fixed and secured through long term contracts. The contracts with Guy's and St Thomas' NHS Foundation Trust (GSTT) and King's College Hospital NHS Foundation Trust (KCHT) have been agreed up to 2020. The Members, who are also the primary suppliers of funding to the business, have made available to Viapath a committed loan facility of £14.3m. Management are committed to driving financial and operational improvements to deliver further sustainable profit enhancements.

Viapath has considerable financial resources available through both formal and informal funding from its members. The financial plan for the Group forecasts that it will generate cash in excess of its operational and investment requirements. Given the continuing support of the members, no further internal or external capital funding is expected to be required to maintain the Group's business operations.

As part of organisation's overall rebranding of its services, Viapath had always planned to change its corporate structure. Viapath had engaged with HMRC and had received HMRC's clearance for the planned structure that took effect on 1 January 2015. Within this structure Viapath Group LLP will continue to be central to the provision of services. The Members have assessed the effect of irrecoverable VAT, which results from the Tribunal's decision, on Viapath's cash flows, together with the ongoing costs introduced by the new structure and are satisfied that the cash impact of the Tribunal's decision and the restructure costs will be absorbed without materially impacting the performance or prospects of the Group.

As a consequence of these factors, the Members believe that the Group continues to be well placed to manage its business risks and continue as a going concern. The Members have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the report and financial statements.

Approved by the Members and
signed on behalf of the Members

Simon Taylor
KCH Commercial Services Limited
Designated Member
London
United Kingdom

23 April 2015

VIAPATH GROUP LLP

MEMBERS' REPORT

for the year ended 31 December 2014

The Members present their report on the affairs of Viapath Group LLP, together with the financial statements and auditor's report for the year ended 31 December 2014.

Structure

Viapath Group LLP (Viapath) is incorporated under the Limited Liability Partnership Act 2000 and is registered in England and Wales under registration number OC337242. Viapath Group LLP is wholly owned by its members.

From 1 January 2015, Viapath Group LLP started to trade from two subsidiary LLP's; Viapath Services LLP and Viapath Analytics LLP. Viapath Group LLP owns 99.97% of each subsidiary LLP (see note 19 Subsequent Events).

Designated members

The designated members (as defined in the Limited Liability Partnerships Act 2000) during the year were:

Pathology Services Limited (registered number 06593374)

Serco Limited (registered number 00242246)

KCH Commercial Services Limited (registered number 06023863)

All the designated members served on the Board during the year.

Employees

The number of staff employed is detailed in note 6 to these accounts. The policies set out below are applied to both directly employed staff and, to the fullest extent possible, staff seconded under Retention of Employment arrangements.

- **Employee engagement**
The innovation, collaboration and expertise of our employees are central values to the success of the Viapath brand and our business. We continually create and take opportunities to engage with our workforce so that they are aware of our strategy and plans and can as a result, through living these values, begin to perfect our service philosophy, focussing on high quality, value-adding and efficient services to clinicians and patients.

2014 was a milestone in our company's history and, following a significant period of communication, engagement and consultation, we saw the transfer of the previously seconded workforce to the direct employment of Viapath on 1 January 2015. We are finally 'One Organisation'.

During 2014, Viapath:

- engaged with our employees through road-shows, consultation, staff engagement forums, newsletters and Q&A briefings;
- embedded new brand values in our business;
- undertook an employee survey and developed and implemented action plans responding to feedback;
- invested significantly in the personal and professional development of our employees, with 10% of the workforce taking advantage of funding from the scientific learning and development fund to support their career developments aspirations; and
- defined our customer service strategy and implemented a programme of training for all customer facing employees.

In addition to these specific initiatives Viapath has the following well-established employment policies aimed at ensuring equality of opportunity, a harassment-free workplace, open communication, and consultation during organisational change.

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MEMBERS' REPORT (continued) for the year ended 31 December 2014

- **Equal opportunities policy**
Viapath is committed to offering equal opportunities in all areas of employment including recruitment, professional and personal development, career progression and terms and conditions of employment.

There shall be no discrimination on the grounds of age, race, nationality, ethnic origin, gender, disability, religious belief, marital status, sexual orientation, social background or trade union affiliation. This policy applies to all departments and to all grades and positions.

All employees will be recruited, trained and promoted on the basis of ability, job requirements and fitness for work.

The policy is in accordance with relevant legislation.

- **Health and safety**
Health and safety are considered as equal importance to that of any other function of Viapath and its business objectives. Health and safety is a prime consideration in all aspects of the organisation's operations and performance in this respect is regularly reported upon to the Operating Board.
- **Harassment**
Viapath will not tolerate sexual, mental or physical harassment in the work place. Appropriate reporting arrangements are in place for the benefit of any employee that believes they are experiencing harassment of any form.
- **Employee consultation**
Viapath places considerable value on the involvement of its employees and ensures that they are fully integrated within its activities. This is achieved through:
 - regular briefings and a newsletter highlighting Viapath's strategy, performance and market successes;
 - training and development programmes for employees designed to ensure employees' continuing professional and personal development is in a manner aligned with Viapath's business needs; and
 - consultation on specific proposals which are considered to have an impact on employees.

Managers are tasked with developing employees' awareness of factors affecting the business and matters concerning them as employees and noting employees' views so that they can be taken into account when making decisions that may affect them or the business. Regular meetings are held with employee representatives where trade unions are recognised. A staff engagement group meets on a monthly basis at each operating location.

- **Employment of disabled persons**
Full and fair consideration is given to applications for employment made by disabled persons having regard to their aptitude and ability. Appropriate training is arranged, including retraining of employees who have become disabled.
- **Reporting concerns - Whistleblowing**
All staff are encouraged to report concerns and full guidance is published in Viapath's Code of Conduct. The Code sets out how and when to report concerns and gives both internal and external contact details. The Code of Conduct is issued to all staff as part of their initial induction into the organisation.

Political contributions

There were no political contributions made by Viapath during the current year (2013: nil).

Members' drawings and capital

The level and timing of drawings is decided by the Members' Board after taking into account Viapath's cash requirements for operating and investment activities. Unallocated profits are shown in 'other reserves' in the statement of financial position on page 17. The level of members' capital is defined in the Members' agreement, dated 20 September 2010 and further agreements between the Members dated 6 February 2012 and 17 July 2013. There were no distributions to members in the year (2013: nil).

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MEMBERS' REPORT (continued) for the year ended 31 December 2014

Disclosure of information to the auditor

The members of the Members' Board at the date of approval of this report confirm that:

- so far as they are aware, there is no relevant audit information of which Viapath's auditor is unaware; and
- each member has taken all the steps that they ought to have taken as a member to make themselves aware of any relevant audit information and to establish that Viapath's auditor is aware of that information.

For these purposes, relevant audit information means information needed by Viapath's auditor in connection with the preparation of their report on page 15.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

MEMBERS' REPORT (continued)
for the year ended 31 December 2014

CHAIRMAN'S STATEMENT

2014 has been another successful year for Viapath. Not only have we grown but we have laid important foundations for future development and expansion.

Viapath has delivered high quality pathology services for NHS patients, promoted the development of our people and produced financial results which underpin our future. Viapath is a unique, majority-NHS owned partnership whose purpose is to transform pathology for the benefit of patients. I am therefore very pleased to introduce the 2014 Report and Accounts which sets out the progress we have made towards our vision to become the UK's leading provider of innovative pathology services.

Highlights of 2014

The NHS is going through one of the most challenging periods in its history. The opportunities arising from scientific and clinical innovation offer previously unimaginable possibilities in healthcare. Nothing illustrates this better than in the field of human genetics where Viapath and its partners are international leaders in translating these diagnostic innovations into improved outcomes for patients. This is also a time when the resources in healthcare are overstretched and the imperative to transform models of care has never been greater. These factors create a challenging environment for Viapath but also create opportunities for us to invest and grow.

Looking back over the year, I would point to the following as highlights:

- Viapath is proud to support its NHS partners at King's College Hospital and Guy's and St Thomas' in their partnership to deliver the UK Government's 'One Hundred Thousand Genome Project' which we believe is a pre-cursor to a major expansion of our genetic science services;
- Our 2014 Quality Accounts demonstrate our commitment to quality and transparency – we have seen performance improvements in service delivery and compliance with regulatory standards and external quality benchmarks;
- The launch of the Viapath brand is helping us align our people behind our mission and values – it also supports our proposition to customers as a scientific organisation with a clinical purpose.
- Our Innovation Programme demonstrates our commitment to be at the scientific forefront for the benefit of patients, and to provide a supportive environment for our scientists to develop their careers with us;
- We restructured the business in line with new tax and pension regulations – in so doing we successfully transferred over 500 former NHS secondees to become permanent Viapath employees; and
- Our strong financial performance enabled us to approve over £7 million of investment in our laboratory network as well as repaying shareholder liabilities of over £4 million to our members.

Financial Performance

Viapath has built on the strong financial performance in 2013, with underlying operating profits increasing again in 2014. Before restructuring costs, operating profits have increased by 34%, from £4.2m to £5.6m. This result is very pleasing and has come from higher demand for testing from our NHS customers in addition to the continuation of strong cost control and efficiency savings. This has supported an increased investment in our laboratories, people and systems with some £7m approved in 2014. There is a healthy cash balance of £6.6m at the end of 2014 which allows us to continue our investment programme in 2015.

Viapath has built a track record of financial stability and growth over the last three years and is firmly established as a profitable business with effective operational control. Further opportunities to improve efficiency continue to be identified and we will ensure that our cost improvement programme proceeds throughout 2015 to generate further funds to invest in innovation, our people and customer service while maintaining a high quality service to patients..

Quality

Quality remains core to Viapath's growth strategy, and is an area where we have seen further advances over the last year. The Governance, Risk and Quality Committee has sponsored the development of a robust quality strategy and we are now publishing our Quality Account for 2014. More of our laboratories

VIAPATH GROUP LLP

MEMBERS' REPORT (continued) for the year ended 31 December 2014

CHAIRMAN'S STATEMENT (continued)

than ever before are accredited under the Clinical Pathology Accreditation scheme and we are making good progress towards accreditation with the new international ISO 15189 pathology standard, with a 2016 target date for achieving full accreditation – two years ahead of the deadline for doing so.

Our people

On 1 January 2015, we moved to a new corporate structure in which all the former NHS secondees transferred to direct employment with Viapath, whilst retaining access to the NHS pension scheme. I would like to give a warm welcome to our new employees. We now plan to strengthen employee engagement to build an organisation with a strong employee value proposition; one which aims to attract and develop outstanding scientific and leadership talent. Our aim is to create a unique organisational culture reflecting our position as a majority NHS-owned healthcare provider combined with strong commercial and customer service values.

Innovation

Viapath's mission is to support NHS pathology modernisation as an enabler to the NHS delivering new models of care and greater efficiency. We continue to strive to win new business, develop our systems and service model in order to give us a greater competitive advantage in meeting the needs of customers. Our strategy focuses on investment in innovation, growth of our laboratory network and the continued drive for further efficiencies to generate the increased surplus for investment in our people and service development. Areas for investment include:

- Training and development of our scientists;
- Genetic and molecular laboratory innovations;
- Information technology; and
- Modernising our estates and logistics.

Strongly positioned for the future

Viapath is a story of a successful business built on innovation, expertise and above all the collaboration and hard work of our scientists and clinicians.

As we look forward to the new financial year, we are confident of making further progress towards our strategic vision and goals. While the market and our clients' needs are constantly evolving, we will continually seek new ways to deliver their requirements safely, effectively and efficiently.

Finally, I'd like to thank my board colleagues and the executive team for their support during the course of the year.

Christopher Baker, MBE
Chairman

Independent auditor

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Board meeting.

Approved by the Members and
signed on behalf of the Members

Simon Taylor
KCH Commercial Services Limited
Designated Member
London
United Kingdom

23 April 2015

VIAPATH GROUP LLP

STATEMENT OF MEMBERS' RESPONSIBILITIES

The Members are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, require the Members to prepare financial statements for each financial year. Under that law the Members have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements are also required by law to be prepared in accordance with the Companies Act 2006, as applicable to limited liability partnerships.

International Accounting Standard 1 requires that financial statements present fairly for each financial year Viapath's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions, in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's Framework for the preparation and presentation of financial statements. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards.

However, members are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Members are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of Viapath and enable them to ensure that the financial statements comply with the Companies Act 2006, as applicable to Limited Liability Partnerships. They are also responsible for safeguarding the assets of Viapath and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Members are responsible for the maintenance and integrity of the corporate and financial information included on Viapath's website.

These responsibilities are exercised by the Members' Board on behalf of the Members.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIAPATH GROUP LLP

We have audited the financial statements of Viapath Group LLP for the year ended 31 December 2014 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the Significant Accounting Policies and the related Notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to Viapath's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as applicable to limited liability partnerships. Our audit work has been undertaken so that we might state to Viapath'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 Viapath and Viapath's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditor

As explained more fully in the Statement of Members' Responsibilities, the Members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the partnership's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the designated members; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of Viapath's affairs as at 31 December 2014 and of Viapath's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006, as applicable to limited liability partnerships.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 as applicable to limited liability partnerships requires us 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
- we have not received all the information and explanations we require for our audit.

Jon Young (Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

23 April 2015

VIAPATH GROUP LLP

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2014

Continuing operations	Notes	2014 £000	2013 £000
Revenue	2	97,058	92,524
Cost of sales		(70,211)	(67,869)
Gross profit		26,847	24,655
Administrative expenses		(21,214)	(20,450)
Operating profit before restructuring costs		5,633	4,205
Restructuring costs	4	(1,557)	-
Operating profit	5	4,076	4,205
Finance income	7	26	10
Finance costs	7	(389)	(376)
Profit for the financial year available for discretionary division among members	13	3,713	3,839
Total comprehensive income for the year attributable to members		3,713	3,839

The accompanying notes are an integral part of this statement of comprehensive income.

VIAPATH GROUP LLP

STATEMENT OF FINANCIAL POSITION as at 31 December 2014

	Notes	2014 £000	2013 £000
Assets			
Non-current assets			
Intangible assets	8	8,198	7,638
Property, plant and equipment	9	5,240	3,849
Trade and other receivables	10 b)	1,396	1,837
Total non-current assets		14,834	13,324
Current assets			
Inventories	11	3,013	2,140
Trade and other receivables	10 a)	13,005	14,229
Cash and cash equivalents		6,619	5,918
Total current assets		22,637	22,287
Total assets		37,471	35,611
Equity and liabilities			
Equity attributable to members			
Members' capital	13	3,331	3,331
Other reserves	13	(515)	(4,228)
Total equity		2,816	(897)
Non-current liabilities			
Loans and other debts due to members	13	14,271	14,271
Trade and other payables	12 b)	95	156
Total non-current liabilities		14,366	14,427
Current liabilities			
Trade and other payables	12 a)	20,289	22,081
Total current liabilities		20,289	22,081
Total liabilities		34,655	36,508
Total equity and liabilities		37,471	35,611

The accompanying notes are an integral part of this statement of financial position.

The financial statements of Viapath Group LLP registration number OC337242 were approved by the Members and authorised for issue on 23 April 2015 and signed on the Members behalf by:

Simon Taylor
KCH Commercial Services Limited
Designated Member

VIAPATH GROUP LLP

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2014

The following balances relating to members are included in the statement of financial position:

	Members' capital £000	Other reserves £000	Total £000
Balance at 1 January 2013	3,331	(8,067)	(4,736)
Total comprehensive income	-	3,839	3,839
Balance at 1 January 2014	3,331	(4,228)	(897)
Total comprehensive income	-	3,713	3,713
Balance at 31 December 2014	3,331	(515)	2,816

The accompanying notes are an integral part of this statement of changes in equity.

VIAPATH GROUP LLP

STATEMENT OF CASH FLOWS
for the year ended 31 December 2014

	2014	2013
	£000	£000
Cash flow from operating activities		
Profit for the period	3,713	3,839
Profit on disposal of non-current assets	12	69
Other finance charges	8	13
Amortisation	2,539	2,118
Depreciation	1,189	1,200
Interest received	(26)	(10)
Interest paid	381	363
Increase in inventories	(873)	-
Decrease/(increase) in receivables	1,224	(497)
Decrease in payables	(1,156)	(2,043)
Net cash from operating activities	7,011	5,052
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,592)	(1,984)
Purchase of intangibles	(2,658)	(1,357)
Net cash from investing activities	(5,250)	(3,341)
Cash flows from financing activities		
Interest paid to members	(1,078)	(149)
Other finance income	26	10
Other finance charges	(8)	(13)
Net cash from financing activities	(1,060)	(152)
Net increase in cash and cash equivalents	701	1,559
Cash and cash equivalents at beginning of year	5,918	4,359
Cash and cash equivalents at end of the year	6,619	5,918

The accompanying notes are an integral part of this statement of cash flows.

SIGNIFICANT ACCOUNTING POLICIES
for the year ended 31 December 2014

The principal accounting policies are set out below and have been applied consistently throughout the current and preceding year.

Going concern

Viapath's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report.

The Members have a reasonable expectation that Viapath has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the report and financial statements.

Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and under the historical cost convention.

The financial statements are presented in sterling, rounded to the nearest £1,000 on the historic cost basis and on the basis of the accounting policies presented herein.

Adoption of new and revised standards

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements.

- Amendments to IAS 39 (Jun 2013) - *Novation of Derivatives and Continuation of Hedge Accounting*
- Amendments to IAS 36 (May 2013) - *Recoverable Amount Disclosures for Non-Financial Assets*
- IFRIC 21 – *Levies*
- Amendments to IFRS 10, IFRS 12 and IAS 27 (Oct 2012) - *Investment Entities*
- Amendments to IAS 32 (Dec 2011) - *Offsetting Financial Assets and Financial Liabilities*
- IAS 28 (revised May 2011) - *Investments in Associates and Joint Ventures*

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 9 - *Financial Instruments*

The members do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of Viapath in future periods.

Basis of translation of foreign currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on re-translation are included in the statement of comprehensive income for the year.

Revenue

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Taxation

The taxation payable on profits of Viapath is the liability of the Members, and is not dealt with in these financial statements.

SIGNIFICANT ACCOUNTING POLICIES (continued)
for the year ended 31 December 2014

Members' remuneration

Remuneration to members that is paid under service agreements, or other payments, which represent a liability of the entity not arising from a division of profits, are either expensed to the income statement or capitalised depending on the nature of the transaction and are disclosed within the related party note.

Profit shares, which have not been allocated until after the balance sheet date, are treated in these financial statements as unallocated at the balance sheet date and included within other reserves.

Intangible assets

Costs are capitalised as an intangible asset only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Expenditure is amortised over the shorter of the period of the relevant major contract or its expected useful life. Where appropriate, provision is also made for any impairment. All other development expenditure is written off as incurred.

Assets under construction are stated at cost and are not amortised until the asset is completed and placed in service.

Laboratory information system software is amortised on a straight line basis at the rates of 10% - 14% per annum or until the end of the support contract if earlier.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment. Viapath does not own any property.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit and loss.

Depreciation is provided on all property, plant and equipment on a straight-line basis at rates that reduce the assets to their residual value over their estimated useful lives.

The principal annual rates used are:

Plant and equipment	10% - 33%
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Impairment of property, plant and equipment and intangible assets

At each balance sheet date, Viapath reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately as an expense in profit and loss.

SIGNIFICANT ACCOUNTING POLICIES (continued)
for the year ended 31 December 2014

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Financial assets

Financial assets are classified as loans and receivables. Loans and receivables have fixed or determinable payments that are not quoted in an active market.

Financial assets include cash and cash equivalents, trade receivables, other debtors and amounts owed by members. Viapath determines the classification of its financial assets at initial recognition and they are initially recorded at fair value.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that Viapath will not be able to collect all amounts due according to the original terms of the contract. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that a trade receivable is impaired. The amount of the provision is based on management's best estimate of the likelihood of the recoverable amount. The carrying amount of the asset is reduced through the use of an impairment provision account and the amount of the loss is recognised in the income statement within administrative expenses. When a trade receivable is uncollectible, it is written off against the impairment provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and demand deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and have a maturity of three months or less.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average cost basis. Net realisable value represents the value to the business in use.

Financial liabilities

Viapath determines the classification of its financial liabilities at initial recognition. Financial liabilities include trade payables, loans due to members and other amounts due to members. Trade payables are initially recognised at fair value and subsequently at amortised cost.

Loans due to members

Loans are recognised at the value of proceeds received. Finance charges are recognised in the profit and loss account on an accrual basis. Member's loans carry a variable interest rate based on LIBOR plus agreements.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangement.

Pension costs: defined contribution schemes

Contributions for the period in respect of defined contribution schemes are charged to the profit and loss account as they fall due. Differences between charges accruing during the year and cash payments are included as either accruals or prepayments in the balance sheet.

SIGNIFICANT ACCOUNTING POLICIES (continued)
for the year ended 31 December 2014

Critical accounting estimates and key sources of estimation

In the process of applying Viapath's accounting policies which are described in this note, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements:

- **Contract costs**

All bid costs are expensed through the income statement up to the point where contract award (or full recovery of costs) is virtually certain. Bid and transition costs incurred after this point are then recognised within trade and other receivables as amounts recoverable on contracts. Bid costs are expensed on a straight-line basis on award of contract over the life of the contract. Transition costs are expensed on a straight-line basis on successful completion of the project over the contract period. Detailed contract forecasts are prepared to determine whether the assets are recoverable and an asset is only recognised where it is determined that the costs are fully recoverable. The Members are confident that the carrying amount of the assets will be recovered in full.

- **Impairment**

At each reporting date the Group reviews the carrying amount of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset, which is the higher of its fair value less cost to sell and its value in use, is estimated in order to determine the extent of the impairment loss.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 31 December 2014

1. OPERATING SEGMENT

Viapath's operations relate to delivering pathology services within the United Kingdom. As such Viapath does not disclose operating segment information. The Members' Board is the chief operating decision maker.

2. REVENUE

The revenue of Viapath is principally derived from the provision of pathology services to Guy's and St Thomas' Hospital NHS Foundation Trust (GSTT), King's College Hospital NHS Foundation Trust (KCHT) and to Bedford Hospital NHS Trust (BHT).

3. MEMBERS' REMUNERATION CHARGED AS AN EXPENSE AND SHARE OF PROFITS

All outflows of benefits to members are treated as members' remuneration. No remuneration was paid to members under an employment contract in the current or prior year.

Distributable profits are divided among the members in accordance with agreed profit sharing arrangements.

4. RESTRUCTURING COSTS

Viapath has incurred one-off costs in relation to the restructure of the business as discussed in note 19. These costs can be categorised as follows:

	2014 £000	2013 £000
Legal costs	190	-
Consultancy	125	-
Human resources support	184	-
Systems development	183	-
Serco rebate	875	-
Total restructuring costs	1,557	-

A revenue contribution of £1.3m was received from Serco in 2012 and disclosed as a revenue contribution from Serco in the 2012 financial statements. In 2013 the members' agreement was amended so that a rebate was payable to Serco by 31 December 2014 subject to certain criteria. As a result of the restructuring the rebate became payable.

5. OPERATING PROFIT

	2014 £000	2013 £000
Is stated after charging:		
Amortisation of amounts recoverable on contracts	441	441
Amortisation of intangible assets	2,098	1,677
Rental agreements:		
- Land and buildings	2,860	3,005
- Plant and machinery	1,661	2,230
Depreciation on equipment	1,189	1,200
Fees paid to Deloitte LLP - audit services	42	37
- other professional services	-	20
Trade receivables impairment	(242)	265
Restructuring costs	1,557	-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 31 December 2014

6. STAFF COSTS

	2014	2013
	£000	£000
Employee costs excluding members:		
Wages and salaries	17,043	13,012
Social security costs	1,731	1,290
Other pension costs (note 18)	1,118	969
Total staff costs	19,892	15,271
Seconded staff (under Retention of Employment arrangements)	24,816	29,164

The average numbers of employees were as follows:

	2014	2013
	Number	Number
Scientific and operational	439	357
Administrative and clerical	103	90
	542	447
Seconded staff	485	522

7. FINANCE INCOME AND FINANCE COSTS

	2014	2013
	£000	£000
Interest on bank deposits	26	10
Finance income	26	10
Borrowing costs:		
Interest payable to members (note 14)	381	363
Finance lease interest	6	8
Other	2	5
Finance costs	389	376

VIAPATH GROUP LLP

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2014

8. INTANGIBLE ASSETS

	Assets under construction £000	Intangibles £000	Total £000
Cost			
At 31 December 2012	1,187	8,360	9,547
Additions during the year	330	1,027	1,357
Transfer	(817)	817	-
Disposals	-	(160)	(160)
At 31 December 2013	700	10,044	10,744
Additions during the year	2,281	377	2,658
Transfer	(568)	568	-
At 31 December 2014	2,413	10,989	13,402
Accumulated amortisation			
At 31 December 2012	-	(1,548)	(1,548)
Charge for the year	-	(1,677)	(1,677)
Disposals	-	119	119
At 31 December 2013	-	(3,106)	(3,106)
Charge for the year	-	(2,098)	(2,098)
At 31 December 2014	-	(5,204)	(5,204)
Net book value			
At 31 December 2013	700	6,938	7,638
At 31 December 2014	2,413	5,785	8,198

Intangible assets have been reviewed and the Board consider that the intangible assets values are approximately equal to their value in use and no impairment is required (2013: £nil). The value in use of the transformation programme assets at 31 December 2014 is fully recoverable over the life of the existing customer contracts in which activity will be measured and revenues recognised with GSTT, KCHT and BHT.

Viapath has incurred expenditure in 2014, on a major upgrade to its laboratory information system software. The software is due to be implemented over 2015 and 2016. On 1 January 2015, all intangible assets were sold to Viapath Services LLP at net book value (see note 19).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2014

9. PROPERTY, PLANT AND EQUIPMENT

	2014	2013
	£000	£000
Cost		
At 1 January	8,177	6,489
Additions during the period	2,592	1,984
Disposals	(69)	(296)
At 31 December	10,700	8,177
Accumulated depreciation		
At 1 January	(4,328)	(3,396)
Charge for the period	(1,189)	(1,200)
Disposals	57	268
At 31 December	(5,460)	(4,328)
Net book value		
At 31 December	5,240	3,849
	2014	2013
	£000	£000
Net book value of finance lease assets	132	184
Capital expenditure commitments- contracted but not provided for	212	731

A review of tangible fixed assets has been completed and the Board consider that the tangible assets values are approximately equal to their value in use and no impairment is required (2013: £nil). On 1 January 2015 all of the assets, except for leasehold improvements with a net book value of £0.2m were sold to Viapath Services LLP at net book value.

10. TRADE AND OTHER RECEIVABLES

a) Trade and other receivables falling due within one year:

	2014	2013
	£000	£000
Trade receivables	1,887	882
Trade receivables impairment provision	(44)	(300)
Total trade receivables	1,843	582
Other amounts recoverable on contracts	441	441
Amounts owed by members (note 14)	9,228	11,317
Other receivables	103	68
Prepayments and other accrued income	1,390	1,821
Total receivables falling due within 1 year	13,005	14,229

Ageing of past due but not impaired receivables

	2014	2013
	£000	£000
Not overdue	1,474	506
30 – 60 days	334	31
60 - 90 days	35	27
90 – 120 days	-	15
Over 120 days	-	3
	1,843	582

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2014

10. TRADE AND OTHER RECEIVABLES (continued)

Movement in trade receivables impairment provision	2014 £000	2013 £000
Balance as at 1 January	300	47
Impairment loss recognised	(242)	265
Utilised	(14)	(12)
Balance as at 31 December	44	300

b) Trade and other receivables falling due after one year:

	2014 £000	2013 £000
Amounts recoverable on contracts	1,396	1,837
Total receivables falling due after 1 year	1,396	1,837

Amounts recoverable on contracts relate to pre-contract and transition costs incurred on the GSTT, KCHT and BHT contracts. These costs have been recognised in accordance with the accounting policy as set out in Significant Accounting Policies – Contract costs on page 23 of these accounts. The transition costs represent the expenditure incurred to deliver the KCHT and BHT contracts into a working position.

Amounts owed by members are due within 30 days of the balance sheet date and do not bear interest.

The Members estimate that the carrying amount of trade receivables approximates their fair value.

11. INVENTORIES

	2014 £000	2013 £000
Stock ready for use by the business	3,013	2,140
Net realisable value of stock as at 31 December	3,013	2,140

Inventories represent materials consumed in the pathology testing process. A new inventory management system was implemented in 2014. This has given management greater assurance in this area.

The Members estimate that the carrying amount of inventories approximates their fair value.

No inventories have been pledged as security. On 1 January 2015, all inventories were sold to Viapath Services LLP.

12. TRADE AND OTHER PAYABLES

a) Trade and other payables falling due within one year:

	2014 £000	2013 £000
Trade and other payables	6,675	5,036
Amounts owed to members (note 14)	10,008	5,854
Other taxes and social security	920	1,335
Accruals	2,373	3,718
Deferred income	313	6,138
Total payables falling due within 1 year	20,289	22,081

Amounts owed to members are due within 30 days of the balance sheet date and do not bear interest. The reduction in deferred income relates to amounts invoiced in advance to members.

b) Trade and other payables falling due after one year:

	2014 £000	2013 £000
Finance lease creditor	95	156
Total payables falling due after one year	95	156

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2014

13. MEMBERS' INTERESTS

	Members' capital £000	Other reserves £000	Loans and other debts due to members £000	Total £000
Balance at 31 December 2012	3,331	(8,067)	14,271	9,535
Profit for the financial year available for discretionary division among members	-	3,839	-	3,839
Balance at 31 December 2013	3,331	(4,228)	14,271	13,374
Profit for the financial year available for discretionary division among members	-	3,713	-	3,713
Balance at 31 December 2014	3,331	(515)	14,271	17,087

14. RELATED PARTY TRANSACTIONS

During the year, as part of its normal business operations, Viapath entered into a substantial number of transactions with its members; Guy's and St Thomas' NHS Foundation Trust, King's College Hospital NHS Foundation Trust and Serco Limited.

Trading transactions

During the year ended 31 December 2014, Viapath entered into the following material trading transactions with its members:

Related party	Sales 31 Dec 2014 £000	Purchases 31 Dec 2014 £000	Amounts owed from related party at 31 Dec 2014 £000	Amounts owed to related party at 31 Dec 2014 £000
Guy's and St Thomas' NHS Foundation Trust	49,986	22,589	4,689	5,470
Serco Limited	-	1,329	154	1,004
King's College Hospital NHS Foundation Trust	30,523	15,343	3,324	2,996
Total	88,509	39,261	8,167	8,708

Related party	Sales 31 Dec 2013 £000	Purchases 31 Dec 2013 £000	Amounts owed from related party at 31 Dec 2013 £000	Amounts owed to related party at 31 Dec 2013 £000
Guy's and St Thomas' NHS Foundation Trust	50,982	24,097	6,723	3,183
Serco Limited	-	887	74	1,988
King's College Hospital NHS Foundation Trust	30,084	15,683	4,520	682
Total	81,066	40,667	11,317	5,853

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2014

14. RELATED PARTY TRANSACTIONS (continued)

Material related party transactions can be summarised as follows:

Guy's and St Thomas' NHS Foundation Trust:

- 1) Under the Pathology Services Agreement (PSA) Viapath provides a full range of pathology services to Guy's and St Thomas' NHS Trust (GSTT). Amounts invoiced to GSTT in the year were £50.0m (2013: £51.0m).
- 2) Under the secondment agreement, GSTT supply seconded staff to Viapath under retention of employment (RoE) legislation. Amounts invoiced by GSTT were £14.7m (2013: £15.7m).
- 3) The number of staff seconded as at 31 December 2014 was 274 (2013: 314). These staff were TUPE transferred to Viapath on 1 January 2015.
- 4) Certain transactions are invoiced by GSTT under the Trust Services Agreement (TSA) such as rent, service charges, IT and finance charges, equipment lease charges and a medical staff recharge. Amounts invoiced amounted to £7.8m in the year (2013: £8.3m).
- 5) There was no provision against invoiced pathology tests (2013: £0.07m).
- 6) There were no transformation costs in 2014 (2013: £0.002m).
- 7) An interest charge of £0.1m (2013: £0.1m) has been recognised in profit and loss in relation to the loan from GSTT.

Serco Limited:

- 1) Serco charged an amount of £0.1m in 2014 (2013: £0.1m) under the Serco Services Agreement (SSA) for IT, accounting, payroll and finance charges.
- 2) An Interest charge of £0.2m (2013: £0.2m) has been recognised in profit and loss in relation to the loan from Serco.
- 3) The cost of Staff working for Viapath but employed by Serco were recharged to Viapath. The amount recharged was £0.3m (2013: £0.3m).
- 4) There was a revenue rebate in line with the MoU of £0.9m. There were no rebates in 2013.

King's College Hospital NHS Foundation Trust:

- 1) Under the Pathology Services Agreement (PSA) Viapath provides a full range of pathology services to KCHT. Amounts invoiced amounted to £30.1m in the year (2013: £30.1m).
- 2) Under the secondment agreement KCHT supply seconded staff to Viapath under RoE Legislation. Amounts invoiced by KCHT in the year were £10.5m (2013: £11.4m). The number of staff seconded as at 31 December 2014 was 183 (2013: 208). These staff were TUPE transferred to Viapath on 1 January 2015.
- 3) There was a provision against invoiced pathology tests of £0.03m (2013: £nil).
- 4) Certain transactions are invoiced by KCHT under the Trust Services Agreement (TSA) such as rent, service charges, equipment lease charges and medical staff recharges. Amounts invoiced amounted to £5.8m in the year (2013: £4.2m).
- 5) An interest charge of £0.1m (2013: £0.1m) has been recognised in profit and loss in relation to the loan from KCHT.

15. ANALYSIS OF NET DEBT

	31 December 2013 £000	Cash flows £000	Interest charges £000	Non-cash £000	31 December 2014 £000
Current assets					
Cash and cash equivalents	5,918	701	-	-	6,619
Current liabilities					
Finance leases	(59)	65	(6)	(61)	(61)
Non-current liabilities					
Finance leases	(156)	-	-	61	(95)
Loans over one year	(14,271)	-	-	-	(14,271)
Net debt	(8,568)	766	(6)	-	(7,808)

Cash and cash equivalents comprise cash balances at major UK banks. There are no bank overdrafts.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2014

16. FINANCIAL RISK MANAGEMENT

Capital risk management

Viapath's capital structure and policies are regularly reviewed to ensure that they remain relevant to the business and its plans for growth. Viapath is financed by the three members via capital and loans.

The carrying amounts of financial instruments are as follows:

	2014	2013
	£000	£000
Financial assets – loans and receivables		
Trade receivables (note 10)	1,843	582
Other receivables (note 10)	103	68
Amounts owed by members (note 10)	9,228	11,317
Cash and cash equivalents	6,619	5,918
Financial liabilities – at amortised cost		
Trade and other payables (note 12)	(6,675)	(5,036)
Loans due to members (note 13)	(14,271)	(14,271)
Amounts owed to members (note 12)	(10,008)	(5,854)
Net financial liabilities	(13,161)	(7,276)

The maximum exposure to credit risk in relation to financial assets at the reporting date is the carrying value. Viapath does not hold any collateral as security. The Members estimate that the carrying value of all financial instruments approximates to their fair value. The fair values have been determined using available market information and appropriate valuation methodology.

The principal risks arising from Viapath's use of financial assets and liabilities and details of how these risks are managed are set out in the Strategic report on page 5, under the heading 'Principal risks and uncertainties'.

Interest rate sensitivity analysis

Viapath is exposed to interest rate risk on the loans due to members at 2% above LIBOR relating to three month deposits. Loans due to members were renegotiated in 2013 and now fall due on 31 December 2016 (£12.176m) and 30 September 2020 (£2.095m).

If LIBOR interest rates move by 1% Viapath could be exposed to an increase/(decrease) in interest charge of £1.43m per annum (2012: £1.43m).

The maturity dates of financial assets/(liabilities) are as follows:

	Less than 1 month £000	1 to 3 months £000	3 months to 1 year £000	Over 1 year £000	Total £000
31 December 2014					
Financial assets – loans and receivables					
Trade receivables (note 10)	1,474	369	-	-	1,843
Other receivables (note 10)	8	3	92	-	103
Amounts owed by members (note 10)	9,228	-	-	-	9,228
Cash and cash equivalents	6,619	-	-	-	6,619
Financial liabilities – at amortised cost					
Trade and other payables (note 12)	(6,675)	-	-	-	(6,675)
Loans due to members (note 13)	-	-	-	(14,271)	(14,271)
Amounts owed to members (note 12)	(10,008)	-	-	-	(10,008)
Net financial instruments	646	372	92	(14,271)	(13,161)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2014

16. FINANCIAL RISK MANAGEMENT (continued)

31 December 2013	Less than 1 month £000	1 to 3 months £000	3 months to 1 year £000	Over 1 year £000	Total £000
Financial assets – loans and receivables					
Trade receivables (note 10)	506	58	18	-	582
Other receivables (note 10)	9	17	41	1	68
Amounts owed by members (note 10)	11,317	-	-	-	11,317
Cash and cash equivalents	5,918	-	-	-	5,918
Financial liabilities – at amortised cost					
Trade and other payables (note 12)	(5,036)	-	-	-	(5,036)
Loans due to members (note 13)	-	-	-	(14,271)	(14,271)
Amounts owed to members (note 12)	(5,854)	-	-	-	(5,854)
Net financial instruments	6,860	75	59	(14,270)	(7,276)

17. LEASE COMMITMENTS

Operating leases

Under the terms of the lease agreements, no contingent rents are payable.

The future minimum lease payments under operating leases are as follows:

	2014 £000	2013 £000
Within one year	199	241
Between one and five years	761	841
After five years	-	119
	960	1,201

Finance leases

Finance lease liabilities are payable as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2014 £000	2013 £000	2014 £000	2013 £000
Within one year	65	65	63	63
In the second to fifth year inclusive	97	162	90	148
After five years	-	-	-	-
	162	227	153	211
Less: future finance charges on finance leases	(6)	(12)	(6)	(11)
Present value of lease obligations	156	215	147	200

All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in sterling.

The fair value of Viapath's lease obligations is approximately equal to their carrying amount.

VIAPATH GROUP LLP

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2014

18. DEFINED CONTRIBUTION PENSION SCHEMES

Pre-funded defined benefit pension schemes treated as defined contribution schemes

Some employees of Viapath benefit from employer contributions to the Prudential Platinum scheme.

Viapath paid employer contributions for the year ended 31 December 2014 of £488,684 (2013: £661,021), into this scheme. The balance due at 31 December 2014 was £35,425 (2013: £22,995). The scheme is closed to new entrants.

Defined contribution schemes

Some employees of Viapath benefit from employer contributions to a Legal and General stakeholder pension scheme. Viapath paid employer contributions for the year ended 31 December 2014 of £657,649 (2013: £424,346). The balance due at 31 December 2014 was £58,264 (2013: £40,521).

In all cases the schemes' assets are held separately from those of Viapath in contract-based arrangements.

19. SUBSEQUENT EVENTS

As part of Viapaths overall rebranding of its services and following changes in the application of tax law, Viapath planned to change its corporate structure. Viapath had engaged with HMRC and had received HMRC's approval for its planned structure. Within this structure Viapath Group LLP will continue to be central to the provision of services. The Members have assessed the effect of irrecoverable VAT, which results from the Tribunal's decision, on Viapath's cash flows, together with the costs of restructuring and are satisfied that the cash impact of the Tribunal's decision and the restructure will be able to be absorbed by the current business.

From 1 January 2015, Viapath Group started to trade from two subsidiaries; Viapath Analytics LLP and Viapath Services LLP. The existing contracts between Viapath Group LLP and GSTT, KCHT and BHT were terminated and new contracts established, on broadly the same commercial terms, with both of the new trading entities. Substantially all of the assets of Viapath Group LLP were sold to Viapath Services LLP and Viapath Analytics LLP at their carrying value.