



**Viapath Group LLP
Annual Report and Financial Statements
For the year ended 31 December 2017**



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

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Designated Members and Advisers

Registration number: OC337242 Companies House

Registered office: VIAPATH GROUP LLP
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London
SE1 1NA

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

Banker: HSBC Bank plc
2nd Floor, Space One
1 Beadon Road
London
W6 0EA

Auditor: Deloitte LLP
2 New Street Square
London
EC4A 3BZ

Summary Information

For the year to 31 December 2017

About us

Since its inception in 2009, Viapath has been a leading UK provider of pathology services to the NHS and private healthcare market. The partnership employs over 1,000 scientists and other employees and provides one of the widest pathology test repertoires in the UK. Viapath has world-renowned specialist laboratories at the leading edge of innovation supporting cancer care, genomics and transplant medicine. Each year the partnership undertakes over 31 million tests and reinvests millions of pounds in growth, modernisation, training and development and innovation.

Viapath Group LLP Structure

Viapath Group LLP is the majority stake-holding partner of Viapath Analytics LLP and Viapath Services LLP. Minority partners of these subsidiary companies are Serco Ltd, KCH Commercial Services Ltd (KCS) and Pathology Services Ltd (PSL). Serco Ltd, KCS and PSL hold an equal share in Viapath Group LLP being one third each. Serco Ltd, KCS and PSL together make up the Members of Viapath consolidated Viapath Group LLP partnerships, "The Viapath Group LLP".

The consolidated financial statements of The Viapath Group LLP include the balances of Viapath Analytics LLP (VA) registration number OC392043 and Viapath Services LLP (VS) registration number OC392044. Viapath Group LLP has guaranteed the liabilities of VA and VS under Sections 479A and C of the Companies Act 2006 (as amended). As such VA and VS are exempted from the audit of VA and VS financial statements for the financial year 2017.

Chairman's Report

For the period to 31 December 2017

Despite continuing market challenges, Viapath has made significant advances over the last year. Following the appointment of Dougie Dryburgh as our new Chief Executive at the end of 2016, the executive team has been restructured and new appointments made to most senior posts. This new team has led a significant improvement in performance, with underlying growth in EBITDA to £5.4m (£1.3m better than plan and compared with an adjusted £4.9m for the prior year) and a significant improvement in cash flow, leading to the scheduled repayment of Members' loans and a reduction in total debt by 44% whilst maintaining an overall positive cash balance.

This improved performance has been driven by a continuing focus on costs whilst also pursuing top-line growth. There has been a reduction in unit costs of 2% after inflation, with the planned Cost Improvement Programme exceeded by 10% through a particular focus on labour and procurement costs. These improvements have themselves been underpinned by a major effort to understand better the drivers of the business' costs, with significant investments in detailed process mapping and activity-based cost modelling.

With our core customers still considering how they should re-contract their current services, the revenue focus for this year has been on growing our third-party business. This has included securing larger volumes in the sendaways market, where revenue has increased by £2.2m, and developing new and improved tests to broaden our offering, such as the diagnosis of hereditary platelet disorders and the laboratory diagnosis of ichthyosis. We place significant importance on our Innovation Fund as a vehicle for third-party growth. In 2017 its funding was doubled and we are committed to further increases in future.

Cost and revenue improvements – and, indeed, improvements in quality and customer service - have been underpinned by targeted investments, especially in IT where: we are replacing the Blood Transfusion Laboratory Information Management System (LIMS) on the GSTT site; we have connected our two largest LIMS to the Viapath Integration Engine to enable our NHS customers to send test requests and receive test results directly from their own IT platforms or via the National Pathology Exchange; we are in the process of implementing a new HR system which should speed-up dealing with staff matters and reduce costs; and, we are trialling an online platform to support a new direct-to-consumer offering. All this is supported by our new core IT infrastructure which will also provide capacity for future expansion.

All of these achievements have only been possible thanks to the skill and dedication of our staff. Indeed, investment in our people is vital to our success. This year more than 50% of our staff received training, and to recognise the importance of our staff in contributing to Viapath's success we have, for the first time, been able to make a pay-out under our all staff bonus scheme, as well as under our profit-related incentive scheme for senior leaders. We believe these schemes should contribute to making Viapath an employer of choice within the challenging NHS marketplace.

Looking forward our strategy remains essentially unchanged:

- To continue improving our business processes and efficiency whilst delivering high quality services within our existing delivery model;
- To secure additional volumes to service with this model, including third-party sendaways and by developing our new B2C offering;
- To offer a compelling proposition to our core customers as and when they are ready to re-contract their current services; and
- To develop at least one other 'hub', bringing the skills and lessons we have learned in South East London to other parts of the NHS.

Chairman's Report (continued)

More specifically, key objectives for 2018 will include:

- Securing a replacement for our current contract with Bedford Hospital NHS Trust as it comes to an end – ideally by securing an agreement to provide a consolidated pathology service to Bedford and its proposed merger partner, Luton and Dunstable University Hospital Foundation Trust;
- Demonstrating the full commercial viability of our direct-to-customer offering and growing it to meaningful volumes;
- Working with our core customers to bid successfully for the recently released NHSE Genomics Tender; and
- Delivering a double-digit increase in EBITDA, significantly increasing net profit and continuing to bear down on total debt.

Dr David Bennett
Chairman

Strategic Report

For the 12-month period to 31 December 2017

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

Business Changes

The services which were on-boarded during 2016 included South London & Maudsley NHS Foundation Trust (February 2016) and Princess Royal University Hospital (PRUH), (part of KCH) (July 2016). These services continue to perform well and have a full year effect in the 2017 financial statements.

Viapath is working to replace its current contracts with Bedford Hospital NHS Trust as they come to an end. Whilst this will not impact services in 2018, the partnership is working with the new proposed combined trust (Bedford Hospital NHS Trust with Luton and Dunstable University Hospital NHS Foundation Trust) to make the best offer for 2019 and beyond.

There were no other significant business changes that affect the 2017 Viapath financial statements.

Year End Results

The results for the year ended 31 December 2017 as shown in the primary statements from page 16 to 18, while the notes supporting the statements are shown from page 19. The Members believe that these results appropriately reflect Viapath's activities during the year.

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

	2017	2016
Revenue (£ '000)	114,365	105,231
Operating profit for the financial year (£ '000)	1,333	1,650
Total assets (£ '000)	47,686	46,549
Adjusted EBITDA (£ '000) (see note 5)	5,373	6,161
Gross Profit percentage	25.6%	28.8%
Return on capital employed (Operating Profit/total Assets)	2.8%	3.5%

Revenue in 2017 grew by 8.7% compared to 2016. The increase is attributable to a full year of the PRUH contract compared with 6 months in 2016 and increased growth in third-party customers and newly developed tests. Despite the growth in revenue Viapath's return on capital employed has fallen as the partnership continues to offer significant value to its NHS customers by providing an enhanced level of service with lower pricing, with activity volumes increasing by 11.0% compared to the value of revenue rising by 8.7%. The pricing reductions together with the introduction of the Employee Reward and profit-related incentive scheme for senior leaders resulted in the reported EBITDA falling compared to 2016. This is despite a continuing drive for efficiency, as the average cost per test decreased by 1.7%.

Strategic Report (continued)

Capital Expenditure

Viapath continued its Laboratory Information Management (LIM) Systems improvement programme with the start of the Blood Transfusion project which will continue throughout 2018 and into 2019. The partnership began an IT Infrastructure project in 2017 which will go live in quarter 2 2018.

Staff

Staff turnover in the 12 months to 31 December 2017 was above the 2016 level at 16.99% (2016:15.98%). This continues to remain broadly stable following the high rates seen pre 2014 and continues to demonstrate the effectiveness of staff engagement programmes, career progression opportunities and investment in staff training and development.

Principal risks and uncertainties

Business risk

Viapath operates in a challenging market sector. The NHS healthcare system is under constant pressure to reduce costs and is subject to political pressures to increase efficiency. Pathology services are an essential part of NHS patient care and evidence suggests investment in pathology drives cost savings for trusts further along the patient pathway. Consolidations of some services are considered necessary and pathology has been identified as a key area for market integration under the Carter Reports. Furthermore, NHS Improvement has followed up on the Carter Reports with targets for NHS trusts, which are expected to be met by consolidating services. This market disruption presents Viapath with an opportunity to expand its operating base. As one of the largest pathology providers in the UK, part-owned by two of the most prestigious NHS teaching trusts, Viapath is well placed to take advantage of such consolidations. Staff expertise is of utmost importance to this vision, and Viapath continues to invest in staff retention measures and quality management processes, as well as modern scientific equipment. In doing so, Viapath aims to drive further efficiencies for its Member trusts and other third party NHS customers around the country.

Interest rate risk

Viapath is exposed to interest rate risk on funding from its Members, with the risk reducing as loans are repaid. Prior to 2017, Viapath had drawn down loans totalling £15.0m (2016: £15.0m) from its Members. Of that balance, £5.5m was repaid in two tranches during 2017 and as at 31 December 2017 £9.5m remains due. This sum relates to cash loans and PRUH stock loan repayable in two further tranches in 2018 and 2019. The remaining £2.1 m (2016: £2.4m) relates to non-cash stock that will be transferred back to Members at the cessation of their pathology contracts. The £0.3m relating to PRUH stock will be paid in 2018. Interest is paid on the loans at 2% above LIBOR relating to three month deposits. There are no other borrowings or bank overdrafts.

Credit risk

Viapath's principal financial assets are trade and other receivables. In 2017 the debtor balances resulting from third party sales continued to grow. The majority of these customers are NHS organisations and, in line with the macroeconomic environment some of these customers have significant financial challenges. Nevertheless management has countered this risk with an increased resource focused on ensuring prompt cash collection. The Members do not consider that Viapath is exposed to significant credit risk on the basis that the three main customers that account for the majority of receivables are independently regulated by NHS Improvement and are largely government funded.

Strategic Report (continued)

Viapath trades with its designated Members and creditworthy third parties assessed by reference to credit ratings companies. It is the partnership'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 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.

Going concern

Going concern is discussed in further detail in the Strategic report on page 10.

Corporate governance

Overview

The Viapath Group LLP governance structure consists of the Viapath Group LLP Board and four committees of the Board: the Audit Committee; the Remuneration Committee; the Governance, Risk and Quality Assurance Committee; and the Finance and Investment Committee.

Viapath Group LLP Board

The Viapath Group LLP Board (the 'Board') oversees the strategic direction of the partnership, takes decisions on items reserved for unanimous Member approval and ensures accountability to investors. The meeting is chaired by the independent Chairman of Viapath and attendees are representatives from each of the Members of Viapath, along with the Viapath Executive team and the Viapath Company Secretary. Only the Member representatives have voting rights.

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; and
- material changes to pension plans or the introduction of new schemes.

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

Viapath Group LLP Board Committees

Audit Committee

The Audit Committee is a standing committee of the 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.

Strategic Report (continued)

Remuneration Committee

The Remuneration Committee is a standing committee of the 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.

Governance, Risk and Quality Assurance Committee

The Governance, Risk and Quality Assurance Committee is a standing committee of the 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 partnership's programme for quality improvement and safety. This meeting is chaired by the Medical Director of Viapath and attendees represent each of the Members. The Viapath Company Secretary also attends.

Finance and Investment Committee

The Finance and Investment Committee was established in November 2016 as the Finance and Performance Committee and is a committee to the Board. It supports the Board through detailed financial review and oversight of the monthly financial position and performance against budget. The meeting is chaired by the Serco representative Member and comprises representatives from each other Member along with Viapath's CEO and CFO.

Chairman and Chief Executive Officer

The Chairman is responsible for the operation and leadership of the Board, ensuring its effectiveness and setting its agenda. Dr. David Bennett has been the Viapath Chairman since February 2016. Dougie Dryburgh, appointed on 22 October 2016, is Viapath's Chief Executive Officer (CEO). During 2017, the role of Viapath's Chief Financial Officer (CFO) was held on an interim basis by Robert Bate. On 20 November 2017, Clive Mosey was appointed as CFO on a permanent basis.

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 18 of the financial statements provides details of Viapath's objectives, policies and processes for managing its capital and details of its financial instruments.

A high proportion of Viapath's expenditure and its forecast income is fixed and secured through long-term contracts including penalties for early termination. The contracts with Guy's and St Thomas' NHS Foundation Trust (GSTT) and King's College Hospital NHS Foundation Trust (KCH) have been agreed up to 2020. GSTT and KCH are beginning the process of replacing the current core contracts, and Viapath is at an advanced stage with the Trusts in relation to the NHS England (NHSE) Genomics tender for the South London area, for which Viapath is potentially a key sub-contracting partner. This is an exciting development which will utilise the partnership's considerable expertise, and enhance its capacity and reach in this growing field within the sector.

Viapath continues to engage with Bedford Hospital NHS Trust to replace its current contract with this customer.

Viapath has ambitious but achievable targets for third party customer growth, including a direct-to-consumer offer via its Nutris website.

The Members are the primary suppliers of funding to the partnership via initial loans totalling £15.0m. A total of £5.5m of repayments were made to Members against these loans during 2017. Further loan repayments are due in December 2018 and December 2019 (see Note 18).

Management is committed to driving financial and operational improvements to deliver further sustainable profit enhancements.

Strategic Report (continued)

Viapath has financial resources available through both formal and informal funding from its Members. The financial plan for the Viapath Group LLP 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 Viapath Group LLP's business operations.

As a consequence of these factors, the Members believe that the Viapath Group LLP continues to be well placed to manage its business risks and continue as a going concern. The Members have a reasonable expectation that the Viapath Group LLP 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:



Martin Shaw, Director of Finance, Guy's and St Thomas' NHS Foundation Trust
Dated: 4 May 2018

Statement of Members' Responsibilities

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

The Limited Liability Partnerships (Accounts & 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 IFRSs 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 the firm'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 IFRSs. 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 IFRSs 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 the firm 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 the firm 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 the firm's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the Members of Viapath Group LLP

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Viapath Group LLP's and of the parent limited liability partnership's affairs as at 31 December 2017 and of the Viapath Group LLP's profit for the year then ended;
- the Viapath Group LLP financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
- the parent limited liability partnership financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

We have audited the financial statements of Viapath Group LLP (the 'parent limited liability partnership') which comprise:

- the consolidated and parent limited liability partnership statement of comprehensive income;
- the consolidated and parent limited liability partnership statement of financial position;
- the consolidated and parent limited liability partnership statement of changes in equity;
- the consolidated cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent limited liability partnership financial statements, as applied in accordance with the provisions 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 under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Viapath Group LLP and of the parent limited liability partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Independent auditor's report to the Members of Viapath Group LLP (continued)

Other information

The Members are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of Members

As explained more fully in the Members' responsibilities statement, the Members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Independent auditor's report to the Members of Viapath Group LLP (continued)

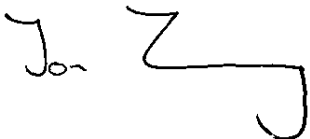
Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Under the Companies Act 2006 as applied to limited liability partnerships we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent limited liability partnership, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent limited liability partnership 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; or

We have nothing to report in respect of these matters.



Jon Young FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London

United Kingdom

Dated: 4 May 2018

STATEMENT OF COMPREHENSIVE INCOME
For the period to 31 December 2017

	Notes	2017	2017	2016	2016
		Consolidated	Viapath Group LLP	Consolidated	Viapath Group LLP
Continuing Operations		£ '000	£ '000	£ '000	£ '000
Revenue	3	114,365	11,364	105,231	10,181
Cost of Sales		(85,036)	(7,563)	(74,928)	(6,115)
Gross Profit		29,329	3,801	30,303	4,066
Administrative Expenses		(27,996)	(3,157)	(28,653)	(3,247)
Operating Profit		1,333	644	1,650	819
Finance costs	7	(376)	(358)	(353)	(341)
Profit for the year available for discretionary division among Members		957	286	1,297	478
Total comprehensive income for the year attributable to Members		957	286	1,297	478

STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

		2017	2017	2016	2016
	Notes	Consolidated	Viapath	Consolidated	Viapath
		£ '000	Group LLP	£ '000	Group LLP
			£ '000		£ '000
Assets					
Intangible Assets	8	9,888	190	11,217	127
Property plant and Equipment	9	4,659	29	5,499	84
Trade and other Receivables	10	73	73	515	515
Total non-current assets		14,620	292	17,231	726
Current assets					
Inventories	11	4,047	9	3,292	7
Trade and other receivables	10	24,537	25,891	20,230	39,118
Cash and cash equivalents	12	4,482	540	5,796	3,197
Total Current Assets		33,066	26,440	29,318	42,322
Total Assets		47,686	26,732	46,549	43,048
Equity and liabilities					
Equity attributable to Members					
Members' capital	15	3,331	3,331	3,331	3,331
Other reserves	15	3,138	328	2,181	42
Total Equity		6,469	3,659	5,512	3,373
Current liabilities					
Provisions	14	1,110	401	799	293
Loans and other debts due to Members	13	3,527	2,984	5,500	5,500
Trade and other payables	13	30,645	7,302	25,207	9,357
Total current liabilities		35,282	10,687	31,506	15,150
Non-current liabilities					
Loans and other debts due to Members	13	5,935	5,786	9,531	8,770
Trade and other payables	13	-	6,600	-	15,755
Total non-current liabilities		5,935	12,386	9,531	24,525
Total liabilities		41,217	23,073	41,037	39,675
Total equity and liabilities		47,686	26,732	46,549	43,048

Viapath Group LLP has guaranteed the liabilities of its subsidiaries, Viapath Analytics LLP (VA) and Viapath Services LLP (VS) under Section 479A and C of the Companies Act 2006 (as Amended). As such, VA and VS will take advantage of the audit exemption set out within Section 479A for the year ended 31 December 2017.

The accompanying notes are an integral part of this statement of financial position. The Consolidated financial statements of the Viapath Group LLP and Viapath Group LLP financial statements registration number OC337242 were approved by the Members and authorised for issue on 25th April 2018 and signed on the member's behalf by:



Martin Shaw, Director of Finance, Guy's and St Thomas' NHS Foundation Trust
Dated: 4 May 2018

STATEMENT OF CHANGES IN EQUITY
For the period ended 31 December 2017

Consolidated

	Notes	Members' capital £000	Other reserves £000	Total £000
Balance at 1 January 2016		3,331	884	4,215
Total comprehensive income 2016	15	-	1,297	1,297
Balance at 1 January 2017		3,331	2,181	5,512
Total comprehensive income 2017	15	-	957	957
Balance at 31 December 2017		3,331	3,138	6,469

Viapath Group LLP

	Notes	Members' capital £000	Other reserves £000	Total £000
Balance at 1 January 2016		3,331	(436)	2,895
Total comprehensive income 2016	15	-	478	478
Balance at 1 January 2017		3,331	42	3,373
Total comprehensive income 2017	15	-	286	286
Balance at 31 December 2017		3,331	328	3,659

STATEMENT OF CASH FLOWS
For the period ended 31 December 2017

	Notes	Consolidated 2017 £ `000	Consolidated 2016 £ `000
Cash flow from operating activities			
Profit for the period		957	1,297
Profit/loss on disposal of non-current assets		-	-
Other finance charges	7	5	12
Amortisation	8	1,884	2,305
Depreciation	9	1,559	1,576
Interest Received		-	-
Interest Paid	7	371	341
Intangible Impairment	8	156	189
Increase in provisions	14	311	799
Increase in inventories	11	(755)	38
Increase in receivables	10	(3,865)	(864)
Increase in payables	13,15	5,258	(1,179)
Net cash from operating activities		5,881	4,514
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(719)	(1,341)
Investment in intangibles	8	(711)	(4,298)
Net cash used in investing activities		(1,430)	(5,639)
Cash flows from financing activities			
Loans repaid to Members		(5,500)	-
Interest paid to Members		(260)	(341)
Other finance income		-	-
Other finance charges		(5)	(12)
Net cash used in financing activities		(5,765)	(353)
Net decrease in cash and cash equivalents		(1,314)	(1,478)
Cash and cash equivalents at beginning of year		5,796	7,274
Cash and cash equivalents at end of the year		4,482	5,796

Notes to the Financial Statements

1. ACCOUNTING POLICIES

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 historical accrued cost basis and adopting the accounting policies presented herein.

Adoption of new and revised standards

At the date of authorisation of these financial statements, the following new standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

- IFRS 9, 'Financial Instruments' (effective from the Group's 2018/19 financial year);
- IFRS 15, 'Revenue from contracts with customers' (effective from the Group's 2018/19 financial year); and
- IFRS 16, 'Leases' (effective from the Group's 2019/20 financial year).

IFRS 9 'Financial Instruments' replaces IAS 39 'Financial Instruments Recognition and Measurement'. The standard is effective for accounting periods beginning on or after 1 January 2018 and changes some requirements for the measurement and classification of financial instruments and impairment of financial assets. The standard introduces a new impairment model based on expected credit losses. The initial assessment of IFRS 9 indicates that there is no material impact.

IFRS 15 'Revenue from Contracts with Customers' supersedes IAS 18 'Revenue' and establishes a principle-based approach to revenue recognition and measurement based on the concept of recognising revenue when performance obligations are satisfied.

Viapath Group LLP of companies' performance obligations are to deliver verified test results and the group charges its clients on that basis. Therefore, the performance obligations are singular and the same under IAS 18 Revenue and the new accounting standard IFRS 15 Revenue from Contracts with Customers which is effective for annual reporting beginning on or after 1 January 2018. Viapath Group LLP of companies does not expect any material impact on the introduction of the new accounting standards.

IFRS 16 'Leases' supersedes IAS 17 'Leases' and has been endorsed by the European Union. The standard is effective from 1 January 2019. The most significant changes are in relation to lessee accounting. Under IFRS 16 the lessee will recognise a right-of-use asset and a lease liability for all leases currently accounted for as operating leases, with the exception of leases for a short period (less than 12 months) and those for items of low value. The asset will be depreciated over the term of the lease, whilst interest will be charged on the liability over the same period. The Group anticipates that the adoption of IFRS 16 will have a significant impact on the primary financial statements, including an impact on the operating profit, profit before tax, total assets and total liabilities lines. The expected impact of IFRS 16 will be assessed in 2018.

Notes to the Financial Statements (continued)

ACCOUNTING POLICIES (continued)

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 status of a Limited Liability Partnership is such that it is transparent for Corporation Tax. The liability for taxation on Viapath profits falls on the Members, and is not dealt with in these financial statements.

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 value in use or the assets' 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 typically amortised on a straight-line basis at the rates of 10% - 14% per annum over the life of the contract or licence. An annual review of intangible assets is undertaken to review each asset value in use (detail below).

Property, plant and equipment

Property, plant and equipment are stated at cost, net of depreciation and any provision for impairment. Viapath does not own any property and leases the buildings which house its operations.

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%

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.

Notes to the Financial Statements (continued)

ACCOUNTING POLICIES (continued)

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.

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 the income statement.

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.

Notes to the Financial Statements (continued)

ACCOUNTING POLICIES (continued)

Loans due to Members

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

ACCOUNTING POLICIES (continued)

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 income statement 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.

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.

2. OPERATING SEGMENT

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

3. REVENUE

The revenue of the LLP is principally derived from the provision of pathology services to health organisations. Viapath's main customers are Guy's and St Thomas' NHS Foundation Trust (GSTT), King's College Hospital NHS Foundation Trust (KCHT), Bedford Hospital NHS Trust (BHT) and South London and Maudsley NHS Foundation Trust (SLaM).

4. 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.

5. OPERATING PROFIT

	Consolidated	Viapath	Consolidated	Viapath
	2017	Group LLP	2016	Group LLP
	£ `000	£ `000	£ `000	£ `000
Is stated after charging:				
Amortisation of amounts recoverable on contracts	441	441	441	440
Amortisation of intangible assets	1,884	-	2,305	-
Rentals under member's agreements:				
- Land and buildings	311	-	445	445
- Plant and machinery	529	-	941	212
Depreciation on equipment	1,559	55	1,576	54
Fees paid to Deloitte LLP audit services	65	65	57	57
Movement in allowance for doubtful debts	(557)	78	1,270	(17)
Intangible impairment	156	-	189	-
Restructuring costs	-	-	30	-

OPERATING PROFIT TO EBITDA RECONCILIATION

	Consolidated	Viapath	Consolidated	Viapath
	2017	Group LLP	2016	Group LLP
	£ `000	£ `000	£ `000	£ `000
Profit for the year available for discretionary division among Members	957	286	1,297	478
Income Expense	376	358	353	341
Amortisation of amounts recoverable on contracts	441	441	441	440
Amortisation of intangible assets	1,884	-	2,305	-
Depreciation on equipment	1,559	55	1,576	54
Intangible impairment	156	-	189	-
Adjusted EBITDA	5,373	1,140	6,161	1,313

Adjusted Earnings before interest, tax, depreciation and amortisation (EBITDA) includes Impairment of intangible assets.

6. STAFF COSTS

	Consolidated	Viapath	Consolidated	Viapath
	2017	Group LLP	2016	Group LLP
	£ `000	£ `000	£ `000	£ `000
Employee costs excluding Members:				
Wages and salaries	47,259	6,132	42,130	4,420
Social security costs	4,791	472	4,353	493
Other pension costs	3,660	312	3,457	358
Total staff costs	55,710	6,916	49,940	5,271

The average numbers of employees were as follows:

	Consolidated	Viapath	Consolidated	Viapath
	2017	Group LLP	2016	Group LLP
	No.	No.	No.	No.
Scientific and Operational	1,185	28	1,061	13
Administrative and Clerical	138	67	105	77
Total	1,323	95	1,166	90

7. FINANCE INCOME AND FINANCE COSTS

	Consolidated	Viapath	Consolidated	Viapath
	2017	Group LLP	2016	Group LLP
	£ `000	£ `000	£ `000	£ `000
Interest on bank deposits	-	-	-	-
Total finance income	-	-	-	-
Interest payable to Members	371	355	341	341
Finance lease interest	-	-	2	-
Other	5	3	10	-
Total finance costs	376	358	353	341

8. INTANGIBLE ASSETS

	Viapath Group LLP Assets under construction £ `000	Viapath Group LLP Intangibles £ `000	Viapath Group LLP Total £ `000	Consolidated Assets Under Construction £ `000	Consolidated Intangibles £ `000	Consolidated Total £ `000
Cost						
At 31 December 2015	38	-	38	6,099	10,824	16,923
Additions during the year	89	-	89	3,062	1,236	4,298
Transfer	-	-	-	(8,000)	8,000	-
Impairment	-	-	-	-	(336)	(336)
Disposals	-	-	-	-	-	-
At 31 December 2016	127	-	127	1,161	19,724	20,885
Additions during the year	63	-	63	647	64	711
Transfer	-	-	-	(868)	868	-
Impairment	-	-	-	(162)	-	(162)
At 31 December 2017	190	-	190	778	20,656	21,434
Accumulated amortisation						
At 31 December 2015	-	-	-	-	(7,510)	(7,510)
Charge for the year	-	-	-	-	(2,305)	(2,305)
Impairment	-	-	-	-	147	147
Disposals	-	-	-	-	-	-
At 31 December 2016	-	-	-	-	(9,668)	(9,668)
Charge for the year	-	-	-	-	(1,884)	(1,884)
Impairment	-	-	-	-	6	6
At 31 December 2017	-	-	-	-	(11,546)	(11,546)
Net book value						
At 31 December 2016	127	-	127	1,161	10,056	11,217
At 31 December 2017	190	-	190	778	9,110	9,888

Intangible assets predominately relate to Laboratory Information Management Systems (LIMS).

9. PROPERTY, PLANT AND EQUIPMENT

	Consolidated	Viapath	Consolidated	Viapath
	2017	Group LLP	2016	Group LLP
	£ `000	£ `000	£ `000	£ `000
Cost				
At 1 January	13,921	261	12,580	261
Additions during the period	719	-	1,341	-
Disposals	-	-	-	-
Impairment	-	-	-	-
At 31 December	14,640	261	13,921	261
Accumulated depreciation				
At 1 January	(8,422)	(177)	(6,846)	(123)
Charge for the period	(1,559)	(55)	(1,576)	(54)
Disposals	-	-	-	-
At 31 December	(9,981)	(232)	(8,422)	(177)
Net book value				
At 31 December	4,659	29	5,499	84
Net Book Value of Finance Lease Assets	-	-	26	-

10. TRADE AND OTHER RECEIVABLES**Trade and other receivables falling due within one year:**

	Consolidated 2017 £ `000	Viapath Group LLP 2017 £ `000	Consolidated 2016 £ `000	Viapath Group LLP 2016 £ `000
Trade receivables	7,276	536	7,116	29
Allowance for doubtful debts	(1,007)	(107)	(1,564)	(29)
Total trade receivables	6,269	429	5,552	-
Other amounts recoverable on contracts	441	441	441	441
Amounts owed by Members (note 16)	15,964	95	11,694	500
Other receivables	465	35	195	50
Amounts owed from HMRC	-	32	-	341
Prepayments and other accrued income	1,398	588	2,348	894
Intercompany debtors	-	24,271	-	36,892
Total receivables falling due within 1 year	24,537	25,891	20,230	39,118
Analysis of trade receivables:	2017 £ `000	2017 £ `000	2016 £ `000	2016 £ `000
Not overdue	4,064	323	4,943	-
30 – 60 days	700	137	14	-
61 – 90 days	603	54	275	-
91 – 120 days	340	-	194	-
Over 120 days	1,569	22	1,690	29
	7,276	536	7,116	29

Movement in trade receivables impairment provision:

	2017 £ `000	2017 £ `000	2016 £ `000	2016 £ `000
Balance as at 1 January	1,564	29	294	46
Decrease in impairment provision	(557)	78	1,270	(17)
Utilised as write off/(back)	-	-	-	-
Balance as at 31 December	1,007	107	1,564	29

Trade and other receivables falling due after one year:

	2017 £ `000	2017 £ `000	2016 £ `000	2016 £ `000
Amounts recoverable on contracts	73	73	515	515
Total receivables falling due after 1 year	73	73	515	515

Amounts recoverable on contracts relate to pre-contract and transition costs incurred on the GSTT, King's and Bedford contracts. These costs have been recognised in accordance with the accounting policy as set out in the Significant Accounting Policies – Contracts note on page 23 of these accounts. The Members estimate that the carrying amount of trade receivables approximates to their fair value.

11. INVENTORIES

	Consolidated	Viapath	Consolidated	Viapath
	2017	Group LLP	2016	Group LLP
	£ `000	£ `000	£ `000	£ `000
Stock ready for use by the business	4,047	9	3,292	7

Inventories represent reagents, stains and other materials consumed in the pathology testing process. The Members estimate that the carrying amount of inventories approximates to their fair value. No inventories have been pledged as security.

12. CASH AND CASH EQUIVALENTS

	Consolidated	Viapath	Consolidated	Viapath
	2017	Group LLP	2016	Group LLP
	£ `000	£ `000	£ `000	£ `000
Cash at bank and in hand	4,482	540	5,796	3,197

13. TRADE AND OTHER PAYABLES

	Consolidated	Viapath	Consolidated	Viapath
	2017	Group	2016	Group
	£ `000	LLP	£ `000	LLP
	2017	2017	2016	2016
	£ `000	£ `000	£ `000	£ `000
Trade payables	8,073	135	7,200	270
Amounts owed to Members (note 18)	8,568	206	6,649	190
Other taxes and social security	1,358	212	1,677	168
Accruals	5,964	2,235	3,042	2,154
Deferred income	6,653	-	6,566	9
Amount owed to HMRC	25	-	73	-
Intercompany Creditor	4	4,514	-	6,566
Trade and other payables	30,645	7,302	25,207	9,357
Member loan (note 18)	3,527	2,984	5,500	5,500
Total payables falling due within one year	34,172	10,286	30,707	14,857
	2017	2017	2016	2016
	£ `000	£ `000	£ `000	£ `000
Finance lease creditor	-	-	-	-
Member loan repayments (note 18)	5,935	5,786	9,531	8,770
Intercompany Creditor	-	6,600	-	15,755
Total payables falling due after one year	5,935	12,386	9,531	24,525

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

14. PROVISIONS

	Consolidated	Viapath Group	Consolidated	Viapath Group
	2017	LLP	2016	LLP
	£ '000	£ '000	£ '000	£ '000
Provisions consist of:				
Restructuring Provision	-	-	30	-
Onerous Contract	241	241	294	293
Other	869	160	475	-
Total Provisions	1,110	401	799	293

Other provisions consist of commercially sensitive information that, if disclosed, may lead to financial loss for Viapath.

IAS 37 provides options for restricted disclosures where management believe that disclosure may lead or contribute to unnecessary financial loss and Viapath has taken advantage of this restriction.

Onerous contract provisions are contracts under which the fair value of the benefit of the contract is exceeded by the cost of meeting the financial obligations of the contract.

15. MEMBERS' INTERESTS**Consolidated**

	Members' capital	Other reserves	Cash loans due to Members	Non-cash loans to Members	Total
	£ '000	£ '000	£ '000	£ '000	£ '000
Balance at 1 January 2016	3,331	884	12,271	2,000	18,486
Loans introduced from Members			360	400	760
Profit for the financial period available for discretionary division among Members	-	1,297	-	-	1,297
Balance at 1 January 2017	3,331	2,181	12,631	2,400	20,543
Loans introduced from Members	-	-	-	(69)	(69)
Profit for the financial year available for discretionary division among Members	-	957	-	-	957
Loans paid to Members in 2017			(5,500)	-	(5,500)
Balance at 31 December 2017	3,331	3,138	7,131	2,331	15,931

Viapath Group LLP

	Members' capital £ '000	Other reserves £ '000	Cash loans due to Members £ '000	Non-cash loans to Members £ '000	Total £ '000
Balance at 1 January 2016	3,331	(436)	12,271	2,000	17,166
Profit for the financial period available for discretionary division among Members	-	478	-	-	478
Balance at 1 January 2017	3,331	42	12,271	2,000	17,644
Loans introduced from Members	-	-	-	-	-
Profit for the financial year available for discretionary division among Members	-	286	-	-	286
Loan paid to Members in 2017	-	-	(5,500)	-	(5,500)
Balance at 31 December 2017	3,331	328	6,771	2,000	12,430

16. RELATED PARTY TRANSACTIONS

During the year, as part of its normal business operations, the LLP 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 2017, the LLP entered into the following trading transactions with its Members:

Consolidated (at 31 December 2017)

	Sales	Purchases	Amounts owed from related party	Amounts owed to related party
	£ '000	£ '000	£ '000	£ '000
Guy's and St Thomas' NHS Foundation Trust	52,586	7,180	7,490	3,238
Serco Limited	-	346	-	215
King's College Hospital NHS Foundation Trust	30,365	3,098	8,474	5,280
Total	82,951	10,624	15,964	8,733

Consolidated (at 31 December 2016)

	Sales	Purchases	Amounts owed from related party	Amounts owed to related party
	£ '000	£ '000	£ '000	£ '000
Guy's and St Thomas' NHS Foundation Trust	49,302	7,261	5,471	2,770
Serco Limited	-	218	133	320
King's College Hospital NHS Foundation Trust	25,465	5,557	6,090	3,559
Total	74,767	13,036	11,694	6,649

Material related party transactions can be summarised as follows:

Guy's and St Thomas' NHS Foundation Trust:

Under the contracts with Guys and St Thomas' NHS Foundation Trust (GSTT) Viapath provides a full range of laboratory and pathology services to GSTT: amounts invoiced in the year were £53m (2016: £49m).

Purchases from GSTT by Viapath relate to the services the trust provides to Viapath Services LLP in order to offer a functioning laboratory within the hospital site, for example waste collection and utilities. During 2017 the total invoices received from GSTT was £7m (2016: £7m). An interest charge of £0.1m has been recognised in statement of comprehensive income in relation to the loan from GSTT (2016: £0.1m).

Serco Limited:

Serco charged an amount of £0.3m in 2017 (2016: £0.2m) under Serco Services Agreement (SSA) for IT, Payroll and finance charges. An interest charge of £0.1m (2016: £0.2m) has been recognised in statement of comprehensive income.

King's College Hospital NHS Foundation Trust:

Under contracts with King's College Hospital NHS Foundation Trust (KCH) Viapath provides a full range of laboratory and pathology services to KCH: amounts invoiced in the year were £30m (2016: £25m). As for GSTT, Viapath provide functioning laboratory services to KCH. Total invoices received in year from KCH totalled £3m (2016: £6m).

An interest charge of £0.1m has been recognised in statement of comprehensive income in relation to the loan from KCH (2016: £0.1m).

17. ANALYSIS OF NET DEBT

Consolidated	31-Dec-16	Cash flow Movement	Interest Charge	Non-cash	31-Dec-17
	£ `000	£ `000	£ `000	£ `000	£ `000
Cash and cash equivalents					
Cash	5,796	(1,314)	-	-	4,482
Current liabilities					
finance leases	(71)	-	-	71	-
Non-current liabilities					
finance leases	-	-	-	-	-
loans over one year	(15,031)	5,500	-	69	(9,462)
Net debt	(9,306)	4,186	-	140	(4,980)

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

18. FINANCIAL RISK MANAGEMENT**Capital risk management**

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

The carrying amounts of financial instruments are as follows:

	Consolidated 2017	Consolidated 2016
	£ `000	£ `000
Financial assets – loans and receivables		
Trade receivables	6,269	5,552
Other receivables	465	195
Amounts owed by Members	15,964	11,692
Cash and cash equivalents	4,482	5,796
Financial liabilities – at amortised cost		
Trade payables	(8,073)	(7,200)
Loans due to Members	(9,462)	(15,031)
Amounts owed to Members	(8,568)	(6,649)
Other financial liabilities	(1,358)	(1,677)
Net financial liabilities	(281)	(7,322)

The maximum exposure to credit risk in relation to financial assets at the reporting date is the carrying value. The LLP 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 the LLP's use of financial assets and liabilities and details of how these risks are managed are set out in the Strategic Report beginning on page 7.

Interest rate sensitivity analysis

The LLP is exposed to interest rate risk on the loans due to Members at 2% above LIBOR. Loans due to Members fall due on 31 December 2018 (£3.0m) and 31 December 2019 (£3.7m).

If LIBOR interest rates increase by 1% the LLP shall be exposed to an increased interest charge of £66,750 per annum.

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

Maturity Assessment**Consolidated**

as at 31 December 2017	Less than 1 month	1 to 3 months	3 months to 1 year	Over 1 year	Total
	£ `000	£ `000	£ `000	£ `000	£ `000
Financial assets – loans and receivables					
Trade receivables (note 10)	4,064	1,303	1,346	(444)	6,269
Other receivables (note 10)	21	284	160	-	465
Amounts owed by Members (note 10)	10,786	1,621	3,125	432	15,964
Cash and cash equivalents (note 12)	4,482	-	-	-	4,482
Financial liabilities – at amortised cost	(1,358)	-	-	-	(1,358)
Trade payables (note 13)	(7,497)	(393)	(183)	-	(8,073)
Loans due to Members (note 17)	-	-	(3,527)	(5,935)	(9,462)
Amounts owed to Members (note 13)	(5,474)	(1,820)	(1,274)	-	(8,568)
Net financial instruments	5,024	995	(353)	(5,947)	(281)

as at 31 December 2016	Less than 1 month	1 to 3 months	3 months to 1 year	Over 1 year	Total
	£ `000	£ `000	£ `000	£ `000	£ `000
Financial assets – loans and receivables					
Trade receivables (note 10)	4,943	289	320	-	5,552
Other receivables (note 10)	105	60	30	-	195
Amounts owed by Members (note 10)	9,545	2,098	(534)	583	11,692
Cash and cash equivalents (note 12)	5,796	-	-	-	5,796
Financial liabilities – at amortised cost	(1,677)	-	-	-	(1,677)
Trade payables (note 13)	(4,827)	(2,280)	(93)	-	(7,200)
Loans due to Members (note 17)	-	-	(5,500)	(9,531)	(15,031)
Amounts owed to Members (note 13)	(4,718)	(1,684)	(247)	-	(6,649)
Net financial instruments	9,167	(1,517)	(6,024)	(8,948)	(7,322)

19. 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:

	Consolidated	Viapath Group LLP	Consolidated	Viapath Group LLP
	2017	2017	2016	2016
	£ `000	£ `000	£ `000	£ `000
Within one year	16	-	175	9
Between one and five years	-	-	278	-
After five years	-	-	-	-
	16	-	453	9

Finance leases**Consolidated:**

Finance lease liabilities are payable as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2017	2016	2017	2016
	£ `000	£ `000	£ `000	£ `000
Within one year	-	32	-	27
In the second to fifth year inclusive	-	-	-	-
After five years	-	-	-	-
	-	32	-	27
Less: future finance charges on finance leases		-	-	(2)
Present value of lease obligations	-	32	-	25

There are no finance leases within Viapath Group LLP.

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 the LLPs lease obligations is approximately equal to their carrying amount.

20. PENSION SCHEMES

The Viapath group of LLPs has four pension schemes for employees:

- i. Legal & General Auto-Enrolment Scheme
- ii. Legal & General Stakeholder Scheme
- iii. NHS Pension Schemes
- iv. Prudential Platinum Pension

Legal & General Auto-Enrolment Scheme and Legal & General Stakeholder Scheme

The Legal & General Auto-Enrolment Scheme and Legal & General Stakeholder Scheme are Defined Contribution schemes. The schemes' assets are held separately from those of the LLP in contract-based arrangements. The LLP paid employer contributions for the year ended 31 December 2017 of £0.742m (2016: £0.769m) into the L&G Schemes.

NHS Pension Schemes

The NHS Pension Schemes are all Defined Benefit schemes, under the NHS Pension Scheme reference numbers EA29, EA30 and EA31. The schemes are for staff who transferred to Viapath employment under the provisions of the Transfer of Undertakings (Protection of Employment) Regulations 2006. Viapath was granted Direction Status with effect from 1 January 2015 under Section 7 of the Superannuation (Miscellaneous Provisions) Act 1967, under which the Secretary of State approves, subject to certain restrictions, the payment of contributions by people employed outside the National Health Service.

Direction Status allows staff who are compulsorily transferred from the NHS to be offered continued access to the NHS Pensions Scheme rather than being offered a comparable private pension scheme. In broad terms, all staff whose employment is compulsorily transferred from the public sector under TUPE, including subsequent TUPE transfers, to independent providers of public services will retain access to their current employer's pension arrangements.

The NHS Pension Schemes are non-funded Defined Benefit UK Government schemes to which employers' only liability is to make contributions. The schemes' assets are held separately from those of the LLP in contract-based arrangements. They are therefore treated as Defined Contribution schemes in these accounts.

The LLP paid employer contributions for the year ended 31 December 2017 of £2.772m (2016: £2.576m) into the NHS Pension Schemes.

Prudential Platinum Pension

The Prudential Platinum Pension Scheme is a centralised scheme which is available to employers throughout the United Kingdom. Each participating employer (or group company arrangement) has its own ring-fenced section and accordingly there is no cross subsidy between employers, other than in a group company arrangement. The Scheme provides retirement and death in service benefits for Members and their dependants. It is a defined benefit scheme which means that the benefits under it are calculated on a pre-determined basis specified in the Scheme's rules. The Scheme, which is legally and financially separate from the employers, is constituted by a Trust Deed and is administered in accordance with the rules by the Trustees. Viapath Group LLP is legally bound by a Deed of Adherence to the Scheme.

Viapath Group LLP became a participating employer with effect from 18 February 2009. The scheme closed to new Members on 31 December 2014 and no ongoing contributions are paid by the LLP into this scheme.

The scheme is in surplus in the sum of £0.594m on liabilities of £3.966m as at the latest full valuation dated 31 December 2015. The next full valuation date is 31 December 2018.

21. SUBSIDIARY UNDERTAKINGS

The Consolidated financial statements include the balances of Viapath Analytics LLP (VA) registration number OC392043 and Viapath Services LLP (VS) registration number OC392044. Viapath Group LLP has guaranteed the liabilities of its subsidiaries, Viapath Analytics LLP and Viapath Services LLP under Section 479A and C of the Companies Act 2006 (as Amended). As such, VA and VS will take advantage of the audit exemption set out within Section 479A for the year ended 31 December 2017.