

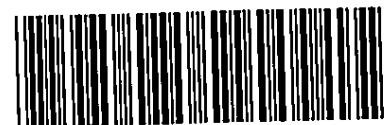
Growth Science Trust Service



**GSTS PATHOLOGY LLP**

**Annual Report and Financial Statements  
For the period from 13 May 2008 to 31 January 2009**

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

**GSTS PATHOLOGY LLP**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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**GSTS PATHOLOGY LLP**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**DESIGNATED MEMBERS AND ADVISERS**

Registration number: OC337242

Registered office: Serco House  
16 Bartley Wood Business Park  
Hook  
Hampshire  
RG27 9UY

Designated members: Pathology Services Limited (registered number 6593374)  
Serco Limited (registered number 00242246)

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

Independent auditors: Deloitte LLP  
Chartered Accountants & Registered Auditors  
London

## **GSTS PATHOLOGY LLP**

### **MEMBERS' REPORT**

#### **For the period from 13 May 2008 to 31 January 2009**

The members present their report on the affairs of the Limited Liability Partnership, together with the financial statements for the period from 13 May 2008 to 31 January 2009.

GSTS Pathology LLP ("the LLP") is a Limited Liability Partnership registered in England and Wales with registration number OC337242.

The LLP was incorporated on 13 May 2008 as Neutral Name LLP. On 30 September 2008 the LLP changed its name to GSTS Pathology LLP.

On 1 February 2009 the LLP was awarded its first contract to provide pathology services to Guy's and St Thomas's NHS Foundation Trust.

#### **Principal activities**

The LLP was established principally to provide pathology services to its member, Guy's and St Thomas's NHS Foundation Trust and other third party customers.

#### **Business review and future developments**

The results for the period from 13 May 2008 to 31 January 2009 are set out on page 8. The members believe that these results appropriately reflect the LLP's start up status during the period. Subsequent to 31 January 2009 the LLP has been awarded its second large contract, which commenced on 1 December 2009.

#### **Key performance indicators ("KPIs")**

No KPIs are shown here as the LLP had not started trading during the period under review.

#### **Financial risk management objectives and policies**

The members do not consider that the LLP is exposed to significant credit risk due to the nature and size of the contracts. Further, the key customer is a successful NHS Foundation Trust and a member of the LLP.

The LLP has received start up funding from the members and has no other significant borrowings. The members, therefore, do not consider that the LLP is exposed to major interest rate or liquidity risk.

#### **Interest rate risk**

The LLP's exposure to market risk arising from changes in interest rates relates primarily to the start up funding received from each of its members. As at 31 January 2009, the LLP had drawn down a total of £5m from its members from a maximum facility of £7m. Interest is paid on the members' loans at 2% above LIBOR relating to three month deposits. There are no other significant borrowings and so there is minimal interest rate risk to the members.

#### **Credit risk**

The LLP's principal financial assets are cash and cash equivalents and amounts due from customers, mainly Guy's and St Thomas's NHS Foundation Trust.

The LLP trades with only its designated members and recognised, creditworthy third parties. It is the LLP's policy that as may be deemed appropriate, clients are subject to credit vetting procedures. During the accounting period, the LLP had one public sector customer. Since the period end, the LLP has been awarded a further large pathology contract with another public sector customer.

#### **Liquidity risk**

The LLP's objective is to maintain a balance between continuity of funding and flexibility through the use of working capital and members' loans.

## **GSTS PATHOLOGY LLP**

### **MEMBERS' REPORT (CONTINUED)**

**For the period from 13 May 2008 to 31 January 2009**

#### **Going concern disclosure**

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

The financial position of the LLP is shown on the balance sheet on page 9. In addition the members' report includes the LLP's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk. The LLP has considerable financial resources together with a long-term contract with its principal customer and suppliers. As a consequence, the members believe that the LLP is well placed to manage its business risks and continue as a going concern successfully despite the current uncertain economic outlook.

The members have a reasonable expectation that the 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.

#### **Designated members**

The designated members during the period since incorporation and to the date of this report were as follows:

The designated members on incorporation on 13 May 2008 were Serco Holdings Limited (99.99%) and Serco Limited (0.01%)

On 22 December 2008 Serco Holdings Limited transferred its 99.99% share in the LLP to Guy's and St Thomas's NHS Foundation Trust.

On 28 January 2009 Guy's and St Thomas's NHS Foundation Trust sold its 99.99% share in the LLP to Pathology Services Limited (registered number 6593374).

On 28 January 2009, Guy's and St Thomas's NHS Foundation Trust contributed tangible fixed assets to the value of £2,221,498 to the LLP. This value was added to the member's capital.

On 1 February 2009 Pathology Services Limited transferred a 49.99% share in the LLP to Serco Limited (registered number 00242246).

The designated members Pathology Services Limited and Serco Limited each currently control 50% of the LLP, subject to various reserved matters in the members' agreement.

#### **Members' drawings and capital**

The level and timing of drawings is decided by the LLP's Operating Board after taking into account the LLP's cash requirements for operating and investment activities. Unallocated profits are shown in "other reserves". The level of members' capital is defined in the members' agreement.

#### **Equal opportunities policy**

It is the policy of the LLP to provide equal opportunities in all areas of its employment including recruitment, education, training, promotion, transfer and terms and conditions of employment.

There shall be no discrimination on the grounds of colour, race, nationality, ethnic or national origin, religion, social background, marital status, sex, sexuality, actual or perceived AIDS/HIV status or perceived association with a HIV positive person, age or disability. 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.

## **GSTS PATHOLOGY LLP**

### **MEMBERS' REPORT (CONTINUED)**

**For the period from 13 May 2008 to 31 January 2009**

#### **Equal opportunities policy (continued)**

Where appropriate as determined by monitoring procedures, lawful positive action, training and encouragement will be considered in areas where particular groups are under-represented to make this policy fully effective.

The policy is in accordance with relevant legislation.

#### **Employee consultation**

The LLP 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 the LLP's strategy, performance and market successes; and
- Training and development programmes for employees designed to ensure employees' continuing professional and personal development is in a manner aligned with the LLP's business needs.

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 or staff associations are recognised or where works councils are constituted.

#### **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.

#### **Supplier payment policy**

The LLP negotiates and agrees the terms and conditions of payment for the supply of capital and revenue items just as keenly as they negotiate prices and other commercial matters. Suppliers are made aware of the agreed terms and the way in which disputes are settled. Payment is then made in accordance with these terms.

#### **Charitable and political contributions**

Charitable donations to national and local UK charities totalling £nil were made during the period. There were no political contributions made by the LLP.

#### **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 (LLP) Regulations 2001 made under the Limited Liability Partnerships Act 2000 requires 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 and required under Article 4 of the IAS Regulation. The financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985. The financial statements are required by law to give a true and fair view of the state of affairs of the LLP and of the profit or loss of the LLP for that period. In preparing these financial statements, the members are required to:

## GSTS PATHOLOGY LLP

### MEMBERS' REPORT (CONTINUED)

For the period from 13 May 2008 to 31 January 2009

#### Statement of members' responsibilities (continued)

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, [subject to any material departures disclosed and explained in the financial statements]; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The members are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that the financial statements comply with the Companies Act 1985, as applicable to LLP's. They are also responsible for safeguarding the assets of the LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### Independent auditors

Deloitte LLP were appointed as auditors on 18 December 2009 for the audit of the statutory financial statements of the LLP for the period from 13 May 2008 to 31 January 2009.

Approved and signed on its behalf of the members:



Designated Member  
London, United Kingdom  
Date: 28.01.10

## **GSTS PATHOLOGY LLP**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GSTS PATHOLOGY LLP**

We have audited the financial statements of GSTS Pathology LLP for the period from 13 May 2008 to 31 January 2009 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 10. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the LLP's members, as a body, in accordance with section 235 of the Companies Act 1985, as applicable to limited liability partnerships. Our audit work has been undertaken so that we might state to the LLP's members those matters we are required to state to them in an auditors' 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 LLP and the LLP's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of members and auditors**

The members' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Members' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, as applicable to limited liability partnerships. We also report to you if, in our opinion, the LLP has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report as described in the contents section. This other information comprises only the Members' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the members in the preparation of the financial statements and of whether the accounting policies are appropriate to the LLP's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the LLP's affairs as at 31 January 2009 and of its loss for the period then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985, as applicable to limited liability partnerships.

*Deloitte LLP*

Deloitte LLP  
Chartered Accountants and Registered Auditors  
London, United Kingdom  
Date: 28 JANUARY 2010



# GSTS PATHOLOGY LLP

## INCOME STATEMENT

For the period from 13 May 2008 to 31 January 2009

	Notes	Period from 13 May 2008 to 31 January 2009 £'000
Turnover	1, 2	-
Cost of sales		-
<b>Gross profit</b>		-
Administrative expenses		(1,468)
<b>Loss for the financial period available for discretionary division among members</b>	6	<b>(1,468)</b>

All activities are derived from continuing operations.

The LLP has no recognised gains or losses other than the results for the period as set out above.

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

**GSTS PATHOLOGY LLP**

**BALANCE SHEET**

**As at 31 January 2009**

	Notes	2009 £'000
<b>Fixed assets</b>		
Property, plant and equipment	4	2,221
<b>Current assets</b>		
Debtors – amounts falling due within one year	5	720
– amounts falling due after more than one year	5	1,798
Cash at bank		1,014
		<b>3,532</b>
<b>Creditors: amounts falling due within one year</b>		-
<b>Net current assets</b>		<b>3,532</b>
<b>NET ASSETS ATTRIBUTABLE TO MEMBERS</b>		<b>5,753</b>
<b>REPRESENTED BY:</b>		
Loans and other debts due to members		5,000
Other reserves	6	753
<b>TOTAL MEMBERS' INTERESTS</b>		<b>5,753</b>

The accompanying notes are an integral part of this balance sheet.

The financial statements were approved by the members on 28 January 2010 and signed on their behalf by:



Designated member

**GSTS PATHOLOGY LLP**

**CASH FLOW STATEMENT**

**For the period ended 31 January 2009**

	Notes	Period from 13 May 2008 to 31 January 2009 £'000
<b>Net cash from operating activities</b>	7	(3,986)
<hr/>		
<b>Financing activities</b>		
Loans from members	8	5,000
<b>Net cash from financing activities</b>		<b>5,000</b>
<hr/>		
<b>Net increase in cash and cash equivalents</b>		<b>1,014</b>
Cash and cash equivalents on incorporation		0
<hr/>		
<b>Cash and cash equivalents at end of the period</b>		<b>1,014</b>

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

# **GSTS PATHOLOGY LLP**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the period from 13 May 2008 to 31 January 2009**

### **1. ACCOUNTING POLICIES**

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

#### **Basis of preparation**

The LLP's business activities, together with the factors likely to affect its future development, performance and position, are set out in the members' report.

The financial position of the LLP is shown on the balance sheet on page 8. In addition the members' report includes the LLP's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk. The LLP has considerable financial resources together with a long-term contract with its principal customer. As a consequence, the members believe that the LLP is well placed to manage its business risks and continue as a going concern successfully despite the current uncertain economic outlook.

The members have a reasonable expectation that the 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.

#### **Basis of accounting**

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

The financial statements are presented in Sterling on the historic cost basis and on the basis of the accounting policies presented herein.

#### **Turnover**

Turnover 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 the LLP is the personal liability of the members. Accordingly, no tax charge is included in the income statement.

#### **Members' remuneration**

Remuneration to members that is paid under the LLP agreement, or other payments, which represent a liability of GSTS Pathology LLP not arising from a division of profits, are expensed to the income statement 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.

#### **Tangible fixed assets**

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment.

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 the profit and loss account.

# **GSTS PATHOLOGY LLP**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the period from 13 May 2008 to 31 January 2009**

### **1. ACCOUNTING POLICIES (CONTINUED)**

#### **Depreciation**

Depreciation is provided on all tangible fixed assets on a straight-line basis at rates, which reduce the assets to their residual value over their estimated useful lives.

The principal annual rates used are:

Machinery	15% - 20%
Office equipment	20%-33%

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash 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.

#### **Loans due to members**

Loans are initially stated at the amount of the net proceeds and subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

#### **Critical accounting estimates and key sources of estimation**

In the process of applying the groups accounting policies which are described in note 2 management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

##### *Pre-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 costs incurred after this point are then capitalised within debtors as amounts recoverable on contracts. On contract award these bid costs are amortised through the income statement on a straight-line basis over the contract period. Detailed contract forecasts have been prepared to determine whether the assets are recoverable. The members are confident that the carrying amount of the assets will be recovered in full.

### **2. REVENUE**

The revenue of the LLP is principally derived from the provision of pathology services to the Guy's and St Thomas's NHS Foundation Trust.

### **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.

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

## GSTS PATHOLOGY LLP

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 13 May 2008 to 31 January 2009

#### 4. TANGIBLE FIXED ASSETS

The assets of the LLP were all acquired from Guy's and St Thomas's NHS Foundation Trust on 28 January 2009 at a cost of £2,221,498. They comprise machinery and equipment. There was no depreciation between the date of acquisition and the end of the period.

#### 5. DEBTORS

a) Amounts falling due within one year:

	2009 £'000
Amounts recoverable on contracts	200
Other debtors	520
<b>Balance at 31 January 2009</b>	<b>720</b>

b) Amounts falling due after more than one year:

	2009 £'000
Amounts recoverable on contracts	1,798
<b>Balance at 31 January 2009</b>	<b>1,798</b>

Amounts recoverable on contracts relates to pre-contract costs capitalised in line with the accounting policy set out in note 1.

#### 6. OTHER RESERVES

	2009 £'000
On incorporation	-
Loss for the financial period available for discretionary division among members	(1,468)
Members' capital contributed – Guy's and St Thomas's NHS Foundation Trust	2,221
<b>Balance at 31 January 2009</b>	<b>753</b>

#### 7. NET CASH FROM OPERATING ACTIVITIES

	Period from 13 May 2008 to 31 January 2009 £'000
Loss for the financial period available for discretionary division among members	(1,468)
Increase in receivables	(2,518)
<b>Net cash from operating activities</b>	<b>(3,986)</b>

## GSTS PATHOLOGY LLP

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 13 May 2008 to 31 January 2009

#### 8. RELATED PARTY TRANSACTIONS

During the period the LLP entered into transactions with Guy's and St Thomas's NHS Foundation Trust and Serco Limited. Pathology Services Limited is an indirectly wholly owned subsidiary of Guy's and St Thomas's NHS Foundation Trust and along with Serco Limited are related parties as each owns 50% of the LLP.

##### Trading transactions:

On 28 January 2009, Guy's and St Thomas's NHS Foundation Trust sold tangible fixed assets to the value of £2,221,498 to the LLP. This value was added to the member's capital.

On 28 January 2009, Guy's and St Thomas's NHS Foundation Trust invoiced the LLP bid and set up costs incurred on the LLP's behalf totalling £1,194,269. Bid and set up costs were expensed through the income statement in full in the period.

On 31 January 2009, Serco Limited invoiced the LLP set up costs totalling £274,664 and bid costs incurred on the LLP's behalf totalling £1,997,736. Set up costs were expensed through the income statement in full in the period. Bid costs were capitalised within debtors as amounts recoverable on contracts in line with the accounting policy set out in note 1.

On 31 January 2009 the LLP drew down loans of £2,500,000 from each of Guy's and St Thomas's NHS Foundation Trust and Serco Limited and used these funds to settle the set up and bid costs invoiced by the members.

#### 9. FINANCIAL ASSETS AND LIABILITIES

The following information is provided in accordance with the requirements of IFRS 7, "Financial Instruments Disclosures".

The LLP had the following financial instruments at 31 January.

	2009 £'000
<b>Financial assets – loans and receivables</b>	
Other debtors (note 5)	520
Cash at bank	1,014
<b>Financial liabilities – at amortised cost</b>	
Loans and other debts due to members	(5,000)
<b>Net financial instruments at 31 January</b>	<b>3,466</b>

The maximum exposure to credit risk in relation to financial assets at the reporting date is the carrying value. The group does not hold any collateral as security. The members estimate that the carrying value of financial instruments approximates to their fair value.

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 on page 3 of the members report, under the heading financial risk management objectives and policies.

Interest is paid on the loans due to members at 2% above LIBOR relating to three month deposits. Loans due to members fall due on 1 February 2011.

## **GSTS PATHOLOGY LLP**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the period from 13 May 2008 to 31 January 2009**

#### **10. POST BALANCE SHEET EVENTS**

On 1 February 2009 the LLP was awarded its first contract to provide pathology services to Guy's and St Thomas's NHS Foundation Trust. Certain staff previously employed by Guy's and St Thomas's NHS Foundation Trust involved in the provision of pathology services were transferred to the LLP and trading commenced on that date.

On 1 December 2009 the LLP was awarded a further contract to provide pathology services to Bedford Hospital NHS Trust.