



**Viapath Group LLP
Annual Report and Financial Statements
For the year ended 31 December 2019**



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

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Designated Members and Advisers

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

Banker: HSBC Bank plc
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1 Beadon Road
London
W6 0EA

Auditor: Deloitte LLP
1 New Street Square
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Summary Information**For the year to 31 December 2019****About us**

Since its inception in 2009, Viapath Group LLP ("Viapath") has been a leading UK provider of pathology services to the NHS and private healthcare market. The partnership employs over 1,300 scientists and other employees and provides one of the widest pathology test repertoires and most comprehensive laboratory services 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 35 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 during the year were Serco Ltd, KCH Commercial Services Ltd (KCS) and Pathology Services Ltd (PSL). Serco Ltd, KCS and PSL held an equal share in Viapath Group LLP being one third each. Serco Ltd, KCS and PSL together made up the Members of the Viapath group of consolidated partnerships, 'The Viapath Group LLP'. On the 29th May 2020, KCS and PSL concluded an agreement to purchase Serco's share of the partnership and each became 50% owners, and in the process Serco Ltd's share of Viapath Analytics LLP and Viapath Services LLP were also acquired in equal share by KCS and PSL.

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 2019.

Chairman's Report

For the year to 31 December 2019

2019 was another successful year of delivery for Viapath, exceeding the results achieved in 2018. Overall activity increased by 5% with both core contract and third-party test volumes increasing. As a result, adjusted EBITDA was up 28% from last year at £8.7m. Net profit increased by 8% before bid costs (see below) and revenue grew by 7%.

This growth was achieved despite the backdrop of uncertainty concerning the outcome of the tender for pathology and laboratory services for the South East London Sustainability and Transformation Partnership (SEL STP), which includes the re-tendering of our core contracts which expire in September, 2020.

Our 'patient-first' approach has been at the heart of all our work and has enabled us to exceed our plans in a number of areas, for example:

- The focus on increasing referrals from NHS trusts has continued to deliver results achieving 12% growth over the previous year.
- Revenue generated from new tests grew by 23%, a result, in particular, of growth in genetics-based tests (Breast Cancer Tests, 100K NEGS), the growth of rapid flu tests and increased screening for Candida Auris in Infection Sciences.
- The work with our partners GSTT and KCH generated 7% growth over the prior year.
- The Cost Improvement Programme target of £3.4m was exceeded with actual savings totalling £3.8m, with a notable contribution from the go-live of the first phase of the new core analytical platform at the Denmark Hill site. This was achieved whilst continuing to focus on quality with a further 10 UKAS ISO15189 accreditations achieved, enabling us to hit our target of 18 laboratory accreditations.

Viapath is fundamentally a people business, from our employees in the laboratories and support services through to the patients we serve. We continued to invest in our people with 131 internal training events attended by over 1,000 staff in 2019, and 90 apprenticeship programmes going live covering a variety of disciplines from data analysis to infrastructure management. We also continued to help scientific staff complete their Scientist Training and Higher Specialist Scientist Training programmes.

Our commitment to invest in new technology also continued. Most notably the Blood Transfusion system went live in 2019 marking the completion of a major phase of the Laboratory Information Management Systems (LIMS) improvement project.

With the global focus on COVID-19, Viapath's model of development and investment has ensured it is well positioned to assist the national effort to combat the pandemic. In early 2020 Viapath built up its COVID-19 testing capability substantially, and at one point accounted for 20% of the NHS England testing capacity. I am particularly grateful to colleagues in Virology and the wider team who supported, and continue to support, this enormous and vitally important effort.

A major focus of 2019 was the organisation's participation in the tender for the provision of pathology and laboratory services to the SEL STP. This new tender succeeds Viapath's current contracts, which run to the end of September 2020. The SEL STP announced in January 2020 that Synlab International GmbH (Synlab) had been selected as the preferred bidder for the contract and the respective Boards of the STP approved a full business case in September to award the contract to Synlab, and commenced the standstill period on 23 September. However, this new contract will still be provided through Viapath but with Synlab replacing Serco Ltd as the third member of the Viapath LLP, alongside Guy's and St Thomas' NHS Foundation Trust and Kings College Hospital NHS Foundation Trust, the ultimate owners of the other two Viapath members, KCH Commercial Services Ltd (KCS) and Pathology Services Ltd (PSL). Synlab are expected to buy into the Viapath Joint Venture in the first half of 2021 at which point the new contracts will come into effect. The Trusts have therefore extended their existing contracts with the Viapath entities for at least twelve months or the point Synlab join the joint venture, whichever is earlier. As a result, it is expected that Viapath, with its new member Synlab, will continue to deliver pathology testing and laboratory services to all of its current customers.

On behalf of the Board I would like to thank Serco for their valuable contribution to the Viapath Group from its inception in 2009, and we look forward to working on the future delivery models for the South East London STP and national healthcare systems as we move into a new era of ownership for Viapath.

Dr David Bennett

Strategic Report

For the year to 31 December 2019

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

Viapath's current contracts to provide pathology and laboratory services to Guy's and St Thomas' NHS Foundation Trust (GSTT) and King's College Hospital NHS Foundation Trust (KCH) run to September 2020. GSTT and KCH are primary parties in the South East London Sustainability and Transformation Programme (SEL STP). The SEL STP initiated a tender process in August 2018 for the renewal of these services.

The tender is worth circa £2bn over 15 years with a five-year extension option. It includes provision of pathology testing and pathology laboratory services to both lead trusts and South London and Maudsley NHS Foundation Trust, Oxleas NHS Foundation Trust and Royal Brompton and Harefield NHS Foundation Trust, as well as GPs across South East London. Viapath put forward a transformation proposal which scored well in many areas, however, in January 2020, it was announced that Synlab had been selected as the preferred bidder.

The SEL STP trust member boards approved the full business case in September to award the contract to Synlab and commenced the standstill period on 23 September 2020. To fulfil the agreed business case Synlab will buy into the Viapath Joint Venture entities. As a result, the GSTT and KCH owned entities that are already members of Viapath purchased the Serco Ltd share of the Viapath Group to allow them freedom to agree the final structure with Synlab. As part of the Serco exit from the joint venture the members agreed after the balance sheet date to make a profit distribution of £2.9m to Serco with the other two members waiving their right to a distribution.

In other key areas, Viapath currently provides both pathology and laboratory services to Bedford Hospital. Following Bedford Hospital NHS Trust's announcement in 2017 that it planned to merge with Luton and Dunstable University Hospital NHS Foundation Trust, notice was given of the intention to move both services under the management of a new combined trust. Viapath has been working with both the previous trusts and the newly formed Bedfordshire Hospitals NHS Foundation Trust to ensure the continuation of services for the benefit of patients. To ensure the safe transition of the service, particularly in view of the challenges presented by the COVID-19 pandemic, Viapath agreed an extension of the contracts to June 2020.

Moreover, Viapath continues to service a significant number of third-party customers and has proactively sought opportunities to expand its customer base. During 2019 Viapath provided a referral service to a total of 185 NHS organisations, as well as many private healthcare providers. In addition, Viapath provided an international referral service particularly to the Irish health system as well as to healthcare providers as far afield as Nigeria.

Brexit Impact

Brexit dominated the political landscape of 2019 and presented uncertainty around potential disruption to Viapath's supplier distribution channels. Viapath responded by ensuring the continued availability of products pre, during and post-Brexit. This was achieved by increasing stock levels for higher risk supply chains. There was no impact on the delivery of pathology services.

Viapath also took steps to ensure its non-British EU workforce were aware of what action they needed to take to remain in the UK after Brexit by signposting EU Settlement scheme information and funding EU Settlement Status claims.

COVID-19

After the end of the reported year the COVID-19 pandemic struck the world. As a result, most elective procedures in the UK NHS were suspended resulting in a substantial reduction in the volume of tests Viapath would usually perform. However, as the largest independent pathology provider to NHS England, Viapath has been at the forefront of building testing capacity to meet the needs of the healthcare system, at one-point accounting for 20% of the entire NHS England testing capacity. Within Viapath the outbreak resulted in a large number of staff requiring to self-isolate and with many working remotely where possible. All of this disruption, has been effectively managed with no impact on patients, as is outlined in more detail under the business risk review on page 9-10.

Year End Results

The results for the year ended 31 December 2019 are shown in the primary statements from page 18 to 20, while the notes supporting the statements are shown from page 21. 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:

	2019	2018
Revenue (£ '000)	130,457	122,028
Operating profit for the financial year (£ '000)	2,911	2,798
Adjusted like for like EBITDA (£ '000) (see note 5)	8,691	7,060
Total assets (£ '000)	61,752	47,355
Gross Profit percentage	28.6%	27.1%
Return on capital employed (Operating Profit/total Assets)	4.7%	5.9%

Revenue in 2019 increased by 7% compared to prior year revenue. The increase is attributable to volume growth from Guy's and St Thomas' NHS Foundation Trust and King's College Hospital NHS Foundation Trust, price increases at least partially reflecting inflation, and increased growth in third-party customers and newly developed tests. The return on capital employed has fallen in 2019 due to the large increase in assets. This increase is the result of both the impact of IFRS 16, recognising additional 'right-of-use' assets on the balance sheet, and to a lesser extent from the increase in trade receivables outstanding at the end of the year.

Capital Expenditure

The Blood Transfusion project went live in 2019 which marked the completion of a major phase of the Laboratory Information Management Systems (LIMS) improvement project. The Virology Interface System (VIS) replacement project which commenced in 2018 to deliver a single centralised system to manage workflow from and to the LIMS, continued through 2019. The business continued investing in lab equipment and utilised the entire capital envelope of £1.4m to both replace current and invest in new assets.

Staff

Staff turnover in the 12 months to 31 December 2019 increased to 21.09% (2018 16.32%). The increase results from the transfer of Gynaecologic Cytology services to other providers which led to several TUPE transfers. In addition, the imminent end of the Bedford contract has resulted in an increased level of resignations of staff based at that site.

Adjusted EBITDA

The partnership uses Adjusted Earnings Before Interest, Tax, Depreciation, Amortisation, (EBITDA), Impairment and costs associated with bidding for the SEL STP contracts to give a true representation of the underlying performance. The Adjusted EBITDA is reconciled to Operating Profit in note 5.

Section 172 Statement

The Members are aware of their duties under Section 172 which outlines their responsibility to promote the success of the company for the benefits of its stakeholders and employees, and in doing so have regard (amongst other matters) to:

a) The likely consequences of any decision in the long term

The driving force behind any long-term decision at Viapath is strongly rooted in the patient pathway. The business review and business changes outlined on page 6, detail Viapath's assessment of its current and future challenges.

b) The interests of the company's employees

Viapath's workforce are a fundamental asset to the organisation and as such its learning and development is key to delivering a high quality and relevant services. In 2019 alone 1,011 delegates attended training events including, scientist training programmes, higher specialist scientist training programmes customer awareness sessions and ICT Upskilling.

c) The need to foster the company's business relationships with suppliers, customers and others

Viapath has a dedicated purchasing and supply chain department which is a function of Viapath Services LLP. They are responsible for supplier selection, efficiency and effective processes, sustainability in the supply chain and maintaining positive relationships with suppliers. As previously noted, this relationship was critical when mitigating the potential operational risks of Brexit. Viapath's key customers are GSTT and KCH, and there a number of third-party customers including clinicians, specialist commissioners and GPs. The contribution from these customers is detailed in the primary statements.

d) The impact of the company's operations on the community and the environment

It is widely recognised that there is a need to reduce the amount of carbon emissions produced by businesses, Viapath have actively sought opportunities to reduce pollution in London and the South East. From April 2019, Viapath and GSTT, together with its logistics partner City Sprint, rolled out a transition from motorbikes to cycle cargo bikes for the delivery of blood samples and other items for testing between hospital sites. The switch to a clean and sustainable mode of transport has prevented roughly 2 tonnes of carbon being released into the atmosphere over the trial period alone. The cost per delivery is marginally higher with a cargo bike than a motorbike. However, because the project brings substantial benefits, Viapath has agreed to absorb the cost by making other efficiencies, and there is an expectation the cost will fall as the adoption of cargo bikes is scaled up for other collection routes.

e) The desirability of the company maintaining a reputation for high standards of business conduct,

Viapath has an effective governance system that ensures accountability and provides internal and external assurance through reliable and relevant evidence. The Corporate Governance section below provides an overview of the assurance from Bench to Board.

f) The need to act fairly as between Members of the company.

Viapath maintains an ethical culture and environment to underpin the business values. High standards of behaviour, employee engagement and empowerment with accountability is maintained to allow excellence in our services to flourish.

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.

The business changes, linked to the outcome of the SEL STP tender, are expected to result in the creation of a laboratory Hub with some services remaining on customer sites to meet the needs of the clinical process. Such a model would enable the provision of further service enhancements for the benefit of its customers' patients as well as enabling efficiency improvements, thus enhancing the future operating model.

In line with the additional guidance provided by the Financial Reporting Council, Viapath has considered the specific impacts that the COVID-19 pandemic may cause the business.

1. **Interruptions of production** – whilst there are some limitations to availability of reagents and other consumables, as the pathology provider to two of London's teaching hospitals and being an integral part of the national testing system, Viapath is well placed to continue to receive supplies.
2. **Supply chain disruptions** – with long standing relationships with a diversified supply chain and as part of the national testing system together with the support of its NHS Trust customers Viapath is well placed to continue to receive essential supplies.
3. **Unavailability of personnel** – self-isolation levels at their peak have been high, however Viapath has sufficient resource using shifts and locums to continue to provide the services to its customers. In addition, the entire health system has shifted demand to balance the capacity of the system.
4. **Reductions in sales, earnings, or productivity** – In view of the COVID-19 pandemic Viapath's three largest customers who account for the bulk of the revenue, GSTT, KCH, and Bedfordshire NHS Foundation Trust agreed block funding during from April to July 2020, with GSTT and KCH continuing to provide block funding until testing volumes generate a higher than block value. This results in c85%+ of revenue being entirely secure during this period. In addition, as a major provider of COVID-19 testing Viapath has the ability to generate significant revenues from the supply of these tests. As part of the NHS pathology system Viapath has been successfully working with NHS England and the many NHS trust customers to ensure the reduced demand for referral services during this period is supported to maintain the service to meet the long term requirements of the healthcare system.
5. **Closure of facilities and stores** – Viapath is continuing to operate during the period of disruption and has no expectation of needing to permanently close any facilities.
6. **Inability to raise financing** – finance has been provided with an agreed loan extension from GSTT and KCH and Viapath does not expect to require any additional financing. Viapath has also been assured by both GSTT and KCH that they would be likely to agree to additional financing should it be required.

COVID-19 significantly reduced the volume of tests performed during the initial period of the pandemic. However, the NHS system has already returned to around 80% of the pre-COVID level of services. As stated above, since the pandemic has disrupted the entire national healthcare system, Viapath reached an agreement for 85% of its revenue to be fixed during the most affected period. The balance of the revenue which is generated from national and international specialist referrals has been adversely impacted. However, this volume shortfall was partly offset by fixed support from some NHS trust customers and more recently from the level of COVID-19 testing. As a key part of the NHS system Viapath is expected therefore, to at least break-even, during 2020, with a modest net cash outflow reflecting the timing of creditor payments, but with the potential to improve on this position should normal volumes resume and a high level of COVID-19 testing be sustained for the majority of the year.

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 2019, Viapath had drawn down loans totalling £14.271m. Of that balance, £5.500m was repaid in 2017 and a further £2.540m was repaid in 2018. The Members have agreed to defer the loans due in 2018 and 2019 whilst the SELSTP tender process was underway. Therefore, no repayments were required in 2019.

The loans outstanding represent cash loans repayable to GSTT (£1.230m), KCH (£1.675m) and Serco (£1.230m). At the date of signing the accounts the Serco loan has been repaid and both GSTT and KCH have both agreed to defer their loan repayments in view of the COVID-19 pandemic. The remaining £2.096m relates to non-cash stock that will be transferred back to Members at the cessation of its laboratory contracts. 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 2019 the debtor balances resulting from third party sales increased. The debtor balance with third party customers remains above the contractual terms since most of these customers are NHS organisations and, in line with the macroeconomic environment some of these customers have significant financial challenges. 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 large majority of receivables are independently regulated by NHS Improvement and are largely government funded. Furthermore, the largest two customers are part-owners of Viapath.

As the vast majority of Viapath's customers are NHS trusts the COVID-19 pandemic is not expected to result in a significant credit risk. Money has been provided to NHS trusts to continue to operate and to combat the virus, in addition they have been given instructions from both NHS England and the Cabinet Office to ensure suppliers are paid promptly.

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

Liquidity risk

Viapath has received funding from its Members and has no other 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 bid process put additional pressure on the cash flow of Viapath and so KCH agreed to defer the loans due in 2018 and all three members deferred the loans due in 2019. As the current remaining members of the partnership both GSTT and KCH have provided reassurance that they would be open to considering providing additional financing should this be required. The Members, therefore, do not consider that Viapath is exposed to significant liquidity risk.

Going concern

In assessing Viapath's ability to continue to trade as a going concern, the directors considered the outcome of the conclusion of the SEL STP procurement process together with the impact of the COVID-19 pandemic.

The SEL STP announced in January 2020 that Synlab has been selected as the preferred bidder for the contract and the respective Boards of the STP approved the final business case in September to award the contract to Synlab, and commenced the standstill period on 23 September. As part of this process the two foundation trusts, who ultimately own the members KCS and PSL, have purchased the Serco Ltd share of Viapath Group LLP, Viapath Analytics LLP and Viapath Services LLP. This will allow Guy's and St Thomas' NHS Foundation Trust and Kings College Hospital NHS Foundation Trust the freedom to finalise an agreement with Synlab to buy into the Viapath Group and thus fulfil the delivery of the SEL STP contract through the Viapath Group. As a result, Viapath, with its new member Synlab, will continue to deliver pathology testing and pathology laboratory services. Synlab are expected to buy into the Viapath Joint Venture in the first half of 2021 at which point the new contracts will come into effect. The trusts have therefore extended their existing contracts with the Viapath entities for at least twelve months or the point Synlab join the joint venture, whichever is earlier.

The financial position of Viapath is shown on the statement of financial position on page 19 and its cash flows are described in the statement of cash flows on page 21 of the financial statements. The liquidity and financial risk are described above and in addition, note 1 of the financial statements provides details of Viapath's objectives, policies and processes for managing its capital and details of its financial instruments.

The Members are the primary suppliers of funding to the business via initial loans totalling £14.961m. £2.540m of repayments were made to Members against these loans during 2018, with a total of £8.040m repaid to the end of 2019. In 2019, the Members agreed to defer further loan repayments to ensure enough funding is available to support the response to the SEL STP tender. Following the outcome of the SEL STP tender and the agreement for Serco to leave the joint venture, their loan has been repaid, with both GSTT and KCH agreeing to retain their loans within Viapath to provide liquidity during the COVID-19 pandemic and prior to agreeing a final position with Synlab.

Management is committed to maintaining focus on driving financial and operational improvement in the period during which its ownership will change.

Viapath anticipates that current business affairs will continue, with Synlab as a member, for the length of the new contracts, being a minimum of 15 years with a 5 year extension option. Given the nature of the business, pathology services are an important part of the patient pathway and therefore must continue to meet the customer need. Viapath's current financial condition is sufficient to meet unconditional or conditional obligations should they arise. Viapath's debt ratio of 80% indicates Viapath has more assets than debt therefore has a low risk level.

All factors considered, Viapath Group LLP is expected to continue to trade having fully assessed the expected impact of COVID-19 as outlined on pages 10-11, with revenue provided through a combination of fixed block arrangements and COVID-19 testing offsetting the shortfall in the normal repertoire of specialist referrals. With a high level of certainty with regard to revenue and an agreement to adjust the pricing from the end of the current contracts at the end of September 2020, Viapath will be able to generate the income it needs to meet its expected requirements. Although the new contracts are yet to be finalised, the agreed model is one that continues to be delivered by Viapath, albeit with a different private member of the joint venture. The Members therefore have a reasonable expectation that Viapath has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing the report and financial statements.

Corporate governance

Overview

The Viapath Group LLP governance structure during 2019 consisted of the Viapath Group LLP Board and five committees of the Board: The Audit Committee; the Remuneration Committee; the Operations and Quality Committee; the Finance and Investment Committee and the Bid Oversight Committee.

Viapath Group LLP Board

The Viapath Group LLP Board (the 'Board') oversees the strategic direction of the business, 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.

The Members are not aware of any relevant audit information that has been withheld from Viapath's external auditors 'Deloitte', and have taken all necessary steps to ensure all information has been passed on to the external auditors where possible. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006. Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

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 an independent Non-Executive Director of Viapath and attendees represent each of the Members. The Viapath Company Secretary also attends.

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.

Operations and Quality Committee

This committee was established during 2018 and subsumed the previous Governance, Risk and Quality Assurance Committee. This is now a standing committee of the Board. It ensures that Viapath

has the appropriate framework, processes and systems to effectively monitor performance management of its business operations including its obligations under its core customer contracts. It provides the Board with assurance regarding quality, non-commercial risk (including Health & Safety), clinical governance, and compliance with statutory and regulatory accreditation and inspection requirements and also considers commercial decisions which have or are expected to have an impact on performance. This meeting is chaired by a medically qualified independent Non-Executive Director. Viapath legal representation 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 of 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.

Bid Oversight Committee

The Bid Oversight Committee was established in December 2018 and ran to November 2019 and was a committee of the Board. It supported the Board through detailed review and oversight of Viapath's response to the tender submission from the SEL STP. The meeting was chaired by the Serco representative Member and comprised of representatives from each other Member along with Viapath's CEO and CFO. The Viapath Company Secretary also attends.

Chairman, Chief Executive Officer, and Chief Financial 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). Clive Mosey appointed 20 November 2017, is the Chief Financial Officer (CFO).

Approved on behalf of the Members by:



Martin Shaw, Chief Financial Officer, Guy's and St Thomas' NHS Foundation Trust
Dated: 08 October 2020

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.

The Members are not aware of any relevant audit information that has been withheld from Viapath's external auditors 'Deloitte', and have taken all necessary steps to ensure all information has been passed on to the external auditors where possible.

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 of Viapath Group LLP (the 'parent limited liability partnership') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent limited liability partnership's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- the group 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 in accordance with IFRSs 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 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; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent limited liability partnership financial statements, as applied in accordance with 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 group 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 Financial Reporting Council's (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 group's or the parent limited liability partnership 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.

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, except to the extent otherwise explicitly stated in our report, 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 group'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 directors either intend to liquidate the group or 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

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.

Jon Young FCA
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
08 October 2020

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

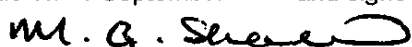
		2019	2019	2018	2018
		Consolidated	LLP	Consolidated	LLP
Continuing Operations	Notes	£ '000	£ '000	£ '000	£ '000
Revenue	3	130,457	12,713	122,028	13,591
Cost of Sales		(93,178)	(7,552)	(88,922)	(7,954)
Gross Profit		37,279	5,161	33,106	5,637
Administrative Expenses		(22,312)	(2,530)	(26,755)	(3,522)
Bid Costs	5	(3,036)	(247)	(420)	-
EBITDA		11,931	2,384	5,931	2,115
Depreciation and Amortisation	8,9,19	(9,020)	(500)	(3,133)	(77)
Finance costs	7	(518)	(211)	(311)	(293)
Operating profit for the year available from continued operations		2,393	1,673	2,487	1,745
Other Comprehensive Income					
Actuarial Gain on Defined Benefit Pension Scheme	21	168	168	892	892
Total comprehensive income for the year attributable to Members		2,561	1,841	3,379	2,637

Profit for the year is from continued operations.

STATEMENT OF FINANCIAL POSITION**As at 31 December 2019**

		2019	2019	2018	2018
		Consolidated	LLP	Consolidated	LLP
	Notes	£ '000	£ '000	£ '000	£ '000
Non-current assets					
Intangible Assets	8	8,924	415	9,187	479
Property, plant and equipment	9	4,393	-	4,585	-
Right-of-use Assets	19	5,048	1,462	-	-
Other long-term receivables	10	1,060	1,060	892	892
Total non-current assets		19,425	2,937	14,664	1,371
Current assets					
Inventories	11	4,592	-	4,246	-
Trade and other receivables	10	25,092	37,562	22,416	33,184
Cash and cash equivalents	12	12,643	908	6,029	608
Total Current Assets		42,327	38,470	32,691	33,792
Total Assets		61,752	41,407	47,355	35,163
Equity and liabilities					
Equity attributable to Members					
Members' capital	15	3,331	3,331	3,331	3,331
Other reserves	15	9,078	4,806	6,517	2,965
Total Equity		12,409	8,137	9,848	6,296
Current liabilities					
Provisions	14	1,312	163	1,023	87
Loans and other debts due to Members	13	6,921	6,231	2,460	2,460
Current Lease Liabilities	19	1,850	366	-	-
Trade and other payables	13	36,061	8,706	29,563	7,350
Total current liabilities		46,144	15,466	33,046	9,897
Non-current liabilities					
Loans and other debts due to Members	13	-	-	4,461	3,771
Non-current Lease Liabilities	19	3,198	1,098	-	-
Trade and other payables	13	-	16,708	-	15,199
Total non-current liabilities		3,198	17,806	4,461	18,970
Total liabilities		49,342	33,272	37,507	28,867
Total equity and liabilities		61,752	41,407	47,355	35,163

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 2019. 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 30 September 2020 and signed on the Members' behalf by:



Martin Shaw, Chief Financial Officer, Guy's and St Thomas' NHS Foundation Trust
Dated: 08 October 2020

STATEMENT OF CHANGES IN EQUITY
For the period ended 31 December 2019

Consolidated

	Notes	Members' capital £000	Other reserves £000	Total £000
Balance at 1 January 2018		3,331	3,138	6,469
Total comprehensive income 2018	15	-	3,379	3,379
Balance at 1 January 2019		3,331	6,517	9,848
Total comprehensive income 2019	15	-	2,393	2,393
Total other comprehensive income 2019		-	168	168
Balance at 31 December 2019		3,331	9,078	12,409

Viapath Group LLP

	Notes	Members' capital £000	Other reserves £000	Total £000
Balance at 1 January 2018		3,331	328	3,659
Total comprehensive income 2018	15	-	2,637	2,637
Balance at 1 January 2019		3,331	2,965	6,296
Total comprehensive income 2019	15	-	1,673	1,673
Total other comprehensive income 2019		-	168	168
Balance at 31 December 2019		3,331	4,806	8,137

STATEMENT OF CASH FLOWS
For the period ended 31 December 2019

	Notes	Consolidated 2019 £ '000	Consolidated 2018 £ '000
Cash flow from operating activities			
Profit for the period		2,393	2,487
Other finance charges	7	349	17
Amortisation	8	1,582	1,646
Depreciation	9	1,486	1,488
Depreciation on Right-of-use Assets	19	5,952	-
Interest Charge	7	169	294
Intangible Impairment	8	-	211
Intangible Disposals	8	-	40
Property, plant and equipment disposals	9	5	16
Increase/(decrease) in total provisions	14	289	(87)
(Increase) in inventories	11	(346)	(199)
(Increase)/Decrease in receivables	10	(2,675)	2,194
Increase/(Decrease) in payables	13	6,498	(1,047)
Net cash from operating activities		15,702	7,060
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(1,299)	(1,430)
Investment in intangibles	8	(1,319)	(1,196)
Net cash used in investing activities		(2,618)	(2,626)
Cash flows from financing activities			
Loans repaid to Members	15	-	(2,540)
Interest paid to Members	7	(169)	(330)
Repayment of borrowings and leasing liabilities	19	(5,952)	-
Other finance charges	7	(349)	(17)
Net cash used in financing activities		(6,470)	(2,887)
Net increase in cash and cash equivalents		6,614	1,547
Cash and cash equivalents at beginning of year		6,029	4,482
Cash and cash equivalents at end of the year		12,643	6,029

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

In assessing Viapath's ability to continue to trade as a going concern, the directors considered the outcome of the conclusion of the SEL STP procurement process together with the impact of the COVID-19 pandemic.

The SEL STP announced in January 2020 that Synlab has been selected as the preferred bidder for the contract and the respective Boards of the STP approved the final business case in September to award the contract to Synlab, and commenced the standstill period on 23 September. As part of this process the two foundation trusts, who ultimately own the members KCS and PSL, have purchased the Serco Ltd share of Viapath Group LLP, Viapath Analytics LLP and Viapath Services LLP. This will allow Guy's and St Thomas' NHS Foundation Trust and Kings College Hospital NHS Foundation Trust the freedom to finalise an agreement with Synlab to buy into the Viapath Group and thus fulfil the delivery of the SEL STP contract through the Viapath Group. As a result, Viapath, with its new member Synlab, will continue to deliver pathology testing and pathology laboratory services. Synlab are expected to buy into the Viapath Joint Venture in the first half of 2021 at which point the new contracts will come into effect. The trusts have therefore extended their existing contracts with the Viapath entities for at least twelve months or the point Synlab join the joint venture, whichever is earlier.

The financial position of Viapath is shown on the statement of financial position on page 19 and its cash flows are described in the statement of cash flows on page 21 of the financial statements. The liquidity and financial risk are described above and in addition, note 1 of the financial statements provides details of Viapath's objectives, policies and processes for managing its capital and details of its financial instruments.

The Members are the primary suppliers of funding to the business via initial loans totalling £14.961m. £2.540m of repayments were made to Members against these loans during 2018, with a total of £8.040m repaid to the end of 2019. In 2019, the Members agreed to defer further loan repayments to ensure enough funding is available to support the response to the SEL STP tender. Following the outcome of the SEL STP tender and the agreement for Serco to leave the joint venture, their loan has been repaid, with both GSTT and KCH agreeing to retain their loans within Viapath to provide liquidity during the COVID-19 pandemic and prior to agreeing a final position with Synlab.

Management is committed to maintaining focus on driving financial and operational improvement in the period during which its ownership will change.

Viapath anticipates that current business affairs will continue, with Synlab as a member, for the length of the new contracts, being a minimum of 15 years with a 5 year extension option. Given the nature of the business, pathology services are an important part of the patient pathway and therefore must continue to meet the customer need. Viapath's current financial condition is sufficient to meet unconditional or conditional obligations should they arise. Viapath's debt ratio of 80% indicates Viapath has more assets than debt therefore has a low risk level.

All factors considered, Viapath Group LLP is expected to continue to trade having fully assessed the expected impact of COVID-19 as outlined on pages 9-10, with revenue provided through a combination of fixed block arrangements and COVID-19 testing offsetting the shortfall in the normal repertoire of specialist referrals. With a high level of certainty with regard to revenue and an agreement to adjust the pricing from the end of the current contracts at the end of September 2020, Viapath will be able to generate the income it needs to meet its expected requirements. Although the new contracts are yet to be finalised, the agreed model is one that continues to be delivered by Viapath, albeit with a different private member of the joint venture. The Members therefore have a reasonable expectation that Viapath has adequate resources to continue in operational existence for

the foreseeable future and 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 pound sterling, rounded to the nearest £1,000 on the historical accrued cost basis and adopting the accounting policies presented herein. Viapath's functional currency is the same as the presentational currency – pound sterling.

Adoption of new and revised standards

In the current year, the Group has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019. IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases' and IFRIC 4 'Determining whether an arrangement contains a lease'. The standard is effective for annual periods beginning on or after 1 January 2019. The standard requires lessees to account for most contracts under an on-balance sheet model, with the distinction between operating and finance leases being removed. The standard provides certain exemptions from recognising leases on the balance sheet, including where the asset is of low value or the lease term is 12 months or less. In addition, the standard makes changes to the definition of a lease to focus on, amongst other things, which party has the right to direct the use of the asset.

Under the new standard, the Group will be required to:

Recognise right of use lease assets and lease liabilities on the balance sheet. The right of use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. Liabilities are measured based on the present value of future lease payments over the lease term. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

Recognise depreciation of the right of use lease assets and interest on lease liabilities over the lease term which will have no overall impact on profit before tax over the life of the lease, however the result in any individual year will be impacted and the change in presentation of costs will be material to the Group's key metrics. Under IAS 17, the charge is booked in full to operating profit. Metrics impacted include operating profit, interest, EBITDA, net debt and operating cashflow.

The cash flow statement separately as a financing activity. Operating lease payments under IAS 17 would have been presented as operating cash flows. There will be no overall net cash flow impact.

The Group has concluded that all leasing contracts that meet the definition criteria of under IFRS 16 are subject to the capitalisation in the financial statements.

The Group has elected to transition to the new standard adopting the modified-retrospective approach and consequently the comparatives will not be restated. The modified retrospective approach is a forward-looking computation looking at the impact on any one lease over the remaining term from 1 January 2019. Subject to specific day one adjustments the new Right of Use asset matches the lease liability.

Discount rate assessment

For lease arrangements entered from the effective date of the transition to IFRS 16, the standard requires future lease payments to be discounted using the interest rate implicit in the lease. Where this rate cannot be readily determined the standard provides a practical expedient to use Incremental Borrowing Rate ('IBR'). For the current lease portfolio, the standard requires that, where the modified retrospective transition option is taken, the IBR is used for all leases in place at 1 January 2019. The Group has concluded that it is not possible to determine the rate implicit in its portfolio of leases and so will adopt the IBR rate, the Group uses intercompany borrowing rate as a proxy to the IBR rate as there is no external borrowings. The Standard specifies a discount rate needs to be calculated on a lease by lease basis. However, as a practical expedient, the standard allows an entity to apply an IBR to a portfolio of leases with similar characteristics.

Overall impact

On 31 December 2019 the overall impact of leases and right of use assets and lease liability is £5.048 million onto the balance sheet net of depreciation impact. See Note 19 for the detail of Viapath's Right-of-use Assets and associated liabilities.

Information on the undiscounted amount of the Group's operating lease commitments under IAS 17 'Leases', the current leasing standard, is disclosed in note 15. IFRS 16 will neither have any economic impact on the Group nor any impact on the way the business is run.

Policies applicable from 1 January 2019**The Group as a lessee**

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate Intercompany borrowing rate as a proxy to IBR in the lease. The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

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. Where income is derived from contracts with customers, it is accounted for under IFRS 15. Revenue in respect of goods/services provided is recognised when (or as) performance obligations are satisfied by transferring promised goods/services to the customer and is measured at the amount of the transaction price allocated to those performance obligations.

The main source of income for Viapath is from contracts held with GSTT and KCH. A performance obligation relating to the delivery of pathology tests is generally satisfied over time as tests are performed and the customer receives the results. The delivery of services is substantially the same and has a similar pattern of the transfer. At the end of the year Viapath accrues income related to activity delivered in year, where performance is incomplete.

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 its Head Office building.

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. New

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. Indications of impairment are characterised by factors such as obsolescence or physical damage, asset is idle or held for disposal or the future cash inflows are predicted to be worse than expected.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

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

Leases

Following Viapath's adoption of IFRS 16, Leases are no longer classified as finance or operating leases. Instead, as at 1 January 2019, Viapath will recognise a right of use asset and lease liability even where no transfer of the risks and rewards of ownership takes place. See *IFRS 16 'Leases'* on page 20 for detail on how the standard has been applied.

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 using the expected credit losses (ECL) method as prescribed in IFRS 9 'Financial Instruments'. The ECL calculation is based on a debtor categorisation and ageing matrix which identifies the historical sums credited to specific debtors or categories of debtor and applies that percentage to current levels of debt. The carrying amount of the asset is reduced using an impairment provision account and the amount of the loss is recognised in the income statement within administrative expenses. When a trade receivable is uncollectible, it is written off against the impairment provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses.

Cash and cash equivalents

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

Inventories

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

Financial liabilities

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

Loans due to Members

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

Financial liabilities and equity

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

Pension costs:**i. Defined contribution schemes**

The Legal & General Auto-Enrolment Scheme and Legal & General Stakeholder Scheme are Defined Contribution schemes adopted by Viapath. 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.

ii. Defined benefit scheme

Viapath holds one defined benefit scheme which is closed to new Members. This scheme applies to former NHS employees who were covered by the provisions of the NHS Pension Scheme. Benefits payable and associated costs are accounted for under IAS 39. Further detail is outlined with in Note 20, page 37 of the financial statements.

iii. Accounting valuation

A valuation of the pension scheme was carried out by the appointed actuary under accounting standard IAS19 for the year ending 31st December 2019. In undertaking this actuarial assessment,

the methodology prescribed in IAS 19, along with the specific assumptions around the discount rate is detailed on page 47 of the financial statements.

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.

- The provision for impairment of trade receivables is established using the expected credit losses (ECL) method – see 'Trade Receivables' above.
- The determination of asset's Useful Economic Lives – see 'Intangible Assets' and 'Property, Plant and Equipment' above.

2. OPERATING SEGMENT

The partnership's operations relate to delivering pathology services and laboratory services within the United Kingdom. Viapath operates in a single operating segment. The Board of Directors led by the Chief Executive, is the chief operating decision maker. It is only at this level that revenues are fully reported, and the overall financial and operational performance of the organisation is assessed. The primary mechanism for financial management and control is a detailed management accounts pack which is prepared at an entity and site level. An aggregated summary of this is presented by the Chief Financial Officer to the Board of Directors at each board meeting. As such the LLP does not disclose operating segment information in the financial statements.

3. REVENUE

The revenue of the partnership is principally derived from the provision of pathology services and laboratory 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	LLP	Consolidated	LLP
	2019	2019	2018	2018
	£ '000	£ '000	£ '000	£ '000
Is stated after charging:				
Amortisation of amounts recoverable on contracts	-	-	441	441
Amortisation of intangible assets	1,582	67	1,646	-
Rentals under rental agreements:				
- Land and buildings	639	639	462	-
- Plant and machinery	342	-	702	-
Depreciation on equipment	1,486	-	1,488	29
External Audit Fees	73	73	71	71
Movement in allowance for doubtful debts	144	(139)	(124)	34
Impairment of intangibles	-	-	211	-
Disposals of intangibles	-	-	40	-
Disposals of property, plant and equipment	5	-	16	-
Cost of inventories recognised as an expense	23,115	-	21,455	57

OPERATING PROFIT TO EBITDA RECONCILIATION

	Consolidated	LLP	Consolidated	LLP
	2019	2019	2018	2018
	£ '000	£ '000	£ '000	£ '000
Profit for the year available for discretionary division among Members	2,393	1,884	2,487	1,745
Interest Expense	190	153	311	293
Amortisation of amounts recoverable on contracts	-	-	441	441
Amortisation of intangible assets	1,582	67	1,646	48
Depreciation on equipment	1,486	-	1,488	29
Impairment intangibles	-	-	211	-
Disposals of intangibles	-	-	40	-
Disposals of property, plant and equipment	5	-	16	-
Bid costs	3,036	247	420	-
Like for Like Adjusted EBITDA	8,691	2,409	7,060	2,556
Right-of-use Assets Interest	328	58	-	-
Depreciation on Right-of Use Assets	5,952	434	-	-
Adjusted EBITDA	14,971	2,900	7,060	2,556

Adjusted EBITDA includes adjustments for interest expense, depreciation on equipment, intangible impairment and £3,036k of bid costs relating to the Core contract retender which have been expensed in the year (£247k in 2018). These are not operational costs. 2019 Adjusted EBITDA also includes adjustments associated with the adoption of IFRS 16. These are £5,503k depreciation on Right-of-Use Assets and £328k of implied interest. Comparative figures for the year ended December 31, 2018 are **not** restated to reflect the adoption of IFRS 16 but instead continue to reflect the lessee's accounting policies under IAS 17 Leases as permitted by the standard.

The Actuarial Gain on Defined Benefit scheme of £168k in Viapath Group LLP and Viapath Consolidated accounts is excluded from Adjusted EBITDA.

6. STAFF COSTS

	Consolidated 2019 £ '000	LLP 2019 £ '000	Consolidated 2018 £ '000	LLP 2018 £ '000
Employee costs excluding Members:				
Wages and salaries	53,211	7,087	49,438	6,367
Social security costs	5,316	516	5,064	577
Other pension costs	3,802	183	3,672	256
Total staff costs	62,329	7,786	58,174	7,200

The average numbers of employees were as follows:

	Consolidated 2019 No.	LLP 2019 No.	Consolidated 2018 No.	LLP 2018 No.
Scientific and Operational	1,201	21	1,258	24
Administrative and Clerical	191	94	184	83
Total	1,392	115	1,442	107

7. FINANCE INCOME AND FINANCE COSTS

	Consolidated 2019 £ '000	LLP 2019 £ '000	Consolidated 2018 £ '000	LLP 2018 £ '000
Interest paid to Members	169	143	294	288
Right-of-use asset interest	328	58	-	-
Other	21	10	17	5
Total finance costs	518	211	311	293

8. INTANGIBLE ASSETS

Cost	Consolidated Assets Under Construction £ '000	Consolidated Intangibles £ '000	Consolidated Total £ '000	LLP Assets Under Construction £ '000	LLP Intangibles £ '000	LLP Total £ '000
At 31 December 2018	1,269	21,100	22,369	-	527	527
Additions during the year	786	533	1,319	-	3	3
Transfer	(2,024)	2,024	-	-	-	-
At 31 December 2019	31	23,657	23,688	-	530	530
Accumulated amortisation						
At 31 December 2018	-	(13,182)	(13,182)	-	(48)	(48)
Charge for the year	-	(1,582)	(1,582)	-	(67)	(67)
At 31 December 2019	-	(14,764)	(14,764)	-	(115)	(115)
Net Book Value 31 December 2018	1,269	7,918	9,187	-	479	479
Net Book Value 31 December 2019	31	8,893	8,924	-	415	415

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

9. PROPERTY, PLANT AND EQUIPMENT

	Consolidated	LLP	Consolidated	LLP
	2019	2019	2018	2018
	£ '000	£ '000	£ '000	£ '000
Cost				
At 1 January 2019	16,043	261	14,640	261
Additions during the period	1,299	-	1,430	-
Disposals	(20)	-	(27)	-
At 31 December 2019	17,322	261	16,043	261
Accumulated depreciation				
At 1 January 2019	(11,458)	(261)	(9,981)	(232)
Charge for the period	(1,486)	-	(1,488)	(29)
Disposals	15	-	11	-
At 31 December 2019	(12,929)	(261)	(11,458)	(261)
Net book value as at 31 December 2019	4,393	-	4,585	-

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

	Consolidated	LLP	Consolidated	LLP
	2019	2019	2018	2018
	£ '000	£ '000	£ '000	£ '000
Trade receivables	5,991	109	5,589	227
Allowance for doubtful debts	(1,027)	(2)	(883)	(141)
Total trade receivables	4,964	107	4,706	86
Other amounts recoverable on contracts	-	-	73	73
Amounts owed by Members	16,535	2	13,764	2
Other receivables	358	52	584	37
Amounts owed from HMRC	-	-	-	30
Prepayments and other accrued income	3,235	425	3,289	498
Intercompany debtors	-	36,976	-	32,458
Total receivables falling due within 1 year	25,092	37,562	22,416	33,184

	2019	2019	2018	2018
	£ '000	£ '000	£ '000	£ '000
Analysis of trade receivables:				
Not overdue	2,500	2	2,628	191
30 – 60 days	454	1	523	3
61 – 90 days	469	104	319	-
91 – 120 days	206	1	378	-
Over 120 days	2,362	1	1,741	33
	5,991	109	5,589	227

	2019	2019	2018	2018
	£ '000	£ '000	£ '000	£ '000
Movement in trade receivables impairment provision:				
Balance as at 1 January 2019	883	141	1,007	107
Increase/(Decrease) in impairment provision	144	(139)	(124)	34
Balance as at 31 December 2019	1,027	2	883	141

	2019	2019	2018	2018
	£ '000	£ '000	£ '000	£ '000
Trade and other receivables falling due after one year:				
Pension surplus asset	1,060	1,060	892	892
Total receivables falling due after 1 year	1,060	1,060	892	892

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 24 of these accounts. The Members estimate that the carrying amount of trade receivables approximates to their fair value.

11. INVENTORIES

	Consolidated	LLP	Consolidated	LLP
	2019	2019	2018	2018
	£ '000	£ '000	£ '000	£ '000
Stock ready for use by the business	4,592	-	4,246	-

Inventories represent reagents, stains and other materials consumed in the pathology testing process. Inventories are measured at the lower of cost and net realisable value. No inventories have been pledged as security.

12. CASH AND CASH EQUIVALENTS

	Consolidated	LLP	Consolidated	LLP
	2019	2019	2018	2018
	£ '000	£ '000	£ '000	£ '000
Cash at bank	12,643	908	6,029	608

13. TRADE AND OTHER PAYABLES

	Consolidated	LLP	Consolidated	LLP
	2019	2019	2018	2018
	£ '000	£ '000	£ '000	£ '000
Trade payables	5,879	458	5,073	353
Amounts owed to Members (note 18)	10,064	250	6,457	336
Other taxes and social security	610	630	1,879	429
Accruals	11,634	3,348	8,972	2,735
Deferred income	7,765	-	7,175	-
Amount owed to HMRC	104	217	-	-
Intercompany Creditor	5	3,803	7	3,497
Trade and other payables	36,061	8,706	29,563	7,350
Member loan (note 18)	6,921	6,231	2,460	2,460
Total payables falling due within one year	42,982	14,937	32,023	9,810
	2019	2019	2018	2018
	£ '000	£ '000	£ '000	£ '000
Member loan repayments (note 18)	-	-	4,461	3,771
Intercompany Creditor	-	16,708	-	15,199
Lease Liabilities	5,048	1,404	-	-
Total payables falling due after one year	5,048	18,112	4,461	18,970

14. PROVISIONS

	Consolidated 2019 £ '000	LLP 2019 £ '000	Consolidated 2018 £ '000	LLP 2018 £ '000
Provisions consist of:				
PAYE Underpayments	167	163	139	87
Other	1,173	-	884	-
Total Provisions	1,340	163	1,023	87

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.

15. MEMBERS' INTERESTS**Consolidated**

	Members' capital £ '000	Other reserves £ '000	Cash loans due to Members £ '000	Non-cash loans due to Members £ '000	Total £ '000
Balance at 1 January 2018	3,331	3,138	6,770	2000	15,931
Loans introduced from Members	-	-	-	-	-
Profit for the financial period available for discretionary division among Members	-	2,487	-	-	2,487
Loans paid to Members 2018	-	-	(2,540)	-	(2,540)
Pension Surplus Asset	-	892	-	-	892
Balance at 1 January 2019	3,331	6,517	4,591	2,331	16,770
Loans introduced from Members	-	-	-	-	-
Profit for the financial year available for discretionary division among Members	-	2,393	-	-	2393
Loans paid to Members in 2019	-	-	-	-	-
Pension Surplus Asset	-	168	-	-	168
Balance at 31 December 2019	3,331	9,078	4,591	2,331	19,331

MEMBERS' INTERESTS (continued)**Viapath Group LLP**

	Members' capital £ '000	Other reserves £ '000	Cash loans due to Members £ '000	Non-cash loans due to Members £ '000	Total £ '000
Balance at 1 January 2018	3,331	328	6,770	2,000	12,429
Profit for the financial period available for discretionary division among Members	-	1,745	-	-	1,745
Loan paid to Members in 2018	-	-	(2,540)	-	(2,540)
Pension Surplus Asset	-	892	-	-	892
Balance at 1 January 2019	3,331	2,965	4,230	2,000	12,526
Loans introduced from Members	-	-	-	-	-
Profit for the financial year available for discretionary division among Members	-	1,673	-	-	1,673
Loan paid to Members in 2019	-	-	-	-	-
Actuarial gain on pension asset	-	168	-	-	168
Balance at 31 December 2019	3,331	4,806	4,230	2,000	14,367

16. RELATED PARTY TRANSACTIONS

During the year, as part of its normal business operations, the partnership 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 2019, the LLP entered into the following trading transactions with its Members:

Consolidated (at 31 December 2019)

	Sales	Purchases	Amounts owed from related party	Amounts owed to related party
	£ '000	£ '000	£ '000	£ '000
Guy's and St Thomas' NHS Foundation Trust	58,884	8,309	10,542	6,104
Serco Limited	64	887	77	174
King's College Hospital NHS Foundation Trust	41,957	3,877	6,302	3,885
Total	100,905	13,073	16,921	10,163

Consolidated (at 31 December 2018)

	Sales	Purchases	Amounts owed from related party	Amounts owed to related party
	£ '000	£ '000	£ '000	£ '000
Guy's and St Thomas' NHS Foundation Trust	52,203	6,346	7,539	3,734
Serco Limited	-	224	-	499
King's College Hospital NHS Foundation Trust	41,362	4,363	6,210	2,790
Total	93,565	10,933	13,749	7,023

Material related party transactions can be summarised as follows:

Guy's and St Thomas' NHS Foundation Trust (GSTT):

Under the contracts with GSTT Viapath provides a full range of laboratory and pathology services to GSTT: amounts invoiced in the year were £59m (2018: £52m). Purchases from GSTT relate to services the trust provides to Viapath Services LLP in order to offer a fully functioning laboratory within the hospital site, for example waste collection and utilities. Viapath Analytics LLP purchases consultants' services. Total invoices received during 2019 from GSTT amounted to £8m (2018: £6m). An interest charge of £0.1m has been recognised in statement of comprehensive income in relation to the loan from GSTT (2018: £0.1m).

Serco Limited:

Serco charged an amount of £0.8m in 2019 (2018: £0.2m) under Serco Services Agreement (SSA) for IT, Payroll and finance charges. An interest charge of £0.1m (2018: £0.1m) has been recognised in statement of comprehensive income. In addition, Serco has provided support for the SEL STP bid.

King's College Hospital NHS Foundation Trust (KCH):

Under contracts with KCH Viapath provides a full range of laboratory and pathology services to KCH: amounts invoiced in the year were £42m (2018: £41m). As for GSTT, Viapath Services LLP purchases waste collection, utilities and other services from KCH, and Viapath Analytics LLP purchases consultants' services. Total invoices received in year from KCH totalled £4m (2018: £3.8m). An interest charge of £0.1m has been recognised in statement of comprehensive income in relation to the loan from KCH (2018: £0.1m).

17. ANALYSIS OF NET DEBT

Consolidated	31-Dec-18	Cash flow Movement	Interest Charge	Non-cash	31-Dec-19
	£ '000	£ '000	£ '000	£ '000	£ '000
Cash and cash equivalents					
Cash	6,029	6,614	-	-	12,643
Current liabilities					
Loans	-	(6,921)	-	-	(6,921)
Non-current liabilities					
Leases	-	-	(328)	-	(328)
Loans over one year	(6,921)	6,921	-	-	-
Net debt	(892)	6,641	(328)	-	5,394

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

Consolidated	31-Dec-17	Cash flow Movement	Interest Charge	Non-cash	31-Dec-18
	£ '000	£ '000	£ '000	£ '000	£ '000
Cash and cash equivalents					
Cash	4,482	1,547	-	-	6,029
Current liabilities					
Finance leases	-	-	-	-	-
Non-current liabilities					
Finance leases	-	-	-	-	-
Loans over one year	(9,461)	2,540	-	-	(6,921)
Net debt	(4,979)	4,087	-	-	(892)

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

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

The carrying amounts of financial instruments are as follows:

	Consolidated 2019 £ '000	Consolidated 2018 £ '000
Financial assets – loans and receivables		
Trade receivables	5,991	4,706
Other receivables	358	584
Amounts owed by Members	15,989	13,764
Cash and cash equivalents	12,643	6,029
Financial liabilities – at amortised cost		
Trade payables	(5,879)	(5,073)
Loans due to Members	(6,921)	(6,921)
Amounts owed to Members	(10,064)	(6,457)
Other financial liabilities	(610)	(1,879)
Net financial Assets	12,053	4,753

The maximum exposure to credit risk in relation to financial assets at the reporting date is the carrying value. The partnership 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 contracts, pricing agreements and appropriate valuation methodology.

The principal risks arising from the partnership'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 2020.

If LIBOR interest rates increase by 2% the LLP shall be exposed to an increased interest charge of £138,000 per annum.

FINANCIAL RISK MANAGEMENT (continued)**Capital risk management (continued)**

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

Maturity Assessment**Consolidated**

	Less than 1 month £ '000	1 to 3 months £ '000	3 months to 1 year £ '000	Over 1 year £ '000	Total £ '000
As at 31 December 2019					
Financial assets – loans and receivables					
Trade receivables (note 10)	2,500	923	1,283	1,285	5,991
Other receivables (note 10)	(30)	203	185	-	358
Amounts owed by Members (note 10)	11,867	2,897	1,714	58	16,535
Cash and cash equivalents (note 12)	12,643	-	-	-	12,643
Financial liabilities – at amortised cost					
Trade payables (note 13)	(5,059)	(391)	(430)	-	(5,879)
Loans due to Members (note 17)	-	-	(6,921)	-	(6,921)
Amounts owed to Members (note 13)	(6,809)	(2,137)	(1,119)	-	(10,064)
Other Financial Liabilities	(610)	-	-	-	(610)
Net financial instruments	14,052	1,495	(5,288)	1,343	12,052

	Less than 1 month £ '000	1 to 3 months £ '000	3 months to 1 year £ '000	Over 1 year £ '000	Total £ '000
As at 31 December 2018					
Financial assets – loans and receivables					
Trade receivables (note 10)	2,628	842	1,183	53	4,706
Other receivables (note 10)	7	438	139	-	584
Amounts owed by Members (note 10)	11,723	973	864	204	13,764
Cash and cash equivalents (note 12)	6,029	-	-	-	6,029
Financial liabilities – at amortised cost					
Trade payables (note 13)	(4,282)	(235)	(556)	-	(5,073)
Loans due to Members (note 17)	-	-	(2,460)	(4,461)	(6,921)
Amounts owed to Members (note 13)	(4,009)	(977)	(1,471)	-	(6,457)
Other Financial Liabilities	(1,879)	-	-	-	(1,879)
Net financial instruments	10,217	1,041	(2,301)	(4,204)	4,753

19. LEASE COMMITMENTS

A lease conveys the right to control an identified asset for a period in exchange for consideration. The lease is recognised as a Right-Of-Use Asset on the balance sheet, measured at the amount of the lease liability less the associated interest cost.

The lease liability is measured at the present value of the future lease payments, using a lease term that includes periods covered by extension options if exercise is reasonably certain. The interest rate implicit in the leases is assumed at the cost of borrowing (LIBOR + 2%) as per the Member loans. Viapath has no other debt financing arrangements or types of leases that could determine an alternative incremental borrowing rate.

Viapath has exercised its right under IFRS16 to make use of the practical expedients for short term leases (less than 12 months in duration) and low value leases (less than £100k contract spend). Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Right-of-Use Assets

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised on balance sheet:

2019	Property £'000	Office Equipment £'000	Equipment and Consumables £'000	Total Consol £'000	Group £'000
Balance at 1 January	1,896	38	9,066	11,000	1,896
Depreciation charge for the year	(434)	(16)	(5,503)	(5,952)	(434)
Balance at 31st December	1,462	22	3,563	5,048	1,462

* Values are as at 31/12/19

* *Termination options interpreted as break date or notice period

***Note, equipment and consumables relate to the supply of instruments, reagents and consumables – consumables typically being probes and sensor level triggers used in Viapath's laboratories.

Right of use Liabilities

	Total Consol £'000	LLP £'000
Amounts recognised in profit or loss in 2019		
Depreciation	5,952	434
Interest on lease liabilities	328	58

Maturity Analysis

The consolidated undiscounted maturity analysis of lease liabilities at 31st December 2019 is as follows:

31 st December 2019	Within 1 year £'000	2 years £'000	3 years £'000	4 years £'000	5 or more years £'000	Total £'000
Property	366	366	366	366	-	1,464
Office Equipment	9	9	4	-	-	22
Equipment and Consumables	1,475	1,128	570	355	34	3,562
Total	1,850	1,503	940	721	34	5,048

20. PENSION SCHEMES: DEFINED CONTRIBUTION SCHEMES

The Viapath group of LLPs has three defined contribution pension schemes for employees:

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

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 2019 of £0.506m net of salary sacrifice deductions, shown gross in prior years (2018: £0.547m) 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 2019 of £3.010m (2018: £2.835m) into the NHS Pension Schemes.

21. PENSION SCHEMES: DEFINED BENEFIT SCHEME**Prudential Platinum Pension**

The partnership participates in Prudential Platinum Pension Scheme - Viapath Group LPP, a Sub-Scheme of the Prudential Platinum Pension Scheme. The Prudential Platinum Pension Scheme is a funded defined benefit pension scheme in the UK. The Sub-Scheme is administered within a trust which is legally separate from the partnership. There is an independent Trustee who is responsible for ensuring that the correct benefits are paid, that the Sub-Scheme is appropriately funded and that Sub-Scheme assets are appropriately invested.

This scheme provides pensions and lump sums to Members on retirement and to their dependants on death. Members who leave service before retirement are entitled to a deferred pension. The scheme closed to accrual of benefits on 31 December 2014.

The Trustee is required to use prudent assumptions to value the liabilities and costs of the scheme whereas the accounting assumptions must be best estimates.

Responsibility for making good any deficit within the scheme lies with the partnership and this introduces a number of risks for the partnership. The major risks are: interest rate risk; inflation risk; investment risk; longevity risk. The partnership and trustee are aware of these risks and manage them through appropriate investment and funding strategies. The trustee manages governance and operational risks through a number of internal controls policies, including a risk register.

The scheme is subject to regular actuarial valuations, which are usually carried out every three years. The next actuarial valuation is due to be carried out with an effective date of 31 December 2021. These actuarial valuations are carried out in accordance with the requirements of the Pensions Act 2004 and so include deliberate margins for prudence. This contrasts with these accounting disclosures, which are determined using best estimate assumptions.

A formal actuarial valuation was carried out as at 31 December 2018. The results of that valuation have been projected to 31 December 2019 by a qualified independent actuary. The figures in the following disclosure were measured using the Projected Unit Method.

There was a settlement in respect of a number of Members who transferred their benefits out of the Scheme during 2017.

The amounts recognised in the statement of financial position are as follows:

	31/12/2019 £'000	31/12/2018 £'000
Present value of scheme liabilities	(4,115)	(3,780)
Fair value of scheme assets	5,175	4,672
Funded status	<u>1,060</u>	<u>892</u>
Restriction on asset recognised	-	-
Net amount recognised at year end (before any adjustment for deferred tax)	<u>1,060</u>	<u>892</u>

PENSION SCHEMES: DEFINED BENEFIT SCHEME (continued)**The amounts recognised in comprehensive income are:**

The current and past service costs, settlements and curtailments, together with the net interest expense for the year are included in the employee benefits expense in the statement of comprehensive income. Remeasurements of the net defined benefit liability are included in other comprehensive income.

	Year ended 31/12/2019 £'000	Year ended 31/12/2018 £'000
Service cost:		
Current service cost (net of employee contributions)	-	-
Administration expenses	25	25
Past service cost and loss/(gain) on settlements and curtailments	-	-
Net interest (credit)	(24)	(22)
Charge/(credit) recognised in P&L	<u>1</u>	<u>3</u>
Remeasurements of the net liability:		
Return on scheme assets (excluding amount included in Interest expense)	(443)	249
(Gain)/loss arising from changes in financial assumptions	362	(277)
Gain arising from changes in demographic assumptions	(18)	(24)
Experience (Gain)/loss	(45)	30
Adjustment for restrictions on the asset recognised	-	-
Credit recorded in other comprehensive income	<u>(144)</u>	<u>(22)</u>
Total defined benefit credit	<u>(143)</u>	<u>(19)</u>

PENSION SCHEMES: DEFINED BENEFIT SCHEME (continued)**The principal actuarial assumptions used were:**

	31/12/2019	31/12/2018
Liability discount rate	2.00%	2.70%
Inflation assumption - RPI	2.81%	3.13%
Inflation assumption - CPI	2.01%	2.20%
Revaluation of deferred pensions:		
RPI	2.81%	3.13%
Increases for pensions in payment:		
RPI max 6%	2.81%	3.13%
RPI	2.81%	3.13%
Proportion of employees opting for early retirement	0.00%	0.00%
Proportion of employees commuting pension for cash	0.00%	0.00%
Mortality assumption - pre retirement	SAPS S2PxA CMI 2017 1.5%	SAPS S2PxA CMI 2016 1.5%
Mortality assumption - male post retirement	SAPS S2PMA CMI 2018 projections 1.5% long-term rate	SAPS S2PMA CMI 2017 projections 1.5% long-term rate
Mortality assumption - female post retirement	SAPS S2PFA CMI 2018 projections 1.5% long-term rate	SAPS S2PFA CMI 2017 projections 1.5% long-term rate
Expected age at death of current pensioner at age 65:		
Male aged 65 at year end:	86.9	87.1
Female aged 65 at year end:	89.2	89.0
Expected age at death of future pensioner at age 65:		
Male aged 45 at year end:	88.6	88.8
Female aged 45 at year end:	90.9	90.9

PENSION SCHEMES: DEFINED BENEFIT SCHEME (continued)**Changes in the present value of assets over the period:**

	31/12/2019	31/12/2018
	£'000	£'000
Fair value of assets at start of period	4,672	4,846
Interest income	125	111
Return on assets (excluding amount included in net interest expense)	443	(249)
Assets distributed on settlements	-	-
Assets acquired in a business combination	-	-
Contributions from the employer	49	1
Contributions from employees	-	-
Benefits paid	(65)	(35)
Administration expenses	(49)	(2)
Fair value of assets at end of period	5,175	4,672
Actual return on assets over the period	568	(138)

Changes in the present value of liabilities over the period:

	31/12/2019	31/12/2018
	£'000	£'000
Liabilities at start of period	3,780	3,887
Current service cost	-	-
Interest cost	101	89
Contributions from employees	-	-
Remeasurement (gains)/losses:		
Actuarial gains and losses arising from changes in financial assumptions	362	(277)
Actuarial gains and losses arising from changes in demographic assumptions	(18)	(24)
Other experience items	(45)	30
Past service cost	-	-
Loss/(gain) on curtailments	-	-
Liabilities extinguished on settlements	-	-
Liabilities assumed on business combinations	-	-
Audit adjustment		110
Benefits paid	(65)	(35)
Liabilities at end of period	4,115	3,780

PENSION SCHEMES: DEFINED BENEFIT SCHEME (continued)

The split of the scheme's liabilities by category of Membership is as follows:

	31/12/2019 £'000	31/12/2018 £'000
Active Members	-	-
Deferred pensioners	3,416	3,148
Pensions in payment	699	522
Audit adjustment	0	110
	4,115	3,780
Average duration of the scheme's liabilities at the end of the prior years		
	25	26
This can be subdivided as follows:		
Active Members	-	-
Deferred pensioners	27	28
Pensions in payment	14	15

The major categories of scheme assets are as follows:

	31/12/2019 £'000	31/12/2018 £'000
Return seeking		
UK Equities	-	-
Overseas Equities	-	-
Other (Specify)	-	-
Return seeking subtotal	-	-
Debt instruments		
Corporates	2,582	2,210
Gilts	-	-
Index Linked	2,593	2,462
Debt instrument subtotal	5,175	4,672
Other		
Property	-	-
Cash	-	-
Total market value of assets	5,175	4,672

PENSION SCHEMES: DEFINED BENEFIT SCHEME (continued)

The equity and debt instruments all have quoted prices in active markets. Derivatives can be classified as level 2 instruments and property as level 3 based on the definition in IFRS 13 fair value measurement.

The Scheme has no investments in the partnership or in property occupied by the partnership.

The partnership does not expect to contribute to the Scheme during year ending 31 December 2020 other than meeting expenses.

Sensitivity of the liability value to changes in the principal assumptions

If the discount rate was 0.1 percent higher (lower), the scheme liabilities would decrease by £98,000 (increase by £102,000) if all the other assumptions remained unchanged.

If the inflation assumption was 0.1 percent higher (lower), the scheme liabilities would increase by £98,000 (decrease by £95,000). In this calculation all assumptions related to the inflation assumption have been appropriately adjusted, that is deferred pension and pension in payment increases. The other assumptions remain unchanged.

22. EVENTS AFTER THE REPORTING PERIOD

After the balance sheet date the SEL STP announced in January 2020 that Synlab has been selected as the preferred bidder for the contract and the respective Boards of the STP approved the full business case in September to award the contract to Synlab, and commenced the standstill period on 23 September. In order to deliver the new contract, Synlab are expected to buy into the Viapath Joint Venture in the first half of 2021 at which point the new contracts will come into effect. The trusts have therefore extended their existing contracts with the Viapath entities for at least twelve months or the point Synlab join the joint venture, whichever is earlier. As part of this process the two trusts, who ultimately own KCS and PSL, purchased the Serco Ltd Share of Viapath Group LLP, Viapath Analytics LLP and Viapath Services LLP on 29th May 2020. Under the exit agreement the members agreed to distribute £2.9m of profit to Serco Ltd, with the other members waiving their right to a distribution at this time.

After the balance sheet date the world was struck by the global COVID-19 pandemic. The pandemic had a severe impact on the level of pathology testing however Viapath has quickly reached agreement with its host customers, GSTT, KCH and Bedfordshire NHS Foundation Trust to provide fixed funding during this period. Specialist referral work which accounts for the balance of Viapath's revenues has been impacted however Viapath has worked with its NHS trust customers to provide a fixed level of support and has rapidly expanded its COVID-19 testing capacity to provide the wider market with testing to offset the temporarily lost referral work, such that it can continue to trade during the period of disruption.

23. 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. The registered address of both these partnerships is Francis House, 9 King's Head Yard, London, SE1 1NA.

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 2019.