Registered number: 03201165

Virgin Healthcare Holdings Limited

Annual Report and Financial Statements

For the Year Ended 31 March 2018

Virgin Healthcare Holdings Limited

Contents

Company Information

Directors	E B Johnson V M McVey G C Eccles N A R Fox (resigned 12 September 2018) M G Medlicott A Ronsoehr (appointed 18 July 2017, resigned 12 September 2018) A E Waters (appointed 18 July 2017) C L G Y Ng (appointed 12 September 2018, resigned 20 June 2017) L Shamwana (appointed 12 December 2017)
Registered number	03201165
Registered office	Lynton House 7-12 Tavistock Square London WC1H 9LT
Independent auditor	KPMG LLP Chartered Accountants 8 Princes Parade Liverpool L3 1QH

Principal activities

The principal activity of the business during the year is the provision of NHS, local authority and social care services. The business holds contracts with more than 40 public commissioning authorities across a range of services including community nursing, therapy services, adult social care, health visiting and primary care.

The business has continued to bid for new contracts including taking part in procurement processes for existing services which are coming to the end of their contract.

Business review and results

Virgin Healthcare Holdings Limited is the parent of the Virgin Care Group (the "Group") and its subsidiary Virgin Care Limited is the parent of Virgin Care Services Limited and other subsidiary undertakings that operate in the healthcare sector.

Through its subsidiaries, the Group provides health and care services on behalf of the NHS and local authorities as well as back office functions to enable the provision of these services and a business development function which identifies and prepares bid submissions for public sector contracts.

The Group has invested in innovative ways of providing health and care to further improve the clinical safety and patient experience whilst also achieving efficiency savings for the organisation. Over the last year, this has included the continued rollout of Mobile Working projects which enable health and care colleagues to spend more of their time face to face with the people they care for as well as the continued development and rollout of our Care Co-ordination Service. Care co-ordination joins up clinical services and provides an improved experience for people making use of them.

Significant investment in these projects is delivering improved services, and clinical outcomes, for people in East Staffordshire and Kent as well as in Devon where our Single Point of Access has halved the time it takes for local people to access support from 28 days in 2016 to an average 14 days in 2017-18.

The Group funds its operating losses through cash reserves and shareholder funding. The Group currently has no external third party borrowings with all current borrowings provided through shareholder loans. The Directors have also received notification from its majority shareholders that further funding would be made available for the Group to continue to meet its ongoing financial obligations. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these Financial Statements, they have no reason to believe that it will not do so. All of the shareholder loans are classified as short term.

During the year the board took the decision to write down its investment in the Virgin Care Group due to its history of losses and the continued reliance on funding from its shareholder.

The Directors had identified four key operational priorities for the year ended 31 March 2018 which are summarised below.

Priority 1: ensuring safety, service quality and enhancing patient experience, providing excellent clinical outcomes, meeting and exceeding relevant standards and regulatory requirements.

The Group acquires contracts which often include underperforming services in which it seeks to improve safety, service quality and patient experience. Improving outcomes in these services can require investment over a number of years before relevant standards are met. Nevertheless, the Group has been able to demonstrate the quality and safety of its services successfully during a number of unannounced CQC inspections throughout 2017-18, with inspectors in one report noting that the Group could demonstrate "through documentary evidence" improvements to services following acquisition.

The community services delivered by the Group were inspected over a number of months, receiving an overall 'good' rating in the final report published in 2017-18, while governance, management and leadership was rated 'outstanding'.

The Group has invested in new clinical and patient management systems to support patient care pathways and has delivered clinical effectiveness programmes. Services participated in and reported positive outcomes against core and national audit programmes.

The Group has monitored patient satisfaction and improvements made to the Group's services in response to patient feedback throughout the year, and the Executive Team and Board receive regular user experience reports. We measure satisfaction within our services using the NHS England-mandated Friends and Family Test; 93% of patients rating the Group's services during 2017/18 said they would be likely to recommend them to friends and colleagues and the Group made more than 1,000 changes to services as a direct result of patient feedback under the "You Said, We Did" programme.

In addition to this work, the Group was required to publish Quality Account documents in each of the areas where it delivers community services and these documents, which list in great detail the specific achievements towards delivering improvements in each of our contracts, are available to download from the company's' website at www.virgincare.co.uk and from the NHS Choices website.

We also completed work to begin asking additional 'Patient Reported Experience Measure' questions as part of the Friends and Family Test during 2017-18, meaning we expect to have greater insight into satisfaction with our services in the coming years.

Priority 2: robust governance: fostering standardised safeguarding and quality assurance processes.

The Group has enhanced its clinical lead model to increase clinical input to service mobilisation, development and training. Children's services participate in their local safeguarding board meetings and regular clinical governance meetings are held across all the business units.

The Group has successfully recruited to its national professional lead roles to support ongoing work for professional standards and service development, and has extended its safeguarding, medicines management and infection control expertise across the wider organisation.

As an organisation we are committed to continually improving our governance processes to assure ourselves that there are clear lines of accountability; that we proactively identify and effectively manage risks and that we comply with regulatory standards. However we are also conscious that Governance should not be restrictive to colleagues doing their jobs well, therefore we ensure it is flexible enough to allow colleagues to innovate and give them the ability to make decisions locally. Over the past year we have further developed our Scheme of Reservation and Delegation (SORD) to ensure that the delegated authorities within it are relevant and give oversight, as well as the freedom to make decisions.

During 2017-18 we have established Programme Boards within each of our Business Units and these boards have the authority to approve decisions relating to their business unit. These Programme Boards consist of appointed Executive Team members as well as the Managing Director and appropriate Heads of the Business Unit and together, they provide the overview and scrutiny of the performance of that Business Unit.

In addition to this we have a Risk Committee with true organisational-wide focus made up of appointed Executive Team members and subject matter experts. It is tasked with consolidation, trend analysis and re-direction of issues for action, as well as a focussed approach to risk management. This committee reports to the Executive Team escalating its proposals for approval, which in turn enables the Executive Team to focus on delivering solutions.

In addition, our Quality Committee continues to meet and take a similar role with regard to clinical and operational quality escalating risks as appropriate to the Board, Programme Boards and to the Executive Team more broadly. This committee reports directly to the Board.

Priority 3: to be recognised as an outstanding employer.

The Group further developed its employer brand during 2017-18, building on the purpose of 'everyone feels the difference', and these materials were used as part of recruitment campaigns both nationally and locally within contracts. Campaigns were focused on telling the stories of the colleagues who deliver services every day, and the difference they – as professionals – have felt since joining the organisation. The campaigns focused on hard to recruit roles including General Practitioners and therapists. The campaign was supported by the delivery of a new careers-focused website portal integrated with our recruitment platform, Taleo.

Part of VH Doctors Limited, trading as The Learning Enterprise, supports the Group with training and development and in turn is funded and supported by the Group. The Learning Enterprise continues to hold a 'Recognised Quality Education and Learning quality mark' (RQEL) for the production of quality education modules. The Learning Enterprise also continues to hold the Government-backed Skills for Health Quality Mark award, the only quality mark for healthcare training in England.

The Learning Enterprise (TLE) supports students from across the professional groups in services as part of their clinical qualification. TLE provides links to NHS and other external training programmes and improves access to training for all staff. It also provides the links with the Universities and the students, and supports the training of mentors and supervisors as part of this.

The Group has actively engaged in an apprenticeship scheme both in administrative roles and in partnership with the University of Derby to deliver a Health and Social Care apprenticeship. The scheme also actively supports young people into work.

In addition, the Group and The Learning Enterprise run a number of programmes throughout the year focusing on developing leadership behaviours at all levels across the organisation.

Separately, the Group has also undertaken a talent development programme to ensure that the next generation of leaders have been identified, supported and equipped with the skills they need to progress.

Priority 4: delivering quality health and social care as efficiently as possible

The Group's aim is to mobilise and transform contracts to deliver quality health and social care as efficiently as possible. It has invested in workforce transformation tools and has developed expertise in service design and change management with a focus on clinical excellence. These skills are deployed across service contracts sharing best practice, learning and encouraging local innovation and empowerment. It is our belief, supported by experience that quality and efficiency can and should be delivered simultaneously through effective operational leadership.

Principal risks and uncertainties

The Group operates a Risk Management Framework in order to manage the risks and uncertainties of the business. The Executive Team reviews all risks and escalates the top risks to the Board for review at each meeting. The major risks that could impact the business are as follows:

The Group has historically been fast-growing, acquiring large contracts with little lead-in time and expects the next year to be primarily a period of consolidation. The directors ensure the business has the resources and management processes in place to mobilise, transform or demobilise more than one large contract at a time. The directors are satisfied such matters are properly discussed by the Board and are adequately resourced.

Changes in the healthcare sector present both an opportunity and risk for the business however there is generally a lack of clarity over how and when certain measures are being implemented. The political and commercial environment in which we operate, including current or potential new legislation, is monitored at Board level. The Group has seen increasing levels of uncertainty when it comes to the frequency and the outcome of future contract tenders which may result in the Group having fewer opportunities to bid for contracts than it has historically.

The Group relies on its shareholder for ongoing financial support therefore the management and accurate forecasting of funding requirements is a key focus of attention for the directors. New contracts require significant investment in order to transform the quality and efficiency of the service. The directors are satisfied that the Group has realistic operational plans and resources in place to manage a balanced portfolio of mature and new contracts subject to robust investment appraisal and governance. The Group has established and maintains robust cash flow forecasting models and processes to increase visibility and plan for potential cash requirements.

We are closely monitoring the impact of Brexit on the NHS and the wider healthcare sector. Along with the rest of the NHS we believe that the biggest risk to the sector will be in relation to recruitment and retention of healthcare professionals. We will continue to talk to the government alongside other NHS providers to ensure that the necessary steps are taken to ensure that any negative impact on recruitment of health and care workers is mitigated as far as possible.

Financial key performance indicators

The Group has a number of KPIs which are used to analyse both current performance of the Group and assist with business development. Monthly KPIs are produced from both a financial and operating perspective and are reviewed regularly by the Board to assist decision making. The main KPIs monitored by the business include service user satisfaction, revenue growth, cash absorption, margin management and compliance with the contractual KPIs across the services it operates.

As VHHL acts as the Holding Company for the Virgin Care Group, the Company itself has no relevant financial KPIs.

Modern Slavery

Who we are
This statement is made by Virgin Healthcare Holdings Limited whose ultimate parent company is Virgin Group Holdings Limited (a company incorporated in the British Virgin Islands which is wholly owned by Sir Richard Branson). This statement is made in relation to the Virgin Care Group's supply chain and on behalf of Virgin Care Limited, Virgin Care Services Limited and VH Doctors Limited ("The Virgin Care Group"). The Virgin Care Group provides more than 400 frontline health and social care services, predominantly on behalf of the National Health Service and on behalf of Local Authorities across the country. The organisation employs approximately 7,000 people.

Our supply chains
Our supply chain includes professional services providers, NHS Trusts, NHS Foundation Trusts, social enterprises, medical equipment suppliers and office equipment suppliers. As a consequence of the nature of our business the vast majority of spend is on medical consumables; around 80% of our annual spend on medical consumables is with NHS Supply Chain, a Government-commissioned supplier service, and more than 99% is with companies based in the UK and Europe. We share the majority of our supply chain with the state-operated NHS, and all organisations supplying the NHS are subject to the NHS Code of Conduct on Ethics and Labour. As an NHS supplier ourselves, we are also subject to this code.

While a very small proportion of spend, from time to time we procure marketing collateral including t-shirts, pens, caps and 'promotional items'. These are always sourced from British Promotional Merchandise Association Chartered (http://bpma.co.uk/) suppliers.

Our policy
We are committed to ensuring there is no modern slavery or human trafficking in our supply chains or in any part of our business. We regularly review our policies and procedures in order to ensure we have effective systems which lessen the risk of modern slavery and human trafficking taking place anywhere in our supply chains.

We have anti-slavery and trafficking provisions contained within our procurement policy which set out our approach to ensuring our supply chain does not contain modern slavery and our Safeguarding and

Whistleblowing policies provide colleagues with guidance on how to report their concerns.

Where annual spend with an individual supplier exceeds £50,000, or a supplier has been identified through initial due diligence as being high risk, we work to ensure Virgin Care standard Terms and Conditions – which contain provisions ensuring compliance with our policy on Modern Slavery – are in place rather than the supplier's own terms.

We encourage and require our suppliers to proactively manage the risk of modern slavery in their own supply chains.

Our frontline teams are trained to an appropriate level in Safeguarding for their role, and this training – which must be completed annually – includes material on identifying the signs of modern slavery and human trafficking among the people who use the services we run.

In addition, we take part in a number of joint initiatives with local authorities and other healthcare providers to further increase our ability to identify potential modern slavery and human trafficking among our patient populations.

Our central procurement team
Our procurement team use the Ethical Trade Initiative (ETI) Base Code as our standard on Labour, and all members of the team are required to certify that they are familiar with the code on an annual basis. In 2018-19, all members of the team will be required to complete eLearning training which reinforces both our policy and the ETI Base Code, part of our annual Statutory and Mandatory Training Programme.

In addition, senior procurement officers are members of the Chartered Institute of Purchasing and Supply and have completed that organisation's Ethical Procurement and Supply course.

Training our colleagues
We have continued our work on the ETI and Department of Health and Social Care Ethical Procurement for Health programme throughout the year.

During 2018-19, we will introduce training for colleagues using our Purchase to Pay system across the organisation. This will raise awareness of the need to ensure suppliers meet our Modern Slavery policies prior to formal due diligence being undertaken by the procurement team.

Due diligence processes
We seek to minimise the number of suppliers we work with in order to allow us to work more closely with those we do. The addition of new suppliers to our system is managed by the Procurement team in line with our policies.

Our central procurement team ensures that all of our suppliers are aware of our policy and our terms and conditions. From 2017-18 all new suppliers must confirm they have read, understood and comply with our terms and conditions which cover labour issues and complete a questionnaire covering their policies in risk areas including slavery and human trafficking before they are accepted as a supplier.

We also undertake regular risk assessment of existing suppliers to understand and mitigate risks as part of our contract management, led by our central procurement team. During 2018-19, we will survey our existing suppliers under the new process introduced in 2017-18. We will aim to survey 10% of our suppliers, and to achieve full compliance among 100% of those surveyed.

Non-compliance
If we find an existing supplier is non-compliant with our policies or code of conduct or provides us with inadequate information to assure us of their compliance with our Terms and Conditions we will work with them to ensure that they are able to provide us with the information and, if appropriate, to improve their performance.
If a supplier is found to be unable to meet our terms and conditions or policies, we will consider terminating our relationship with them as soon as practicable.

This statement is made in accordance with section 54(1) of the Modern Slavery Act 2015 and constitutes the Virgin Care Group's slavery and human trafficking statement for the financial year ended March 31 2018.

Future developments

Demonstrating ongoing service quality and safety remains a top priority for 2018/19.

Priority 1: ensuring service quality, safety and enhancing user experience.

The Group will continue to demonstrate the quality and safety of its services during inspections by regulators including the CQC and Ofsted, with assurance provided through a continually enhanced internal service review process which mirrors the CQC's five domains.

In addition, the Group will continue to invest in new clinical and patient management systems which support patient care and the delivery of the aims of our contracts with the NHS and local authorities.

We will continue to monitor patient satisfaction and improvements made to the group's services in response to patient feedback, and the board will continue to receive regular user experience reports. We will make use of the NHS England-mandated Friends and Family Test and our You Said, We Did programme of changes based on feedback from our service users will continue.

We will also continue to build our Citizens' Panel engagement model, which works across a number of our contracts to involve local citizens in the delivery of our transformation plans. We will do this through launching an increasing number of engagement projects and through recruiting additional members to our 300-strong panel.

Finally, in each of the Group's contracts we will continue to deliver the commissioned programme of improvement introducing new ways of working, modern best practice and through our BETTER customer experience map improve the experience of using the services the Group delivers.

Priority 2: robust governance: fostering safeguarding and quality assurance processes which are standardised across the business.

As an organisation we are committed to continually improving our processes and governance to assure ourselves, our commissioners and the general public that we have appropriate measures in place to provide safe, high quality services.

We will continue our work to review our governance frameworks and programme boards to ensure they are effectively supporting the organisation to achieve its aims.

All of the committees and risk management processes implemented during 2017-18 will be continued during 2018-19 including the Programme Boards, Risk Committee and Quality Committee.

Priority 3: to continue to be recognised as an outstanding employer.

We will continue to work closely with The Learning Enterprise to develop our training and development offer for all of our colleagues across the organisation and to provide links to NHS and other training programmes.

We will also continue our apprenticeship programme, to support our commitment to helping build the health and care workforce of the future. Working with the University of Derby we will continue to deliver the Health and Social Care Apprenticeship, which represents the start of a journey to a qualified role in the health and care services, and additionally we will begin work to deliver the Nursing Apprenticeship with the University of Greenwich providing a cost free opportunity to train and qualify as a registered nurse.

Separately, we will continue to take advantage of our national scale and of the heritage of the Virgin brand to tell the stories of our colleagues as part of ongoing, focused recruitment campaigns targeted on recruiting hard to recruit roles and to support the delivery of our transformation plans.

Priority 4: delivering quality health and social care as efficiently as possible

The Directors consider the future financial priorities for the year ended 31 March 2019 to be based around demonstrating the quality of our services while delivering efficiency savings and focusing on internal projects to make the organisation 'business ready' for both the on-boarding and demobilisation of contracts. The current period of consolidation provides an opportunity for management to focus its attention on delivering transformative change in its newer contracts to develop a more mature portfolio.

While the Group has successfully retained, gained and renewed certain service contracts, other mature contracts will come to the end of their contractual life in early 2019. This is likely to result in a net reduction in revenue and therefore a key priority for the year ended 31 March 2019 will be to review centralised support functions to ensure they are of an appropriate scale to match the ongoing service requirements. This will be done while continuing to maintain high levels of governance and clinical excellence. Inherent in the nature of the business is a requirement to mobilise new and demobilise maturing contracts at relatively short notice which lead to a need to adjust ongoing support services accordingly. The Directors are confident that the Group has developed the proven capability to ensure transactional processes are appropriate to the scale of the business and are able to support all services throughout their lifecycle of transformation.

Furthermore, in order to reduce operating losses, the Group has notified the East Staffordshire Clinical Commissioning Group (ESCCG) of the termination of part of the Improving Lives contract which covers subcontracted hospital-based services, effective as of May/June 2019. The Group has discussed and is agreeing changes in the contracting arrangements with the ESCCG to ensure that there is no adverse impact on patients as a result.

This report was approved by the board on 20.12.18 and signed on its behalf.

Vivienne McVey

V M McVey
Director

Directors' Report
For the Year Ended 31 March 2018

The Directors present their report and the financial statements for the year ended 31 March 2018.

Results and dividends

The loss for the year, after taxation, amounted to £40,077,607 (2017 - loss £1,710,382).

Directors

The Directors who served during the year were:

E B Johnson
V M McVey
G C Eccles
N A R Fox
M G Medlicott
A Ronsoehr (appointed 18 July 2017, resigned 12 September 2018)
A E Waters (appointed 18 July 2017)
C L G Y Ng (appointed 12 September 2018, resigned 20 June 2017)
L Shamwana (appointed 12 December 2017)

Political and charitable donations

The Company made no political or charitable donations nor incurred any political expenditure during the year (2017: £nil).

Going concern

The Directors have prepared the financial statements on the going concern basis for the reasons set out in note 1.3 to the financial statements.

Provision of information to auditor

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

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

Dividends and transfers to reserves

The directors do not recommend the payment of a dividend for 2018 (2017 - £nil). The retained loss for the year of £40,077,607 (2017 - £1,710,382) has been transferred to reserves.

Directors' Report (continued)
For the Year Ended 31 March 2018

Auditor

The auditor, KPMG LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 20.12.18 and signed on its behalf.

Vivienne McVey

V M McVey
Director
Virgin Healthcare Holdings Limited
Lynton House
7-12 Tavistock Square
London
WC1H 9LT

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements
For the Year Ended 31 March 2018

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards (UK Generally Accepted Accounting Practice) and applicable law, including FRS 101 'Reduced Disclosure Framework'.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

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

Independent Auditor's Report to the Members of Virgin Healthcare Holdings Limited

Opinion

We have audited the financial statements of Virgin Healthcare Holdings Limited ("the company") for the year ended 31 March 2018 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic Report and Directors' Report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.
Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 11, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

Will Baker (Senior statutory auditor)
for and on behalf of
KPMG LLP

Chartered Accountants

8 Princes Parade
Liverpool
L3 1QH

Date: 21|12|18

Statement of Comprehensive Income
For the Year Ended 31 March 2018

	Note	2018 £	2017 £
Administrative expenses		**(38,191,433)**	(10,465)
Operating loss	3	**(38,191,433)**	(10,465)
Interest payable and expenses	5	**(1,911,133)**	(1,575,298)
Loss before tax		**(40,102,566)**	(1,585,763)
Tax on loss	6	**24,959**	(124,619)
Loss for the financial year		**(40,077,607)**	(1,710,382)
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Fair value adjustment on loan		**405,091**	210,893
		405,091	210,893
Total comprehensive income for the year		**(39,672,516)**	(1,499,489)

The notes on pages 18 to 30 form part of these financial statements.

Balance Sheet
As at 31 March 2018

	Note		2018 £		2017 £
Fixed assets					
Investments	7		**1**		23,159,055
			1		23,159,055
Current assets					
Debtors: amounts falling due within one year	8	**5,829**		5,000,077	
Cash at bank and in hand		**2,636**		2,794	
		8,465		5,002,871	
Creditors: amounts falling due within one year	9	**(77,546)**		(45,290)	
Net current (liabilities)/assets			**(69,081)**		4,957,581
Total assets less current liabilities			**(69,080)**		28,116,636
Creditors: amounts falling due after more than one year	10		**(19,713,167)**		(17,939,458)
			(19,782,247)		10,177,178
Provisions for liabilities					
Deferred taxation	12	**(105,412)**		(124,619)	
			(105,412)		(124,619)
Net assets excluding pension asset			**(19,887,659)**		10,052,559
Net (liabilities)/assets			**(19,887,659)**		10,052,559

Balance Sheet (continued)
As at 31 March 2018

	Note	2018 £	2017 £
Capital and reserves			
Called up share capital	13	**3,539**	1,035
Share premium account		**25,997,519**	16,000,058
Other reserves		**300,173**	567,840
Profit and loss account		**(46,188,890)**	(6,516,374)
		(19,887,659)	10,052,559

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
20.12.18

Vivienne McVey

V M McVey
Director

The notes on pages 18 to 30 form part of these financial statements.

Statement of Changes in Equity
For the Year Ended 31 March 2018

	Called up share capital	Share premium account	Other reserves	Retained earnings	Total equity
	£	£	£	£	£
At 1 April 2017	1,035	16,000,058	567,840	(6,516,374)	10,052,559
Loss for the year	-	-	-	(40,077,607)	(40,077,607)
Fair value adjustments	-	-	-	405,091	405,091
Total comprehensive income for the year	-	-	-	(39,672,516)	(39,672,516)
Shares issued during the year	2,504	9,997,461	-	-	9,999,965
Transfer to/from profit and loss account	-	-	(267,667)	-	(267,667)
At 31 March 2018	3,539	25,997,519	300,173	(46,188,890)	(19,887,659)

Statement of Changes in Equity
For the Year Ended 31 March 2017

	Called up share capital	Share premium account	Other reserves	Retained earnings	Total equity
	£	£	£	£	£
At 1 April 2016	503	11,750,681	728,274	(5,016,885)	7,462,573
Loss for the year	-	-	-	(1,710,382)	(1,710,382)
Fair value adjustments	-	-	-	210,893	210,893
Total comprehensive income for the year	-	-	-	(1,499,489)	(1,499,489)
Shares issued during the year	532	4,249,377	-	-	4,249,909
Transfer to/from profit and loss account	-	-	(160,434)	-	(160,434)
At 31 March 2017	1,035	16,000,058	567,840	(6,516,374)	10,052,559

The notes on pages 18 to 30 form part of these financial statements.

1. Accounting policies

1.1 Basis of preparation of financial statements

Virgin Healthcare Holdings Limited ("the Company") is a company incorporated and domiciled in the UK.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006. In preparing these financial statements , the company applies the recognition, measurement and disclosure requirements of international Financial Reporting Standards as adopted by the EU ("adopted IFRSs") but makes amendments were necessary in order to complies with Companies Act 2006 and has set out below where advantage of the FRS101 disclosure exemptions has been taken.

The Company's ultimate parent within the UK, Virgin Holdings Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Virgin Holdings Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

In these financial statements, the Company has applied exemptions available under FRS101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investments;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of Virgin Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Disclosures required by IFRS 7 Financial Instrument Disclosures;
- Disclosures required by IFRS 13 Fair Value Measurement.

The Company proposes to continue to adopt the reduced disclosure framework of FRS101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1. Accounting policies (continued)

1.2 Measurement convention

The financial statements are prepared on the historical cost basis except for the following liability which is stated at its fair value: Other loans, classified as fair value through the profit and loss account.

1.3 Going concern

The company meets its day to day working capital requirements from cash reserves and shareholder *funding in the form of equity and loans from, and intragroup balances with, companies in the group* headed by Virgin Holdings Limited (see note 10). The company has no external bank funding facilities.

As at 30th November 2018 the group had cash resources of £6,457,237.

The company is part of the "Care" sub-group of a group headed by Virgin Holdings Limited, the ultimate parent company. The Company is a holding company, holding shares in both Virgin Care Limited and Virgin Care Tech Limited (see note 7) and holds the loans from group undertakings, used to finance the Care sub-group.

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reason. The directors have prepared base and sensitised cash flow forecasts for a period that exceeds twelve months from the date of authorisation of these financial statements. The company (and the "Care" sub-group as a whole) has a history of losses and is not expected to be cash generative in the 12 months following year end. Forecasts indicate that the group will require additional funding to meet its liabilities as they fall due, the amount of which will depend on the operational performance of the company and the Care group.

The Directors intention would be that such funding would be sought from its shareholders as needed and have received a letter from the Company's shareholders stating that its present intention is to provide such financial support as is necessary to enable each of the Company and the Subsidiaries *(through the Company) to meet their respective ongoing financial obligations as and when they fall* due for the foreseeable future and in any event for a period of no less than twelve months from the date of the audit report, for so long as VHL holds shares in the Company (and, indirectly, in the Subsidiaries).

The Directors have considered whether there are any uncertainties which would impact their assessment of the company's ability to continue to adopt the going concern basis of accounting.

The Company's principal activity is the provision of NHS, local authority and social care services. Inherent in the nature of this business is the fact that maturing contracts will come to an end while the company continues to bid for new contracts. This means that within its portfolio the company will have some mature contracts providing a stable and certain source of revenue as well as contracts which will be nearing the end of their contractual lives. This can give rise to a predictable yet fluctuating revenue stream from year to year which requires a corresponding adjustment in the cost of centralised support for transaction processing and governance. The Directors are anticipating a net reduction in revenue with effect from 1st April 2019 as the value of maturing contracts exceeds the value of new contracts. The nature and lengths of contracts provides an appropriate lead time and planning cycle for the Directors to execute appropriate cost restructuring plans without impacting clinical quality. The Directors consider these factors together with costs being largely under the control of management to limit uncertainty around successful implementation.

In addition the Care group has incurred significant operating losses from the East Staffordshire

1. Accounting policies (continued)

1.3 Going concern (continued)

Clinical Commissioning Group Improving Lives contract. The losses arise from the non-payment by the CCG of national tariff for acute subcontracted hospital-based services and the costs of such services being greater than the allocated contract value. In order to mitigate these losses Group has given notice of termination of the subcontracted hospital-based services which will come into effect in May/June 2019. This action was taken by the Directors in order to mitigate a potentially material uncertainty.

These factors have been taken into consideration in the cash forecast for the Care group which have been shared with the shareholder to inform the level of funding required. Further, the Directors consider they have a realistic expectation that by taking these actions the company will be able to reduce the quantum of additional financial support it will require from its shareholder and become cash generative.

As a result of the foregoing, the directors consider the Company has access to sufficient funding from its shareholder to enable the company to meet its liabilities as they fall due for payment for at least 12 months from the date of approval of the financial statements and consequently have prepared the financial statements on a going concern basis. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although at the date of approval of the financial statements they have no reason to believe that it will not do so.

The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate

1.4 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

1.5 Non-derivative financial instruments

Non-derivative financial instruments comprise investment in trade and other debtors, cash and cash equivalents, and trade and other creditors.

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

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

1. Accounting policies (continued)

1.6 Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicated that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

1.7 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

1.8 Long term loans

The long term loans have been restated at fair value, with an appropriate interest rate being identified and interest calculated as if it were a market product, and the loan discounted back to the point of recognition. An appropriate interest rate has been calculated and judgement applied to result in an imputed interest rate at the point of drawdown.

1.9 Finance costs

Finance costs are charged to the profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.10 Borrowing costs

All borrowing costs are recognised in the profit and loss account in the year in which they are incurred.

1. Accounting policies (continued)

1.11 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operated and generates income.

Deferred tax balances are recognised in respect of all temporary differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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

1.12 Intra-group arrangements

The group's bank balances are pooled together on a group basis and swept into an overnight deposit account. Consequently, individual entity bank accounts may show an overdrawn position at any time, but overall the group has the capacity to offset any positive cash balances against any negative cash balances and always maintains a net positive cash position across the group as a whole. As a result the group has no requirement for a formal overdraft facility. This right of offset is underwritten by cross company guarantees (or otherwise known as credit insurance). Therefore the arrangement is treated as an insurance contract and not a derivative. Subsequently, if indebtedness occurs within the group, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

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

The Company makes judgements and estimates in preparing the financial statements. Judgements and estimates are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable. In the future, actual experience may differ from these. The judgements and estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair value
The 'other loan' liability has been measured at fair value for financial reporting purposes. The Company has determined the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of the liability the Company uses market-observable data to the extent it is available. Information about the valuation techniques used in determining the fair value of the liability is disclosed in note 10.

3. Operating loss

The operating loss is stated after charging:

	2018	2017
	£	£
Impairment of investments	**23,159,054**	-
Fees for the audit of the Company	**20,400**	9,000
Provision for intercompany receivable	**15,000,062**	-

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

4. Employees

The Company has no employees other than the Directors, who did not receive any remuneration directly from the Company (2017 - £nil). The Directors remuneration is borne by Virgin Care Limited (group member) and is considered impractical to split across the Virgin Care Group.

5. Interest payable and similar expenses

	2018	2017
	£	£
Accrued interest on loan from parent undertaking	**1,506,043**	1,364,400
Imputed interest on other loan	**405,090**	210,898
	1,911,133	1,575,298

6. Taxation

The current tax charge for the year ended 31 March 2018 is £nil (2017 - £nil). The deferred tax credit for the year ended 31 March 2018 is (£24,959) (2017 - £124,619).

	2018 £	2017 £
Group relief	(5,752)	-
	(5,752)	-
Total current tax	(5,752)	-
Deferred tax		
Origination and reversal of temporary differences	(21,753)	(18,038)
Adjustments in respect of prior periods	2,546	151,049
Effect of tax rate change on opening balance	-	(8,392)
Total tax	(19,207)	124,619
Taxation on (loss)/profit on ordinary activities	(24,959)	124,619

6. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - higher than) the standard rate of corporation tax in the UK of 19% (2017 - 20%). The differences are explained below:

	2018 £	2017 £
Loss on ordinary activities before tax	**(40,102,566)**	(1,585,763)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 20%)	**(7,619,488)**	(317,153)
Effects of:		
Expenses not deductible for tax purposes	**7,595,176**	295,932
Adjustments to tax charge in respect of previous periods- deferred tax	**-**	151,049
Adjust closing deferred tax to average rate (19%)	**(12,402)**	(21,992)
Adjustments to tax charge in respect of prior periods	**(5,752)**	16,783
Adjust opening deferred tax to average rate (19%)	**14,961**	-
Adjustments to tax charge in respect of prior periods- deferred tax	**2,546**	-
Total tax charge for the year	**(24,959)**	124,619

Factors that may affect future tax charges

Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the group's future current tax charge accordingly. The deferred tax asset at 31 March 2017 has been calculated based on the rate of 17% substantively enacted at the balance sheet date.

7. Fixed asset investments

	Investments in subsidiary undertaking £
Cost or valuation	
At 1 April 2017	**23,159,055**
At 31 March 2018	**23,159,055**
Impairment	
Charge for the year	**23,159,054**
At 31 March 2018	**23,159,054**
Net book value	
At 31 March 2018	**1**
At 31 March 2017	23,159,055

Following an impairment assessment, the directors have decided to impair the carrying value of the investments in subsidiary undertakings by £23,159,054 to a nominal value of £1.

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Holding	Principal activity	Principal activity
Virgin Care Limited	Ordinary Shares	100 %	Provision of medical services
Virgin Care Tech Limited	Ordinary Shares	100 %	Dormant Company

8. Debtors

	2018 £	2017 £
Amounts owed by subsidiary undertaking	-	5,000,000
Called up share capital not paid	77	77
Tax recoverable	5,752	-
	5,829	5,000,077

9. Creditors: Amounts falling due within one year

	2018 £	2017 £
Amounts owed to group undertakings	50,548	18,290
Accruals and deferred income	26,998	27,000
	77,546	45,290

10. Creditors: Amounts falling due after more than one year

	2018 £	2017 £
Other loans	**3,699,830**	3,432,163
Amounts owed to group undertakings	**16,013,337**	14,507,295
	19,713,167	17,939,458

The other loan represents a balance due to Assura Group Limited, whose wholly owned subsidiary, Assura Services Limited, owns 2.43% of Virgin Healthcare Holdings Limited. The loan of £4million is at 0% interest payable. This loan is not repayable on demand but repayments will become due as and when the Group becomes profitable. Interest will become due on the loan if the repayments are not paid with the terms of the agreement.

Under FRS101 the other loan has been restated at fair value, with an appropriate interest rate being identified as if it were a market product, and the loan discounted back to the point of recognition. The appropriate interest rate identified with judgement being applied results in an interest rate at drawdown of 7.23%.

This restatement method has resulted in an other reserve balance being generated and shown in the prior year Statement of Changes in Equity on page 17. An amount equal to the current year interest charge has been transferred between the Profit and Loss reserve and the Other reserve, shown in the current year Statement of Changes in Equity on page 17.

The amounts owed to group undertakings includes an interest bearing loan which was originally issued at £8million. Interest at 10% has been accrued and expensed to the profit and loss account. This is considered an appropriate interest rate for market value and therefore no adjustment for fair value has been applied. No repayment against this loan shall be made until the Assura Services Limited loan balance has been repaid in full. This loan is currently due to be repaid 1 April 2020.

11. Loans

Analysis of the maturity of loans is given below:

	2018 £	2017 £
Amounts falling due 2-5 years		
Other loans	**3,699,830**	3,432,163
Loans to parent undertakings	**16,013,337**	14,507,295
	19,713,167	17,939,458

12. Deferred taxation

	2018 £
At beginning of year	**(124,619)**
Charged to profit or loss	**19,207**
At end of year	**(105,412)**

The provision for deferred taxation is made up as follows:

	2018 £	2017 £
Short term temporary differences	**(113,813)**	(130,072)
Tax losses carried forward and other deductions	**8,401**	5,453
	(105,412)	(124,619)

13. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
350,451 (2017 - 100,139) A Ordinary shares of £0.01 each	**3,505**	1,001
2,490 B Ordinary shares of £0.01 each	**25**	25
646 C Ordinary shares of £0.01 each	**6**	6
29 D Ordinary shares of £0.01 each	**-**	-
323 E Deferred shares of £0.01 each	**3**	3
	3,539	1,035

During the year the Company received £10,000,000 from Virgin Holdings Limited in return for 'A' ordinary shares. At a subscription price of £39.95 per share and a nominal value of each share being £0.01, the number of new shares allotted was 250,312 new 'A' shares.

All Ordinary shares have attached to them full voting, dividend and capital distribution (including on winding up) rights. They do not confer any rights of redemption.

During the year, the 'E' ordinary shares were redesignated as deferred shares and the attached rights varied. The deferred shares do not have attached to them voting, dividend or capital distribution rights subject to limited rights on winding up.

14. Related party transactions

The Company's ultimate parent undertaking was Virgin Group Holdings Limited, whose sole shareholder is Sir Richard Branson. The shareholder of Virgin Group Holdings Limited has interests directly or indirectly in certain other companies which are considered to give rise to related party disclosures.

As the Company wholly owns a number of subsidiaries, the Company has taken advantage of the exemption which enables it to exclude disclosure of transactions with its wholly owned subsidiaries.

Included in debtors at year end is a debtor balance of £77 (2017 - £77) which represents unpaid capital due from Virgin Holdings Limited.

Amounts owed to group undertaking £16,013,337 (2017 - £14,507,295) within creditors falling due after more than one year is a loan due to Virgin Holdings Limited. Interest of £1,506,043 (2017 - £1,364,400) accrued on this loan during the year.

The other loan of £3,699,830 (2017 - £3,432,163) in creditors falling due after more than one year is with Assura Services Limited, a subsidiary of Assura Group Limited, a minority shareholder of the Company.

15. Controlling party

The Company is a subsidiary of Virgin Group Holdings Limited, a company incorporated in the British Virgin Islands.

The largest and smallest group in which the Company and group results are consolidated are those for Virgin Holdings Limited and Virgin UK Holdings Limited respectively, companies both registered in England and Wales. Copies of the group accounts of Virgin Holdings Limited and Virgin UK Holdings Limited can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.