Virgin Life Care Investments Limited

Annual report and financial statements

Registered number 4976244

31 December 2015

Contents

Directors' report

The directors present their report and the financial statements for the year ended 31 December 2015.

Principal activity

The principal activity of the Company is that of an investment holding company.

Business review

The Company has adequate financial resources available to it, and as an investment holding company no significant changes are expected in relation to its income streams or cost base at this present time. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Results and dividends

The profit for the year, after taxation, amounted to £19,030,000 (2014 - £146,000).

On 28 May 2015, the Company paid a dividend of £31,219,348 (2014 - £nil).

Directors

The directors who served during the year were:

C Boyce (resigned 1 July 2015)
M D Bridge
C J Hotson (resigned 1 July 2015)
M J Eyring (resigned 1 July 2015)
E M Lovell (resigned 14 June 2016)
A E Waters (appointed 16 October 2015)

Disclosure 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 that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that 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.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP, will therefore continue in office.

This report was approved by the board on 30 June 2016 and signed on its behalf.

B A R Gerrard
Company Secretary
The Battleship Building
179 Harrow Road
London
W2 6NB

Directors' responsibilities statement
For the Year Ended 31 December 2015

The directors are responsible for preparing 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 the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under Company law the directors must not approve the financial statements unless 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Virgin Life Care Investments Limited

We have audited the financial statements of Virgin Life Care Investments Limited for the year ended 31 December 2015, set out on pages 5 to 18. The financial reporting framework that has been applied in their preparation is applicable law including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' responsibilities statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and the directors' report has been prepared in accordance with applicable legal requirements.

Independent auditor's report to the members of Virgin Life Care Investments Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- 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
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

Sarah Styant (Senior statutory auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

30 June 2016

Statement of comprehensive income
For the Year Ended 31 December 2015

	Note	2015 £000	2014 £000
Administrative expenses		**(432)**	(13)
Operating loss		**(432)**	(13)
Profit/(loss) on disposal of investments	15	**18,616**	-
Interest receivable and similar income	4	**855**	93
Interest payable and expenses	5	**(9)**	-
Profit before tax		**19,030**	80
Taxation on loss on ordinary activities	6	**-**	66
Profit for the year		**19,030**	146
Other comprehensive income			
Total comprehensive income for the year		**19,030**	146

Registered number:4976244

Balance sheet
As at 31 December 2015

	Note		2015 £000		2014 £000
Fixed assets					
Investments	15		9,153		23,544
			9,153		23,544
Current assets					
Debtors: amounts falling due within one year	7	4,251		1,345	
Cash at bank and in hand		154		26	
		4,405		1,371	
Creditors: amounts falling due within one year	8	(840)		(8)	
Net current assets			3,565		1,363
Net assets			12,718		24,907
Capital and reserves					
Called up share capital	9		2		2
Profit and loss account	10		12,716		24,905
			12,718		24,907

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 June 2016.

M D Bridge
Director

The notes on pages 9 to 18 form part of these financial statements.

Statement of changes in equity
As at 31 December 2015

	Share capital	*Retained earnings*	*Total equity*
	£000	**£000**	**£000**
At 1 January 2015	**2**	**24,905**	**24,907**
Comprehensive income for the year			
Profit for the year	**-**	**19,030**	**19,030**
Total comprehensive income for the year	**-**	**19,030**	**19,030**
Contributions by and distributions to owners			
Dividends	**-**	**(31,219)**	**(31,219)**
Total contributions by and distributions to owners	**-**	**(31,219)**	**(31,219)**
At 31 December 2015	**2**	**12,716**	**12,718**

Statement of changes in equity
As at 31 December 2014

	Share capital	*Retained earnings*	*Total equity*
	£000	**£000**	**£000**
At 1 January 2014	**2**	**24,759**	**24,761**
Comprehensive income for the year			
Profit for the year	**-**	**146**	**146**
Other comprehensive income for the year	**-**	**-**	**-**
Total comprehensive income for the year	**-**	**146**	**146**
Total contributions by and distributions to owners	**-**	**-**	**-**
At 31 December 2014	**2**	**24,905**	**24,907**

Notes to the financial statements

1. Accounting policies

1.1 Basis of preparation of financial statements

Virgin Life Care Investments 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.

The financial statements have been prepared under the historical costs convention as modified by the revaluation of other fixed asset investments 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 where necessary in order to comply with Companies Act 2006.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the Company is provided in note 14.

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The following exemptions have been taken in these financial statements:

- Business combinations – Business combinations that took place prior to 1 January 2014 have not been restated.

The Company's intermediate parent, Virgin UK Holdings Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Virgin UK Holdings Limited are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from the address in note 12.

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

- Cash flow Statement and related notes;
- Comparative period reconciliations for share capital;
- Related party disclosures in respect of wholly owned subsidiaries;
- Requirements of IFRS 7 Financial Instruments: Disclosures.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 IFRS balance sheet at 1 January 2014 for the purposes of the transition to FRS 101

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 13.

Notes to the financial statements

1. Accounting policies (continued)

1.2 Going concern

The Company has financial resources available to it, and going forward no significant adverse changes are expected in relation to its income streams or cost base at this present time. As a consequence, the directors believe that the Company is well placed to manage its business risks.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.3 Valuation of Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1.4 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.5 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.6 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the financial statements

1. Accounting policies (continued)

1.7 Foreign currency translation

Functional and presentational currency

The company's functional currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Profit and Loss Account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Profit and Loss Account within 'other operating income'.

Notes to the financial statements

1. Accounting policies (continued)

1.8 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the relevant instrument. In accordance with IAS 39, financial instruments are recorded initially at fair value. Subsequent measurement of those instuments at the balance sheet date reflects the designation of the financial instrument. The Company determines the classification at initial recognition and re-evaluates this designation at each reporting date.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial assets

The Company has the following non-derivative financial assets:

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Non-derivative financial liabilities

Non-derivative financial liabilities are initially recorded at fair value less directly attributable transaction costs, and subsequently at amortised cost using the effective interest method.

The Company has the following non-derivative financial liabilities: loans and borrowings.

The Company derecognises financial liabilities when its contractual obligations are discharged, cancelled or expired.

Where an existing financial liability is replaced by another form from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts are recognised in profit or loss.

Notes to the financial statements

1. Accounting policies (continued)

1.9 Expenses

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1.10 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 operates and generates income.

Deferred balances are recognised in respect of all timing 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.

1.11 Impairment

Financial assets (including trade and other debtors)

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 indicates 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.

Notes to the financial statements

2. Auditors' remuneration

The company paid the following amounts to its auditors in respect of the audit of the financial statements:

	2015 £000	2014 £000
Fees for the audit of the Company	3	5
	3	5

3. Directors' remuneration

The directors did not receive any remuneration during the year for services to the Company (2014:£nil).

4. Interest receivable and similar income

	2015 £000	2014 £000
Interest receivable from group companies	11	27
Net foreign exchange gains	844	66
	855	93

5. Interest payable and similar charges

	2015 £000	2014 £000
Interest payable to group companies	9	-
	9	-

Notes to the financial statements

6. Taxation

	2015	2014
	£000	£000
Corporation tax		
Adjustments in respect of previous periods	-	(66)
Total current tax	-	(66)

Factors affecting tax charge for the year

The charge for the year can be reconciled to the profit per the income statement as follows:

	2015	2014
	£000	£000
Profit on ordinary activities before tax	**19,030**	80
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 - 21.5%)	**3,848**	17
Effects of:		
Income not taxable	**(3,764)**	-
Expenses not deductible	**25**	-
Change in unrecognised deductible temporary difference	**(1)**	(1)
Utilisation of UK tax losses previously unrecognised	**(108)**	(16)
Adjustments in respect of prior periods	-	(66)
Total tax charge for the year	-	(66)

The Company has not recognised deferred tax assets in respect of gross unused tax losses of £826,979 (2014: £1,360,482) and other deductible temporary differences of £15,886 (2014: £19,373).

Notes to the financial statements

7. Debtors

	2015 £000	2014 £000
Due within one year		
Amounts owed by group undertakings	-	1,345
Prepayments and accrued income	4,251	-
	4,251	1,345

8. Creditors: Amounts falling due within one year

	2015 £000	2014 £000
Trade creditors	3	-
Amounts owed to group undertakings	830	-
Accruals and deferred income	7	8
	840	8

9. Share capital

	2015 £000	2014 £000
Allotted, called up and fully paid		
7,915,934 A1 Ordinary shares of £0.0001 each	1	1
5,595,113 A2 Ordinary shares of £0.0001 each	1	1
1,485,696 B Ordinary shares of £0.0001 each	-	-
674,188 (2014 - 408,608) C Ordinary shares of £0.0001 each	-	-
498,096 D Ordinary shares of £0.0001 each	-	-
	2	2

On 28 May 2015 the Company issued 83,974 C £0.0001 ordinary shares to Crispian Hotson, 129,206 C £0.0001 ordinary shares to Stephen Thornton and 52,400 C 0.0001 ordinary shares to Frank Reed.

10. Reserves

Profit & loss account

On 28 May 15, the Company paid a cash dividend of £31,219,348.

Notes to the financial statements

11. Related party transactions

At 31 December 2015 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 under International Accounting Standard 24: Related Party Disclosures.

As a 100% owned subsidiary of Virgin Group Holdings Limited, the Company has taken advantage of the exemption under FRS 101 Reduced Disclosure Framework, which enables it to exclude disclosure of transactions with Virgin Group Holdings Limited and its wholly owned subsidiaries.

12. Controlling party

At 31 December 2015, the Company's ultimate parent undertaking was Virgin Group Holdings Limited, a company incorporated in the British Virgin Islands.

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

13. Accounting estimates and judgements

The preparation of the financial statements in conformity with FRS101 requires management to make judgements,estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from the estimates calculated.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no accounting policies that are considered to be critical, because they either require a significant amount of management judgement or the results are material to the company financial statements.

14. First time adoption of FRS 101

The policies applied under the entity's previous accounting framework are not materially different to FRS 101 and have not impacted on equity or profit or loss.

Notes to the financial statements

15. Fixed asset investments

	Investments in associates
	£000
Cost or valuation	
At 1 January 2015	**23,544**
Disposals	**(14,391)**
At 31 December 2015	**9,153**
At 31 December 2015	**9,153**
At 31 December 2014	23,544

The Company has the following investment in an associate:

Associate	**Country of registration**	**Principal activity**	**Holding**	**Class of shares**
VP Parent Holdings, Inc	United States of America	Partner with insurance companies to provide health related reward programs	30.96%	US$0.01 Series A preferred stock

On 28 May 2015, the Company part disposed of its investment in Virgin Pulse Inc. for cash consideration of US$53,389,659, excluding US$1,692,016 working capital adjustment, of which US$6,299,410 is held in escrow. The proceeds held in escrow are contingent on the accuracy of the working capital and the representations and warranties in the Share Purchase Agreement. Immediately before the transaction all shares in Virgin Pulse Inc. were converted into shares in VP Parent Holdings Inc. and certain shares were redeemed and cancelled. The Company also received US$1,683,746 from Virgin Pulse Inc. as a repayment of an intercompany debt receivable. The Company made a profit on disposal of £18,616,236.