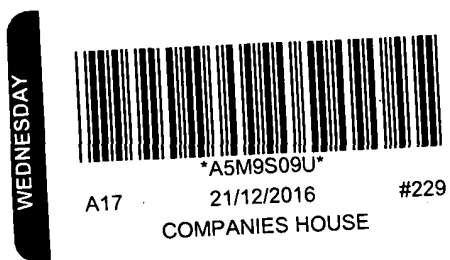


Virgin Care Services Limited

Annual Report and Financial Statements

For the Year Ended 31 March 2016



Virgin Care Services Limited

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Virgin Care Services Limited

Company Information

Directors	E B Johnson V M McVey
Registered number	7557877
Registered office	Lynton House 7-12 Tavistock Square London WC1H 9LT
Independent auditor	KPMG LLP Chartered Accountants 8 Princes Parade Liverpool L3 1QH

Virgin Care Services Limited

Strategic Report For the Year Ended 31 March 2016

Principal activities

The principal activity of the business during the year is the provision of NHS and Local Authority funded community services. The business holds contracts with more than 40 public commissioning authorities across a range of services including community nursing, therapy services, health visiting and primary care. Approximately £100m of existing contracts are in the process of being re-procured and although these are unlikely to all be retained, the directors expect the Company to continue to grow next year with revenue expected from additional contracts. These include a new contract with the NHS and Local Authority in Wiltshire for five years, worth a total of £64 million. The business has also been selected as the preferred bidder for a ten year NHS and Local Authority contract in Bath and North East Somerset in excess of £500 million, which is due to commence on 1 April 2017.

The Company works with a wide range of NHS, independent and third sector partners to deliver NHS services, employing nurses, GPs, consultants and other clinical and administrative staff.

The Company is ideally placed to further improve frontline care for patients by developing innovative services and community-based care pathways within the NHS setting and has a strong track record of service redesign expertise and delivery of transformed services. The Company has well established central administrative services, information technology systems, training, human resources, marketing and communications, payroll and financial support. This comprehensive range of support enables the development and growth of the organisation and enables it to deliver high quality medical and diagnostic services.

Business review and results

The Company is a subsidiary of Virgin Care Limited, and operates as part of the Virgin Care group business model, along with the parent company's other subsidiary undertakings.

The Company aspires to be the provider of choice for commissioners who are seeking the highest calibre NHS and related social care services and as such the organisation has invested significantly to make the business capable of adapting quickly to meet these needs.

The Company has invested in innovative ways to improve the clinical safety and patient experience whilst also achieving major efficiency savings for the organisation.

The Virgin Care group funds its growth and development projects through cash reserves. The Virgin Care group currently has no external third party borrowings with all current borrowings provided through shareholder loans with the parent company. The group also has access to additional funding from its shareholders through equity drawdowns where required. All of the shareholder loans are classified as short term, however the repayment of the capital and any associated interest is only required once the group becomes profitable.

The Virgin Care group generates positive cash flow from existing services as a result of good cash collection and tight cost control, using these funds to invest in new and existing services and to expand the business.

Virgin Care Services Limited

Strategic Report (continued) For the Year Ended 31 March 2016

The Directors had identified three key operational priorities for the year ended 31 March 2016, which are summarised below.

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

The Company has been able to demonstrate the quality and safety of its services successfully during a number of unannounced CQC inspections throughout 2016. The Company 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 Company 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 2015/16 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.

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

The Company 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 Company 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.

Priority 3: to be recognised as an outstanding employer.

The Company has actively engaged in an apprenticeship scheme to bridge the recruitment gap in some of its administrative roles. The scheme also actively supports young people into work.

The Virgin Care Group has also launched its 'People Flourish' programme, which was shortlisted for an award from Learning and Development Magazine, to support the development of managerial skills for colleagues across the organisation. This four part interactive programme, which covers leading others, leading yourself, leading through change and delivering services The Virgin Care Way, seeks to improve the quality of management capability and sets the group apart as an employer of choice. 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.

Virgin Care Services Limited

Strategic Report (continued) For the Year Ended 31 March 2016

The Learning Enterprise (a staff training and development organisation supported by the Virgin Care group) continues to hold a 'Recognised Quality Education and Learning quality mark' (RQEL) for the production of quality education modules. The Learning Enterprise also became the 21st organisation in England to be awarded the Government-backed Skills for Health Quality Mark, the only quality mark for healthcare training in England, during 2015-16.

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.

As a result of the success of a Senior Management Training Programme introduced in the prior year, a new training programme has been rolled out during the year to the wider management team to develop management standards and leadership skills across the whole organisation. This is of particular importance for clinical staff to enable them to transition into management roles and improves retention.

The group also works on community development in the localities where it provides services through a focus on healthy lifestyles and support for carers. Initiatives that the group has supported have included the Surrey Half Marathon and the establishment of the Carers Club online platform, which provides free resources for the UK's seven million unpaid carers.

Principal risks and uncertainties

The Company operates a Risk Management Framework in order to manage the risks and uncertainties of the business. The Executive Team and Board review the top 10 impacting the business at each meeting. The major risks that could impact the business are as follows:

- The Company is fast-growing. As a result of its success and expansion, the directors ensure the business has the resources and management processes in place to mobilise more than one large contract at a time. The directors are satisfied such matters are properly discussed by the Board and are adequately resources.
- Recent changes in the healthcare sector present an opportunity for the business however there remains a lack of clarity over how certain measures are being implemented. The political and commercial environment in which we operated including current or potential new legislation is monitored at Board level.

Virgin Care Services Limited

Strategic Report (continued) For the Year Ended 31 March 2016

Financial key performance indicators

The Company has a number of KPIs which are used to analyse both current performance of the Company 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 patient satisfaction, revenue growth, cash absorption, margin management and compliance with the contractual KPIs across the services it operates.

Modern Slavery Act

The group provides front line NHS and social care services, operating over 230 services across the country, and employs over 7,000 employees.

We are committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our business. We are currently developing a company-wide Procurement and Sourcing Policy with internal stakeholders which will include detail on our anti-slavery and human trafficking stance.

We have zero tolerance of slavery and human trafficking. To ensure all those in our supply chain and our contractors comply with our values we use the Ethical Trading Initiative (ETI) Base Code as our organisational standard on labour and we ensure that our suppliers adhere to this via our sourcing process.

To ensure a high level of understanding of the risks of modern slavery and human trafficking in our supply chains and our business, we provide training to our procurement staff. Our Head of Procurement holds the CIPS Certificate of Achievement in Ethical Procurement and Supply and provides regular training to the wider procurement team.

Following a review of the effectiveness of the steps we have taken this year to ensure that there is no slavery or human trafficking in our supply chains we intend to commence work on the ETI and Department of Health Ethical Procurement for Health workbook in order to achieve Foundation Level status by the end of the next financial year.

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes our slavery and human trafficking statement for the financial year ending 31 March 2016.

Virgin Care Services Limited

**Strategic Report (continued)
For the Year Ended 31 March 2016**

Future Developments

Demonstrating ongoing service quality and safety remains a top priority for 2016/17.

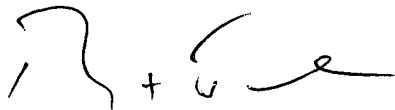
Priority 1: ensuring service quality, safety and enhancing user experience.

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

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

The Directors consider the financial priorities for the year ended 31 March 2017 to be based around demonstrating the quality of our services, delivering efficiency savings resulting from innovative and new technological solutions and focusing on internal projects to make the organisation 'business ready' for the group's projected growth through the award of new services.

This report was approved by the board on 12 December 2016 and signed on its behalf.

A handwritten signature in black ink, appearing to be 'E B Johnson', with a stylized flourish at the end.

E B Johnson
Director

Virgin Care Services Limited

Directors' Report For the Year Ended 31 March 2016

The directors present their report and the financial statements for the year ended 31 March 2016. During the year the Company transitioned to FRS 101 Reduced Disclosure Framework. Further detail of this is disclosed in notes 1 and 19.

Results and dividends

The profit for the year, after taxation, amounted to £7,342,332 (2015 - £5,095,265).

The directors do not recommend the payment of a dividend for 2016 (2015 - £nil). The retained profit for the financial year has been transferred to reserves.

Directors

The directors who served during the year were:

E B Johnson
V M McVey

Going concern

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reason. The Company has access to sufficient cash to continue to support the business over at least the next 12 months, based on forecasts and projections, taking account of reasonably possible changes in trading performance. In addition, based on current tenders and business opportunities, we believe both the short term and long term business outlook to be positive.

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

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

Political and charitable contributions

The Company made no political or charitable donations nor incurred any political expenditure during the year (2015 - £nil).

Virgin Care Services Limited

Directors' Report (continued) For the Year Ended 31 March 2016

Employee involvement

The Company encourages employee involvement in its affairs. The company produces a weekly electronic newsletter which keeps employees abreast of developments. Senior management within the Company meet regularly to review strategic developments and an annual event is held at which all staff can come together and share ideas.

Dialogue takes place regularly with employee representatives on a wide range of issues. Employees are able to share in the Company's results through the employee bonus scheme.

Employee views are also sought through regular employee satisfaction questionnaires, both within business units and across the Company. Following such surveys, results are shared with employees and action plans are put in place to deal with issues arising.

The Company places considerable emphasis on the development of its employees through individual developments plans, and training. The Learning Enterprise (part of VH Doctors Limited) provides links to NHS and other external training programmes and gives all staff access to high quality, accredited training.

The Company annually runs the 'stars of the year' awards, which are peer nominated awards to recognise those staff who embody the core values of the business.

A talent management programme to focus on the identification and development of our high potential staff continued to operate during the year, with the programme rolled out to the wider management group.

Disabled employees

Under the Company's Equal Opportunities policy the Company ensures all employees are treated equally and do not discriminate on the grounds of gender, marital status, race, ethnic origin, colour, nationality, national origin, disability, sexual orientation, religion or age.

The Company ensures that selection for employment, promotion, training or any other benefit will be on the grounds of aptitude and ability.

The Company ensures appropriate measures are considered to accommodate disabled candidates wishing to interview for employment, new employees with disabilities and the retention of employees who develop a disability.

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.

Virgin Care Services Limited

**Directors' Report (continued)
For the Year Ended 31 March 2016**

Auditors

The auditor, KPMG LLP, will be proposed for reappointment in accordance with section 487 of the Companies Act 2006.

This report was approved by the board on *12 December 2016* and signed on its behalf.

A handwritten signature in black ink, appearing to be 'E B Johnson', with a stylized flourish at the end.

E B Johnson
Director

Virgin Care Services Limited

**Directors' Responsibilities Statement
For the Year Ended 31 March 2016**

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 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 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; and
- 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.

Virgin Care Services Limited

Independent Auditor's Report to the Shareholders of Virgin Care Services Limited

We have audited the financial statements of Virgin Care Services Limited for the year ended 31 March 2016, set out on pages 13 to 33. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 on page 10, 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 Financial Reporting Council'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 March 2016 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 Strategic Report and 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.

Virgin Care Services Limited

Independent Auditor's Report to the Shareholders of Virgin Care Services Limited (continued)

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.



Will Baker (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
8 Princes Parade
Liverpool
L3 1QH
Date: 19 December 2016.

Virgin Care Services Limited

**Profit and Loss Account and Other Comprehensive Income
For the Year Ended 31 March 2016**

	Note	2016	2015 Restated £
Turnover	3	133,640,159	128,130,146
Cost of sales		(119,182,530)	(115,945,726)
Gross profit		<u>14,457,629</u>	<u>12,184,420</u>
Administrative expenses		(7,175,920)	(7,320,125)
Operating profit	4	<u>7,281,709</u>	<u>4,864,295</u>
Tax credit on profit		60,623	230,970
Profit for the year and total comprehensive income		<u><u>7,342,332</u></u>	<u><u>5,095,265</u></u>

There was no other comprehensive income for 2016 (2015: NIL).

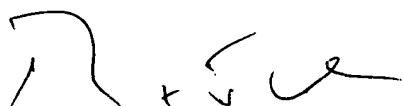
The notes on pages 16 to 33 form part of these financial statements.

Virgin Care Services Limited
Registered number: 7557877

Balance Sheet
As at 31 March 2016

	Note	£	2016 £	£	2015 Restated £
Fixed assets					
Tangible assets	7		78,491		154,355
Investments	8		16,947		100
			<u>95,438</u>		<u>154,455</u>
Current assets					
Stocks	9	61,466		80,212	
Debtors: amounts falling due within one year	10	34,193,985		23,572,751	
Cash at bank and in hand		2,684,314		158,429	
			<u>36,939,765</u>	<u>23,811,392</u>	
Creditors: amounts falling due within one year	11	(19,813,334)		(14,086,310)	
Net current assets			<u>17,126,431</u>		<u>9,725,082</u>
Total assets less current liabilities			<u>17,221,869</u>		<u>9,879,537</u>
Net assets			<u>17,221,869</u>		<u>9,879,537</u>
Capital and reserves					
Called up share capital			100		100
Retained earnings			17,221,769		9,879,437
Shareholders' funds			<u>17,221,869</u>		<u>9,879,537</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
12 December 2016



E B Johnson
Director

The notes on pages 16 to 33 form part of these financial statements.

Virgin Care Services Limited

**Statement of Changes in Equity
For the Year Ended 31 March 2016**

	Called up share capital	Retained earnings	Total equity
	£	£	£
At 1 April 2015 (as previously stated)	100	10,112,342	10,112,442
First Time Adoption of FRS101 adjustment	-	(232,905)	(232,905)
At 1 April 2015 (as restated)	100	9,879,437	9,879,537
Comprehensive income for the year			
Profit for the year	-	7,342,332	7,342,332
Total comprehensive income for the year	-	7,342,332	7,342,332
At 31 March 2016	100	17,221,769	17,221,869

**Statement of Changes in Equity
For the Year Ended 31 March 2015**

	Called up Share capital	Retained earnings	Total equity
	£	£	£
At 1 April 2014 (as previously stated)	100	5,043,612	5,043,712
First Time Adoption of FRS101 adjustment	-	(259,440)	(259,440)
At 1 April 2014 (as restated)	100	4,784,172	4,784,272
Comprehensive income for the year			
Profit for the year	-	5,095,265	5,095,265
Total comprehensive income for the year	-	5,095,265	5,095,265
At 31 March 2015	100	9,879,437	9,879,537

The notes on pages 16 to 33 form part of these financial statements.

**Notes to the Financial Statements
For the Year Ended 31 March 2016**

1. Accounting policies

1.1 Basis of preparation of financial statements

Virgin Care Services 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. The amendments to FRS101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In the transition to FRS101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS101. An explanation of how the transition to FRS101 has affected the reported financial position and financial performance of the Company is given in note 19.

The Company's parent undertaking, 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.

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 and in preparing an opening FRS101 balance sheet at 1 April 2014 for the purposes of the transition to FRS101.

**Notes to the Financial Statements
For the Year Ended 31 March 2016**

1. Accounting policies (continued)

1.2 Measurement convention

The financial statements are prepared on the historical cost basis. Non-current assets are stated at the lower of previous carrying amounts and fair value

1.3 Going concern

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reason. The Company has access to sufficient cash to continue to support the business over at least the next 12 months, based on forecasts and projections, taking account of reasonably possible changes in trading performance. In addition, based on current tenders and business opportunities, we believe both the short term and long term business outlook to be positive.

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

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

1.4 Turnover

Turnover comprises revenue recognised by the Company in respect of services provided during the year, exclusive of Value Added Tax. Turnover is recognised as the services are provided.

**Notes to the Financial Statements
For the Year Ended 31 March 2016**

1. Accounting policies (continued)

1.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Short term leasehold property	- 3 years
Medical equipment	- 3 years
Computer & office equipment	- 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the profit and loss account..

1.6 Investments

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

1.7 Operating leases

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

1.8 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

**Notes to the Financial Statements
For the Year Ended 31 March 2016**

1. Accounting policies (continued)

1.9 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.

1.10 Impairment of 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.

1.11 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax 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.

1.12 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Balance Sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Balance Sheet date.

**Notes to the Financial Statements
For the Year Ended 31 March 2016**

1. Accounting policies (continued)

1.13 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, 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 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 income 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.

2. Judgments 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 under circumstances. 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.

Trade receivables

The Company's management periodically assesses the adequacy of the provision for doubtful debts receivable using historical experience, and other facts and reasonable assumptions to establish the Company's ultimate exposure.

Virgin Care Services Limited

Notes to the Financial Statements
For the Year Ended 31 March 2016

3. Analysis of turnover

An analysis of turnover by class of business is as follows:

	2016 £	2015 £
Provision of healthcare services	133,640,159	128,130,146
	<u>133,640,159</u>	<u>128,130,146</u>

All turnover arose within the United Kingdom.

4. Operating profit

The operating profit is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets	117,684	118,757
Fees for the audit of the Company	40,000	36,250
Bid costs	717,226	1,163,604
Operating lease payment: - plant and machinery	<u>556,166</u>	<u>603,888</u>

During the year, no director received any emoluments (2015 - £NIL).

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.

Virgin Care Services Limited

**Notes to the Financial Statements
For the Year Ended 31 March 2016**

5. Employees

Staff costs were as follows:

	2016 £	2015 Restated £
Wages and salaries	2,852,022	3,052,829
Social security costs	232,999	279,228
Other pension costs	148,879	102,308
	<u>3,233,900</u>	<u>3,434,365</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2016 No.	2015 No.
Administration	44	15
Clinical	174	87
	<u>218</u>	<u>102</u>

6. Taxation

	2016 £	2015 £
Current tax		
UK corporation tax (credit)/charge on profit for the year	-	-
	<u>-</u>	<u>-</u>
Deferred tax		
Deferred tax	(60,623)	(230,970)
Taxation on profit on ordinary activities	<u>(60,623)</u>	<u>(230,970)</u>

Virgin Care Services Limited

Notes to the Financial Statements
For the Year Ended 31 March 2016

6. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 - lower than) the standard rate of corporation tax in the UK of 20% (2015 - 21%). The differences are explained below:

	2016 £	2015 Restated £
Profit on ordinary activities before tax	7,281,709	4,864,295
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 21%)	1,456,342	1,021,502
Effects of:		
Fixed asset differences	8,315	-
Expenses not deductible for tax purposes	1,582	8,764
Income not taxable for tax purposes	(46,581)	-
Adjustments to brought forward values	38,667	-
Adjustments to tax charge in respect of previous periods	90,638	(5,572)
Adjust closing deferred tax to average rate	201,746	-
Deferred tax not recognised	(1,811,332)	-
Utilisation of tax losses	-	(1,328,648)
Changes in tax laws and rates	-	72,984
Total tax charge/(credit) for the year	(60,623)	(230,970)

**Notes to the Financial Statements
For the Year Ended 31 March 2016**

6. Taxation (continued)

Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax asset at 31 March 2016 has been calculated based on these rates. An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the group's future current tax charge accordingly.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted. In accordance with FRS101, no asset has been recognised for the potential deferred tax asset of £1,310,153 (2015: £1,154,281) arising from tax losses of £7,278,627 (2015: £5,771,405) since the losses are not expected to be utilised in the foreseeable future.

Details of the Company's recognised deferred tax asset at the year end (and prior year end) are shown in the table below.

The deferred tax asset is attributable to the following:

	2016	2015
	£	£
Fixed assets	471,949	422,878
Other timing differences	33,616	22,064
Tax losses	-	-
	<u>505,565</u>	<u>444,942</u>

Virgin Care Services Limited

**Notes to the Financial Statements
For the Year Ended 31 March 2016**

7. Tangible assets

	Short Term Leasehold Property £	Medical equipment £	Computer & office equipment £	Total £
Cost or valuation				
At 1 April 2015	112,763	190,066	91,701	394,530
Additions	-	29,820	12,000	41,820
At 31 March 2016	<u>112,763</u>	<u>219,886</u>	<u>103,701</u>	<u>436,350</u>
Depreciation				
At 1 April 2015	74,823	105,838	59,514	240,175
Charge for the period	37,940	44,392	35,352	117,684
At 31 March 2016	<u>112,763</u>	<u>150,230</u>	<u>94,866</u>	<u>357,859</u>
Net book value				
At 31 March 2016	<u>-</u>	<u>69,656</u>	<u>8,835</u>	<u>78,491</u>
At 31 March 2015	<u>37,939</u>	<u>84,228</u>	<u>32,188</u>	<u>154,355</u>

Virgin Care Services Limited

**Notes to the Financial Statements
For the Year Ended 31 March 2016**

8. Fixed asset investments

	Investments in subsidiary companies £	Other fixed asset investments £	Total £
Cost or valuation			
At 1 April 2015	100	-	100
Additions	-	16,847	16,847
At 31 March 2016	100	16,847	16,947
Impairment			
At 31 March 2016	-	-	-
Net book value			
At 31 March 2016	100	16,847	16,947
At 31 March 2015	100	-	100

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Holding	Principal activity
VH Community Services Limited	England	100%	Provision of clinical services
The Randolph Partnership	England	98%	Provision of NHS primary care services

9. Stocks

	2016 £	2015 £
Medical consumables stock	61,466	80,212
	61,466	80,212

Virgin Care Services Limited

Notes to the Financial Statements
For the Year Ended 31 March 2016

10. Debtors

	2016 £	2015 £
Trade debtors	7,432,015	4,652,550
Amounts owed by group undertakings	23,030,429	15,617,611
Other debtors	60,607	16,333
Prepayments and accrued income	3,165,369	2,841,315
Deferred taxation (Note 12)	505,565	444,942
	<u>34,193,985</u>	<u>23,572,751</u>

11. Creditors: Amounts falling due within one year

	2016 £	2015 Restated £
Trade creditors	6,978,639	7,336,345
Amounts owed to group undertakings	1,996,457	1,521,981
Taxation and social security	86,049	25,321
Other creditors	365,267	299,167
Accruals and deferred income	10,386,922	4,903,496
	<u>19,813,334</u>	<u>14,086,310</u>

Virgin Care Services Limited

**Notes to the Financial Statements
For the Year Ended 31 March 2016**

12. Deferred taxation

	Deferred tax £
At 1 April 2015	444,942
Charged to the profit and loss	60,623
At 31 March 2016	<u><u>505,565</u></u>

In respect of prior year:

	Deferred tax £
At 1 April 2014	213,972
Charged to the profit and loss	230,970
At 31 March 2015	<u><u>444,942</u></u>

The deferred tax asset is made up as follows:

	2016 £	2015 £
Accelerated capital allowances	471,949	422,878
Short term timing differences	33,616	22,064
	<u><u>505,565</u></u>	<u><u>444,942</u></u>

Virgin Care Services Limited

Notes to the Financial Statements
For the Year Ended 31 March 2016

13. Share capital

	2016	2015
	£	£
Authorised, allotted, called up and fully paid		
100 Ordinary shares of £1 each	100	100

14. Pension commitments

The Company operated a defined contribution scheme for its employees and directors. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounts to £148,879 (2015 - £102,308). Contributions totalling £268,090 (2015 - £162,900) were payable to the fund at the balance sheet date and are included in other creditors.

15. Commitments under operating leases

	2016	2015
	£	Restated
		£
Other		
Not later than 1 year	331,628	417,948
Later than 1 year and not later than 5 years	507,098	277,144
Later than 5 years	-	-
	<u>838,726</u>	<u>695,092</u>

Virgin Care Services Limited

**Notes to the Financial Statements
For the Year Ended 31 March 2016**

16. Related party transactions

At 31 March 2016 the Company's ultimate parent undertaking was Virgin Group Holdings Limited, whose principal shareholders are Sir Richard Branson and certain trusts, none of which individually has a controlling interest in Virgin Group Holdings Limited. The principal beneficiaries of those trusts are Sir Richard Branson and/or his immediate family. The shareholders of Virgin Group Holdings Limited have interests directly or indirectly in certain other companies which are considered to give rise to related party disclosures.

As a 100% owned subsidiary of Virgin Healthcare Holdings Limited, the Company has taken advantage of the exemption which enables it to exclude disclosure of transactions with Virgin Healthcare Holdings Limited and its wholly owned subsidiaries.

VH Doctors Limited is considered a related party as it is a subsidiary of the Company's parent undertaking, Virgin Care Limited, by virtue of Virgin Care Limited having dominant influence over VH Doctors Limited. During the financial year, VH Doctors Limited provided subcontracted medical services to Virgin Care Services Limited. Details of the value of services provided in the current and prior year are included in the table below.

During the year the company entered into transactions, in the ordinary course of business, with the following related parties

	Sales during year ended 31 March 2016 £	Balance outstanding at 31 March 2016 £	Purchases during year ended 31 March 2016 £	Balance outstanding at 31 March 2016 £
VH Doctors Limited	1,308,138	4,719,539	(70,455,980)	(2,133,156)
	<u>1,308,138</u>	<u>4,719,539</u>	<u>(70,455,980)</u>	<u>(2,133,156)</u>

	Sales during year ended 31 March 2015 £	Balance outstanding at 31 March 2015 £	Purchases during year ended 31 March 2015 Restated £	Balance outstanding at 31 March 2015 Restated £
VH Doctors Limited	1,669,942	3,739,450	(72,270,699)	(1,980,435)
	<u>1,669,942</u>	<u>3,739,450</u>	<u>(72,270,699)</u>	<u>(1,980,435)</u>

Virgin Care Services Limited

Notes to the Financial Statements For the Year Ended 31 March 2016

17. Post balance sheet events

Subsequent to the year end the Company has seen a number of its Surrey contracts come to an end and has commenced the running of a number of significant new long term contracts which include a contract with the NHS and Local Authority in Wiltshire for five years, worth a total of £64 million and the NHS in Guildford and Waverly for up to ten years and worth up to £200 million. The business has also been selected as the preferred bidder for a ten year NHS and Local Authority contract in Bath and North East Somerset in excess of £500 million, which is due to commence on 1 April 2017.

18. Controlling party

The parent undertaking of Virgin Care Services Limited is Virgin Care Limited. As at 31 March 2016 the Company is a subsidiary undertaking 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 Holdings UK 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.

Virgin Care Services Limited

Notes to the Financial Statements
For the Year Ended 31 March 2016

19. First time adoption of FRS 101

	As previously stated 1 April 2014	Effect of transition (as restated) 1 April 2014	FRS 101 As previously stated 31 March 2015	Effect of transition (as restated) 31 March 2015	FRS 101 As previously stated 31 March 2015
Note	£	£	£	£	£
Fixed assets	212,339	-	212,339	154,455	154,455
Current assets	19,871,096	-	19,871,096	23,811,392	23,811,392
Creditors: amounts falling due within one year	1 (15,039,723)	(259,440)	(15,299,163)	(13,853,404)	(232,906) (14,086,310)
Net current assets	4,831,373	(259,440)	4,571,933	9,957,988	(232,906) 9,725,082
Total assets less current liabilities	5,043,712	(259,440)	4,784,272	10,112,443	(232,906) 9,879,537
Net assets	1 5,043,712	(259,440)	4,784,272	10,112,443	(232,906) 9,879,537
Shareholders' funds	1 5,043,712	(259,440)	4,784,272	10,112,443	(232,906) 9,879,537

Virgin Care Services Limited

Notes to the Financial Statements
For the Year Ended 31 March 2016

19. First time adoption of FRS 101 (continued)

	Note	As previously stated 31 March 2015 £	Effect of transition 31 March 2015 £	FRS 101 (as restated) 31 March 2015 £
Turnover		128,130,146	-	128,130,146
Cost of sales	1	(115,972,260)	26,534	(115,945,726)
		<u>12,157,886</u>	<u>26,534</u>	<u>12,184,420</u>
Administrative expenses		(7,320,125)	-	(7,320,125)
		<u>4,837,761</u>	<u>26,534</u>	<u>4,864,295</u>
Operating profit	1	4,837,761	26,534	4,864,295
Taxation		230,970	-	230,970
		<u>5,068,731</u>	<u>26,534</u>	<u>5,095,265</u>
Profit for the year and total comprehensive income	1	5,068,731	26,534	5,095,265

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS101. The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2016, the comparative information presented in these financial statements for the year ended 31 March 2015 and in the preparation of an opening FRS101 balance sheet at 1 April 2014 (the Company's date of transition). In preparing its FRS101 balance sheet, the Company has adjusted amounts reported previously in financial statements in accordance with its previous basis of accounting, UK GAAP. An explanation of how the transition from UK GAAP to FRS101 has affected the Company's financial position and performance is set out below with reference to the tables above:

- 1 A short term employee benefit in respect of accrued holiday has been recognised resulting in an increase in creditor balances with a corresponding charge in the profit and loss account.