

Registered number: 7557877

## **Virgin Care Services Limited**

### **Annual Report and Financial Statements**

**For the Year Ended 31 March 2017**

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## **Virgin Care Services Limited**

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**Virgin Care Services Limited**

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**Company Information**

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

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## Virgin Care Services Limited

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### Strategic Report For the Year Ended 31 March 2017

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#### 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. A small number of existing services are in the process of being re-procured, however the directors expect the Company to continue to grow.

This growth is largely due to the commencement of three new contracts during the year. Firstly a five year contract with NHS and Local Authority in Wiltshire worth a total of £64million, secondly with NHS East Staffordshire CCG for seven years with a total value of £270million and thirdly with NHS Dartford, Gravesham, Swanley CCG and NHS Swale CCG for seven years, worth a total £126million.

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

The Company is ideally placed to further improve frontline care for patients by developing innovative services and community-based care pathways in health and care 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 health and care 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 of providing health and care 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 and group funding. 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 has access to additional funding from its shareholders through a set equity drawdown facility. The Directors believe the agreed facility is sufficient to provide the required funding to the Company for the foreseeable future. The Directors have also received notification from its shareholders that further funding is available as required for the Company 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, however the repayment of the capital and any associated interest is only required once the group becomes profitable.

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

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## Virgin Care Services Limited

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### Strategic Report (continued) For the Year Ended 31 March 2017

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The Directors had identified three key operational priorities for the year ended 31 March 2017, 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 2017, with inspectors in one report noting that the Company had demonstrated improvements to services following acquisition.

The community services delivered by the Company were inspected during January, February and March 2017 receiving an overall 'good' rating in the final report, while governance, management and leadership was rated 'outstanding'.

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; 94% of patients rating the group's services during 2016/17 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 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 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.

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## Virgin Care Services Limited

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### Strategic Report (continued) For the Year Ended 31 March 2017

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The Company 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.

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.

#### 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 resourced.
- 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.
- 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. We will continue to lobby the government along with 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 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.

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## Virgin Care Services Limited

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### Strategic Report (continued) For the Year Ended 31 March 2017

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#### Modern Slavery Act

The Virgin Care group provides front line health and social care services, operating over 400 services across the country, and employing over 7,000 colleagues.

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. This is achieved through training of our procurement colleagues and ensuring that all of our suppliers, in order to work with us, adhere to our policies on modern slavery and human trafficking.

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. In addition, our standard terms and conditions require suppliers to comply with the provisions of the Modern Slavery Act.

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 colleagues. Our Procurement Manager holds the CIPS Certificate of Achievement in Ethical Procurement and Supply and provides regular training to the wider procurement team.

Over the coming year, following a review of the steps we have taken to ensure that there is no slavery or human trafficking in our supply chains, we intend to continue work on the ETI and Department of Health Ethical Procurement for Health workbook and to develop and implement a new training programme for our procurement team.

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 2017.

#### Future Developments

Demonstrating ongoing service quality and safety remains a top priority for 2017/18.

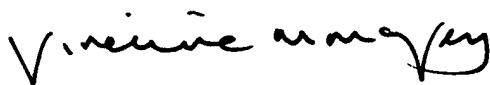
Priority 1: ensuring service quality, safety and enhancing user experience.

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 future financial priorities for the year ended 31 March 2018 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 14 DECEMBER 2017, and signed on its behalf.



**V M McVey**  
Director

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**Virgin Care Services Limited**

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**Directors' Report  
For the Year Ended 31 March 2017**

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The directors present their report and the financial statements for the year ended 31 March 2017.

**Results and dividends**

The profit for the year, after taxation, amounted to £8,159,000 (2016 - £7,342,332).

The directors do not recommend the payment of a dividend for 2017 (2016 - £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 (2016 - £nil).



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## Virgin Care Services Limited

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### Directors' Report (continued) For the Year Ended 31 March 2017

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#### 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.

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

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**Virgin Care Services Limited**

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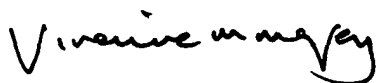
**Directors' Report (continued)  
For the Year Ended 31 March 2017**

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**Auditor**

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 14 DECEMBER 2017, and signed on its behalf.



**V M McVey**  
Director

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**Virgin Care Services Limited**

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**Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements  
For the Year Ended 31 March 2017**

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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), 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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The 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 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.

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## Virgin Care Services Limited

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

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We have audited the financial statements of Virgin Care Services Limited for the year ended 31 March 2017, set out on pages 12 to 32. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 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 9, 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](http://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 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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**Virgin Care Services Limited**

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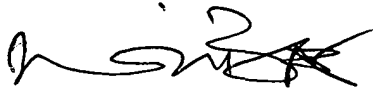
**Independent Auditor's Report to the Members of Virgin Care Services Limited (continued)**

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**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 2017

**Virgin Care Services Limited**

**Profit and Loss Account and Other Comprehensive Income  
For the Year Ended 31 March 2017**

	Note	2017 £	2016 £
Turnover	3	204,258,346	133,640,159
Cost of sales		(190,139,489)	(119,182,530)
<b>Gross profit</b>		<u>14,118,857</u>	<u>14,457,629</u>
Administrative expenses		(6,102,970)	(7,175,920)
<b>Operating profit</b>	4	<u>8,015,887</u>	<u>7,281,709</u>
Taxation	6	143,113	60,623
<b>Profit for the year and total comprehensive income</b>		<u><u>8,159,000</u></u>	<u><u>7,342,332</u></u>

There was no other comprehensive income for 2017 (2016: £NIL).

The notes on pages 16 to 32 form part of these financial statements.

**Virgin Care Services Limited**  
**Registered number: 7557877**

**Balance Sheet**  
**As at 31 March 2017**

		2017	2017	2016	2016
	Note	£	£	£	£
<b>Fixed assets</b>					
Tangible assets	7		662,791		78,491
Investments	8		16,947		16,947
			<u>679,738</u>		<u>95,438</u>
<b>Current assets</b>					
Stocks	9	549,144		61,466	
Debtors: amounts falling due within one year	10	66,309,325		34,193,985	
Cash at bank and in hand		11,622		2,684,314	
		<u>66,870,091</u>		<u>36,939,765</u>	
Creditors: amounts falling due within one year	11	(40,259,876)		(19,813,334)	
<b>Net current assets</b>			<u>26,610,215</u>		<u>17,126,431</u>
<b>Total assets less current liabilities</b>			<u>27,289,953</u>		<u>17,221,869</u>
<b>Provisions for liabilities</b>					
Other provisions	13	(1,909,084)		-	
			<u>(1,909,084)</u>		<u>-</u>
<b>Net assets</b>			<u><u>25,380,869</u></u>		<u><u>17,221,869</u></u>

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Virgin Care Services Limited  
Registered number: 7557877

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Balance Sheet (continued)  
As at 31 March 2017

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	Note	2017 £	2016 £
<b>Capital and reserves</b>			
Called up share capital	14	100	100
Retained earnings		25,380,769	17,221,769
<b>Shareholders' funds</b>		<u>25,380,869</u>	<u>17,221,869</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on  
14 DECEMBER 2017

*Vivienne M McVey*

V M McVey

Director

The notes on pages 16 to 32 form part of these financial statements.



**Virgin Care Services Limited**

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

	Called up share capital	Retained earnings	Total equity
	£	£	£
At 1 April 2016	100	17,221,769	17,221,869
Profit for the year	-	8,159,000	8,159,000
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>8,159,000</b>	<b>8,159,000</b>
<b>At 31 March 2017</b>	<b>100</b>	<b>25,380,769</b>	<b>25,380,869</b>

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

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

The notes on pages 16 to 32 form part of these financial statements.

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## Virgin Care Services Limited

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### Notes to the Financial Statements For the Year Ended 31 March 2017

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#### 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.

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 LLP 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.

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**Virgin Care Services Limited**

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**Notes to the Financial Statements  
For the Year Ended 31 March 2017**

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**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.

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## Virgin Care Services Limited

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### Notes to the Financial Statements For the Year Ended 31 March 2017

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#### 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 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 and loss account on a straight line basis over the lease term.

##### 1.8 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the cost of acquiring the stocks, on an actual basis.

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 the profit and loss account.

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## Virgin Care Services Limited

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### Notes to the Financial Statements For the Year Ended 31 March 2017

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#### 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.

##### 1.13 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

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Virgin Care Services Limited

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Notes to the Financial Statements  
For the Year Ended 31 March 2017

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**1. Accounting policies (continued)**

**1.14 Contingent assets**

Contingent assets are primarily insurance related, which is used to mitigate any losses caused by claims against the company. Contingent assets are only recognised when they are virtually certain and are presented in other debtors, separate from the associated provision amount. However, they are presented net in the profit and loss account.

**1.15 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.

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## Virgin Care Services Limited

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### Notes to the Financial Statements For the Year Ended 31 March 2017

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#### 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.

##### Valuation of intercompany receivable balances from group entities

The Directors have exercised judgement in determining that the intercompany receivable balance from other group entities is not impaired. In coming to this conclusion, the Directors have estimated the value in use of Virgin Care Limited and its subsidiaries based on their historical experience and forecast information. This value in use model uses assumptions in respect of annual contract win rates, expected margin and discount factor. The value in use model demonstrates significant headroom, and even when reasonable sensitivities are applied there is no impairment.

#### 3. Turnover

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

	2017 £	2016 £
Provision of healthcare services	204,258,346	133,640,159
	<u>204,258,346</u>	<u>133,640,159</u>

All turnover arose within the United Kingdom.

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**Virgin Care Services Limited**

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**Notes to the Financial Statements  
For the Year Ended 31 March 2017**

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**4. Operating profit**

The operating profit is stated after charging:

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Depreciation of tangible fixed assets	111,052	117,684
Fees for the audit of the Company	40,000	40,000
Bid costs	-	717,226
Operating lease payment: - plant and machinery	531,327	556,166
	<u>531,327</u>	<u>556,166</u>

During the year, no director received any emoluments (2016 - £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.

**5. Employees**

Staff costs were as follows:

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Wages and salaries	26,954,554	2,852,022
Social security costs	2,434,914	232,999
Other pension costs	2,992,397	148,879
	<u>32,381,865</u>	<u>3,233,900</u>

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

	<b>2017</b>	<b>2016</b>
	<b>No.</b>	<b>No.</b>
Administration	283	44
Clinical	907	174
	<u>1,190</u>	<u>218</u>



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**Virgin Care Services Limited**

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**Notes to the Financial Statements  
For the Year Ended 31 March 2017**

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**6. Taxation**

	2017 £	2016 £
<b>Current tax</b>		
UK corporation tax (credit)/charge on profit for the year	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
<b>Deferred tax</b>		
Deferred tax	(143,113)	(60,623)
	<hr/>	<hr/>
<b>Total tax</b>	<u>(143,113)</u>	<u>(60,623)</u>

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Virgin Care Services Limited

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Notes to the Financial Statements  
For the Year Ended 31 March 2017

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6. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2016 - lower than) the standard rate of corporation tax in the UK of 20% (2016 - 20%). The differences are explained below:

Reconciliation of effective tax rate

	2017 £	2016 £
Profit for the year	8,159,000	7,342,332
Total tax expense	(143,113)	(60,623)
Profit excluding tax charge	<u>8,015,887</u>	<u>7,281,709</u>
Tax using UK corporation tax rate of 20% (2016 - 20%)	1,603,177	1,456,342
Capital allowances for year in excess of depreciation	-	8,315
Adjustments to tax charge in respect of prior periods	28,149	-
Expenses not deductible for tax purposes	27,321	1,582
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
Adjust closing deferred tax to average rate	305,954	201,746
Adjust opening deferred tax to average rate	(367,019)	-
Deferred tax not recognised	(1,740,695)	(1,811,332)
Total tax expense	<u>(143,113)</u>	<u>(60,623)</u>

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**Virgin Care Services Limited**

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**Notes to the Financial Statements  
For the Year Ended 31 March 2017**

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**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. 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.

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 £1,085,059 (2016: £2,825,754) arising from tax losses of £6,382,698 (2016: £15,698,634) 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.

	2017 £	2016 £
Fixed assets	616,948	471,949
Other timing differences	31,730	33,616
	<u>648,678</u>	<u>505,565</u>

**Virgin Care Services Limited**

**Notes to the Financial Statements  
For the Year Ended 31 March 2017**

**7. Tangible assets**

	Short term leasehold property £	Medical equipment £	Computer & office equipment £	Total £
<b>Cost or valuation</b>				
At 1 April 2016	112,763	219,886	103,701	436,350
Additions	-	125,218	581,256	706,474
Disposals	-	(16,588)	-	(16,588)
At 31 March 2017	112,763	328,516	684,957	1,126,236
<b>Depreciation</b>				
At 1 April 2016	112,763	150,230	94,866	357,859
Charge for the year	-	35,489	75,563	111,052
Disposals	-	(5,465)	-	(5,465)
At 31 March 2017	112,763	180,254	170,429	463,446
<b>Net book value</b>				
At 31 March 2017	-	148,262	514,528	662,790
At 31 March 2016	-	69,656	8,835	78,491

**Virgin Care Services Limited**

**Notes to the Financial Statements  
For the Year Ended 31 March 2017**

**8. Fixed asset investments**

	Investments in subsidiary companies £	Other fixed asset investments £	Total £
<b>Cost or valuation</b>			
At 1 April 2016	100	16,847	16,947
At 31 March 2017	100	16,847	16,947
<b>Impairment</b>			
At 31 March 2017	-	-	-
<b>Net book value</b>			
At 31 March 2017	100	16,847	16,947
At 31 March 2016	100	16,847	16,947
<b>Subsidiary undertakings</b>			

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**

	2017 £	2016 £
Medical Consumables	549,144	61,466
	549,144	61,466

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Virgin Care Services Limited

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Notes to the Financial Statements  
For the Year Ended 31 March 2017

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**10. Debtors**

	2017 £	2016 £
Trade debtors	11,489,952	7,432,015
Amounts owed by group undertakings	45,784,023	23,030,429
Other debtors	2,026,304	60,607
Prepayments and accrued income	6,360,368	3,165,369
Deferred taxation (Note 13)	648,678	505,565
	<u>66,309,325</u>	<u>34,193,985</u>

**11. Creditors: Amounts falling due within one year**

	2017 £	2016 £
Bank overdrafts	5,276,860	-
Trade creditors	2,967,430	6,978,639
Amounts owed to group undertakings	-	1,996,457
Taxation and social security	528,632	86,049
Other creditors	1,875,625	365,267
Accruals and deferred income	29,611,329	10,386,922
	<u>40,259,876</u>	<u>19,813,334</u>

The Company bank overdraft balance is a result of the group pooling and sweeping arrangements in place with the group's bankers. 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 year end, but overall the group had positive cash balances and therefore had no requirement for a formal overdraft facility.

**Virgin Care Services Limited**

**Notes to the Financial Statements  
For the Year Ended 31 March 2017**

**12. Deferred taxation**

	2017 £	2016 £
At beginning of year	505,565	444,942
Charged to the profit and loss	143,113	60,623
<b>At end of year</b>	<b>648,678</b>	<b>505,565</b>

The deferred tax asset is made up as follows:

	2017 £	2016 £
Accelerated capital allowances	616,948	471,949
Short term timing differences	31,730	33,616
	<b>648,678</b>	<b>505,565</b>

**13. Provisions**

	Provision £
At 1 April 2016	-
Arising in the year	1,909,084
<b>At 31 March 2017</b>	<b>1,909,084</b>

The insured provision covers the estimated total gross exposure from potential claims. The insured sum against these claims is included in other debtors (£1,814,745). The maximum net exposure is limited to the reflected figure as insurance provided by a third party will cover any claims greater than the already recognised insurance excess.

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**Virgin Care Services Limited**

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**Notes to the Financial Statements  
For the Year Ended 31 March 2017**

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**14. Share capital**

	2017 £	2016 £
<b>Authorised, allotted, called up and fully paid</b>		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

**15. 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 £2,992,397 (2016 - £148,879). Contributions totaling £1,875,625 (2016 - £268,090) were payable to the fund at the balance sheet date and are included in other creditors.

**16. Commitments under operating leases**

	2017 £	2016 £
<b>Other</b>		
Less than one year	315,283	331,628
Between one and five years	327,073	507,098
More than five years	-	-
	<u>642,356</u>	<u>838,726</u>



# Virgin Care Services Limited

## Notes to the Financial Statements For the Year Ended 31 March 2017

### 17. 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 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.

	Sales during year ended 31 March 2017 £	Balance outstanding at 31 March 2017 £	Purchases during year ended 31 March 2017 £	Balance outstanding at 31 March 2017 £
VH Doctors Limited	1,975,696	4,483,451	(73,337,329)	(2,247,329)
	<u>1,975,696</u>	<u>4,483,451</u>	<u>(73,337,329)</u>	<u>(2,247,329)</u>

	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>

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**Virgin Care Services Limited**

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**Notes to the Financial Statements  
For the Year Ended 31 March 2017**

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**18. Post balance sheet events**

During the financial year the Company was awarded a number of new contracts for commencement during 2017/18. These include a £500million ten year contract in Bath and North East Somerset to deliver health and care services, a £250million contract in Essex delivering public health services over the next seven years and a £65million contract in West Lancashire delivering urgent and community care for adults.

**19. Controlling party**

The parent undertaking of Virgin Care Services Limited is Virgin Care Limited. As at 31 March 2017 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.