Registration number: 7557877

Virgin Care Services Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2020

KPMG LLP
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Virgin Care Services Limited

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Virgin Care Services Limited

Company Information

Directors	V M McVey D J Deitz
Registered office	The Heath Business & Technical Park Runcorn Cheshire WA7 4QX
Registered number	7557877
Auditors	KPMG LLP 1 Sovereign Square Sovereign St Leeds LS1 4DA

Strategic Report for the Year Ended 31 March 2020

The directors present their report for the year ended 31 March 2020.

Principal activities
The principal activity of the company during the year was the provision of health and social care services funded by the NHS (National Health Service) and Local Authorities across England.

The company is part of the wider Virgin Care group of companies (the Virgin Care sub-group), which holds contracts with more than 35 public authorities to deliver publicly funded adult and children's community services such as community nursing and continuing care, public health nursing services such as health visiting and adult social care services.

The Virgin Care sub-group continues to tender for new contracts across England in these areas and, as existing contracts come to an end, takes part in procurement processes for future provision of the services it currently operates, where appropriate according to internal policies.

Alongside the provision of clinical services, the Virgin Care sub-group also provides back office functions such as Human Resources, Information Technology and Clinical Leadership and Governance functions related to the regulated activities the Virgin Care group carries out.

Virgin Healthcare Holdings Limited (VHHL) is the parent of the group and carries out these activities through its subsidiaries. Its subsidiary Virgin Care Limited (VCL) delivers back office functions on behalf of the Virgin Care group and is the parent of Virgin Care Services Limited (VCSL) which holds contracts with local authorities and employs health and care professionals in order to undertake the provision of contracted services.

In addition, there are longer term contracts held by other entities within the Virgin Care sub-group which pre-date the current group structure but which also make use of these same back office functions provided by VCL.

Business Review
The ongoing COVID-19 pandemic remains a risk. The 2019-20 year includes two weeks in March 2020 where Virgin Care was in its highest level of response, in line with Government and NHS guidance. Virgin Care received a number of direct instructions from its commissioners, including NHS England, around temporarily halting specific services and supporting other local higher priority services. Despite this, there was minimal impact to Virgin Care's performance in 2019-20, and both commercial and safety risks related to COVID-19 will continued to be monitored in 2020-21.

Our colleagues have been amazing through the COVID-19 pandemic and to reflect this our Chief Executive has sent a personal message of thanks to all our colleagues for all the work they have done in partnership with the NHS on the response to the Coronavirus pandemic.

The company commenced delivery of new contracts including Cheshire West and Chester Sexual Health services and 0-19 Public Health Services across the county of Lancashire from April 2019. The safe integration of these services within the business was a priority during the year.

Although these new services went live during the year, turnover for the year ended 31 March 2020 decreased to £248.4m (2019: £248.8m) mainly due to the ending of the East Staffordshire Improving Lives Contract. This also was the main reason for an increase in profit before tax to £5.2m (2019: £0.5m).

Overall, the Virgin Care sub-group made a significant improvement in its operating performance driven by a reduction in overhead costs, improvements in underlying operating performance, and due to the ending of the East Staffordshire contract. The group ended the year in a financially strong position to deliver its business plan and forward growth strategy in 2020-21.

Business Review (continued)

The Virgin Care sub-group has transformed clinical services which it delivers through a number of initiatives. During 2019 - 2020, this has included:

- Becoming one of the first providers of NHS and social care to be measured against Outcomes rather than activity and achieved all incentivised outcomes in 2019/20, including:
  - In Essex Child and Family Health Services, the emotional wellbeing of new mums improved by 94% (target of 70%), and in children and young people at risk by 90% (target of 76%)
  - West Lancs Adults Community Services and Urgent Care, demonstrated a projected 1.5% decrease in hospital cost through Patient Activation Measures (PAMs), supporting individuals to take charge of their care
- Developed and deployed with partner Graphnet, the Integrated Care Record (ICR) which collates information on an individual's health and care record into a single view, enabling sharing across Hospitals, GPs, Mental Health Professionals and our services. The product has over 1,000 log-ins per month, providing live data on hospital and outpatients
- Continuing to develop and deliver Mobile Working which enables health and social care colleagues to spend more of their time face to face with people they care for. Specifically, the organisation has rolled out Mobile Working in new areas and new specialties including in the Bath and North East Somerset Community Health and Care Service and Lancashire 0-19
- Developing and integrating eRostering tools which improve the colleague experience, make the business an attractive employer through the ability to offer additional flexibility and create administrative efficiency savings which can be reinvested in care delivery
- Introducing additional care co-ordination centres and developing those already deployed in contracts such as the Bath and North East Somerset Community Services contract, and within the new Lancashire 0-19 service. These centres make it easier to access support, increase the responsiveness of the service for patients and other parts of the health and care system and improve the experience of those people using the services
- Continuing to develop and improve the business's workforce and training plans, building on the success to date of the organisation's training and development organisation The Learning Enterprise.

During the year 2019-20, Virgin Care sub-group has saved its NHS and Local Authority commissioners approximately 10% through the transformations it has undertaken and efficiencies provided. This saving is based upon comparison to the costs of the services prior to procurement by the Virgin Care sub-group and expected costs in the absence of such a procurement, where costs would be subject to national prices. In addition, the Virgin Care sub-group completed a review of its back-office functions reflecting a reduction in the work the Virgin Care sub-group undertakes and reduced the expenditure on these functions throughout 2019-2020.

The Virgin Care sub-group is required under the Health and Social Care Act 2012 and its contracts with NHS commissioners to publish Quality Accounts each year. It exceeds its responsibilities to do so, publishing Quality Accounts for all of its large contracts. These reports, which highlight the achievements within each contract and delivery of high quality services, are available on the Virgin Care sub-group's website at www.virgincare.co.uk and from the Department of Health and Social Care via NHS Choices.

There were no changes to Board appointments in 2019-20.

The Virgin Care sub-group funds its growth and development through cash reserves and shareholder funding, with no third party external borrowings.

Operational priorities

The directors had identified four key operational priorities for the year ended 31 March 2020 which are summarised on the next page.

Priority 1 - Ensuring service quality, safety and enhancing the user experience

The Virgin Care sub-group has continued to demonstrate the quality and safety of its services during inspections by regulators including the CQC (Care Quality Commission) and Ofsted.

The Virgin Care sub-group achieved a 97% 'good' or 'outstanding' rating during the year (up 9% from 2018-19); this compares favourably to the NHS community health services average of 87% in March 2020. The nature of the Virgin Care sub-group is that from time to time it takes on underperforming services and needs time to turn these around, and this was reflected in some inspections this year. The increase in performance was due to operational improvement in a number of its GP practices, which delivered improvement plans to achieve a 'Good' rating.

The Virgin Care sub-group continued to invest in new clinical and patient management systems and to monitor service user satisfaction and improvements made as a result of feedback from service users.

The Virgin Care sub-group continued to make use of the NHS England Friends and Family Test to monitor satisfaction across all of its services and is pleased that 94% of those using the group's services said that they would recommend the service they received from the Virgin Care sub-group.

Other local feedback programmes continued to operate to implement improvements for people using the Virgin Care sub-group's services and the Board continue to receive regular service user experience reports.

The Virgin Care sub-group also continued to operate a number of Citizens' Panels across the country, providing regular opportunities to improve services and provide the community with updates on the Virgin Care sub-group's work to transform and improve services.

Finally, following the commencement of the Patient Reported Experience Measure (PREMS) - a health-service wide standard - questions during 2017-18, the group now has greater insight into satisfaction with the services it delivers and the experience of using services. 45,830 PREMS surveys were answered across the organisation providing vital information which supports us in developing services to deliver a better experience.

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

The organisation continued to improve processes and governance and sought to assure the Virgin Care sub-group, commissioners and the public that appropriate measures are in place to provide safe, high quality services.

Over the year, the Virgin Care sub-group has continued its commitment to continually improving governance processes to assure itself that there are clear lines of accountability and that risks are proactively identified and managed and that regulatory standards are complied with.

Governance, however, should not be restrictive and must be flexible enough that colleagues can innovate and make decisions in their area of the business. Over the past year, we published a new Scheme of Reservation and Delegation (SORD) to ensure that delegated authorities within it are relevant and give appropriate oversight, but also allow the freedom to make decisions.

Operational priorities (continued)

Priority 3 - To continue to be recognised as an outstanding employer

The Virgin Care sub-group continued to develop and communicate its Employer Brand during the year, building on the purpose of "everyone feels the difference". With a shortage of qualified professionals across the country in a number of the specialties, the Virgin Care sub-group employs from within. Additionally, campaigns across local, national and trade media were supported with attendance at national and local recruitment events.

Throughout the year we continued to work closely with our internal training arm, The Learning Enterprise, to develop our training and development offer for all of our colleagues, and to provide links to NHS and other training programmes. During the year, we continued our apprenticeship programme which is delivered through The Learning Enterprise.

During the year, the Virgin Care sub-group continued to work with the University of Derby to deliver the Health and Social Care Apprenticeship, representing the start of a journey to a qualified role in health and care services.

The Virgin Care sub-group's talent development programme has continued, as the Virgin Care sub-group seeks to identify the next generation of leaders and in the coming year this will continue with the development of the Senior Leadership Team and the continuation of Training Needs Analysis program at other levels within the organisation.

The Virgin Care sub-group also measures the satisfaction of its colleagues through an annual "Have Your Say" survey and was pleased to see its overall colleague engagement increase to 71% in 2019-20 (+6% on the prior year), competitive with engagement scores within the market.

Priority 4 - Delivering quality health and care services as efficiently as possible

The Virgin Care sub-group continued to focus on delivering high quality health and social care services as efficiently as possible in its existing and new contracts and to develop models and tools which facilitate that in future contracts too.

During the year, as noted above, the Virgin Care sub-group continued to invest in these tools and ways of working and continued to develop its expertise in service design and change management with a focus on clinical expertise.

It continues to be the Virgin Care sub-group's belief and experience that quality and efficiency can and should be delivered simultaneously through effective operational leadership.

Principal risks and uncertainties

The Virgin Care sub-group operates a Risk Management Framework in order to manage the risks and uncertainties of the business. The Executive Team reviews all unmitigated risks and escalates the top 10 risks to the Board for review at each meeting.

The major risks that could impact the business are as follows:

The Virgin Care sub-group continues to bid for large contracts with little lead-in time. The directors must ensure the business has the resources and management processes in place to safely mobilise more than one large contract at a time. The directors are satisfied that such matters are properly discussed by the Board and are adequately resourced.

Recent changes within the healthcare sector continue to create opportunities and additional risks to which the group must adapt. The political and commercial environment in which the Virgin Care sub-group operates is monitored by the Board. This monitoring includes new legislation which may affect the business.

The end of the transition period with the European Union and its impact on the NHS and health and care sector continues to be monitored at Board level. Along with other NHS providers, we believe the biggest risk to the sector at present to be in relation to the retention and recruitment of health and care professionals. We will talk to the Government alongside other NHS providers to ensure that the necessary steps are taken to mitigate any negative impact on the Virgin Care sub-group. In addition, the need to take part in 'no deal preparations' and to meet national and local NHS, Government and commissioner requirements required significant resourcing from within existing contract funding and this is expected to continue in 2020-21.

Across England, there are shortages in some key professionalisms which could represent a risk to the business in the context of increasing demand against the NHS and, consequently, increased demand from commissioners to drive efficiency in the delivery of clinical services.

As the 2018 Agenda for Change Pay Deal comes to an end, the Government is yet to announce its plans for increasing pay in the NHS for Agenda for Change (AfC) workers, and there is a risk that any increases might be by rates above that specified in our contracts – fixed at 1% a year following Government guidance. However, the risk is mitigated in practice as national pay awards are routinely funded through changes to annual contract prices by reference to an NHS inflation adjustment (in NHS contracts) or through increases in the Public Health ring-fenced grant which are transferred to providers (in Local Authority contracts).

As detailed in the business review, the ongoing COVID-19 pandemic remains a risk. The 2019-20 year includes two weeks in March 2020 where the Virgin Care sub-group was in its highest level of response, in line with Government and NHS guidance. The Virgin Care sub-group received a number of direct instructions from its commissioners, including NHS England, around temporarily halting specific services and supporting other local higher priority services. Despite this, the Virgin Care sub-group's response procedures have been robust and at the time of signing these accounts, there has been minimal impact to the Virgin Care sub-group's performance. Both the commercial and safety risks related to COVID-19 will continue to be monitored in 2020-21.

Future developments

The continued provision of high-quality services and safety remains a top priority for 2020-21.

A new contract between the Virgin Care sub-group and Frimley NHS Foundation Trust will commence in April 2020. The Virgin Care sub-group and Frimley NHS Foundation Trust have successfully worked together since 2012 when the Virgin Care sub-group first provided community health services in Surrey. The new contract is part of a set of contracts to provide adults community services in North East Hampshire, Farnham, Surrey Heath. The Virgin Care sub-group has also been successful in winning a stand-alone Lancashire Child Health IT Services (CHIS) contract for NHS England to be integrated into our Lancashire Children's' and Young People's services with an anticipated start date in the last quarter of the financial year, along with a contract to deliver Sexual Health services for Cheshire West.

The board has identified five key priorities for the coming year in addition to this activity, and these are as follows.

Priority 1 - Ensuring service quality, safety and enhancing user experience

The Virgin Care sub-group will continue to demonstrate the quality of its services and its ability to transform services through its programme of internal service reviews, and through regular and rigorous inspection of services new and old by the regulators including the CQC and Ofsted. The Virgin Care sub-group will aim to maintain or improve its rating of 97% 'good' or 'outstanding' rated services.

The Virgin Care sub-group will also continue to make use of the NHS Friends and Family Test (FFT), You said, We did and the Patient Reported Experience Measures (PREMs) to continue to improve the service it runs.

The Virgin Care sub-group will be focused on ensuring colleague safety during the continued COVID-19 pandemic, ensuring all workplaces are COVID safe, providing access to PPE (Personal Protective Equipment) in line with regulatory guidelines and ensuring that services continue to be provided in accordance with government guidance and evolving commissioner priorities.

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

The Virgin Care sub-group will continue to improve processes and governance and seek to assure the Virgin Care sub-group, commissioners. regulators and the public that appropriate measures are in place to provide safe, high quality services.

All committees and risk management processes in place during 2019-20 will be continued.

An IRMC (Integrated Risk Management Committee) will be formed to ensure risk is effectively assessed and managed at all levels of the Virgin Care sub-group, reporting directly into the Executive Team and Audit & Risk Committee.

Future developments (continued)

Priority 3 - To continue to be recognised as an outstanding employer and promote equality & diversity within our workforce

The Virgin Care sub-group expects to continue to experience challenges with recruiting to certain roles as a consequence of a shortage of suitably qualified and available individuals within England. These are challenges faced by all providers of health and social care services in England, but the Virgin Care sub-group is well positioned to attract talent and recognised as an outstanding employer in the areas where it works.

As more than 40% of the NHS workforce now want to work flexibly, work to develop eRostering and enhance the flexibility of employment by the Virgin Care sub-group, referenced above, will continue in 2020-21 allowing the Virgin Care sub-group to demonstrate its credentials as a flexible and attractive employer.

Following signing the Social Mobility Pledge in January 2020, the Virgin Care sub-group will publish its Opportunity Action Plan in September 2020 showing how its work is supporting social mobility and will make further commitments to support members of the local community being able to join Virgin Care and develop a career in health and social care.

The communities we support are diverse and to ensure our opportunities are inclusive to all demographics, our attraction and selection approach must accommodate this. Some of the communities we support have been heavily hit with job losses as a result of the pandemic, so we must play our part in helping to ensure that opportunities are available.

Alongside this, the existing workforce challenges within the health and social care sector will become even more profound as the population ages and the long-term impacts of COVID further increase demand for our services resulting in increased staffing levels. To address these challenges, we need to expand on our current attraction, selection and role design above and beyond the existing traditional methods - building close relationships with local job markets, creating diverse and inclusive internal networks, expanding our use of apprenticeships, adopting flexible working as the norm and reconsidering when strengths and capability can be recruited over previous experience.

The Virgin Care sub-group is also developing an equality, diversity and inclusion strategy to ensure that we are in line with best practice in these areas, supporting the NHS People Plan and Race at Work Charter commitments.

Priority 4 - Delivering quality health and care services as efficiently as possible

The Virgin Care sub-group and its Board continue to believe that quality and efficiency can and should be delivered simultaneously through effective operational leadership. The Virgin Care sub-group has, over the course of its business since 2010, consistently seen that high-quality services are usually financially efficient too.

Over the year, the Virgin Care sub-group will continue to develop its leadership and teams in order to achieve this aim across all of its services. The nature of the business, with new contracts and services being acquired annually, means that this will be an ongoing project.

This will include investment in developing middle managers and its senior leadership teams.

Future developments (continued)

Priority 5 - To be a tech enabled digital health and care company

The Virgin Care sub-group will continue to make digital investments both in its back-office functions and in how it engages with end users to improve patient and service user experience.

In 2020-21 the Virgin Care sub-group anticipates conducting a review of its business systems architecture to agree a Target Operating Model aiming to support the business for a strategic period of at least 5 years from completion.

The Target Operating Model endpoint is an appropriate business systems architecture, associated processes, appropriately configured transactional teams and system support/development teams, to provide the business and colleagues with an efficient and frictionless back office function, to transact all supporting functions to all lines of business.

In addition, the Virgin Care sub-group will develop an Information Strategy to outline our long term aim of leveraging data to deliver Business Intelligence insights and predictive models to inform our decision making and improvements to patient care.

The Information Strategy notes that high quality data models and analysis can be undermined by poor quality data; therefore, a core deliverable is improved performance in data governance. This and colleague compliance will be fundamental to our success.

This work is not, however, limited to the delivery of clinical services. During 2020-21, a focus on efficiency within back-office functions will continue to ensure the Virgin Care sub-group is as effective as possible, while supporting the effective delivery of health and care services. This will be achieved through, for example, streamlining recruitment and onboarding processes in order to minimise spend on agency staffing.

Financial priorities

The Directors consider the continued strengthening of the financial performance of the Virgin Care sub-group their key financial priority, assuring thereby the means to invest further in service delivery and innovation and ensuring continued resilience through and beyond COVID-19. The Directors consider the key drivers of such strengthening to be continued delivery of efficiency savings through innovative and new technology solutions and a focus on internal projects that drive such savings whilst supporting high quality services.

Section 172(1) statement

The Directors have a number of ways in which they ensure that any decision made takes consideration of the long-term impact it may have, examples of which include:

Delegation of Authority

As detailed in the Wates Statement (https://virgincare.co.uk/fy20-wates-statement/) the Virgin Care Board has a comprehensive framework for determining matters requiring Board review and approval and those day to day decisions delegated to employees, through the Scheme of Reservation and Delegation ("SORD"). Decisions reserved to the Board include changes to the strategy and approval of new contracts above a certain value, which are likely to have a material effect on the company. Any decision made considers both the short and long-term impact on the organisation and stakeholders. The Board also has committees which have clear terms of reference, the authority to approve significant new policies and, in terms of the Remuneration Committee, any changes to remuneration and incentive structures.

Assessing new contracts

As set out in the principal activities section of the strategic report, the Virgin Care sub-group delivers health and social care services, holding contracts with over 40 public authorities. When tendering for contracts the Board has processes in place to consider the long-term impact, both on the services being tendered for and the organisation as a whole, including both operational and financial sustainability. Decisions on whether to proceed are reserved to the Board and, in making them, they consider the impact that taking on a new service would have across all stakeholders including, but not limited to, patients and the community the services would be delivered to, staff delivering services and the commissioners. To ensure all risks are considered the Board reviews potential submissions against bidding criteria, which is a risk template that allows Directors to determine where a risk is too high and consider ways in which it can be mitigated. If the risks cannot be mitigated the decision will be made to no longer pursue the submission. A section of the strategic report on principal risks and uncertainties highlights those risk areas which are prioritised to ensure controls are in place.

Strategic planning

The organisational strategy is set by the Board and, as highlighted in the 'Wates Statement- principle 4', a 3-year strategy was approved in 2019-20. When developing the strategy, the Board considered the current position of the business and the potential risks and opportunities to delivering the strategy. As an organisation delivering health and social care services, we are exposed to governmental policy changes. All strategies are reviewed annually to ensure external changes do not inhibit our ability to deliver. Where that is the case the strategy will be reviewed, and contingencies put in place to mitigate any new risks.

The strategy is broken down into annual critical projects which focus on key areas of development for that year. This allows for incremental steps to be taken to deliver the long-term strategy; critical projects include things such as 'brilliant basics', which focuses on improving the foundations of the organisation, to support the delivery of service transformation and the long-term strategy.

The Board ensures that employees' interests are always at the forefront of deliberations. Examples of how they keep employees engaged and consider them when making decisions are highlighted below.

Colleague engagement

Colleagues are kept up to date with all key information systematically, providing assurance on any areas of concern. More generally, the intranet includes updates on all relevant matters, allowing colleagues to find the information they need. In addition to this, weekly management updates provide key information to all managers; which are cascaded to teams. Local newsletters provide more localised updates to teams.

Colleagues are asked for feedback in an annual staff survey, the principal aim of which is to understand areas of concern. The results are reviewed at an executive level and plans are put in place to address areas requiring improvement. 'Check-ins' are held throughout the year to review progress of plans.

Colleagues are empowered to question and challenge and if there are concerns about something at work we encourage and support them to speak up. To make this as easy as possible we have Freedom to Speak up Guardians providing independent and impartial advice and an anonymous online reporting system.

Directors engage with colleagues across the organisation, regularly making visits to local teams to get a better understanding of the services delivered and the impact Board decisions have on colleagues. These visits help to have regard to the interests of colleagues when making decisions.

Where decisions are being made that affect the interests of employees, we ensure that employee representatives are involved. An example of this is e-rostering, where the Virgin Care sub-group implemented electronic rostering to more than 100 services, helping support more flexible working and reducing administrative time. To deliver this, colleague representatives from the teams that would be using the system were recruited to the project team, ensuring they had input into the implementation and could bring ideas and concerns.

Objectives, appraisals and development

A rigorous approach is taken to objective setting and appraisals, ensuring all colleagues' objectives are linked to organisational objectives and that each and every colleague has the opportunity to talk about delivery of their objectives and their personal development twice a year. Colleagues are kept informed of the organisational performance against its objectives through a management cascade of information following the monthly Board meeting.

TLE (The Learning Enterprise) is Virgin Care's training and development arm, delivering clinical and non-clinical training and development programmes for health and care professionals. TLE delivers a diverse range of training from mandatory training on lifting and handling patients and equipment, to delivering vocational courses accredited by Universities to help colleagues take on new challenges across the health and care service.

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

The Directors regularly receive updates on a variety of topics that indicate and inform how customers, suppliers and other stakeholders have been engaged. These range from information provided from the Virgin Care sub-group's finance and procurement teams (in relation to suppliers and supplier contract management topics) to information provided by operational teams in relation to contract performance (concerning customer relationships).

As highlighted in the Wates Statement principle 6 (https://virgincare.co.uk/fy20-wates-statement/), the Virgin Care sub-group has a wide range of stakeholders who are key to delivering the strategy and providing first class care. Examples of some of our stakeholders and how we engage with them are:

Service users: Involving service users in their own care and in-service developments is a vital part of the Virgin Care sub-group's change framework; ensuring services accurately reflect the needs of patients and creating a positive user experience where people really do "feel the difference". Colleagues seek patient feedback daily, encouraging them to input into their own care and the performance of services. In addition, feedback is gathered through the NHS Friends and Family Test and other initiatives such as comment boxes, the Customer Services function, social media and review websites such as NHS Choices and Care Opinion and proactively through Service User Involvement Programmes operated in services.

CQC and Ofsted: As a provider of health and social care, Care Quality Commission standards must be met. We run our own internal inspections and have robust online governance and reporting systems to monitor how services are performing. We work in a collaborative and transparent manner with our regulators to enable good service user outcomes. Governance and effective communication are key in fostering these relationships. The openness and cooperation of this relationship is set by the tone at Executive level where there is continuous engagement with the regulators. This is reflected locally, where registered managers maintain relationships with inspectors.

Constituency MPs in areas served: MPs play an important role in their local communities, particularly championing the needs of the area and their active involvement, and support of, transformation of the services we operate is crucial in ensuring services are maintained. We exchanged correspondence with MPs representing the constituencies we served on more than 100 occasions each year, mostly about specific matters raised by constituents. In addition, we aim to send regular updates to each MP – either by letter or newsletter – sharing developments in services and seek to meet with MPs on an annual basis to discuss the work we have done, local developments and to hear feedback.

Delivering high quality services for communities is what we do as an organisation. We are therefore very conscious of the impact we make in communities where we deliver services and understand the importance of focusing not just on the services we deliver, but also on the communities we serve. We don't have a one-size-fits-all approach; instead we tailor our services to each of the areas we work in, partnering with commissioners, colleagues and local people and organisations to deliver a unique service, based around the needs of the local community.

Working closely with commissioners, colleagues and the communities we serve we have invested in creating joined-up services where patients don't have to repeat their story each time they visit, introducing technology which means more time spent with the people who rely on the services we look after and empowering our colleagues with the 'Feel the Difference' fund - dedicated money, owned by our colleagues, to help make the big and small changes which mean that everyone feels the difference.

Sustainable development

We recognise that sustainable development is a critical factor in being able to deliver world class healthcare, both now and in the future. We are therefore dedicated to creating and embedding efficient and sustainable models of care throughout our operations and our estates, ensuring they are as resilient as they possibly can be.

We are also conscious of the amount of waste that can be produced by health and care organisations and, to address this, we are continuously identifying ways to be more efficient and sustainable in the way we procure. For example, reducing the number of suppliers that we use to supply the same products allows us to monitor and reduce both our waste and the waste in our supply chains.

As an organisation that provides services across the country, we ensure that we make it possible, where appropriate, for our colleagues to work remotely, prioritising the adoption of technologies which reduce the requirement on travel and therefore improve our carbon footprint.

During 2019-20 we undertook a review of our lease cars and have a plan in place to make changes to our lease car policy, part of which is to make the fleet of cars we offer greener by adding hybrid and electric cars and removing diesel.

Apprenticeships and social mobility

We're committed to the future of healthcare in Britain by our ongoing recruitment of apprentices – a tried and tested way to recruit, retrain and upskill our colleagues. This helps in tackling skills shortages while also enabling us to tailor our workforces to the specific needs of our services. We launched our Apprentice Programme in 2017 and, since then, we have grown to offer several varying schemes, an example of which is our Nursing Degree Apprenticeship, which is helping aspiring nurses earn while they learn.

As a forward-thinking employer who has signed the Social Mobility Pledge and vowed to help those from all backgrounds start and build a great career, we have lots of opportunities, from entry level programmes through to senior degree apprenticeships. Quality is essential to apprenticeships and the vast majority of our programmes are delivered in-house by our training division TLE.

Below we have selected a few areas that demonstrate how we have maintained these high standards:

Commissioners: We work closely with our Commissioners and believe having strong relationships is fundamental to delivering high quality services. These relationships are built at bidding stage and continue all the way throughout the life of the contract. We have regular meetings and dedicated contract managers to support in the delivery of contracts. All those Commissioners who have had the option to extend the services we deliver have opted to do so; without maintaining those relationships throughout, this would not have been the case.

Information Governance: As a data controller we have a legal and ethical duty to keep the records we hold confidential. The confidentiality and security of information is very important to us. We take the utmost care when handling personal and confidential information and ensure that we have appropriate organisational and technical security measures in place to prevent unauthorised access, accidental damage, destruction or loss.

Examples of how we do this include: Induction and annual refresher Information Governance training of staff to understand their duty of confidentiality and their responsibilities regarding data security and confidentiality of patient and other personal data; annual completion and submission of the NHS Digital's Data Security and Protection Toolkit (DSPT); ensuring that data protection by design and default is built into our processes, completing due diligence and imposing contractual obligations on providers and persons working under our instruction.

Gender Pay: As a Board we are committed to closing the gender pay gap in our organisation, the current overall pay gap is 23.23% and we have a number of measures in place to continue to reduce this, including promoting female representation in senior positions, leadership development through apprenticeship schemes and learning interventions and training to mitigate against unconscious bias in recruitment processes. More information can be found on our website: https://virgincare.co.uk/legal-information/gender-pay-gap-report-2019/.

Modern slavery: In November 2020, the Board approved the annual Modern Slavery Act Statement. The statement can be found at: https://virgincare.co.uk/legal-information/modern-slavery-act/. The Virgin Care sub-group is committed to observing high ethical standards and does this not only to comply with laws and regulations but because we want to earn and maintain the trust of our service users, colleagues and partners. We believe that success and reputation is not only dependent on the quality of the services we deliver, but also on the way we do business. We share the majority of our supply chain with the state-operated NHS, and all organisations supplying the NHS are subject to the NHS Code of Conduct on Ethics and Labour.

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

Our shareholders: As a private company we have a small number of shareholders, the majority shareholder being represented with seats on the Board. All decisions made have due regard to all members of the company.

Approved by the Board on 21 December 2020 and signed on its behalf by:

D J Deitz
Director

Directors' Report for the Year Ended 31 March 2020

The directors present their report and the financial statements for the year ended 31 March 2020.

Directors' of the company
The directors, who held office during the year, were as follows:

V M McVey

M L Shamwana (ceased 31 March 2020)

The following director was appointed after the year end:

D J Deitz (appointed 1 April 2020)

Principal activity
The company's principal activity is the provision of NHS, local authority and social care services.

Results and dividends
The profit for the year, after taxation, amounted to £5,134,000 (2019 - £3,561,000).

The directors do not recommend the payment of a dividend for 2020 (2019 - £Nil). The retained profit for the financial year has been transferred to reserves.

Political and charitable contributions
The Company made no political or charitable donations nor incurred any political expenditure during the year (2019 - £Nil).

Employment of disabled persons
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 and 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.

Employee involvement
The Virgin Care sub-group encourages employee involvement in its affairs. The Virgin Care sub-group produces a weekly electronic newsletter which keeps employees abreast of developments. Senior management within the Virgin Care sub-group 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 Virgin Care sub-group's results through the employee bonus scheme.

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

The Virgin Care sub-group places considerable emphasis on the development of its employees through individual development plans, and training. The Learning Enterprise provides links to NHS and other external training programmes and gives all staff access to high quality, accredited training. The Virgin Care sub-group 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. Additionally, a talent management programme to focus on the identification and development of our high potential staff continued to operate during the year.

Environmental matters

We are conscious of our duty to use resources responsibly and to minimise any environmental impacts of our business activities. This is not only the right thing to do but has also been identified as an issue that our employees care about. We use leased facilities both in Hospitals, Offices and Medical facilities and incur transport expenditure operating several contracts.

We have clear objectives to reduce energy consumption and waste production within our office and medical environments.

The information below represents the Virgin Healthcare Holdings Limited and all its subsidiaries and all activities relate solely to the United Kingdom.

We consumed for the year ended 31 March 2020:

- 358,305 KWh of Electricity;
- 877,353 KWh of Gas;
- We incurred 6,646,294 of business-related miles
- This gives our gross energy of 467,353 kg carbon usage (467 metric tonnes of carbon usage)

Electricity and gas calculation of KWH has been calculated based on actual figures from our properties. Business-related miles have been calculated based on our employee expense claims and then applied by the UK average miles per gallon to estimate our fuel usage. Using the above data, we can calculate the carbon usage using the carbon calculator widely available online.

We note that due to the nature of our business we lease several NHS offices spaces where the landlord incurs and does not recharge applicable electricity and gas costs, this has been excluded in our calculations.

We do incur both commercial and clinical waste that is safely disposed usually as part of contract with the applicable landlord.

This is the first year of reporting carbon usage. We have a Green working group that will continue to look at opportunities to reduce our energy consumption.

Future developments

As detailed in the strategic report, the Virgin Care sub-group will continue with the provision of high-quality medical services and safety remains a top priority for 2020-21.

Going concern

The directors have prepared the financial statements on the going concern basis for the reasons set out in note 1 to the financial statements.

Important non-adjusting events after the financial period

On 1 September 2020 Virgin Care Services became a designated member of the following Limited Liability Partnerships:

- Virgin Care Coventry LLP
- Assura Reading LLP
- Virgin Care Vertis LLP
- Virgin Care East Riding LLP

Directors' liabilities

During the year, and at the date of signing this report, the Company maintained liability insurance and third-party indemnification provisions for its directors, under which the Company has agreed to indemnify the directors to the extent permitted by law in respect of all liabilities to third parties arising out of, or in connection with, the execution of their powers, duties and responsibilities as directors of the Company and any of its associated companies.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditors

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

Approved by the Board on 21 December 2020 and signed on its behalf by:

D J Deitz
Director

Virgin Care Services Limited

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

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 and applicable law (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 judgements 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

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

Opinion
We have audited the financial statements of Virgin Care Services Limited ("the company") for the year ended 31 March 2020 which comprise the Profit and loss account, Balance sheet, Statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Going concern
The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report
The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 19, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

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

Clare Partridge (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign St
Leeds
LS1 4DA

22 December 2020

Virgin Care Services Limited

Profit and Loss Account for the Year Ended 31 March 2020

	Note	2020 £ 000	2019 £ 000
Turnover	3	248,433	248,805
Cost of sales		(219,379)	(235,108)
Gross profit		29,054	13,697
Administrative expenses		(22,827)	(13,194)
Operating profit	4	6,227	503
Interest payable and similar charges	5, 16	(1,048)	-
		(1,048)	-
Profit before tax		5,179	503
Tax on profit on ordinary activities	8	(45)	3,058
Profit for the year		5,134	3,561

The above results were derived from continuing operations.

Virgin Care Services Limited

(Registration number: 7557877)
Balance Sheet as at 31 March 2020

	Note	31 March 2020 £ 000	31 March 2019 £ 000
Fixed assets			
Tangible assets	9	2,811	2,983
Right of use assets	10	21,363	-
Investments	11	17	17
		24,191	3,000
Current assets			
Stocks	12	333	370
Debtors	13	108,316	77,930
Cash at bank and in hand	14	8,602	1,172
Deferred Tax asset	8	1,134	1,252
		118,385	80,724
Creditors: Amounts falling due within one year	17	(83,028)	(43,944)
Net current assets		35,357	36,780
Total assets less current liabilities		59,548	39,780
Creditors: Amounts falling due after more than one year	16	(15,708)	-
Provisions for liabilities	18, 8	(4,001)	(3,966)
Net assets		39,839	35,814
Capital and reserves			
Profit and loss account		39,839	35,814
Shareholders' funds		39,839	35,814

Approved by the Board on 21 December 2020 and signed on its behalf by:

D J Deitz
Director

Virgin Care Services Limited

Statement of Changes in Equity for the Year Ended 31 March 2020

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 April 2019	-	35,814	35,814
Change in accounting policy	-	(1,109)	(1,109)
At 1 April 2019 (As restated)	-	34,705	34,705
Profit for the year	-	5,134	5,134
Total comprehensive income	-	5,134	5,134
At 31 March 2020	-	39,839	39,839

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 April 2018	-	32,253	32,253
Profit for the year	-	3,561	3,561
Total comprehensive income	-	3,561	3,561
At 31 March 2019	-	35,814	35,814

The change in accounting policy relates to the implementation of *IFRS 16 Leases* during the year. The company has elected to adopt the modified retrospective approach as detailed in note 1.

1 Accounting policies

Summary of significant accounting policies and key accounting estimates
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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

The financial statements are presented in Pounds Sterling, which is the company's functional and presentational currency.

The Company's ultimate parent is domiciled in the UK, Virgin Holdings Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Virgin Holdings Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ. The company has therefore taken the exemption available under FRS 101 and has not prepared consolidated financial statements.

Summary of disclosure exemptions
In these financial statements, the company has applied exemptions available under FRS 101 in respect of the following disclosures:

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

As the consolidated financial statements of Virgin Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:
• Disclosures required by IFRS 7 Financial Instrument Disclosures.
• Disclosures required by IFRS 13 Fair Value Measurement.

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

1 Accounting policies (continued)

Going concern

The Company is part of the 'Virgin Care' sub-group, headed by Virgin Healthcare Holdings Limited. The Virgin Care sub-group's ultimate parent entity is Virgin Group Holdings Limited, owned directly by its sole shareholder, Sir Richard Branson.

The Directors have prepared cash flow forecasts at a Virgin Care sub-group level to determine whether the entities within the control of Virgin Healthcare Holdings Limited, the parent of the sub-group, have the ability to continue as a going concern. The Directors of Virgin Healthcare Holdings Limited are also the Directors of the Company. It is the intention of the Directors to utilise funds across the Virgin Care sub-group as required, to ensure all entities have the ability to meet liabilities as they fall due.

The Directors have prepared Virgin Care sub-group cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Virgin Care sub-group will have sufficient funds, generated from operations, to meet its liabilities as they fall due for that period. Reasonably possible downsides scenarios include a no growth model where no additional contracts are won across the forecast period. In this scenario the Virgin Care sub-group has sufficient funds to operate as a going concern. The impact of COVID-19 and Brexit have been considered within the forecasts made by the Virgin Care sub-group.

The Virgin Care sub-group has no external bank funding facilities and as at 30 November 2020 (the latest date of management accounts) the Virgin Care sub-group had cash resources of £6,821,000.

Those forecasts are dependent on the Virgin Care sub-group's parent company, Virgin Holdings Limited, not seeking repayment of the shareholder loans currently due to it, which at 31 March 2020 amounted to £58,059,000. Virgin Holdings Limited has indicated that it does not intend to seek repayment of these amounts for a period of 12 months from the date of the auditor's report. 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.

The company is a trading entity of the Virgin Care sub-group and provides external services to the NHS and local authorities. It is part of the sub-group wide central cash pooling arrangement. Consequently, the Directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1 Accounting policies (continued)

Changes in accounting policy

New standards, interpretations and amendments effective

The following have been applied for the first time from 1 April 2019:

• IFRS 16 Leases
• Amendments to IFRS 9 Prepayment Features with Negative Compensation
• Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures
• Annual Improvements to IFRS Standards 2015-2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs

With the exclusion of IFRS 16 Leases, none of the above standards, interpretations and amendments effective for the first time from 1 April 2019 have had a material effect on the financial statements.

Changes resulting from adoption of IFRS 16

IFRS 16 Leases became mandatorily effective on 1 January 2019. The company has applied this for the first time in this accounting period which resulted in changes to the accounting policies.

The company transitioned to IFRS 16 using the modified retrospective approach and as a result the cumulative effect of initial application is recognised in retained earnings at 1 April 2019. The prior period figures were not adjusted.

Previously the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4: Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in the leases accounting policy.

In addition, the company decided to apply recognition exemptions to leases with a term not exceeding 12 months and leases where the underlying assets are of low value.

For leases classified as operating leases under IAS 17, these lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The company has used the following practical expedients permitted by IFRS 16 when applying this for the first time to leases previously classified as operating leases:

• Applied a single discount rate to a portfolio of leases with similar characteristics
• Applied the exemption not to recognise liabilities for leases with less than 12 months of lease term remaining
• Excluded initial direct costs for the measurement of right-to-use assets at the date of initial application
• Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

Right-of-use assets are measured at either:

• Their carrying amount as if IFRS 16 has been applied since commencement, discounted using the lessee's incremental borrowing rate at the date of initial application
• An amount equal to the lease liability, adjusted for any prepaid or accrued lease payments

No adjustments are required on transition to IFRS 16 for leases where the company acts as a lessor, except for a sub-lease. A reassessment of the classification of a sub-lease is required under IFRS 16.

1 Accounting policies (continued)

The company recognised lease liabilities in relation to leases that were classified as 'operating leases" under the principles of IAS 17 - Leases. On transition, an additional £24,580,000 (2019: £Nil) of right-to-use assets and £25,711,000 (2019: £Nil) of lease liabilities were recognised with the difference allocated to retained earnings. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rates of 1 April 2019.

The company applied the following implicit interest rates on leases:

• Property - 4%
• Motor vehicles - 4%
• Machinery - 10%

Right of use assets are depreciated on a straight-line basis over the life of the lease. The length of the lease is determined using management's best estimate based on lease contracts and available data.

1 Accounting policies (continued)

Impact on Statement of Financial Position as at 31 March 2019

	As originally reported 31 March 2019 £ 000	IFRS 16 adjustments £ 000	Opening balance at 1 April 2019 £ 000
Assets			
Non-current assets			
Right of use assets	-	24,580	24,580
Equity and liabilities			
Equity			
Retained earnings	(35,814)	1,131	(34,683)
Non-current liabilities			
Lease liabilities (non-current)	-	(18,742)	(18,742)
Current liabilities			
Lease liabilities (current)	-	(6,969)	(6,969)
Total liabilities	-	(25,711)	(25,711)
Total equity and liabilities	(35,814)	(24,580)	(60,394)

Impact on Income Statement for the year ended 31 March 2019

	As originally reported 31 March 2019 £ 000	IFRS 16 adjustments £ 000	Amounts recognised in retained earnings at 1 April 2019 £ 000
Administrative expenses	(13,194)	(130)	(13,324)
Operating profit/(loss)	503	(130)	373
Finance costs	-	(1,001)	(1,001)
Net finance income / cost	-	(1,001)	(1,001)
Profit/(loss) for the financial year	3,562	(1,131)	2,431

The operating lease commitment for the year ended 31 March 2019 was £3,243,000. The difference between this and the lease liability of £25,711,000 recognised at 1 April 2019 relates to property leases which were previously not considered as leases under IAS17 'Leases' and differing assumptions mainly with regards to the termination date.

1 Accounting policies (continued)

Revenue recognition
The company recognises revenue from the provision of health and social care services funded by the National Health Service (NHS) and Local Authorities across England.

Revenue is recognised in line with IFRS 15 during the accounting period which the services are rendered, at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

Revenue is exclusive of Value Added Taxes.

Tax
The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

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

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

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

Tangible assets
Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation
Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	**Depreciation method and rate**
Leasehold improvements	Straight-line over 7 years (life of lease)
Medical equipment	Straight-line over 3 years
Motor vehicles	Straight-line over 3 years
Computer and office equipment	Straight-line over 3-4 years
Right of use assets	Straight-line over the life of the lease

1 Accounting policies (continued)

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

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade debtors
Trade debtors are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as fixed assets.

The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Stock
Inventories are stated at the lower of cost and net realisable value.

At each reporting date, inventories are assessed for impairment. If inventory 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.

Trade creditors
Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

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

1 Accounting policies (continued)

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Leases

Definition

A lease is a contract, or a part of a contract, that conveys the right to use an asset or a physically distinct part of an asset ("the underlying asset") for a period of time in exchange for consideration. Further, the contract must convey the right to the company to control the asset or a physically distinct portion thereof. A contract is deemed to convey the right to control the underlying asset if, throughout the period of use, the company has the right to:

· Obtain substantially all the economic benefits from the use of the underlying asset, and;
· Direct the use of the underlying asset (e.g. direct how and for what purpose the asset is used)

Where contracts contain a lease coupled with an agreement to purchase or sell other goods or services (i.e., non-lease components), the non-lease components are identified and accounted for separately from the lease component. The consideration in the contract is allocated to the lease and non-lease components on a relative standalone price basis using the principles in IFRS15.

Initial recognition and measurement

The company initially recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.

The lease liability is measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments, purchase options at exercise price (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments that depend on an index or rate.

The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the company's initial direct costs (e.g., commissions) and an estimate of restoration, removal and dismantling costs.

1 Accounting policies (continued)

Subsequent measurement

After the commencement date, the company measures the lease liability by:
(a) Increasing the carrying amount to reflect interest on the lease liability;
(b) Reducing the carrying amount to reflect the lease payments made; and
(c) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments or on the occurrence of other specific events.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. Interest charges are presented separately as non-operating in the income statement, unless the costs are included in the carrying amount of another asset applying other applicable standards. Variable lease payments not included in the measurement of the lease liability, are included in operating expenses in the period in which the event or condition that triggers them arises.

The related right-of-use asset is accounted for using the Cost model in IAS 16 and depreciated and charged in accordance with the depreciation requirements of IAS 16 Property, Plant and Equipment as disclosed in the accounting policy for Property, Plant and Equipment. Adjustments are made to the carrying value of the right of use asset where the lease liability is re-measured in accordance with the above. Right of use assets are tested for impairment in accordance with IAS 36 Impairment of assets as disclosed in the accounting policy in impairment.

Lease modifications

If a lease is modified, the modified contract is evaluated to determine whether it is or contains a lease. If a lease continues to exist, the lease modification will result in either a separate lease or a change in the accounting for the existing lease.

The modification is accounted for as a separate lease if both:
(a) The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
(b) The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

If both of these conditions are met, the lease modification results in two separate leases, the unmodified original lease and a separate lease. The company then accounts for these in line with the accounting policy for new leases.

If either of the conditions are not met, the modified lease is not accounted for as a separate lease and the consideration is allocated to the contract and the lease liability is re-measured using the lease term of the modified lease and the discount rate as determined at the effective date of the modification.

For a modification that fully or partially decreases the scope of the lease (e.g., reduces the square footage of leased space), IFRS 16 requires a lessee to decrease the carrying amount of the right-of-use asset to reflect partial or full termination of the lease. Any difference between those adjustments is recognised in profit or loss at the effective date of the modification.

For all other lease modifications which are not accounted for as a separate lease, IFRS 16 requires the lessee to recognise the amount of the re-measurement of the lease liability as an adjustment to the corresponding right-of-use asset without affecting profit or loss.

1 Accounting policies (continued)

Short term and low value leases

The company has made an accounting policy election, by class of underlying asset, not to recognise lease assets and lease liabilities for leases with a lease term of 12 months or less (i.e., short-term leases).

The company has made an accounting policy election on a lease-by-lease basis, not to recognise lease assets on leases for which the underlying asset is of low value.

Lease payments on short term and low value leases are accounted for on a straight-line basis over the term of the lease or other systematic basis if considered more appropriate. Short term and low value lease payments are included in operating expenses in the income statements.

Sub leases

If an underlying asset is re-leased by the company to a third party and the company retains the primary obligation under the original lease, the transaction is deemed to be a sublease. The company continues to account for the original lease (the head lease) as a lessee and accounts for the sublease as a lessor (intermediate lessor). When the head lease is a short-term lease, the sublease is classified as an operating lease. Otherwise, the sublease is classified using the classification criteria applicable to Lessor.

Accounting in IFRS 16 by reference to the right-of-use asset in the head lease (and not the underlying asset of the head lease).
After classification lessor accounting is applied to the sublease.

Prior to the transition to IFRS 16, the company adopted the following accounting policy in relation to operating leases:

Rentals paid under operating leases are charged to the profit and loss account on a straight-line basis over the lease term. Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

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.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined benefit pension obligation

The Company provides staff with access to the NHS Pension Scheme which is a multi-employer defined benefit scheme which is contracted out of the state second pension. The Company is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis. Therefore, the scheme is accounted for as if it were a defined contribution scheme. As a result, the contributions are recognised as an expense in the Profit and Loss Account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

1 Accounting policies (continued)

Financial instruments (post January 2018)

Initial recognition

Financial assets and financial liabilities comprise all assets and liabilities reflected in the balance sheet, although excluding tangible assets, investment properties, intangible assets, deferred tax assets, prepayments, deferred tax liabilities and employee benefits plan.

The company recognises financial assets and financial liabilities in the statement of financial position when, and only when, the company becomes party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

All regular way purchases and sales of financial assets and financial liabilities classified as fair value through profit or loss ("FVTPL") are recognised on the trade date, i.e. the date on which the company commits to purchase or sell the financial assets or financial liabilities. All regular way purchases and sales of other financial assets and financial liabilities are recognised on the settlement date, i.e. the date on which the asset or liability is received from or delivered to the counterparty. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the time frame generally established by regulation or convention in the market place.

Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.

Classification and measurement

Financial instruments are classified at inception into one of the following categories, which then determine the subsequent measurement methodology:-

Financial assets are classified into one of the following three categories:-
· financial assets at amortised cost;
· financial assets at fair value through other comprehensive income (FVTOCI); or
· financial assets at fair value through the profit or loss (FVTPL).

Financial liabilities are classified into one of the following two categories:-
· financial liabilities at amortised cost; or
· financial liabilities at fair value through the profit or loss (FVTPL).

The classification and the basis for measurement are subject to the company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below:-

1 Accounting policies (continued)

Financial assets at amortised cost
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:-
· the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
· the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If either of the above two criteria is not met, the financial assets are classified and measured at fair value through the profit or loss (FVTPL).

If a financial asset meets the amortised cost criteria, the company may choose to designate the financial asset at FVTPL. Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

Financial assets at fair value through other comprehensive income (FVTOCI)
A financial asset is measured at FVTOCI only if it meets both of the following conditions and is not designated as at FVTPL:-
· the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
· the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investments that is not held for trading, the company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

If an equity investment is designated as FVTOCI, all gains and losses, except for dividend income, are recognised in other comprehensive income and are not subsequently included in the statement of income.

Financial assets at fair value through the profit or loss (FVTPL)
Financial assets not otherwise classified above are classified and measured as FVTPL.

Financial liabilities at amortised cost
All financial liabilities, other than those classified as financial liabilities at FVTPL, are measured at amortised cost using the effective interest rate method.

Financial liabilities at fair value through the profit or loss
Financial liabilities not measured at amortised cost are classified and measured at FVTPL. This classification includes derivative liabilities.

1 Accounting policies (continued)

Derecognition

Financial assets

The company derecognises a financial asset when;
- the contractual rights to the cash flows from the financial asset expire,
- it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received is recognised as a gain or loss in the profit or loss.

Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as FVTOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the company is recognised as a separate asset or liability.

The company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

When the company derecognises transferred financial assets in their entirety, but has continuing involvement in them then the entity should disclose for each type of continuing involvement at the reporting date:

(a) The carrying amount of the assets and liabilities that are recognised in the entity's statement of financial position and represent the entity's continuing involvement in the derecognised financial assets, and the line items in which those assets and liabilities are recognised.

(b) The fair value of the assets and liabilities that represent the entity's continuing involvement in the derecognised financial assets;

(c) The amount that best represents the entity's maximum exposure to loss from its continuing involvement in the derecognised financial assets, and how the maximum exposure to loss is determined

(d) The undiscounted cash outflows that would or may be required to repurchase the derecognised financial assets or other amounts payable to the transferee for the transferred assets

Financial liabilities

The company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

1 Accounting policies (continued)

Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to the cash flows from the original financial asset are deemed to expire. In this case the original financial asset is derecognised and a new financial asset is recognised at either amortised cost or fair value.

If the cash flows are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of income.

Financial liabilities

If the terms of a financial liabilities are modified, the company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual obligations from the cash flows from the original financial liabilities are deemed to expire. In this case the original financial liabilities are derecognised and new financial liabilities are recognised at either amortised cost or fair value.

If the cash flows are not substantially different, then the modification does not result in derecognition of the financial liabilities. In this case, the company recalculates the gross carrying amount of the financial liabilities and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of income.

1 Accounting policies (continued)

Impairment of financial assets

Measurement of Expected Credit Losses

The company recognises loss allowances for expected credit losses (ECL) on financial instruments that are not measured at FVTPL, namely:

- Financial assets that are debt instruments
- Accounts and other receivables
- Financial guarantee contracts issued; and
- Loan commitments issued.

The company classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below:

Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the company recognises an allowance based on the 12-month ECL.

Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the company recognises an allowance for the lifetime ECL.

Stage 3: for credit-impaired financial instruments, the company recognises the lifetime ECL.

The company measures loss allowances at an amount equal to the lifetime ECL, except for the following, for which they are measured as a 12-month ECL:

- debt securities that are determined to have a low credit risk (equivalent to investment grade rating) at the reporting date; and
- other financial instruments on which the credit risk has not increased significantly since their initial recognition.

The company considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

A 12-month ECL is the portion of the ECL that results from default events on a financial instrument that are probable within 12 months from the reporting date.

Provisions for credit-impairment are recognised in the statement of income and are reflected in accumulated provision balances against each relevant financial instruments balance.

Evidence that the financial asset is credit-impaired include the following;

- Significant financial difficulties of the borrower or issuer;
- A breach of contract such as default or past due event;
- The restructuring of the loan or advance by the company on terms that the company would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for the security because of financial difficulties; or
- There is other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the company, or economic conditions that correlate with defaults in the company.

1 Accounting policies (continued)

For trade receivables, the company applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 March 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The company has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Accounting estimates and assumptions

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of certain financial assets, liabilities, income and expenses.

The use of estimates and assumptions is principally limited to the determination of provisions for impairment and the valuation of financial instruments as explained in more detail below:-

Provisions for impairment

In determining impairment of financial assets, judgement is required in the estimation of the amount and timing of future cash flows as well as an assessment of whether the credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

Fair value of financial assets and liabilities

Where the fair value of financial assets and liabilities cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is derived from observable markets where available, but where this is not feasible, a degree of judgement is required in determining assumptions used in the models. Changes in assumptions used in the models could affect the reported fair value of financial assets and liabilities.

2 Critical accounting judgements 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.

Accrued income

Accrued income poses a risk of uncertainty due to the timing of reconciliations with customers meaning that at the year end not all balances are agreed, billed and paid. However by the time the statutory accounts are signed the vast majority of customers have been reconciled and actual invoices raised based on this process. Therefore the exposure to significant estimation uncertainty is limited.

2 Critical accounting judgements and key sources of estimation uncertainty (continued)

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.

There are a number of critical assumptions in relation to the IFRS 16 calculation that are summarised as follows:

Discount rate

For property leases we have applied a discount rate of 4.00%. The rate is calculated using an observable property yield based on market data for property based within the primary care industry. Management have performed sensitivity testing by increasing the discount rate to 8.00%, which decreased the value of the Right of use asset by £2.6m and the lease liability by £1.6m as at 31 March 2020.

Lease length

A number of lease properties are short term in nature, such as rolling monthly or annual agreements. Judgement is therefore required to determine the substance of each property agreement. Properties are occupied based on the service contract to which they relate, we therefore consider the most accurate way to assess the lease termination date, in substance, to be the end date of the service contract.

Peppercorn rent and rent-free properties

The company rents numerous properties either on a peppercorn or rent-free basis. For these properties, the rental cost is deemed to form part of the value of the service contract to which the property relates. In order to determine an appropriate rental value for each of these leases, we have obtained rental rates for comparable properties using available industry information.

3 Turnover

The analysis of the company's turnover for the year from continuing operations is as follows:

	2020 £ 000	2019 £ 000
Provision of healthcare services	248,433	248,805

4 Operating profit

Arrived at after charging/(crediting)

	2020 £ 000	2019 £ 000
Depreciation expense	1,445	1,149
Depreciation on right of use assets - Machinery	155	-
Depreciation on right of use assets - Property	5,694	-
Depreciation on right of use assets - Other	442	-
Insurance provision	2,092	-
Onerous Contract Provision	-	2,057
Audit of these financial statements	126	86
Taxation compliance services	20	15

5 Interest payable and similar expenses

	2020 £ 000	2019 £ 000
Interest expense on leases - Machinery	60	-
Interest expense on leases - Other	29	-
Interest expense on leases - Property	959	-
	1,048	-

6 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2020 £ 000	2019 £ 000
Wages and salaries	111,714	98,263
Social security costs	10,174	8,195
Other pension costs	12,605	11,074
	134,493	117,532

6 Staff costs (continued)

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2020 No.	2019 No.
Non-registered	1,030	1,230
Registered	2,634	2,329
	3,664	3,559

Registered employees refer to our health and care professionals who are registered with the Health and Care Professional council.

7 Auditors' remuneration

	2020 £ 000	2019 £ 000
Audit of the financial statements	126	86
Other fees to auditors		
Taxation compliance services	20	15

Taxation compliance and other non-audit services were provided by the same firm that performed the audit of these financial statements.

8 Income tax

Tax charged/(credited) in the profit and loss account

	2020 £ 000	2019 £ 000
Current taxation		
UK corporation tax	-	(3,449)
Adjustments in respect of prior year	(73)	(552)
Total current tax credit	(73)	(4,001)
Deferred taxation		
Origination and reversal of temporary timing differences	305	772
Adjustments in respect of prior year	(187)	171
Total deferred tax charge	118	943
Total tax charge/(credit)	45	(3,058)

8 Income tax (continued)

Factors affecting the tax charge for the year

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2019: the same) as the standard rate of corporation tax in the UK of 19% (2019: 19%).

The differences are reconciled below:

	2020 £ 000	2019 £ 000
Profit before tax	5,179	503
Corporation tax at standard rate	984	95
Expenses not deductible for tax purposes	61	71
Non-taxable income	-	(2,752)
Group relief claimed	(782)	-
Current year deferred income tax unrecognised	524	-
Impact on deferred tax due to changes in tax rates	(482)	(91)
Adjustments in respect of current income tax of prior years	(73)	(552)
Adjustments in respect of deferred income tax of prior years	(187)	171
Total tax charge/(credit)	45	(3,058)

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. The deferred tax assets / liabilities at 31 March 2020 have been calculated at 19% (2019: 17%).

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 differences can be deducted. In accordance with FRS101, no asset has been recognised for the potential deferred tax asset of £3,185,142 (2019: £2,661,334) arising from tax losses and other timing difference of £15,654,908 (2019: £15,654,908) as the losses are not expected to be utilised in the foreseeable future.

8 Income tax (continued)

Deferred tax

Deferred tax assets and liabilities

2020	Asset £ 000
Accelerated capital allowances	615
Short term temporary differences	519
	1,134

2019	Asset £ 000
Accelerated capital allowances	476
Short term temporary differences	776
	1,252

Deferred tax movement during the year:

	At 1 April 2019 £ 000	Recognised in income £ 000	At 31 March 2020 £ 000
Accelerated capital allowances	476	138	615
Short term temporary differences	776	(257)	519
Net tax assets/(liabilities)	1,252	(118)	1,134

8 Income tax (continued)

Deferred tax movement during the prior year:

	At 1 April 2018 £ 000	Recognised in income £ 000	At 31 March 2019 £ 000
Accelerated capital allowances	592	(115)	476
Short term temporary differences	1,603	(828)	776
Net tax assets/(liabilities)	2,195	(943)	1,252

9 Tangible assets

	Leasehold improvements £ 000	Computer & Office Equipment £ 000	Motor vehicles £ 000	Medical Equipment £ 000	Total £ 000
Cost or valuation					
At 1 April 2019	1,004	3,544	26	635	5,209
Additions	81	1,146	-	83	1,310
Disposals	(27)	(240)	-	-	(267)
At 31 March 2020	1,058	4,450	26	718	6,252
Depreciation					
At 1 April 2019	355	1,428	18	423	2,224
Charge for the year	185	1,102	8	151	1,446
Eliminated on disposal	(26)	(203)	-	-	(229)
At 31 March 2020	514	2,327	26	574	3,441
Carrying amount					
At 31 March 2020	544	2,123	-	144	2,811
At 31 March 2019	648	2,115	8	212	2,983

Depreciation charges for the year were recognised within administrative expenses.

10 Right of use assets

	Machinery £ 000	Property £ 000	Other £ 000	Total £ 000
Cost or valuation				
At 1 April 2019	211	23,672	696	24,579
Additions	403	2,242	430	3,075
At 31 March 2020	614	25,914	1,126	27,654
Depreciation				
Charge for the year	155	5,694	442	6,291
At 31 March 2020	155	5,694	442	6,291
Carrying amount				
At 31 March 2020	459	20,220	684	21,363

11 Investments

Subsidiaries	£ 000
Cost or valuation	
At 1 April 2019	17
At 31 March 2020	17
Provision	
Carrying amount	
At 31 March 2020	17

Details of the subsidiaries as at 31 March 2020 are as follows:

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

12 Stock

	31 March 2020 £ 000	31 March 2019 £ 000
Raw materials and consumables	333	370

13 Trade and other debtors

	31 March 2020 £ 000	31 March 2019 £ 000
Trade debtors	5,461	8,629
Amounts owed by group undertakings	89,431	42,681
Amounts owed by related party	-	9,309
Prepayments	9,099	10,941
Other debtors	4,325	2,679
Tax recoverable	-	3,691
	108,316	77,930

13 Trade and other debtors (continued)

Amounts owed by group subsidiaries are repayable on demand. However, given that the company does not operate a regular process for settling these amounts, they are not considered to be working capital in nature and are not expected to be settled within 12 months of the balance sheet date.

The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

14 Cash at bank and in hand

	31 March 2020 £ 000	31 March 2019 £ 000
Cash at bank	8,602	1,172

15 Share capital

Allotted, called up and fully paid shares

	31 March 2020 No.	31 March 2020 £	31 March 2019 No.	31 March 2019 £
100 Ordinary shares of £1 each of £1 each	100	100	100	100

16 Leases

Leases included in creditors

	31 March 2020 £ 000	31 March 2019 £ 000
Current portion of long term lease liabilities	7,139	-
Long term lease liabilities- Amounts falling due after more than one year	15,708	-

Lease liabilities maturity analysis

A maturity analysis of lease liabilities based on the present value of minimum lease payments reported in the table below:

	31 March 2020 £ 000	31 March 2019 £ 000
Year 1	7,139	-
Year 2	6,711	-
Years 3 to 5	8,725	-
Over 5 years	272	-
Total lease liabilities	22,847	-

The company applied the following implicit interest rates on leases:

- Property - 4%
- Motor vehicles - 4%
- Machinery - 10%

The Company does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Company's treasury function.

17 Trade and other creditors

	31 March 2020 £ 000	31 March 2019 £ 000
Trade creditors	9,018	6,694
Accrued expenses	28,765	33,281
Amounts owed to group undertakings	33,425	-
Social security and other taxes	2,534	2,242
Other creditors	2,147	1,727
Current portion of long term lease liabilities	7,139	-
	83,028	43,944

18 Other provisions

	Onerous contracts £ 000	Insurance £ 000	Total £ 000
At 1 April 2019	2,057	1,909	3,966
Increase (decrease) in existing provisions	-	2,092	2,092
Provisions used	(2,057)	-	(2,057)
At 31 March 2020	-	4,001	4,001

Insurance Provision
The insurance provision covers the estimated total gross exposure from potential claims. The insured sum against these claims is £3,348,000 (2019: £1,815,000) and is included in other debtors. 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.

Onerous contract provision
The Virgin Care group has incurred significant operating losses from the East Staffordshire Clinical Commissioning group ("CCG") Improving Lives contract. The losses arose from cost and volume of the acute hospital-based services subcontracted by the Virgin Care group being greater than the allocated contract value and payments made by the CCG.

In order to mitigate these losses, the Virgin Care group gave notice of termination for the full contract during the previous financial year and exited the contract on the 31 March 2020. Hence, the provision has been released in full during the year given that all costs for the fulfilment of the contract (that were previously provided for) have now been incurred.

19 Pension and other schemes

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 £12,605,000 (2019: £11,074,000). Contributions totalling £1,785,000 (2019: £1,403,000) were payable to the fund at the balance sheet date and are included in other creditors.

20 Contingent liabilities

As of the date of signing of the statutory accounts, the directors considered there to be no contingent liabilities (2019: £Nil).

21 Related party transactions

Summary of transactions with other related parties

The Company's ultimate parent undertaking is 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 shares a common director with Virgin Care Limited, such that VH Doctors Limited is considered to be a related party of Virgin Care Limited. Virgin Care Services Limited, Virgin Care Provider Services Limited and VH Community Services Limited are all related parties of VH Doctors Limited as they are all wholly owned subsidiaries of Virgin Care Limited. The LLP's which are subsidiaries of Virgin Care Limited are also related parties. Details of the value of services provided in the current and prior year are included below.

21 Related party transactions (continued)

Income and receivables from related parties

2020	VH Doctors Limited £ 000
Receipt of services	596

2019	VH Doctors Limited £ 000
Receipt of services	4,946
Amounts receivable from related party	9,309

Expenditure with and payables to related parties

2020	VH Doctors Limited £ 000
Rendering of services	1,003

2019	VH Doctors Limited £ 000
Rendering of services	5,294

22 Controlling party

The immediate parent company is Virgin Care Limited, a company incorporated in the United Kingdom. The registered office is The Heath Business & Technical Park, Runcorn, Cheshire, WA7 4QX.

The ultimate parent company is Virgin Group Holdings Limited, a company incorporated in the British Virgin Islands.

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

23 Non-adjusting events after the financial period

On 1 September 2020 Virgin Care Services became a designated member of the following Limited Liability Partnerships:
- Virgin Care Coventry LLP
- Assura Reading LLP
- Virgin Care Vertis LLP
- Virgin Care East Riding LLP