

Registered number: 7557877

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## **Virgin Care Services Limited**

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

**For the Year Ended 31 March 2018**

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## **Virgin Care Services Limited**

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**Virgin Care Services Limited**

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**Company Information**

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

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## Virgin Care Services Limited

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### Strategic Report For the Year Ended 31 March 2018

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#### Principal activities

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

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

#### Business review and results

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

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

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

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

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

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

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

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

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

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## Virgin Care Services Limited

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### Strategic Report (continued) For the Year Ended 31 March 2018

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

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

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

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

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

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

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

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

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

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

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

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

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## Virgin Care Services Limited

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### Strategic Report (continued) For the Year Ended 31 March 2018

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Priority 3: to be recognised as an outstanding employer.

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

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

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

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

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

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

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

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

#### Principal risks and uncertainties

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

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

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

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## Virgin Care Services Limited

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### Strategic Report (continued) For the Year Ended 31 March 2018

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than it has historically.

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

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

#### Financial key performance indicators

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

For the year the Company had the relevant financial KPIs:

Financial KPI	Year Ended 31 March 2018	Year Ended 31 March 2017
Revenue	£256,777,757	£204,258,346
Gross Profit	£13,492,499	£14,118,857
Gross Profit %	5.3%	6.9%
Operating Profit	£3,463,792	£8,015,887

These are considered relevant as they show both the level of contract holdings and also contract performance.

#### Modern Slavery Act

##### Who we are

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

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## Virgin Care Services Limited

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### Strategic Report (continued) For the Year Ended 31 March 2018

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#### Our supply chains

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

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

#### Our policy

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

We have anti-slavery and trafficking provisions contained within our procurement policy which set out our approach to ensuring our supply chain does not contain modern slavery and our Safeguarding and Whistleblowing policies provide colleagues with guidance on how to report their concerns.

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

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

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

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

#### Our central procurement team

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

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

#### Training our colleagues

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

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



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## Virgin Care Services Limited

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### Strategic Report (continued) For the Year Ended 31 March 2018

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#### **Due diligence processes**

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

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

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

#### **Non-compliance**

If we find an existing supplier is non-compliant with our policies or code of conduct or provides us with inadequate information to assure us of their compliance with our Terms and Conditions we will work with them to ensure that they are able to provide us with the information and, if appropriate, to improve their performance.

If a supplier is found to be unable to meet our terms and conditions or policies, we will consider terminating our relationship with them as soon as practicable.

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

#### **Future Developments**

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

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

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

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

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

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

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

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

As an organisation we are committed to continually improving our processes and governance to assure

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## Virgin Care Services Limited

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### Strategic Report (continued) For the Year Ended 31 March 2018

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ourselves, our commissioners and the general public that we have appropriate measures in place to provide safe, high quality services.

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

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

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

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

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

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

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

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

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

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

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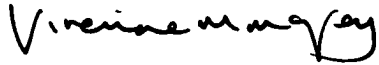
**Virgin Care Services Limited**

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**Strategic Report (continued)  
For the Year Ended 31 March 2018**

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



**V M McVey**  
Director

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## Virgin Care Services Limited

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### Directors' Report For the Year Ended 31 March 2018

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

#### Results and dividends

The profit for the year, after taxation, amounted to £6,872,603 (2017 - £8,159,000).

The directors do not recommend the payment of a dividend for 2018 (2017 - £nil). The retained profit for the financial year has been transferred to reserves.

#### Directors

The directors who served during the year were:

E B Johnson  
V M McVey

#### Going concern

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

#### Political and charitable contributions

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

#### Employee involvement

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

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

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

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

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

A talent management programme to focus on the identification and development of our high potential staff continued to operate during the year.

#### Disabled employees

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

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**Virgin Care Services Limited**

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

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

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

**Disclosure of information to auditor**

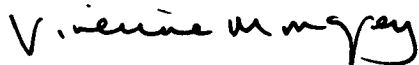
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

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

**Auditor**

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

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



**V M McVey**  
Director  
Virgin Care Services Limited  
Lynton House  
7-12 Tavistock Square  
London  
WC1H 9LT

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## **Virgin Care Services Limited**

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

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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.

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## **Virgin Care Services Limited**

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

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#### **Opinion**

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

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its 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**

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

#### **Strategic Report and Directors' Report**

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

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

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

#### **Matters on which we are required to report by exception**

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

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

We have nothing to report in these respects.

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**Virgin Care Services Limited**

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

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**Directors' responsibilities**

As explained more fully in their statement set out on page 12, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

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



**Will Baker (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
8 Princes Parade  
Liverpool  
L3 1QH  
Date: 21/12/18



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**Virgin Care Services Limited**

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**Statement of Comprehensive Income  
For the Year Ended 31 March 2018**

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	Note	2018 £	2017 £
Turnover	3	256,777,757	204,258,346
Cost of sales		(243,285,258)	(190,139,489)
<b>Gross profit</b>		<u>13,492,499</u>	<u>14,118,857</u>
Administrative expenses		(10,028,707)	(6,102,970)
<b>Operating profit</b>	4	<u>3,463,792</u>	<u>8,015,887</u>
Tax on profit	7	3,408,811	143,113
<b>Profit for the financial year</b>		<u><u>6,872,603</u></u>	<u><u>8,159,000</u></u>

There was no other comprehensive income for 2018 (2017:£NIL).

The notes on pages 19 to 36 form part of these financial statements.

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

**Balance Sheet**  
**As at 31 March 2018**

		2018	2018	2017	2017
	Note	£	£	£	£
<b>Fixed assets</b>					
Tangible assets	8		2,724,430		662,791
Investments	9		16,947		16,947
			<u>2,741,377</u>		<u>679,738</u>
<b>Current assets</b>					
Stocks	10	502,940		549,144	
Debtors: amounts falling due within one year	11	76,219,012		66,309,325	
Cash at bank and in hand		1,248,566		11,622	
		<u>77,970,518</u>		<u>66,870,091</u>	
Creditors: amounts falling due within one year	12	(46,549,339)		(40,259,876)	
<b>Net current assets</b>			<u>31,421,179</u>		<u>26,610,215</u>
<b>Total assets less current liabilities</b>			<u>34,162,556</u>		<u>27,289,953</u>
<b>Provisions for liabilities</b>					
Other provisions	14	(1,909,084)		(1,909,084)	
			<u>(1,909,084)</u>		<u>(1,909,084)</u>
<b>Net assets</b>			<u><u>32,253,472</u></u>		<u><u>25,380,869</u></u>

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Virgin Care Services Limited  
Registered number: 7557877

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Balance Sheet (continued)  
As at 31 March 2018

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	Note	2018 £	2017 £
<b>Capital and reserves</b>			
Called up share capital	15	100	100
Retained earnings		32,253,372	25,380,769
<b>Shareholders' funds</b>		<u>32,253,472</u>	<u>25,380,869</u>

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

20.12.18

*Vivienne M. McVey*

V M McVey

Director

The notes on pages 19 to 36 form part of these financial statements.

**Virgin Care Services Limited**

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

	Called up share capital £	Retained earnings £	Total equity £
At 1 April 2017	100	25,380,769	25,380,869
Profit for the year	-	6,872,603	6,872,603
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>6,872,603</b>	<b>6,872,603</b>
<b>At 31 March 2018</b>	<b>100</b>	<b>32,253,372</b>	<b>32,253,472</b>

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

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

The notes on pages 19 to 36 form part of these financial statements.

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## Virgin Care Services Limited

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### Notes to the Financial Statements For the Year Ended 31 March 2018

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#### 1. Accounting policies

##### 1.1 Basis of preparation of financial statements

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

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

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

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

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

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible asset;
- 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 IFRS13 Fair Value Measurement.

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

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

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## Virgin Care Services Limited

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### Notes to the Financial Statements For the Year Ended 31 March 2018

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#### 1. Accounting policies (continued)

##### 1.2 Measurement convention

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

##### 1.3 Going concern

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

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

The Company is part of the "Care" sub-group of a group headed by Virgin Holdings Limited, the ultimate parent company. The Company is the main trading entity of the Care sub group and provides medical services on behalf of public commissioning authorities. The Company is financially reliant on parent company support and operationally dependent on a fellow subsidiary within the Care sub-group.

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

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

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

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

In addition the Care group has incurred significant operating losses from the East Staffordshire Clinical Commissioning Group Improving Lives contract. The losses arise from the non-payment by

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## Virgin Care Services Limited

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### Notes to the Financial Statements For the Year Ended 31 March 2018

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#### 1. Accounting policies (continued)

##### 1.3 Going concern (continued)

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

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

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

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

##### 1.4 Turnover

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

##### 1.5 Tangible fixed assets

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

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

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

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## Virgin Care Services Limited

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### Notes to the Financial Statements For the Year Ended 31 March 2018

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#### 1. Accounting policies (continued)

##### 1.5 Tangible fixed assets (continued)

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

The estimated useful lives range as follows:

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

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

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

##### 1.6 Investments

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

##### 1.7 Operating leases

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

##### 1.8 Non-derivative financial instruments

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

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

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



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## Virgin Care Services Limited

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### Notes to the Financial Statements For the Year Ended 31 March 2018

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#### 1. Accounting policies (continued)

##### 1.9 Impairment of financial assets (including trade and other debtors)

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

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

##### 1.10 Impairment of non-financial assets

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

##### 1.11 Holiday pay accrual

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

##### 1.12 Pensions

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.

##### 1.13 Provisions

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

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## Virgin Care Services Limited

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### Notes to the Financial Statements For the Year Ended 31 March 2018

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#### 1. Accounting policies (continued)

##### 1.14 Contingent assets

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

##### 1.15 Current and deferred taxation

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

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

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

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

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

##### 1.16 Intra-group arrangements

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

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## Virgin Care Services Limited

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### Notes to the Financial Statements For the Year Ended 31 March 2018

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

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

##### Accrued Income

Accrued income poses a risk of uncertainty due to the timing of reconciliations with customers meaning at 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.

##### Trade receivables

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

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

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

#### 3. Turnover

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

	2018 £	2017 £
Provision of healthcare services	256,777,757	204,258,346
	<u>256,777,757</u>	<u>204,258,346</u>

All turnover arose within the United Kingdom.

## Virgin Care Services Limited

### Notes to the Financial Statements For the Year Ended 31 March 2018

#### 4. Operating profit

The operating profit is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets	610,964	111,052
Fees for the audit of the Company	78,000	40,000
Operating lease payment:		
- plant and machinery	337,886	531,327
- other operating leases	1,940,280	-
	<u>2,967,130</u>	<u>682,379</u>

During the year, no director received any emoluments (2017 - £NIL).

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

#### 5. Employees

Staff costs were as follows:

	2018 £	2017 £
Wages and salaries	108,222,374	26,954,554
Social security costs	7,085,399	2,434,914
Other pension costs	9,348,204	2,992,397
	<u>124,655,977</u>	<u>32,381,865</u>

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

	2018 No.	2017 No.
Administration	368	283
Clinical	4,096	907
	<u>4,464</u>	<u>1,190</u>

#### 6. Directors' remuneration

The Directors did not receive any remuneration directly from the Company (2017 - £nil). The Directors remuneration is borne by Virgin Care Limited (group member) and is considered impractical to split across the Virgin Care Group.

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Virgin Care Services Limited

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Notes to the Financial Statements  
For the Year Ended 31 March 2018

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7. Taxation

	2018 £	2017 £
<b>Current tax</b>		
UK corporation tax (credit)/charge on profit for the year	-	-
Adjustments in respect of previous periods	(1,862,870)	-
	<u>(1,862,870)</u>	<u>-</u>
<b>Deferred tax</b>		
Deferred tax	(1,545,941)	(143,113)
<b>Total tax</b>	<u><u>(3,408,811)</u></u>	<u><u>(143,113)</u></u>

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**Virgin Care Services Limited**

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**Notes to the Financial Statements  
For the Year Ended 31 March 2018**

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**7. Taxation (continued)**

**Factors affecting tax charge for the year**

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

	2018 £	2017 £
Profit on ordinary activities before tax	6,872,603	8,159,000
Total tax credit	(3,408,811)	(143,113)
Profit excluding tax credit	<u>3,463,792</u>	<u>8,015,887</u>
 Tax using UK corporation tax rate of 19% (2017 - 20%)	 658,120	 1,603,177
<b>Effects of:</b>		
Transfer pricing adjustments	(2,394,183)	-
Income not taxable	(4,936)	-
Adjustments to tax charge in respect of previous periods	(1,862,870)	-
Adjustments to tax charge in respect of prior periods- deferred tax	(139,862)	28,149
Expenses not deductible for tax purposes	11,561	27,321
Adjust closing deferred tax to average rate	556,950	305,954
Adjust opening deferred tax to average rate	(374,904)	(367,019)
Deferred tax not recognised	141,313	(1,740,695)
 <b>Total tax credit</b>	 <u><u>(3,408,811)</u></u>	 <u><u>(143,113)</u></u>

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**Virgin Care Services Limited**

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**Notes to the Financial Statements  
For the Year Ended 31 March 2018**

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**7. Taxation (continued)**

**Factors that may affect future tax charges**

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the group's future current tax charge accordingly. The deferred tax asset at 31 March 2018 has been calculated based on the rate of 17% substantively enacted at the balance sheet date.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted. In accordance with FRS101, no asset has been recognised for the potential deferred tax asset of £2,539,454 (2017: £1,085,059) arising from tax losses of £14,937,694 (2017: £6,382,698) since the losses are not expected to be utilised in the foreseeable future.

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

	2018 £	2017 £
Fixed assets	591,519	616,948
Short term timing differences	1,603,100	31,730
	<u>2,194,619</u>	<u>648,678</u>

**Virgin Care Services Limited**

**Notes to the Financial Statements  
For the Year Ended 31 March 2018**

**8. Tangible assets**

	Short term leasehold property £	Medical equipment £	Motor vehicles £	Computer & office equipment £	Total £
<b>Cost or valuation</b>					
At 1 April 2017	112,763	328,516	-	684,957	1,126,236
Additions	835,250	128,283	26,250	1,682,819	2,672,602
At 31 March 2018	948,013	456,799	26,250	2,367,776	3,798,838
<b>Depreciation</b>					
At 1 April 2017	112,763	180,254	-	170,427	463,444
Charge for the year	77,982	84,541	8,750	439,691	610,964
At 31 March 2018	190,745	264,795	8,750	610,118	1,074,408
<b>Net book value</b>					
At 31 March 2018	757,268	192,004	17,500	1,757,658	2,724,430
At 31 March 2017	-	148,262	-	514,529	662,791



**Virgin Care Services Limited**

**Notes to the Financial Statements  
For the Year Ended 31 March 2018**

**9. Fixed asset investments**

	<b>Investments in subsidiary companies £</b>
<b>Cost or valuation</b>	
At 1 April 2017	16,947
At 31 March 2018	<u>16,947</u>
<b>Impairment</b>	
At 31 March 2018	<u>-</u>
<b>Net book value</b>	
At 31 March 2018	<u>16,947</u>
At 31 March 2017	<u>16,947</u>

**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

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

**10. Stocks**

	<b>2018 £</b>	<b>2017 £</b>
Medical Consumables	502,940	549,144
	<u>502,940</u>	<u>549,144</u>

**Virgin Care Services Limited**

**Notes to the Financial Statements  
For the Year Ended 31 March 2018**

**11. Debtors**

	2018 £	2017 £
Trade debtors	11,442,870	11,489,952
Amounts owed by group undertakings	47,892,440	45,784,023
Other debtors	1,824,837	2,026,304
Prepayments and accrued income	11,001,376	6,360,368
Tax recoverable	1,862,870	-
Deferred taxation (Note 12)	2,194,619	648,678
	<u>76,219,012</u>	<u>66,309,325</u>

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

	2018 £	2017 £
Bank overdrafts	-	5,276,860
Trade creditors	8,683,759	2,967,430
Taxation and social security	2,068,844	528,632
Other creditors	6,262,660	1,875,625
Accruals and deferred income	29,534,076	29,611,329
	<u>46,549,339</u>	<u>40,259,876</u>

In the prior year, the Company bank overdraft balance was a result of the group pooling and sweeping arrangements in place with the group's bankers. The group's bank balances are pooled together on a group basis and swept into an overnight deposit account. Consequently, individual entity bank accounts may show an overdrawn position at year end, but overall the group had positive cash balances and therefore had no requirement for a formal overdraft facility.

**Virgin Care Services Limited**

**Notes to the Financial Statements  
For the Year Ended 31 March 2018**

**13. Deferred taxation**

	<b>2018</b> £	<b>2017</b> £
At beginning of year	648,678	505,565
Credited to the profit and loss	1,545,941	143,113
<b>At end of year</b>	<b>2,194,619</b>	<b>648,678</b>

The deferred tax asset is made up as follows:

	<b>2018</b> £	<b>2017</b> £
Accelerated capital allowances	591,519	616,948
Short term timing differences	1,603,100	31,730
	<b>2,194,619</b>	<b>648,678</b>

**14. Provisions**

	<b>Provision</b> £
At 1 April 2017	1,909,084
<b>At 31 March 2018</b>	<b>1,909,084</b>

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

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Virgin Care Services Limited

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Notes to the Financial Statements  
For the Year Ended 31 March 2018

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15. Share capital

	2018 £	2017 £
<b>Authorised, allotted, called up and fully paid</b>		
100 Ordinary shares of £1 each	100	100

16. Contingent liabilities

Virgin Care Services Limited has received additional invoices from a supplier. Based on external specialist advice regarding its contractual position, Virgin Care Services Limited has disclaimed any liability for these additional costs, has assessed the likelihood of an unsuccessful outcome to its challenge as improbable, and has, therefore, recognised no provision in its accounts. The potential undiscounted amount of the total payments that the company could be required to make if its challenge was unsuccessful is estimated to be £500,000.

17. 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 £9,348,204 (2017 - £2,992,397). Contributions totaling £5,834,593 (2017 - £1,875,625) were payable to the fund at the balance sheet date and are included in other creditors.

18. Commitments under operating leases

Non cancellable operating leases are repayable as follows:

	2018 £	2017 £
<b>Other</b>		
Less than one year	1,940,280	315,283
Between one and five years	932,548	327,073
More than five years	50,885	-
	<u>2,923,713</u>	<u>642,356</u>

# Virgin Care Services Limited

## Notes to the Financial Statements For the Year Ended 31 March 2018

### 19. Related party transactions

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

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

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

	Sales during year ended 31 March 2018 £	Balance outstanding at 31 March 2018 £	Purchases during year ended 31 March 2018 £
VH Doctors Limited	1,045,850	8,711,292	629,739
	<u>1,045,850</u>	<u>8,711,292</u>	<u>629,739</u>

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

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## Virgin Care Services Limited

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### Notes to the Financial Statements For the Year Ended 31 March 2018

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#### 20. Controlling party

The parent undertaking of Virgin Care Services Limited is Virgin Care Limited. The registered office is Lynton House, 7-12 Tavistock Square, London, WC1H 9LT. As at 31 March 2018 the Company is a subsidiary undertaking of Virgin Group Holdings Limited, a company incorporated in the British Virgin Islands.

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