

**Virgin Enterprises Limited**

Annual report and financial statements

Registered number 1073929

31 December 2016

TUESDAY



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## **Strategic Report**

*For the Year Ended 31 December 2016*

### **Introduction**

Virgin Enterprises Limited is principally engaged in the management, protection, development and commercial exploitation of the Virgin brand name.

### **Business review**

#### **Summary financial performance and key performance indicators**

For the year ended 31 December 2016 turnover totalled £65.2m, compared with £57.7m for the year ended 31 December 2015. The increase in turnover is attributable to better performance from the Company's existing royalty base. Profit before taxation totalled £48.2m in the year ended 31 December 2016, compared against £33.5m for the year ended 31 December 2015 due to lower administration costs in the current year as one off legal fees were incurred in 2015.

At 31 December 2016, the Company had net assets of £69.2m (31 December 2015: £64.8m), an increase of 6.6%.

#### **Development and performance of the business**

The Company's revenues consist of royalties under the trademark licence agreements it has entered into with companies using the Virgin brand (Licensees). Royalties receivable under these agreements are usually calculated as a percentage of the revenues of the Licensees, typically subject to a set minimum.

#### **Risk review**

The Company is reliant on the goodwill associated with the Virgin brand and is vulnerable to the risk of a decline in the perception of the Virgin brand, and to brand infringement. The Company has a full-time team dedicated to protecting the Virgin brand, monitoring and taking action to prevent potential brand infringement. The Company's trade mark licence agreements with Licensees govern the use of its intellectual property and require its Licensees to abide by quality control standards with respect to such use.

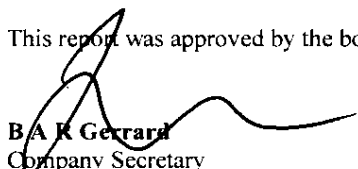
The Company is reliant on royalty income generated by its trademark licence agreements and any material adverse change in the business or market in which any of the licensees operate could affect the level of royalty income received. The Company takes steps to mitigate this risk through a wide distribution of Licensees across a number of different geographies and industries, and through actively monitoring its Licensee relationships.

#### **Going concern**

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

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

This report was approved by the board on 21 June 2017 and signed on its behalf.



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

## Directors' Report

The directors present their report and the financial statements for the year ended 31 December 2016.

### Results and dividends

The profit for the year, after taxation, amounted to £39,479,000 (2015 - £24,311,000).

During the year the Company paid dividends of £35,000,000 (2015 - £nil).

### Directors

The directors who served during the year were:

P M R Norris (resigned 14 September 2016)

I P Woods

L V Thomas (appointed 11 March 2016)

J Bayliss (appointed 6 April 2016)

### Disclosure of information to auditor

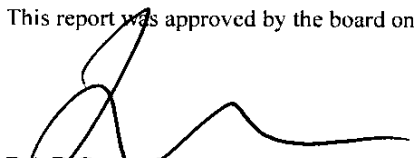
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- 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

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

This report was approved by the board on 21 June 2017 and signed on its behalf.



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

## **Directors' Responsibilities Statement**

*For the Year Ended 31 December 2016*

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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## **Independent Auditor's Report to the Shareholders of Virgin Enterprises Limited**

We have audited the financial statements of Virgin Enterprises Limited for the year ended 31 December 2016, set out on pages 6 to 23. The relevant financial reporting framework that has been applied in their preparation is applicable law and the UK Accounting Standards (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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

### **Respective responsibilities of Directors and Auditor**

As explained more fully in the Directors' Responsibilities Statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Director's Report for the financial year for which the financial statements are prepared is consistent with those financial statements.

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

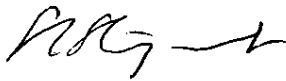
- we have not identified material misstatements in those reports; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

## **Independent Auditor's Report to the Shareholders of Virgin Enterprises Limited (continued)**

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

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

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



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

21 June 2017

**Statement of Comprehensive Income**  
*For the Year Ended 31 December 2016*

	<i>Note</i>	<b>2016</b> <b>£000</b>	2015 £000
Turnover	2	<b>65,221</b>	57,728
<b>Gross profit</b>		<b>65,221</b>	57,728
Administrative expenses	4,5	<b>(20,467)</b>	(26,164)
Other operating income	3	<b>1,717</b>	1,490
<b>Operating profit</b>	4	<b>46,471</b>	33,054
Interest receivable and similar income	8	<b>1,749</b>	451
Interest payable and expenses	9	<b>-</b>	(47)
<b>Profit before tax</b>		<b>48,220</b>	33,458
Tax on profit	10	<b>(8,741)</b>	(9,147)
<b>Profit for the year</b>		<b>39,479</b>	24,311
<b>Total comprehensive income for the year</b>		<b>39,479</b>	24,311



**Balance Sheet**  
*As at 31 December 2016*

	<i>Note</i>	<b>2016 £000</b>	<b>2015 £000</b>
<b>Fixed assets</b>			
Intangible assets	11	<u>62,582</u>	<u>66,663</u>
		<b>62,582</b>	<b>66,663</b>
<b>Current assets</b>			
Debtors: amounts falling due after more than one year	12	917	2,893
Debtors: amounts falling due within one year	12	52,988	49,106
Cash at bank and in hand	13	<u>2,137</u>	<u>2,374</u>
		<b>56,042</b>	<b>54,373</b>
Creditors: amounts falling due within one year	14	<u>(34,829)</u>	<u>(35,123)</u>
<b>Net current assets</b>		<b>21,213</b>	<b>19,250</b>
Creditors: amounts falling due after more than one year	15	<b>(14,560)</b>	<b>(16,071)</b>
<b>Provisions for liabilities</b>			
Other provisions	17	<u>-</u>	<u>(5,086)</u>
		<b>-</b>	<b>(5,086)</b>
<b>Net assets</b>		<u><b>69,235</b></u>	<u><b>64,756</b></u>
<b>Capital and reserves</b>			
Called up share capital	18	6,365	6,365
Share premium account		2,600	2,600
Profit and loss account		<u>60,270</u>	<u>55,791</u>
		<u><b>69,235</b></u>	<u><b>64,756</b></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 June 2017.



**L V Thomas**  
Director

The notes on pages 10 to 23 form part of these financial statements.

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

	<i>Called up share capital</i>	<i>Share premium account</i>	<i>Profit and Loss account</i>	<i>Total equity</i>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 January 2016	6,365	2,600	55,791	64,756
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	39,479	39,479
<b>Total comprehensive income for the year</b>	-	-	39,479	39,479
<b>Contributions by and distributions to owners</b>				
Dividends	-	-	(35,000)	(35,000)
<b>Total contributions by and distributions to owners</b>	-	-	(35,000)	(35,000)
<b>At 31 December 2016</b>	<b>6,365</b>	<b>2,600</b>	<b>60,270</b>	<b>69,235</b>

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

	<i>Called up share capital</i>	<i>Share premium account</i>	<i>Profit and Loss account</i>	<i>Total equity</i>
	£000	£000	£000	£000
At 1 January 2015	6,365	-	31,480	37,845
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	24,311	24,311
<b>Total comprehensive income for the year</b>	-	-	24,311	24,311
<b>Contributions by and distributions to owners</b>				
Issue of shares	-	2,600	-	2,600
<b>Total contributions by and distributions to owners</b>	-	2,600	-	2,600
<b>At 31 December 2015</b>	<b>6,365</b>	<b>2,600</b>	<b>55,791</b>	<b>64,756</b>

## Notes to the Financial Statements

### 1. Accounting policies

#### 1.1 Basis of preparation of financial statements

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

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

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101") 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.

The Company's intermediate parent, Virgin UK Holdings Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Virgin UK Holdings Limited are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from the address in note 22.

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

- Cash flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Related party disclosures in respect of wholly owned subsidiaries;
- Disclosures in respect of the compensation of Key Management Personnel;
- Requirements of IFRS 7 Financial Instruments: Disclosures.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 23.

## Notes to the Financial Statements

### 1. Accounting policies (continued)

#### 1.2 Going concern

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

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

#### 1.3 Turnover

Revenue comprises royalties receivable under trademark licence agreements, which the company has entered into with companies using the Virgin brand licence.

##### *Royalties*

Royalties receivable by the Company are recognised as earned typically based on a percentage of the revenues of the Licencee, subject to minimum guarantees, when the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the trademark agreement.

#### 1.4 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

#### 1.5 Debtors

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

#### 1.6 Cash and cash equivalents

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

## Notes to the Financial Statements

### 1. Accounting policies (continued)

#### 1.7 Financial instruments

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

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

##### *Non-derivative financial assets*

The Company has the following non-derivative financial assets:

##### *Loans and receivables*

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

##### *Non-derivative financial liabilities*

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

The Company has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts and trade and other payables.

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

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

#### 1.8 Creditors

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

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

## Notes to the Financial Statements

### 1. Accounting policies (continued)

#### 1.9 Foreign currency translation

##### *Functional and presentation currency*

The company's functional currency is GBP.

##### *Transactions and balances*

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

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

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

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

#### 1.10 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

#### 1.11 Employee benefits

##### *Defined contribution pension plan*

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

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.

##### *Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

## Notes to the Financial Statements

### 1. Accounting policies (continued)

#### 1.12 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

#### 1.13 Expenses

##### *Interest receivable and Interest payable*

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

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is included separately above and recognised as part of other operating income.

#### 1.14 Current and deferred taxation

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

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

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

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

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.



## Notes to the Financial Statements

### 1. Accounting policies (continued)

#### 1.15 Impairment

##### *Financial assets (including trade and other debtors)*

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

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

##### *Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than investment property, 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.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## Notes to the Financial Statements

### 2. Turnover

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

	2016 £000	2015 £000
Royalty fees	65,221	57,728
	<u>65,221</u>	<u>57,728</u>

Analysis of turnover by country of destination:

	2016 £000	2015 £000
United Kingdom	35,248	26,208
European Union	2,455	3,221
Europe - Other	2,335	1,862
North America	7,408	5,872
South America	3,074	1,714
Africa	831	6,460
Asia	1,909	1,246
Oceania	11,961	11,145
	<u>65,221</u>	<u>57,728</u>

### 3. Other operating income

	2016 £000	2015 £000
Other fee income	1,717	1,490
	<u>1,717</u>	<u>1,490</u>

During the year the company recharged fees in respect of the Letter of Credit, to Virgin Group Holdings Limited (2015 - £1.4m).

### 4. Operating profit

The operating profit is stated after charging:

	2016 £000	2015 £000
Amortisation of intangible assets, including goodwill	4,081	4,081
Exchange differences	(2,327)	111
Defined contribution pension cost	71	122
	<u>71</u>	<u>122</u>

## Notes to the Financial Statements

### 5. Auditors' remuneration

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	<b>2016</b> <b>£000</b>	2015 £000
Fees for the audit of the Company	16	15
	<b>16</b>	<b>15</b>

### 6. Staff numbers and costs

Staff costs were as follows:

	<b>2016</b> <b>£000</b>	2015 £000
Wages and salaries	1,559	1,859
Social security costs	477	193
Cost of defined contribution scheme	153	148
	<b>2,189</b>	<b>2,200</b>

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

	<b>2016</b> <b>No.</b>	2015 No.
Administration and management	12	11

### 7. Directors' remuneration

The directors did not receive any remuneration during the period for services to the Company (2015 -£nil).

### 8. Interest receivable and similar income

	<b>2016</b> <b>£000</b>	2015 £000
Interest receivable from group companies	937	451
Net foreign exchange gains	760	-
Other interest receivable	52	-
	<b>1,749</b>	<b>451</b>

## Notes to the Financial Statements

### 9. Interest payable and similar charges

	2016 £000	2015 £000
Other loan interest payable	-	21
Net foreign exchange losses	-	26
	<u>-</u>	<u>47</u>

### 10. Taxation

	2016 £000	2015 £000
<b>Corporation tax</b>		
Current tax on profits for the year	10,322	7,200
Adjustments in respect of previous periods	(1,651)	1,964
	<u>8,671</u>	<u>9,164</u>
Foreign tax relief/other relief	(1,545)	(510)
	<u>7,126</u>	<u>8,654</u>
<b>Foreign tax</b>		
Foreign tax suffered	1,611	510
	<u>1,611</u>	<u>510</u>
<b>Total current tax</b>	<u>8,737</u>	<u>9,164</u>
<b>Deferred tax</b>		
Current year	-	(24)
Adjustments in respect of previous periods	-	7
Effect of changes in tax rate	4	-
<b>Total deferred tax</b>	<u>4</u>	<u>(17)</u>
<b>Taxation on profit on ordinary activities</b>	<u>8,741</u>	<u>9,147</u>

## Notes to the Financial Statements

### 10. Taxation (continued)

#### Factors affecting tax charge for the year

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

	2016 £000	2015 £000
Profit on ordinary activities before tax	48,220	33,458
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015 - 20.25%)	9,644	6,775
<b>Effects of:</b>		
Expenses not deductible	469	401
Effect of foreign tax	275	-
Adjustments to tax charge in respect of prior periods	(1,651)	1,971
Tax rate changes	4	-
<b>Total tax charge for the year</b>	<b>8,741</b>	<b>9,147</b>

### 11. Intangible assets

	<i>Intellectual property rights</i> £000
<b>Cost</b>	
At 1 January 2016	86,457
At 31 December 2016	86,457
<b>Amortisation</b>	
At 1 January 2016	19,794
Charge for the year	4,081
At 31 December 2016	23,875
<b>Net book value</b>	
At 31 December 2016	62,582
At 31 December 2015	66,663

## Notes to the Financial Statements

### 12. Debtors

	2016 £000	2015 £000
<b>Due after more than one year</b>		
Prepayments and accrued income	917	2,893
	<u>917</u>	<u>2,893</u>
	2016 £000	2015 £000
<b>Due within one year</b>		
Trade debtors	4,885	3,793
Amounts owed by group undertakings	30,158	31,990
Other debtors	58	141
Prepayments and accrued income	17,804	13,094
Deferred taxation	83	88
	<u>52,988</u>	<u>49,106</u>

Prepayments due after more than one year include arrangements fees paid in respect of the revolving credit facility.

### 13. Cash and cash equivalents

	2016 £000	2015 £000
Cash at bank and in hand	2,137	2,374
	<u>2,137</u>	<u>2,374</u>

### 14. Creditors: Amounts falling due within one year

	2016 £000	2015 £000
Trade creditors	132	62
Amounts owed to group undertakings	1,018	77
Corporation tax	15,598	27,452
Other creditors	10,014	386
Accruals and deferred income	8,067	7,146
	<u>34,829</u>	<u>35,123</u>

## Notes to the Financial Statements

### 15. Creditors: Amounts falling due after more than one year

	2016 £000	2015 £000
Deferred income	14,560	16,071
	<b>14,560</b>	<b>16,071</b>

Amounts due after more than one year relate to prepaid royalties on fixed term licence agreements.

#### *Financing*

On 5 November 2014, the Company and its parent company VEL Holdings Limited, each as borrower and guarantor, and certain other subsidiaries of Virgin Group Holdings Limited, the company's ultimate parent undertaking, entered into a multi-currency revolving credit facility of £150million with Lloyds Bank plc and Barclays Bank plc ("the VELH Facility"). On 19 December 2016, the VELH Facility was increased to £220 million.

As at 31 December 2016, £nil was drawn down under the VELH Facility.

The VELH Facility is guaranteed by Virgin Holdings Limited, Virgin Enterprises Limited, VEL Holdings Limited, Virgin Management Limited, Virgin Aviation TM Holdings Limited and Virgin Aviation TM Limited.

The VELH Facility has sub-facilities for drawings in AUD, EUR, GBP and USD which can be utilised for both cash drawings and letters of credit. The final maturity date of the VELH Facility is 5 December 2019.

The VELH Facility is secured by pledges over the shares of VEL Holdings Limited, Virgin Enterprises Limited and Virgin Aviation TM Limited and security over the bank accounts of VEL Holdings, Virgin Enterprises Limited and Virgin Aviation TM Limited.

Interest is payable on amounts drawn under the VELH Facility by reference to the London Inter Bank Offered Rate (LIBOR) for borrowings in Sterling or US Dollar, by reference to the Bank Bill Swap Reference Rate (BBSW) for borrowings in Australian Dollar and by reference to the Euro Interbank Offered Rate (EURIBOR) for borrowings in Euro in each case plus a margin and mandatory costs. The margin under the VELH Facility is linked to the Total Debt to Royalty Income ratio and ranges from 3.50% to 4.00% and as at 31 December 2016 was 3.50% (2015: 3.50%).

The VELH Facility contains a security covenant based on the value of VEL Holdings Limited in relation to the amount outstanding under the facility. The VELH Facility also contains a financial covenant based on the ratio of indebtedness of VEL Holdings Limited and Virgin Enterprises Limited to their direct and indirect royalty income. Compliance with this covenant is tested on a quarterly basis.

The VELH Facility contains certain affirmative covenants, negative pledges and events of default, which are customary for facilities of this nature. The event of default provisions include payment defaults (subject to a three day grace period), breach of financial covenant, breach of other obligations, misrepresentation, cross default, insolvency, repudiation, illegality, cessation of business, appropriation of assets and material adverse change.

On 7 July 2015, the Company entered into three Letters of Credit ("LCs") to support the obligations of Sir Richard Branson pursuant to an indemnity in his name, and drawn under the VELH Facility split evenly between Lloyds Bank plc and Barclays Bank plc. The term of each of these LCs is 1 year and may be extended with the consent of Lloyds Bank plc and Barclays Bank plc for further periods. The margin of the LCs is fixed at 3.50% per annum.

As of 31 December 2016, the outstanding balance of these LCs was £6million (2015: £82million).

## Notes to the Financial Statements

### 16. Deferred tax (assets)/liabilities

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

	<i>31 December 2016 £000</i>	<i>31 December 2015 £000</i>
Asset at start of period	(88)	(72)
Adjustment in respect of prior years	-	8
Deferred tax charge for the period	5	(24)
	<u>(83)</u>	<u>(88)</u>

### 17 Provisions

	<i>Vacant property retail store closures £000</i>	<i>Legal restructuring and other £000</i>	<i>Total £000</i>
At 1 January 2016	766	4,320	5,086
Utilised in year	(766)	(4,320)	(5,086)
<b>At 31 December 2016</b>	<u>-</u>	<u>-</u>	<u>-</u>

The onerous lease provision relates to a property previously occupied by Virgin Retail Limited, part of which was vacant. The lease was surrendered in January 2016.

The legal costs provision relates to litigation undertaken in 2015, which was settled in 2016.

### 18. Share capital

	<i>2016 £000</i>	<i>2015 £000</i>
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
6,365,001 ordinary shares of £1 each	<u>6,365</u>	<u>6,365</u>

### 19. Contingent liabilities

The Company is party to a group pooling and overdraft facility of £50 million, of which £nil (31 December 2015: £nil) was drawn down at year end, all of which is repayable on demand (31 December 2015 - £50 million). Refer to Note 15.

### 20. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in independently administered funds. The pension cost for the year represents contributions payable by the Company to the scheme and amounted to £71,000 (31 December 2015 - £122,000).



## Notes to the Financial Statements

### 21. Related party transactions

At 31 December 2016 the Company's ultimate parent undertaking was Virgin Group Holdings Limited. The sole shareholder of Virgin Group Holdings Limited, Sir Richard Branson, has interests directly or indirectly in certain other companies which are considered to give rise to related party disclosures under International Accounting Standard 24: Related Party Disclosures.

As a 100% owned subsidiary of Virgin Group Holdings Limited, the Company has taken advantage of the exemption under FRS101: Reduced Disclosure Framework, which enables it to exclude disclosures with Virgin Group Holdings Limited and its wholly owned subsidiaries.

	<i><b>Royalty revenue £000</b></i>	<i><b>Debtors £000</b></i>	<i><b>Accrued income £000</b></i>
Virgin Money Holdings (UK) Plc	5,456	-	578
Other related companies	3,818	32	444
	<b>9,274</b>	<b>32</b>	<b>1,022</b>

### 22. Controlling party

As at 31 December 2016 the Company is a subsidiary undertaking of Virgin Group Holdings Limited, a company incorporated in the British Virgin Islands.

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

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

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

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

The following accounting policies are considered critical accounting policies as they require a significant amount of management judgement and the results are material to the financial statements.

#### *Residual value and useful economic lives of assets*

The Company exercises judgement to determine useful lives and residual values of intangible assets. The assets are depreciated to their residual values over their estimated useful lives.

#### *Fair value measurements and valuation process*

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in note 15.

#### *Dilapidation and onerous lease provision*

Estimating the provision for dilapidation costs and onerous lease requires judgement as to the costs and timing of future events.