

VA Cargo Limited

Directors' report and financial statements

31 December 2015

Registered number: 02645535



Directors' report and financial statements

Contents	Page
Strategic report	1
Directors' report	4
Directors' responsibilities statement in respect of the strategic report and directors' report and the financial statements	5
Independent auditor's report to the members of VA Cargo Limited	6
Income statement	7
Statement of financial position	8
Statement of changes in equity	9
Notes to the financial statements	10

Strategic report

Registered number: 02645535

The directors present their annual report and the audited financial statements of VA Cargo Limited ("the Company") for the year ended 31 December 2015.

Principal activities

The principal activity of the Company is the management of air freight operations (and all matters relating thereto, including selling and ground handling) on behalf of third parties.

Business review and key performance indicators

The Company's trading results are stated on page 7 of the financial statements. The revenue declined 5.4% mainly due to aggressive competitor activity and low fuel cost environment. The loss of key routes due to network changes resulted in declining volumes.

Revenue for the year was £21,021,305 (*prior year: £22,225,301*). The profit before tax was £2,620,768 (*prior year: £1,887,356*) and the profit after tax was £1,950,056 (*prior year: £1,379,319*).

Management uses a number of key performance indicators (KPI's) to manage the Company; the key metrics used in addition to revenue is freight tonnage, which has also decreased by 4.3% year on year due to network and fleet changes.

Risk review

Principal risks and uncertainties

The highly regulated and commercially competitive environment, together with operational complexity, leaves the Company exposed to a number of significant risks. The focus remains on mitigating these risks at all levels in the business, although many remain outside the Company's control such as government regulation, taxes, terrorism, adverse weather, pandemics and availability of funding from the financial markets.

The directors believe that the risks and uncertainties described below have the most significant impact on the Company's long-term performance.

Business and operational risks

Brand reputation

The strong reputation and loyalty engendered by the Virgin Atlantic brand is a core part of the value of the business. Any damage to the brand caused by any single event or series of events could materially impact customer loyalty and so adversely affect the business.

The Company regularly monitors customer satisfaction through monthly customer surveys, alongside on-going research and development of the product, in order to mitigate this risk. The Company allocates substantial resources to safety, operational integrity, on-board product and new aircraft to maintain its strong brand position.

Economic conditions

The Company's operations are particularly sensitive to economic conditions in the markets in which it operates. A global economic slowdown may adversely affect the demand for cargo services which could result in a material adverse impact on the Company's financial performance.

The Company produces a regular revenue forecast which is reviewed by management and appropriate actions taken.

Strategic report *(continued)*

Registered number: 02645535

Risk review *(continued)*

Business and operational risks *(continued)*

Government intervention

Regulation of the aviation industry is increasing and covers many of the Company's activities including safety, security, route flying rights, airport slot access, environmental controls and government taxes and levies. The ability to both comply with and influence any changes in these regulations is critical to maintaining operational and financial performance.

Safety, terrorism and security incidents

The Company is impacted by the effect of terrorism on the aviation industry; as a result the Company ensures that the safety of cargo, crew and staff is at the heart of its business. Failure to respond to terrorism or security incidents may adversely impact operations and financial performance. The Company adopts a holistic approach to security, with the Corporate Security team having overall responsibility for security matters linked to aviation, border security, cargo, facilities, IT, personnel and asset protection.

To ensure the robustness of its security regime, the Company operates a self-inspection and test programme. Joint audits and inspections are also conducted with regulators. Regulated compliance performance is monitored by way of a dedicated scorecard reviewed at the Safety and Security Review Board.

In view of the on-going targeting by terrorist of civil aviation and the potential impacts of global geopolitical events, much focus is placed on threat monitoring and assessment to ensure the Company has the most current and accurate data to make informed judgements about the security of our human and physical assets.

Failure of a critical IT system

The Company is dependent on IT systems for most of the principal business processes. The failure of a key system through either internal or external threat may cause significant disruption to operations or result in lost revenue. System controls, disaster recovery and business continuity arrangements exist to mitigate the risk of a critical system failure.

Key supplier risk

The Company is dependent on suppliers for some principal business processes. The failure of a key supplier to deliver contractual obligations may cause significant disruption to operations. A close relationship is maintained with key suppliers in order to ensure awareness of any potential supply chain disruption.

Financial risk management

The directors are responsible for setting financial risk management policies and objectives, and approve the parameters within which the various aspects of financial risk management are operated.

The Company is a subsidiary of the Virgin Atlantic Limited ("Group"). The Group's Fuel and Foreign Currency Risk Management policy, which has been approved by the directors; outlines the Group's approach to corporate and asset financing, interest rate risk, fuel price risk, foreign exchange risk and cash and liquidity management. The directors have delegated powers for treasury risk management to the Financial Risk Committee. This Committee ensures that the treasury policies and objectives approved by the directors are fully implemented.

Strategic report (*continued*)

Registered number: 02645535

Compliance and regulatory

Compliance with competition, anti-bribery and corruption law

The Group is exposed to the risk of unethical behaviour by employees resulting in fines or losses to the Group. The Group has comprehensive policies and training schemes in place to educate all appropriate staff.

Compliance with regulatory authorities

The Group is exposed to regulation across its network, including the Civil Aviation Authority (CAA). The CAA authorises the Group to continue its activities following assessments of fitness and financial criteria, the broad framework of which is available via the CAA website (www.caa.co.uk).

The strategic report was approved by the Board of Directors on 28 June 2016 and signed on its behalf by



Ian de Sousa
Company Secretary

Company Secretariat
The Office, Manor Royal
Crawley, West Sussex
RH10 9NU

Directors' report

Registered number: 02645535

Directors and directors' interests

The directors who held office during the year and up to the date of this report were as follows:

Craig Kreeger
Shai Weiss

Dividends

The directors do not recommend the payment of a dividend (*prior year: £nil*).

Auditor

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

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The directors' report was approved by the Board of Directors on 28 June 2016 and signed on its behalf by:



Ian de Sousa
Company Secretary

Company Secretariat
The Office, Manor Royal
Crawley, West Sussex
RH10 9NU

Directors' responsibilities statement in respect of the strategic report and directors' report and the financial statements

The directors are responsible for preparing the strategic report, 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 Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 (The Financial Reporting Standard applicable in the UK and Republic of Ireland).

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 their profit or loss for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



Independent auditor's report to the members of VA Cargo Limited

We have audited the financial statements of VA Cargo Limited for the year ended 31 December 2015 set out on pages 7 to 14. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 (The Financial Reporting Standard applicable in the UK and Republic of Ireland).

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 auditors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of the Company's 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 by the Company, 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

Jonathan Downer (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

KPMG LLP
15 Canada Square
London
E14 5GL
United Kingdom

1 July 2016

Income statement

for the year ended 31 December 2015

	Note	For the year ended 31 December 2015 £	For the year ended 31 December 2014 £
Revenue		21,021,305	22,225,301
Cost of sales		(18,395,458)	(20,334,049)
Gross profit		2,625,847	1,891,252
Administrative expenses		(5,079)	(3,896)
Profit before taxation	6	2,620,768	1,887,356
Tax on profit	7	(670,712)	(508,037)
Profit for the financial year		1,950,056	1,379,319

There are no recognised gains or losses other than the profit for the current or prior financial year. The profit for the year arises from continuing activities.

The notes on pages 10 to 14 form part of these financial statements.

Statement of financial position

As at 31 December 2015

Registered number: 02645535

	Note	As at 31 December 2015 £	As at 31 December 2014 £
Current assets			
Trade and other receivables	8	8,664,708	6,043,354
		<u>8,664,708</u>	<u>6,043,354</u>
Current liabilities			
Trade and other payables	9	(2,173,721)	(1,502,423)
		<u>6,490,987</u>	<u>4,540,931</u>
Net assets			
Capital and reserves			
Called up share capital	10	2	2
Retained earnings		6,490,985	4,540,929
		<u>6,490,987</u>	<u>4,540,931</u>

These financial statements were approved by the Board of Directors on 28 June 2016 and were signed on its behalf by:


Shai Weiss
Director

The notes on pages 10 to 14 form part of these financial statements.

Statement of changes in equity

As at 31 December 2015

	Share capital	Retained earnings	Total
	£	£	£
Balance at 1 January 2014	2	3,161,610	3,161,612
Profit for the year	-	1,379,319	1,379,319
Balance at 31 December 2014	2	4,540,929	4,540,931
Balance at 1 January 2015	2	4,540,929	4,540,931
Profit for the year		1,950,056	1,950,056
Balance at 31 December 2015	2	6,490,985	6,490,987

The notes on pages 10 to 14 form part of these financial statements.

Notes to the financial statements

1 General information

VA Cargo Limited principally acts in managing air freight operations on behalf of third parties and there have been no changes in business in the current year.

The Company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is The Office, Manor Royal, Crawley, West Sussex, RH10 9NU.

2 Statement of compliance

The financial statements have been prepared in compliance with the provisions of FRS 102 (The Financial Reporting Standard applicable in the UK and Republic of Ireland) and the Companies Act 2006. There were no material departures from that standard.

The company has elected to early adopt (from 1 January 2015) Statutory Instrument 2015 No. 980 (SI 2015/980) *The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015*.

This is the first year that the Company has presented its results under FRS 102. The last financial statements prepared under the previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2015.

An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is provided in note 13.

3 Principal accounting policies

The following accounting policies have been applied consistently in dealing with matters which are considered material in relation to the financial statements of the Company.

(a) Basis of preparation

The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards.

The VA Cargo Limited board of directors having regard to the principle risks and uncertainties which could impact the business consider that the preparation of the financial statements on a going concern basis remains appropriate.

Under Financial Reporting Standard 102 (paragraph 1.12), the Company has taken the exemption from the requirement to prepare a cash flow statement. The Company's cash flows are included within the consolidated cash flow statement on page 16 of its parent company's (Virgin Atlantic Airways Limited) financial statements.

(b) Revenue recognition

Revenue arises entirely from the provision of cargo services in respect of flights operated in the accounting period.

(c) Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the statement of financial position date. All exchange differences are included in the income statement.

Notes to the financial statements *(continued)*

(d) Taxation including deferred tax

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the statement of financial position date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

4 Employees

The Company did not employ any staff during the year ended 31 December 2015 (*prior year: nil*).

5 Emoluments of directors

The directors did not receive any emoluments for the year ended 31 December 2015 (*prior year: £nil*).

6 Profit before taxation

	For the Year ended 31 December 2015 £	For the Year ended 31 December 2014 £
<i>Profit before taxation is stated after charging:</i>		
Auditor's remuneration for audit services	4,277	4,245
Management charge	1,582,249	1,672,872
	<hr/>	<hr/>

There were no fees payable to the Company's auditor and its associates for services other than the statutory audit of the Company.

Notes to the financial statements *(continued)*

7 Income tax

Tax expense included in profit or loss

	For the year ended 31 December 2015 £	For the year ended 31 December 2014 £
Current tax		
Amounts payable in respect of group relief	530,706	405,652
Adjustments in relation to prior years	140,006	35,877
Overseas tax paid	-	66,508
Total current tax	670,712	508,037

Group relief payments will be received or paid where losses are surrendered to or from other Group Companies.

Reconciliation of tax charge

The standard rate of UK corporation tax for the year is 20.25% (*prior year: 21.5%*). The actual current tax charge for the year differs from that computed by applying the standard tax rate to the profit before tax as reconciled below:

	For the year ended 31 December 2015 £	For the year ended 31 December 2014 £
Profit before taxation	2,620,768	1,887,356
Tax at the standard rate at 20.25% (<i>prior year: 21.5%</i>)	530,706	405,782
Factors affecting the charge for the year:		
Effect of rate change	-	(130)
Adjustments in relation to prior years	140,006	35,877
Overseas tax paid	-	66,508
Total current tax	670,712	508,037

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.

8 Current assets: Trade and other receivables

	As at 31 December 2015 £	As at 31 December 2014 £
Amounts owed by group undertakings	8,651,874	6,030,520
Other debtors	12,834	12,834
	8,664,708	6,043,354

Notes to the financial statements *(continued)*

9 Current liabilities: Trade and other payables

	As at 31 December 2015 £	As at 31 December 2014 £
Accruals and deferred income	4,277	3,691
Group relief payable	2,136,190	1,465,478
Corporation tax	33,254	33,254
	<u>2,173,721</u>	<u>1,502,423</u>

10 Share capital

	As at 31 December 2015 £	As at 31 December 2014 £
Allotted and fully paid 2 ordinary shares of £1 each	2	2

11 Related party transactions

As at 31 December 2015, the directors consider the Company's ultimate holding company is Virgin Group Holdings Limited, a company incorporated in the British Virgin Islands. The sole shareholder of Virgin Group Holdings Limited is Sir Richard Branson. Sir Richard Branson has interests directly or indirectly in certain other companies, which may give rise to related party disclosures.

The Company, being a wholly owned subsidiary undertaking at 31 December 2015 of Virgin Atlantic Limited, is exempt from disclosing related party transactions with wholly owned members of the Group.

The Company has been granted a royalty-free trademark sub-licence from Virgin Atlantic Airways Limited. For the financial year ended 31 December 2015 Virgin Atlantic Airways Limited has to pay royalties to a fellow subsidiary of Virgin Atlantic Limited based on its Group revenue, which includes that of the Company.

There are no other material transactions and balances by the Company with related entities, which are required to be disclosed.

12 Controlling parties

The immediate parent undertaking is Virgin Atlantic Airways Limited.

As at 31 December 2015, the smallest group in which the results of the Company are consolidated is that headed by Virgin Atlantic Airways Limited, a company registered in England and Wales.

As at 31 December 2015, the largest group in which the results of the Company are consolidated is that headed by Virgin Atlantic Limited, a company registered in England and Wales.

Copies of the consolidated financial statements for both Virgin Atlantic Limited and Virgin Atlantic Airways Limited may be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ.

As at 31 December 2015, the directors consider the Company's ultimate holding company is Virgin Group Holdings Limited, a company incorporated in the British Virgin Islands.

The directors consider Sir Richard Branson to be the ultimate controlling party of the Company.

Notes to the financial statements *(continued)*

13 Transition to FRS 102

As disclosed in note 2, this is the first year that the Company has presented its results under FRS 102.

There were no adjustments to the Company's statement of financial position for the current or prior year on transition.