

VEL Holdings Limited

Annual report and financial statements

Registered number 5323389

31 December 2016

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Strategic report

For the year ended 31 December 2016

Business review

The principal activity of the Company is that of an investment holding company. The Company's principal operating subsidiaries, namely Virgin Enterprises Limited, Virgin Aviation TM Limited and VAL TM Limited, own and license the Virgin brand.

The profit for the year, after taxation, amounted to £64,155,000 (2015 - £3,799,000).

Principal risks and uncertainties

As an investment holding company, the principal risk of the Company is deemed to be any material adverse change in the business of its subsidiaries, which impacts the recoverable value of the Company's investments. The subsidiaries' revenues consist of royalties under the trademark licence agreements they have entered into with companies using the Virgin brand (Licensees).

The subsidiaries are therefore reliant on the goodwill associated with the Virgin brand and vulnerable to the risk of a decline in the perception of the Virgin brand and to brand infringement. The trade mark licence agreements that the Company's subsidiaries have with Licensees govern the use of its intellectual property and require its Licensees to abide by quality control standards with respect to such use.

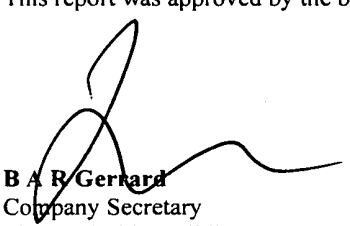
The subsidiaries are also reliant on royalty income generated by the trademark licence agreements and any material adverse change in the business or market in which the Licensees operate would affect the level of royalty income received. The subsidiaries take steps to mitigate this risk by setting minimum royalties and through actively monitoring their Licensee relationships.

The Company has financial resources, and as an investment holding company no significant changes are expected in relation to its income streams or cost base that could jeopardise this. Therefore 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.

Financial key performance indicators

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis of KPIs is not necessary for an understanding of the development, performance or position of the business.

This report was approved by the board on 25 May 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.

Dividends

During the year, the Company paid dividends totaling £64,155,189 (2015: £4,720,591).

Directors

The Directors who served during the year were:

M D Bridge (appointed 5 July 2016)
I P Woods
R P Blok
J P Moorhead (appointed 29 February 2016, resigned 1 July 2016)
A Stirling (appointed 16 January 2017)

Disclosure of information to auditor

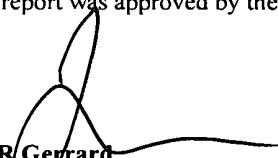
Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- 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 auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

This report was approved by the board on 25 May 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.

Independent Auditor's Report to the Shareholders of VEL Holdings Limited

We have audited the financial statements of VEL Holdings Limited for the year ended 31 December 2016, set out on pages 6 to 17. 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.

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 United Kingdom 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 is consistent with the 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 VEL Holdings 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

25 May 2017

Statement of comprehensive income
For the year ended 31 December 2016

	<i>Note</i>	2016 £000	2015 £000
Other operating income	2	64,155	4,721
Operating profit		64,155	4,721
Interest payable and similar charges	5	-	(922)
Profit on ordinary activities before tax		64,155	3,799
Tax on profit on ordinary activities	6	-	-
Profit for the year		64,155	3,799
Other comprehensive income for the year			
Total comprehensive income for the year		64,155	3,799

Balance sheet
As at 31 December 2016

	<i>Note</i>	2016 £000	2015 £000
Investments	13	404,537	404,537
		<u>404,537</u>	<u>404,537</u>
Net assets		<u>404,537</u>	<u>404,537</u>
Capital and reserves			
Called up share capital	7	15,023	15,023
Share premium account		172,422	172,422
Profit and loss account	8	217,092	217,092
		<u>404,537</u>	<u>404,537</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 25 May 2017.



R P Blok

Director

The notes on pages 10 to 17 form part of these financial statements.

Statement of changes in equity
For the year ended 31 December 2016

	<i>Share capital</i>	<i>Share premium</i>	<i>Profit and loss account</i>	<i>Total equity</i>
	£000	£000	£000	£000
At 1 January 2016	15,023	172,422	217,092	404,537
Comprehensive income for the year				
Profit for the year	-	-	64,155	64,155
Total comprehensive income for the year	-	-	64,155	64,155
Contributions by and distributions to owners				
Dividend	-	-	(64,155)	(64,155)
Total contributions by and distributions to owners	-	-	(64,155)	(64,155)
At 31 December 2016	15,023	172,422	217,092	404,537

Statement of changes in equity
For the year ended 31 December 2015

	<i>Share capital</i>	<i>Share premium</i>	<i>Profit and loss account</i>	<i>Total equity</i>
	£000	£000	£000	£000
At 1 January 2015	15,023	-	218,014	233,037
Comprehensive income for the year				
Profit for the year	-	-	3,799	3,799
Total comprehensive income for the year	-	-	3,799	3,799
Contributions by and distributions to owners				
Issue of shares	-	172,422	-	172,422
Dividend	-	-	(4,721)	(4,721)
Total contributions by and distributions to owners	-	172,422	(4,721)	167,701
At 31 December 2015	15,023	172,422	217,092	404,537

Notes to the financial statements

1. Accounting policies

1.1 Basis of preparation of financial statements

VEL Holdings 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 11.

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;
- Related party disclosures in respect of wholly owned subsidiaries;
- Requirements of IFRS 7 Financial Instruments: Disclosures.

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 12.

1.2 Going concern

The Company has 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 Valuation of investments

Investment in subsidiaries are measured at cost less accumulated impairment.

Notes to the financial statements

1. Accounting policies (continued)

1.4 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 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.

1.5 Finance income and expense

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. Foreign currency gains and losses are reported on a net basis.

1.6 Dividend income

Dividend income is recognised in other operating income on the date the entity's right to receive payments is established.

Notes to the financial statements

1. Accounting policies (continued)

1.7 Current and deferred taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

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

1.8 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.

Notes to the financial statements

2. Other operating income

	2016 £000	2015 £000
Distribution income	64,155	4,721
	<u>64,155</u>	<u>4,721</u>

On 20 June 2016, the Company received a dividend from its subsidiary VAL TM (Holdings) Limited of £9,073,828.

On 31 August 2016, the Company received a dividend from its subsidiary VAL TM (Holdings) Limited of £3,126,300.

On 9 September 2016, the Company received a dividend from its subsidiary Virgin Aviation TM Holdings Limited of £14,562,141.

On the same day, the Company received a dividend from its subsidiary Virgin Enterprises Limited of £35,000,000.

On 6 December 2016, the Company received a dividend from its subsidiary VAL TM (Holdings) Limited of £2,392,920.

3. Auditor's remuneration

Audit fees of £3,500 for the current and prior year have been borne by another group company.

4. Directors' remuneration

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

5. Interest payable and similar charges

	2016 £000	2015 £000
Loans from group undertakings	-	922
	<u>-</u>	<u>922</u>

Notes to the financial statements

6. Taxation

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	2015
	£000	£000
Profit on ordinary activities before tax	<u>64,155</u>	<u>3,799</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015 - 20.25%)	12,831	769
Effects of:		
Current year losses for which no deferred tax asset was recognised	-	187
Income not taxable	<u>(12,831)</u>	<u>(956)</u>
Total tax charge for the year	<u>-</u>	<u>-</u>

The Company has not recognised deferred tax assets in respect of gross unused tax losses of £922,104 (2015: £922,104).

Notes to the financial statements

7. Share capital

	2016 £000	2015 £000
Shares classified as equity		
Allotted, called up and fully paid		
15,022,641 ordinary shares of £1 each	15,023	15,023

8. Reserves

Profit & loss account

On 9 September 2016, the Company paid a dividend of £61,762,269 satisfied by the transfer of an intercompany debt receivable due from its parent company, Virgin Management Limited.

On 16 December 2016, the Company paid a dividend of £2,392,920 satisfied by the transfer of an intercompany debt receivable due from its parent company, Virgin Management Limited.

9. Contingent liabilities

In 2014, Virgin Enterprises Limited and VEL Holdings Limited, as borrowers and guarantors, entered into a multi-currency revolving facility of £150million with Lloyds Bank plc and Barclays Bank plc ("the VELH Facility"). On 19 December 2016, the VELH Facility was increased to £220million.

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

10. Related party transactions

At 31 December 2016 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 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 FRS 101: Reduced Disclosure Framework, which enables it to exclude disclosure of transactions with Virgin Group Holdings Limited and its wholly owned subsidiaries.

Notes to the financial statements

11. Ultimate parent undertaking and controlling party

At 31 December 2016, the Company's ultimate parent undertaking was Virgin Group Holdings Limited, a company incorporated in the British Virgin Islands.

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

12. Accounting estimates and judgements

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.

There are no accounting policies that are considered to be critical, because they either require a significant amount of management judgement or the results are material to the company financial statements.

Notes to the financial statements

13. Fixed asset investments

	<i>Investments in subsidiary companies £000</i>
Cost or valuation	
At 1 January 2016	404,537
At 31 December 2016	404,537
Net book value	
At 31 December 2016	404,537
At 31 December 2015	404,537

The Company has the following investments in subsidiaries:

<i>Subsidiary undertakings</i>	Country of registration	Holding	Class of shares
VAL TM (Holdings) Limited The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	51.0%	Ordinary
VAL TM Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	51.0%	Ordinary
VAL Trademark Three Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
VAL Trademark Two Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Aviation TM Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Aviation TM Holdings Limited The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Enterprises Limited The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary

* Indirectly held investment