VAL Trademark Two Limited

Annual report and financial statements

Registered number 5150721

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 indirect subsidiary Virgin Aviation TM Limited manages trademark licensing agreements with Virgin America and Virgin Australia.

The profit for the year, after taxation, amounted to £14,965,000 (2015 - £nil).

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.

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.

Principal risks and uncertainties

The management of the business and execution of the Company's strategy are subject to a number of risks which impacts the recoverable value of the Company's investments.

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of VEL Holdings Limited. A further discussion of these risks and uncertainties is provided on page 1 of the VEL Holdings Limited annual report for the year ended 31 December 2016, which does not form a part of this report.

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

On 9 September 2016, the Company paid a dividend of £14,965,141 (2015 -£nil).

Directors

The directors who served during the year were:

I P Woods
P M R Norris

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

Pusuant 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 VAL Trademark Two Limited

We have audited the financial statements of VAL Trademark Two Limited for the year ended 31 December 2016, set out on pages 6 to 14. 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 Accounts

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 Auditing Practices Board'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 Directors' 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 the financial statements and from reading the Strategic Report and the Directors' 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 VAL Trademark Two 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

	Note	**2016 £000**	2015 £000
Other operating income	4	**14,965**	-
Operating Profit		**14,965**	-
Taxation on loss on ordinary activities	5	-	-
Profit for the financial year		**14,965**	-
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**14,965**	-

Registered number:5150721

Balance sheet

As at 31 December 2016

	Note	2016 £000	2015 £000
Investments	11	-	-
		-	-
Net assets		-	-
Capital and reserves			
Called up share capital	6	-	-
		-	-

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

I P Woods
Director
The notes on pages 10 to 14 form part of these financial statements.

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

	Share capital	*Profit and loss account*	*Total equity*
	£000	**£000**	**£000**
At 1 January 2016	-	-	-
Comprehensive income for the year			
Profit for the year	-	14,965	14,965
Total comprehensive income for the year	-	14,965	14,965
Contributions by and distributions to owners			
Dividends	-	(14,965)	(14,965)
Total transactions with owners	-	(14,965)	(14,965)
At 31 December 2016	-	-	-

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

	Share capital	*Total equity*
	£000	**£000**
At 1 January 2015	-	-
Total comprehensive income for the year	-	-
Total transactions with owners	-	-
At 31 December 2015	-	-

Notes to the financial statements

1. Accounting policies

1.1 Basis of preparation of financial statements

VAL Trademark Two (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 9.

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 10.

1.2 Going concern

The Company has financial resources available to it, and as an investment holding company whose transactions all arise with fellow group undertakings, no significant 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 successfully.

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

Investments in subsidiaries are measured at cost less accumulated impairment.

1.4 Dividend income

Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established.

Notes to the financial statements

1. Accounting policies (continued)

1.5 Current taxation

The tax expense 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.

1.6 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' 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.

2. Auditors' remuneration

The audit fees of £1,500 for the current and prior year were borne by another group company.

3. Directors' remuneration

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

4. Other operating income

	2016	2015
	£000	£000
Distribution income	**14,965**	-
	14,965	-

On 9 September 2016, the Company received dividend from its subsidiary, VAL Trademark Three Limited of £14,965,141.

Notes to the financial statements

5. 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 £000	2015 £000
Profit on ordinary activities before tax	14,965	-
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015 -20.25%)	2,993	-
Effects of:		
Non-taxable income	(2,993)	-
Total tax charge for the year	-	-

The Company had no recognised or unrecognised deferred tax balances at the end of the current year or prior year.

6. Share capital

	2016 £000	2015 £000
Allotted, called up and fully paid		
10 ordinary shares shares of £0.10 each	-	-

7. Reserves

Profit & loss account

On 9 September 2016, the Company paid a dividend of £14,965,141 to its parent company Virgin Aviation TM Holdings Limited, satisfied by the transfer of an intercompany receivable.

8. Related party transactions

As at 31 December 2016 the Company's ultimate parent company was Virgin Group Holdings Limited, whose sole shareholder is Sir Richard Branson. The shareholder of Virgin Group Holdings 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

9. 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.

10. 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

11. Fixed asset investments

The Company has the following investments in subsidiaries:

Subsidiary undertakings	Country of registration	Principal activity	Holding	Class of shares
VAL Trademark Three Limited The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England and Wales	Investment holding company	100%	£0.10 ordinary shares
Virgin Aviation TM Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England and Wales	Management of trademark licences	100%	£0.10 ordinary shares

*Indirectly held investment