

# Virgin Atlantic International Limited

## Annual report and financial statements

31 December 2017

Registered number: 09539561



## **Annual report and financial statements**

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## Strategic report

### Management and financial review

The principal activity of the Company is to partake in a joint business agreement with another Virgin Atlantic Group company which provides scheduled air passenger transport.

The profit before taxation amounted to £21,735,605 during the year (2016: loss of £19,145,408). The profit for the year is driven by the performance of the joint business agreement (JBA) with another Virgin Atlantic Limited Group company. The JBA is dependent on revenue performance in the other Group company against its budget. Following the Brexit result in the UK – which had a negative impact on the prior year, budgeted revenue has been reset to a reduced level compared to 2016. This accounts for the switch from high cost of sales in 2016 to a net revenue position in 2017 and the overall improvement in performance year on year.

The directors expect that the present level of activity will be sustained for the foreseeable future.

### Risk review

From the perspective of the Company, the principal risks and uncertainties are integral to the principal risks of the group headed by Virgin Atlantic Limited and are not managed separately. Accordingly, the principal risks and uncertainties of the Virgin Atlantic Limited Group, which include those of the Company, are discussed on page 38 of Virgin Atlantic Limited's annual report which does not form part of this report.

The strategic report was approved by the Board of Directors on 28 June 2018 and signed on its behalf by



Ian de Sousa  
*Company Secretary*

## Directors' report

### Registered number: 09539561

The directors present their annual report and the audited financial statements of Virgin Atlantic International Limited ("the Company") for the year from 1 January 2017 to 31 December 2017.

### Directors and directors' interests

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

Sir Richard Branson	
Craig Kreeger	
Shai Weiss	
Edward Bastian	
Glen Hauenstein	
Gordon McCallum	
Peter Norris	
Ian Woods	
Nathaniel Pieper	Resigned 1 August 2017
Dwight James	
Tom Mackay	Appointed 1 March 2017
Cornelis Koster	Appointed 1 August 2017

### Dividends


The directors do not recommend the payment of a dividend for the year ended 31 December 2017 (2016: £nil).

### Auditors

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.

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 he ought to have taken as a director in order to make himself 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 2018 and signed on its behalf by



Ian de Sousa  
Company Secretary

Company Secretariat  
The VHQ, Fleming Way  
Crawley, West Sussex  
RH10 9DF

## Statement of Directors' responsibilities in respect of the strategic report, the Directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards 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 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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIRGIN ATLANTIC INTERNATIONAL LIMITED

## Opinion

We have audited the financial statements of Virgin Atlantic International Limited ("the company") for the year ended 31 December 2017 which comprise the Profit and Loss and other comprehensive income, Statement of financial position, Statement of changes in equity and related notes, including the principal accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## Going concern

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

## Strategic report and directors' report

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

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

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

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

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

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

We have nothing to report in these respects.

## Directors' responsibilities

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



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIRGIN ATLANTIC INTERNATIONAL LIMITED (continued)**

### **Auditor's responsibilities**

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

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

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

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

A handwritten signature in black ink, appearing to read 'Mark Wrigglesworth', written over a light blue horizontal line.

**Mark Wrigglesworth (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
15 Canada Square  
London  
E14 5GL  
28 June 2018

## Profit and loss and other comprehensive income

Year ended 31 December 2017

	Note	Year ended 31 December 2017	Period from 13 April 2015 to 31 December 2016
		£000	£000
Revenue		21,981	4,870
Cost of sales		-	(24,045)
<b>Gross profit/(loss)</b>		<b>21,981</b>	<b>(19,175)</b>
Operating costs		(230)	-
<b>Profit/(loss) before interest and taxation</b>	6	<b>21,751</b>	<b>(19,175)</b>
Interest receivable and similar income		17,798	17,492
Interest payable and similar charges		(17,814)	(17,462)
Net interest (expense)/income	7	(16)	30
<b>Profit/(loss) before tax</b>		<b>21,735</b>	<b>(19,145)</b>
Tax on profit/(loss) on ordinary activities	8	(4,183)	3,829
<b>Profit/(loss) on ordinary activities after tax</b>		<b>17,552</b>	<b>(15,316)</b>

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

The notes on pages 9 to 13 form part of these financial statements.



## Statement of financial position

As at 31 December 2017

Registered number: 09539561

	Note	As at 31 December 2017 £000	As at 31 December 2016 £000
<b>Current assets</b>			
Trade and other receivables	9	428,941	412,250
Cash and cash equivalents	10	25,718	23,319
		<hr/>	<hr/>
		454,659	435,569
<b>Current liabilities</b>			
Trade and other payables	11	(7,701)	(6,164)
		<hr/>	<hr/>
<b>Net current assets</b>		446,958	429,405
<b>Non-current liabilities</b>			
Other payables	12	(444,216)	(444,215)
		<hr/>	<hr/>
<b>Net assets</b>		2,742	(14,810)
<b>Capital and reserves</b>			
Called up share capital	13	0	0
Retained earnings		2,742	(14,810)
		<hr/>	<hr/>
		2,742	(14,810)

These financial statements were approved by the Board of Directors on 28 June 2018 and were signed on its behalf by:

  
**Tom Mackay**  
Director

The notes on pages 9 to 13 form part of these financial statements.

## Statement of changes in equity

For the year ended 31 December 2017

	Share capital £000	Retained earnings £000	Total £000
Balance at 1 January 2016	-	506	506
Loss for the year	-	(15,316)	(15,316)
Balance at 31 December 2016	-	(14,810)	(14,810)
Balance at 1 January 2017	-	(14,810)	(14,810)
Profit for the year	-	17,552	17,552
<b>Balance at 31 December 2017</b>	-	<b>2,742</b>	<b>2,742</b>

The notes on pages 9 to 13 form part of these financial statements.

## Notes to the financial statements

### 1 General information

Virgin Atlantic International Limited principally acts as an operator of scheduled air services for the carriage of passengers and freight.

The Company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is The VHQ, Fleming Way, Crawley, West Sussex, RH10 9DF.

### 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.

### 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.

The Virgin Atlantic International Limited board, having regard for the principle risks and uncertainties which could impact the business, considers 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.

The Company has taken the exemption for financial instruments disclosures, required under FRS 102, as the information is provided in the consolidated financial statements of its parent company.

#### (b) *Revenue and revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business during the accounting period. Revenue is recognised net of VAT and other sales-related taxes.

#### (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.

#### (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.

## Notes to the financial statements (continued)

### 3 Principal accounting policies (continued)

#### (e) Borrowing costs

Borrowing costs are recognised in the income statement in the period in which they are incurred.

### 4 Employees

The Company had no employees during the year ended 31 December 2017.

### 5 Emoluments of directors

The directors did not receive any emoluments for their services to the Company in the year ended 31 December 2017 (2016: £nil). The following emoluments were received by the directors for their services for another Virgin Atlantic Limited Group company, which bore the costs of these emoluments.

	For the year ended 31 December 2017 £000	For the year ended 31 December 2016* £000
Total emoluments		
Aggregate emoluments	2,270	1,755
Company contributions to money purchase pension schemes	153	120
	<u>2,423</u>	<u>1,875</u>
Highest paid Director		
Aggregate emoluments and other benefits	1,172	1,027
Company contributions to money purchase pension schemes	62	79
	<u>1,234</u>	<u>1,106</u>

\*The 2016 comparatives have been restated to include amounts for services rendered in 2016.

### 6 Profit/(loss) before interest and taxation

Fees payable to the Company's auditor (£3,000, 2016: £3,249) for the audit of the Company's annual accounts are borne by the parent company.

Fees payable to the Company's auditor and its associates for services other than the statutory audit of the parent company and subsidiaries are not disclosed in Virgin Atlantic International Limited's financial statements since the consolidated financial statements of the Company's parent, Virgin Atlantic Limited, are required to disclose non-audit fees on a consolidated basis.

## Notes to the financial statements (continued)

### 7 Net interest (expense)/income

	Year ended 31 December 2017 £ 000	Year ended 31 December 2016 £ 000
<b>Interest receivable and similar income</b>		
Bank interest receivable	60	81
Interest on loans to group undertakings	17,738	17,411
<b>Interest payable and similar expenses</b>		
Interest on loans from group undertakings	17,736	17,407
Finance charges	78	55
<b>Net interest (expense)/ income</b>		
Interest receivable and similar income	17,798	17,492
Interest payable and similar charges	(17,814)	(17,462)
	<u>(16)</u>	<u>30</u>

### 8 Taxation

#### Tax expense included in profit or loss

	Year ended 31 December 2017 £000	Year ended 31 December 2016 £000
<b>Current tax</b>		
Amounts receivable in respect of group relief	-	(3,829)
Amounts payable in respect of group relief	4,183	-
	<u>4,183</u>	<u>(3,829)</u>

Group relief payments are accounted for where losses will be surrendered to or from other Group companies.

#### Reconciliation of tax charge

The standard rate of UK corporation tax for the period is 19.25% (2016: 20%). The actual tax charge for the period differs from that computed by applying the standard tax rate to the (loss)/profit before tax as reconciled below:

	Year ended 31 December 2017 £000	Year ended 31 December 2016 £000
Profit/(loss) before taxation	21,736	(19,145)
Tax charge/(credit) at the standard rate at 19.25% (2016: 20%)	<u>4,183</u>	<u>(3,829)</u>
<b>Total tax charge/(credit)</b>	<u>4,183</u>	<u>(3,829)</u>

A reduction in the UK corporation tax rate to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016.

In addition, the Company continues to be directly and indirectly affected by new tax legislation. Changes in such legislation, regulation or interpretation could have an effect on the Company's operating results and financial position. This includes changes in respect of UK legislation to restrict the utilisation of brought forward losses, which apply from 1 April 2017. The restriction would apply to Virgin Atlantic International Limited as a member of the Virgin Atlantic Limited Group. As well as restricting the use of brought forward losses, the new rules also give more flexibility for the use of losses incurred after 1 April 2017.

## Notes to the financial statements (continued)

### 9 Current assets: Trade and other receivables

	As at 31 December 2017 £000	As at 31 December 2016 £000
Amounts owed by group undertakings	428,941	408,549
Group relief receivable	-	3,701
	<u>428,941</u>	<u>412,250</u>

Amounts owed by group undertakings include loans of £428,268,932 owed by another Virgin Atlantic Group company, as well as balances relating to intercompany trading agreements with the same counterparty. The loan is secured, accrues interest annually and is repayable in December 2030, or upon default by the counterparty.

### 10 Cash and cash equivalents

	As at 31 December 2017 £000	As at 31 December 2016 £000
Restricted cash	25,718	23,319
	<u>25,718</u>	<u>23,319</u>

Restricted cash includes liquidity reserves relating to collateralised borrowing agreements entered into by the Company and subsidiaries of the parent company.

The assets of the Company, including restricted cash, are pledged as security for liabilities of certain fellow subsidiaries under common control of the parent company.

### 11 Current liabilities: Trade and other payables

	As at 31 December 2017 £000	As at 31 December 2016 £000
Group relief payable	483	-
Amounts owed to group undertakings	7,218	6,164
	<u>7,701</u>	<u>6,164</u>

Amounts owed to group undertakings includes loans owed to another Virgin Atlantic Group company of £7,218,373. The loan accrues interest annually and is repayable in December 2030.

### 12 Non-current liabilities: Other payables

	As at 31 December 2017 £000	As at 31 December 2016 £000
Amounts owed to group undertakings	444,216	444,215
	<u>444,216</u>	<u>444,215</u>

Amounts owed to group undertakings relate to a loan owed to another Virgin Atlantic Group company. The loan accrues interest annually and is repayable in December 2030.

## Notes to the financial statements *(continued)*

### 13 Share capital

	As at 31 December 2017 £000	As at 31 December 2016 £000
<i>Allotted and fully paid</i>		
1 ordinary share of £1	0	0

### 14 Related party transactions

As at 31 December 2017, the Directors consider the ultimate holding company to be Virgin Group Holdings Limited, a company registered in the British Virgin Islands. The sole shareholder of Virgin Group Holdings is Sir Richard Branson. Sir Richard Branson has interests directly or indirectly in certain other companies, which are considered to give rise to related party disclosures under IAS 24.

The company, being a wholly owned subsidiary of Virgin Atlantic Limited, is exempt from disclosing related party transactions with wholly owned members of the Group.

There are no other material transactions and balances with related parties within the Group which are required to be disclosed.

The Company had transactions in the ordinary course of business with related parties.

	As at 31 December 2017 £000	As at 31 December 2016 £000
<b>Subsidiary undertakings of the parent (not wholly owned)</b>		
Interest payable to subsidiary undertakings of the parent	(17,736)	(17,407)
Amounts owed to subsidiary undertakings of the parent	(451,434)	(448,944)

There are no other material transactions with related parties which are required to be disclosed.

### 15 Ultimate holding company

The immediate parent undertaking is VAA Holdings Jersey Limited.

As at 31 December 2017, the Directors consider that the Group's ultimate parent company and its controlling party is Virgin Group Holdings Limited, a company incorporated in the British Virgin Islands, the accounts of which are neither consolidated nor publicly available. The Directors consider that Sir Richard Branson is the ultimate controlling party of the Company.

As at 31 December 2017, Virgin Atlantic Limited, a company registered in England & Wales, is the parent undertaking of the largest group of which the Company is a member and for which consolidated financial statements are drawn up.

In July 2017, the Directors announced that subject to regulatory approval, 31% of shares in Virgin Atlantic Limited, the parent company of Virgin Atlantic Limited would be sold to Air France-KLM S.A, a company registered in France. As at the balance sheet date, the agreement had not been finalised.

As at 31 December 2017, Virgin Atlantic Airways Limited, a company registered in England & Wales, is the parent undertaking of the smallest group of which the Company is a member and for which consolidated financial statements are drawn up.

Copies of the 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.

### 16 Subsequent events

There were no subsequent events as at the date of this report.