

Virgin Atlantic International Limited

Directors' report and financial statements

31 December 2016

Registered number: 09539561

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Directors' report and financial statements

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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 2016 to 31 December 2016.

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
Dwight James
Tom Mackay

Appointed 1 March 2017

Strategic report

The Company is defined as small as per the requirements of the Companies Act 2006 and therefore has claimed the exemption from preparing a strategic report.

The loss before taxation amounted to £19,145,408 during the year (period ended 31 December 2015: profit of £634,678). The loss 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. Following the Brexit result in the UK, revenue has declined against the thresholds contained within the JBA. This, coupled with the first full year of trade, has resulted in the large movement year on year.

Dividends

The directors do not recommend the payment of a dividend for the year ended 31 December 2016 (2015: £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 29 June 2017 and signed on its behalf by



Ian de Sousa
Company Secretary

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

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

The directors are responsible for preparing 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 applicable law and Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (UK Generally Accepted Accounting Practice applicable to Smaller Entities).

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; 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 Virgin Atlantic International Limited

We have audited the financial statements of Virgin Atlantic International Limited for the year ended 31 December 2016 set out on pages 4 to 11. The financial reporting framework that has been applied in their preparation is applicable law and Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (UK Generally Accepted Accounting Practice applicable to Smaller Entities).

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 set out on page 2, 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 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in 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 Directors' report:

- we have not identified material misstatements in that report; and
- in our opinion, that report has been prepared in accordance with the Companies Act 2006.

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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a strategic report.

Mark Wrigglesworth (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

KPMG LLP
15 Canada Square
London
E14 5GL
United Kingdom

29 June 2017

Profit and loss and other comprehensive income

Year ended 31 December 2016

	Note	Year ended 31 December 2016	Period from 13 April 2015 to 31 December 2015
		£000	£000
Revenue		4,870	638
Cost of sales		(24,045)	-
Gross(loss)/ profit		(19,175)	638
Administrative expenses		-	(3)
(Loss) / profit before interest and taxation	6	(19,175)	635
Interest receivable and similar income		17,492	1,206
Interest payable and similar expenses		(17,462)	(1,206)
Net interest income/(expense)	7	30	-
(Loss) / profit before taxation		(19,145)	635
Tax on loss / (profit)	8	3,829	(129)
(Loss) / profit after taxation and total comprehensive income for the financial year / period		(15,316)	506

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

The notes on pages 7 to 11 form part of these financial statements.

Statement of financial position

As at 31 December 2016

Registered number: 09539561

	Note	As at 31 December 2016 £000	As at 31 December 2015 £000
Current assets			
Trade and other receivables	9	412,250	425,244
Cash and cash equivalents	10	23,319	20,815
		<hr/>	<hr/>
		435,569	446,059
Current liabilities			
Trade and other payables	11	(6,164)	(1,338)
		<hr/>	<hr/>
Net current assets		429,405	444,721
Non-current liabilities			
Other payables	12	(444,215)	(444,215)
		<hr/>	<hr/>
Net assets		(14,810)	506
Capital and reserves			
Called up share capital	13	0	0
Retained earnings		(14,810)	506
		<hr/>	<hr/>
		(14,810)	506

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with the provisions of FRS 102 Section 1A – small entities.

These financial statements were approved by the Board of Directors on 29 June 2017 and were signed on its behalf by:


Tom Mackay
 Director

The notes on pages 7 to 11 form part of these financial statements.

Statement of changes in equity

Period from 13 April 2015 to 31 December 2016

	Share capital £000	Retained earnings £000	Total £000
Balance as at 13 April 2015	-	-	-
Issue of ordinary shares	0	-	0
Profit for the period	-	506	506
Balance at 31 December 2015	0	506	506
Balance at 1 January 2016	0	506	506
Loss for the year	-	(15,316)	(15,316)
Balance at 31 December 2016	0	(14,810)	(14,810)

The notes on pages 7 to 11 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 (Financial Reporting Standard) 102 Section 1A small entities (United Kingdom Accounting Standards) 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 Section 1A small entities, the Company is exempt 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 discounts, air passenger duty, 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) Operating leases and lease incentives

Rental charges on operating leases are charged to the income statement on a straight-line basis over the life of the lease. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the life of the respective asset.

(f) 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 2016.

5 Emoluments of directors

The directors did not receive any emoluments for their services to the Company in the year ended 31 December 2016 (2015: £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 2016	For the year ended 31 December 2015
	£000	£000
Total emoluments		
Aggregate emoluments	974	1,181
Company contributions to money purchase pension schemes	120	117
	1,094	1,298
Highest paid Director:		
Aggregate emoluments and other benefits	547	679
Company contributions to money purchase pension schemes	79	81
	626	760

The Directors are considered to be the key management personnel of the Group.

6 (Loss) / profit before interest and taxation

	Year ended 31 December 2016	Period from 13 April 2015 to 31 December 2015
	£000	£000
<i>(Loss) / profit before interest and taxation is stated after charging:</i>		
Auditor's remuneration for audit services	-	3

Fees payable to the Company's auditor (£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 income / (expense)

	Year ended 31 December 2016 £ 000	Period from 13 April 2015 to 31 December 2015 £ 000
Interest receivable and similar income		
Bank interest receivable	81	-
Interest on loans to group undertakings	17,411	1,206
Interest payable and similar expenses		
Interest on loans from group undertakings	17,407	(1,206)
Finance charges	55	-
Net interest income / (expense)		
Interest receivable and similar income	17,492	1,206
Interest payable and similar expenses	(17,462)	(1,206)
	30	-

8 Taxation

Tax expense included in profit or loss

	Year ended 31 December 2016 £000	Period from 13 April 2015 to 31 December 2015 £000
Current tax		
Amounts receivable in respect of group relief	(3,829)	129

Reconciliation of tax charge

The standard rate of UK corporation tax for the period is 20% (2015: 20%). The actual current 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 2016 £000	Period from 13 April 2015 to 31 December 2015 £000
(Loss) / profit before taxation	(19,145)	635
Tax at the standard rate at 20%	(3,829)	127
Factors affecting the (credit)/charge for the period:		
Effects of group relief	-	2
Total current tax (credit) / charge	(3,829)	129

Notes to the financial statements *(continued)*

8 Taxation *(continued)*

A reduction in the UK corporation tax rate to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. A further reduction 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 potential changes in respect of draft UK legislation to restrict the utilisation of brought forward losses, expected to apply to accounting periods commencing after 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 include proposals to give more flexibility for the use of losses incurred after 1 April 2017.

9 Current assets: Trade and other receivables

	As at 31 December 2016 £000	As at 31 December 2015 £000
Amounts owed by group undertakings	408,549	425,244
Group relief receivable	3,701	-
	412,250	425,244

Amounts owed by group undertakings include loans of £428,129,235 owed by another Virgin Atlantic Group company, offset by £19,579,930 of 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 2016 £000	As at 31 December 2015 £000
Restricted cash	23,319	20,815
	23,319	20,815

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 2016 £	As at 31 December 2015 £
Group relief payable	-	129
Accruals and deferred income	-	3
Amounts owed to group undertakings	6,164	1,206
	6,164	1,338

Amounts owed to group undertakings includes loans owed to another Virgin Atlantic Group company of £4,728,598 and amounts relating to intercompany trading of £1,435,398. The loan accrues interest annually and is repayable in December 2030.

Notes to the financial statements *(continued)*

12 Non-current liabilities: Other payables

	As at 31 December 2016	As at 31 December 2015 £
Amounts owed to group undertakings	444,215	444,215
	<u>444,215</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.

13 Share capital

	As at 31 December 2016 £000	As at 31 December 2015 £000
<i>Allotted and fully paid</i>		
1 ordinary share of £1	<u>0</u>	<u>0</u>

14 Related party transactions

As at 31 December 2016, 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 of Virgin Atlantic Limited, is exempt from disclosing related party transactions with wholly owned members of the Group.

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

	As at 31 December 2016 £000	As at 31 December 2015 £000
Subsidiary undertakings of the parent (not wholly owned)		
Interest payable to subsidiary undertakings of the parent	(17,407)	(1,206)
Amounts owed to subsidiary undertakings of the parent	(448,944)	(445,422)

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 2016, the Directors consider the ultimate holding company to be Virgin Group Holdings Limited, a company registered in the British Virgin Islands.

As at 31 December 2016, the largest group in which the results of the Group are consolidated and are publicly available is that headed by Virgin Atlantic Limited, a company registered in England and Wales, and the smallest group in which the results of the Group are consolidated is that headed by Virgin Atlantic Airways Limited, a company registered in England and Wales.

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.