Company Number: 08867641

VAL TM LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

VAL TM LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

CONTENTS

VAL TM LIMITED

COMPANY INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2020

Directors	J A Arinder W Carroll P M R Norris I P Woods
Company number	08867641
Registered office	The Battleship Building 179 Harrow Road London W2 6NB
Auditor	KPMG LLP 15 Canada Square London E14 5GL
Accountant	RSM UK Tax and Accounting Limited One London Square Cross Lanes Guildford Surrey GU1 1UN

The directors present their strategic report for VAL TM Limited ("the Company") for the year ended 31 December 2020.

FAIR REVIEW OF THE COMPANY'S BUSINESS

Covid-19 has and continues to have a significant impact on the Company's travel and leisure licence business as licencees face severe cash flow constraints. The Company has supported its licencees through royalty deferral agreements, resulting in the reduction of brand licencing revenues from £19.7m in 2019 to £0.2m in 2020 and a loss for the year after taxation of £71.9m (2019: profit of £15.9m). The loss for the year also includes an impairment charge of £70.3m (2019: £nil) in respect of the Company's intellectual property (see note 9), due to the impact of Covid-19 on the forecast future royalties of underlying licencees.

The results for the year include the impact of a recapitalisation of the Virgin Atlantic Group where the Company received preference shares in satisfaction of the royalty fees owed for the period by Virgin Atlantic Airways Limited and Virgin Holidays Limited. These preference shares were subsequently distributed by the Company (and its intermediate parent companies) via dividend in specie to enable all of the Virgin's group shareholdings in Virgin Atlantic Group to be consolidated under one shareholder entity.

During the year the Company undertook a capital reduction exercise in order to reduce the issued share capital to 1 ordinary £1 share.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's revenues consist of royalties under the trademark licence agreements it has entered into with Virgin Atlantic Airways Limited, Virgin Holidays Limited and Virgin Red Limited using the Virgin brand (the Licensees). Royalties receivable under these agreements are calculated as a percentage of the revenues of the Licensees, subject to a set minimum. The Company is reliant on the goodwill associated with the Virgin brand and is vulnerable to the risk of a decline in the perception of the Virgin brand and to brand infringement. The Company's trademark licence agreements with the Licensees govern the use of its intellectual property and require its Licensees to abide by quality control standards with respect to such use.

GOING CONCERN

As set out in note 2.1.2 to the financial statements, 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

The Company's main KPIs concern the carrying value of, and income generated from, the intellectual property. In view of the suspension of the licensee business in 2020, and the impact upon current and forecast licensing revenues, a provision for impairment of £70.3m has been recognised at 31 December 2020 against the carrying value of the Company's intellectual property.

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

This report was approved by the board of directors on 31 August 2021, and was signed on its behalf by:

....

I P Woods
Director

The directors present their annual report and audited financial statements for the year ended 31 December 2020 of VAL TM Limited (Company Number: 08867641).

PRINCIPAL ACTIVITY

The principal activity of the Company is that of managing trademark licensing agreements with Virgin Atlantic Airways Limited, Virgin Holidays Limited and Virgin Red Limited.

The address of the Company's registered office is The Battleship Building, 179 Harrow Road, London, W2 6NB.

DIRECTORS

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

J A Arinder
W Carroll
P M R Norris
L V Thomas (resigned 31 October 2020)
I P Woods

RESULTS AND DIVIDENDS

The results for the year are set out on page 12.

During the year, the Company paid a dividend in specie of the Virgin Atlantic Group preference shares of £2 (2019: cash dividends of £15,480,000).

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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

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

This report was approved by the board of directors on 31 August 2021, and was signed on its behalf by:

....

I P Woods
Director

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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 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 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.

Opinion

We have audited the financial statements of VAL TM Limited ("the company") for the year ended 31 December 2020 which comprise the Profit and Loss Account and Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, and the related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and finance management as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements. On this audit we do not believe there is a fraud risk related to revenue recognition because the accounting for the revenue is non-complex, and subject to limited levels of judgment with limited opportunities to fraudulently manipulate revenue.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted and approved by the same user, those posted to unusual accounts, and those with missing user identification.
- Evaluated the business purpose of significant unusual transactions

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit

The potential effect of these laws and regulations on the financial statements varies considerably.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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 7, 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.

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.

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.

P Nikolaev

Polina Nikolaev (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

1 September 2021

VAL TM LIMITED

PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £'000	2019 £'000
Revenue	4	209	19,678
Administrative expenses		(1,862)	(30)
Impairment of intangible assets	9	(70,264)	-
Operating (loss)/profit		(71,917)	19,648
Finance income	5	8	12
(Loss)/profit before income tax	6	(71,909)	19,660
Income tax expense	8	(32)	(3,734)
(Loss)/profit for the financial year		(71,941)	15,926
Other comprehensive income		-	-
Total comprehensive (expense)/income for the financial year attributable to owners of the Company		(71,941)	15,926

The notes on pages 15 to 24 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	2020 £'000	2019 £'000
Non-current assets			
Intangible assets	9	102,706	172,970
Current assets			
Trade and other receivables	10	169	5,203
Cash and cash equivalents		4,216	1,912
		4,385	7,115
Current liabilities			
Trade and other payables	13	1,559	2,612
Net current assets		2,826	4,503
Net assets		105,532	177,473
Equity			
Share capital	11	-	173,100
Retained earnings		105,532	4,373
Total equity		105,532	177,473

The notes on pages 15 to 24 form part of these financial statements.

The financial statements on pages 12 to 24 were approved by the board of directors and authorised for issue on 31 August 2021, and were signed on its behalf by:

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I P Woods
Director

VAL TM LIMITED

STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2020

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance as at 1 January 2019	173,100	3,927	177,027
Profit and total comprehensive income for the financial year	-	15,926	15,926
Dividends	-	(15,480)	(15,480)
Balance as at 31 December 2019	173,100	4,373	177,473
Loss and total comprehensive expense for the financial	-	(71,941)	(71,941)
year Dividends	-	-	-
Reduction of share capital	(173,100)	173,100	-
Balance as at 31 December 2020	-	105,532	105,532

The notes on pages 15 to 24 form part of these financial statements.

1. GENERAL INFORMATION

The principal activity of VAL TM Limited ('the Company') is that of managing trademark licensing agreements with Virgin Atlantic Airways Limited, Virgin Holidays Limited and Virgin Red Limited. The Company (Company Number: 08867641) is a private company limited by shares and it is incorporated in England and Wales. The address of its registered office is The Battleship Building, 179 Harrow Road, London W2 6NB.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000 except where otherwise indicated. These financial statements are individual entity financial statements.

2.1 BASIS OF PREPARATION

The financial statements of VAL TM Limited have been prepared in accordance with FRS 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Accounting Standards in conformity with the requirements of the Companies Act 2006 ("IFRS").

The preparation of financial statements in accordance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Presentation of a Cash flow statement and related notes;
- Disclosure of the objectives, policies and processes for managing capital;
- Inclusion of an explicit and unreserved statement of compliance with IFRS;
- Disclosure of the categories of financial instrument and nature and extent of risks arising on these financial instruments;
- Comparative period reconciliations for share capital and intangible assets;
- Related party disclosures in respect of two or more wholly owned members of the group; and
- Disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date.

2.1.1. ADOPTION OF NEW AND REVISED STANDARDS

There were no new standards or amendments adopted during the year that had any impact on the Company or its financial statements.

2.1.2. GOING CONCERN

The Directors have considered the cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides and the anticipated impact of COVID-19 on the operations and its financial resources, the Company will have sufficient funds to meet its liabilities as they fall due for that period.

2.1.2. GOING CONCERN (CONTINUED)

The Directors specifically considered the eventualities of not collecting outstanding royalties from its customers, as well as their ability to settle its fixed costs with the Company's existing cash resources.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

2.2 REVENUE

Revenue comprises royalties receivable under trademark licence agreements, which the Company has entered into with companies under the Virgin brand licence, typically based on a percentage of the revenues of the Licensee, subject to minimum guarantees. Revenue is recognised in accordance with IFRS 15's principle-based five-step model as follows:

- contract with a customer is identified;
- contract performance obligations are identified;
- transaction price is determined;
- transaction price is allocated to each performance obligation; and
- upon satisfaction of each performance obligation the turnover is recognised.

Royalty revenues from the licence of intellectual property are recognised as they are earned in accordance with IFRS 15. The typical timing of payment is on a quarterly basis. Accrued royalties are recognised as contract assets until payment is made.

2.3 FINANCE INCOME

Finance income is recognised using the effective interest method. When a loan or receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as finance income. Finance income on an impaired loan and receivable is recognised using the original effective interest rate.

2.4 FOREIGN CURRENCY TRANSLATION

The Company's functional and presentational currency is Sterling. Foreign currency transactions are translated into the functional currency using the spot exchange rate at the dates of the transactions. At each period end, foreign currency monetary items are translated using the closing rate. Non-monetary items at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value using the exchange rate when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2.5 DIVIDEND DISTRIBUTIONS

Dividend distributions to the Company's shareholder are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholder.

2.6 INTANGIBLE ASSETS

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

2.7 DERECOGNITION OF INTANGIBLE ASSETS

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

2.8 IMPAIRMENT OF INTANGIBLE ASSETS

At each year end, the Company reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.9 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

2.10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand and deposits held at call with banks.

2.11 TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses.

2.12 IMPAIRMENT OF FINANCIAL ASSETS

The Company recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

2.13 TRADE AND OTHER PAYABLES

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method.

2.14 TAXATION

The tax expense for the year comprises current and deferred tax. Current tax, including UK corporation tax and foreign 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 year end date. The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the Statement of Financial Position liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available in the future against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

2.14 TAXATION (CONTINUED)

The carrying amount of deferred tax assets is reviewed at each year end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax laws and rates that have been substantively enacted at the year end date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions concerning the future which impact the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The accounting estimates resulting from these judgements and assumptions seldom equal the actual results but are based on historical experiences and future expectations.

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.

Intangible assets relate to intellectual property rights, specifically the trademark licences associated with Virgin Atlantic Airways Limited and Virgin Holidays Limited. As indefinite life assets, these are not amortised but are subject to annual impairment testing. The carrying amount of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit and loss.

In assessing the indefinite useful life, management have considered the following:

- History and longevity of the Virgin brand; and
- Likelihood of renewal given the minimal costs associated and Virgin Group's sizeable shareholdings.

Other than the valuation of intangible assets, there are no other 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.

4. REVENUE

The total revenue of the Company for the current and previous period has been derived from its principal activity and relates to royalty fees.

Royalty fees:	**2020**	**2019**
	£'000	**£'000**
United Kingdom:		
Virgin Atlantic Airways Limited	-	13,372
Virgin Holidays Limited	-	6,142
Virgin Red Limited	209	160
	209	19,674
Australia:		
Virgin Australia Holdings Limited	-	4
	209	19,678

The Company has recognised the following assets related to contracts with customers.

	2020	**2019**
	£'000	**£'000**
Contract assets	158	5,203

5. FINANCE INCOME

	2020	**2019**
	£'000	**£'000**
Bank interest	7	12
Other interest	1	-
	8	12

6. (LOSS)/PROFIT BEFORE INCOME TAX

	2020	**2019**
	£'000	**£'000**
(Loss)/profit before income tax is stated after charging:		
Auditor's remuneration for statutory audit	8	5

7. EMPLOYEES

There were no employees during the current or previous year apart from the directors, and the directors received no remuneration or pension payments from the Company during the current or previous year.

	2020	**2019**
	No.	**No.**
The average number of persons employed in the reporting period was:		
Directors	5	5

8. INCOME TAX EXPENSE

	2020 £'000	2019 £'000
Current tax:		
UK corporation tax on (loss)/profit for the year	32	3,734
Total current tax	32	3,734
Deferred tax	-	-
Total tax on (loss)/profit on ordinary activities	32	3,734

Factors affecting tax charge for the year

The tax assessed for the year is higher (2019: lower) than the standard rate of corporation tax as explained below:

	2020 £'000	2019 £'000
(Loss)/profit before income tax	(71,909)	19,660
(Loss)/profit before income tax multiplied by the standard rate of corporation tax 19% (2019: 19%)	(13,663)	3,735
Effects of:		
Expenses not deductible for tax purposes	13,698	-
Group relief claimed	(3)	(1)
Total tax charge for the year	32	3,734

A change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%. Following the announcement made in the 2021 budget, it is expected that there will be an increase in the rate of UK corporation tax to 25% on 1 April 2023. This was substantively enacted on 24 May 2021. The company has no recognised or unrecognised deferred tax balances at the end of the current year or prior year.

9. INTANGIBLE ASSETS

	Intellectual property £'000
Cost:	
At 1 January 2020 and 31 December 2020	172,970
Accumulated amortisation and impairment:	
At 1 January 2020	-
Impairment charge for the year	70,264
At 31 December 2020	70,264
Net book value:	
At 31 December 2020	102,706
At 31 December 2019	172,970

9. INTANGIBLE ASSETS (CONTINUED)

Impairment testing for the period ended 31 December 2020 has identified that the intangible assets are impaired, as the carrying amount exceeded its recoverable amount. An impairment loss of £70.3m has been recognised in the year, which has been recorded in the profit and loss account.

These intangibles have been tested for impairment by reference to value in use and have been written down to their recoverable amount.

The key assumptions used in the impairment test included cash flows, long term growth rate and discount rate.

Cash flow assumptions

The cash flows used in the value in use calculation are pre-tax cash flows based on forecast royalty cash flows.

The key assumption is revenue growth which is forecast based on know or forecast royalty inflows based on plans or agreements for future periods. External factors, including consumer environment, are also taken into account in the more short-term forecasts.

Long term growth rate assumptions

For the purposes of impairment testing, the cash flows are extrapolated until expiry of the trademark licence agreements. The growth rates applied range between 1% and 3% based on the long term growth from 2026 until expiry of the licences.

Discount rate assumptions

The discount rate applied to the cash flows is calculated using a pre-tax rate based on the weighted average cost of capital ('WACC') which is calculated in reference to the market in which the licensee's are based.

In the current period, the pre-tax rate used to discount the forecast cash flows range between 7.57% and 9.50%.

Sensitivity Analysis

An illustration of the sensitivity to reasonably possible changes in key assumptions in the impairment test is as follows:

Assumption	**Reasonably possible change in assumptions**	**Impact on headroom**
Long Term Growth Rate	0.5% increase / 0.5% decrease in long term growth rate	Increase by £3,197,000 / decrease by £2,225,000
WACC rate	0.5% increase / 0.5% decrease in WACC rate	Decrease by £6,175,000 / increase by £6,643,000
Cash Flows	5% decrease / 5% increase in cash flows	Decrease by £5,135,000 / increase by £5,135,000

10. TRADE AND OTHER RECEIVABLES

	2020 £'000	2019 £'000
Amounts owed by group undertakings	8	-
Prepayments and accrued income	158	5,203
Corporation tax receivable	3	-
	169	5,203

Amounts owed by group undertakings are unsecured, interest free and having no fixed date of repayment, are repayable on demand.

11. SHARE CAPITAL

	2020 £'000	2019 £'000
Allotted, called up and fully paid:		
1 (2019: 173,100,000) ordinary shares of £1	-	173,100

On 31 July 2020, the Company carried out a capital reduction whereby the ordinary share capital of the Company was reduced to £1.

12. THE COMPONENTS OF CAPITAL AND RESERVES

Share capital
The share capital records the nominal value of shares issued and paid up.

Retained earnings
Retained earnings represent the cumulative profit and loss of the Company net of distributions to owners. During the year, the Company paid a dividend in specie of £2 (2019: cash dividends of £15,480,000). On 5th February 2021, the Company received preference shares in Virgin Atlantic Limited in satisfaction of the outstanding 2020 royalties. The preference shares were distributed as a dividend in specie at a nominal value of £2.

13. TRADE AND OTHER PAYABLES

	2020 £'000	2019 £'000
Trade creditors	6	-
Corporation tax	-	1,869
Other tax and social security costs	1,537	729
Accruals and deferred income	16	14
	1,559	2,612

14. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

At 31 December 2020, the Company's ultimate parent undertaking was Virgin Group Holdings Limited. The sole shareholder of Virgin Group Holdings Limited, Sir Richard Branson, has interests directly or indirectly in certain other companies which are considered to give rise to related party disclosures.

Statement of comprehensive income	2020 £'000	2019 £'000
Royalties receivable:		
Virgin Atlantic Limited	-	13,372
Virgin Holidays Limited	-	6,142
Virgin Australia Holdings Limited	-	4
Virgin Red Limited	209	160

Statement of financial position	2020 £'000	2019 £'000
Trade and other receivables:		
Virgin Australia Holdings Limited	-	1
Virgin Atlantic Limited	-	3,323
Virgin Holidays Limited	-	1,830
Virgin Red Limited	158	49

15. CONTROL

The Company's immediate parent undertaking is VAL TM (Holdings) Limited, a company incorporated in England and Wales. The Company's ultimate parent undertaking is 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 incorporated in England and Wales. The consolidated accounts can be obtained from Companies House, Crown Way, Cardiff CF14 3UZ.