

Company Number: 08867641

VAL TM LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017



VAL TM LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

CONTENTS

	Page
Company information	2
Strategic report	3
Directors' report	4
Directors' responsibilities in the preparation of financial statements	5
Independent auditor's report	6 - 7
Statement of comprehensive income	8
Statement of financial position	9
Statement of changes in equity	10
Notes to the financial statements	11 - 20

VAL TM LIMITED

COMPANY INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2017

Directors	J A Arinder W Carroll P M R Norris L V Thomas 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 Third Floor, One London Square Cross Lanes Guildford Surrey GU1 1UN

VAL TM LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their strategic report for the company for the year ended 31 December 2017.

FAIR REVIEW OF THE COMPANY'S BUSINESS

The profit for the year after taxation amounted to £14,865,000 (2016: £14,416,000).

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 and Virgin Holidays 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 trade mark 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.

The company is also reliant on royalty income generated by its trademark licence agreements and any material adverse change in the business or market in which either of the Licensees operates would affect the level of royalty income received. The company takes steps to mitigate this risk by setting minimum royalties and through actively monitoring its Licensee relationships.

GOING CONCERN

The company has considerable financial resources and no significant adverse changes are expected in relation to its income streams or cost base at this present time. As a consequence, the directors believe that the company is well placed to manage its business risks.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

FINANCIAL KEY PERFORMANCE INDICATORS

Given the straightforward nature of the business, the company's directors are of the opinion that analysis of 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 17 May 2018, and was signed by:



..... Director

I P Woods

VAL TM LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their annual report and audited financial statements for the year ended 31 December 2017 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 and Virgin Holidays Limited.

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
I P Woods

RESULTS AND DIVIDENDS

The results for the year are set out on page 8.

During the year, the company paid cash dividends of £14,756,000 (2016: £28,629,000). The directors recommend payment of a further dividend of £3,697,000 (2016: £3,588,000).

After the balance sheet date, dividends of £3,444,000 (2016: £nil) were proposed by the directors. The dividends have not been provided for.

FUTURE DEVELOPMENTS

The company will continue managing trademark licensing agreements.

MATTERS OF STRATEGIC IMPORTANCE

Information in relation to the fair review of the business and the principal risks and uncertainties of the company, required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, has been included in the separate strategic report in accordance with section 414C(11) of the Companies Act 2006.


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 17 May 2018, and was signed by:


..... **Director**
I P Woods

VAL TM LIMITED

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

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 the 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, including FRS 101, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VAL TM LIMITED

Opinion

We have audited the financial statements of VAL TM Limited ("the company") for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, Statement of Financial Position and 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 2017 and of its profit 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

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VAL TM LIMITED (CONTINUED)

Directors' responsibilities

As explained more fully in their statement set out on page 5, 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.



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

17 May 2018

VAL TM LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £'000	2016 £'000
Revenue	4	18,423	17,962
Administrative expenses		(26)	(23)
Operating profit		<u>18,397</u>	<u>17,939</u>
Finance income	5	5	90
Finance costs	6	-	(6)
Profit before income tax	7	<u>18,402</u>	<u>18,023</u>
Income tax expense	9	(3,537)	(3,607)
Profit and total comprehensive income for the year		<u>14,865</u>	<u>14,416</u>

The notes on pages 11 to 20 form part of these financial statements.


STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Notes	2017 £'000	2016 £'000
Assets			
Non-current assets			
Intangible assets	10	172,970	172,970
Current assets			
Trade and other receivables	11	4,558	4,276
Cash and cash equivalents		1,446	2,036
		<u>6,004</u>	<u>6,312</u>
Total assets		<u>178,974</u>	<u>179,282</u>
Equity and liabilities			
Equity attributable to the owners of the company			
Share capital	12	173,100	173,100
Retained earnings		3,697	3,588
Total equity		<u>176,797</u>	<u>176,688</u>
Current liabilities			
Trade and other payables	14	2,177	2,594
Total liabilities		<u>2,177</u>	<u>2,594</u>
Total equity and liabilities		<u>178,974</u>	<u>179,282</u>

The notes on pages 11 to 20 form part of these financial statements.

The financial statements on pages 8 to 20 were approved by the board of directors and authorised for issue on 17 May 2018, and were signed on its behalf by:


 Director
 I P Woods

VAL TM LIMITED**STATEMENT OF CHANGES IN EQUITY****AS AT 31 DECEMBER 2017**

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance as at 1 January 2016	173,100	17,801	190,901
Profit and total comprehensive income for the year	-	14,416	14,416
Dividends	-	(28,629)	(28,629)
Total transactions with owners recognised directly in equity	-	(28,629)	(28,629)
Balance as at 31 December 2016	<u>173,100</u>	<u>3,588</u>	<u>176,688</u>
Profit and total comprehensive income for the year	-	14,865	14,865
Dividends	-	(14,756)	(14,756)
Total transactions with owners recognised directly in equity	-	(14,756)	(14,756)
Balance as at 31 December 2017	<u>173,100</u>	<u>3,697</u>	<u>176,797</u>

The notes on pages 11 to 20 form part of these financial statements.

VAL TM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1. GENERAL INFORMATION

The principal activity of VAL TM Limited ('the company') is that of managing trademark licensing agreements with Virgin Atlantic Airways Limited and Virgin Holidays 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.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with FRS 101: Reduced Disclosure Framework ("FRS 101") and the Companies Act 2006. These financial statements have been prepared under the historical cost convention and in accordance with Companies Act 2006.

The preparation of financial statements in conformity 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 key management compensation;
- 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. GOING CONCERN

The company has considerable financial resources and no significant adverse changes are expected in relation to its income streams or cost base at this present time. As a consequence, the directors believe that the company is well placed to manage its business risks.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.2 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.

2.3 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.

2.4 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.

2.5 REVENUE

Revenue comprises royalties receivable under trademark licence agreements, which the company has entered into with companies using the Virgin brand licence.

Royalties receivable by the company are recognised as earned typically based on a percentage of the revenues of the licensee, subject to minimum guarantees, when the following conditions are satisfied:

- the amount of revenue can be measured reliably; and
- it is probable that the company will receive the consideration due under the trademark agreement.

VAL TM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

2.6 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.

2.7 FINANCE COSTS

Finance costs include interest payable recognised using the effective interest method.

2.8 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.

2.9 DIVIDEND DISTRIBUTIONS

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

2.10 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the relevant instrument. In accordance with International Accounting Standard 39: Financial instruments – recognition and measurement, financial instruments are recorded initially at fair value. Subsequent measurement of those instruments at the year end date reflects the designation of the financial instrument. The company determines the classification at initial recognition and re-evaluates this designation at each reporting date. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.11 CASH AND CASH EQUIVALENTS

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

2.12 TRADE AND OTHER RECEIVABLES

Trade and other are recognised initially at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, less any impairment.

VAL TM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

2.13 LOANS AND RECEIVABLES

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

2.14 IMPAIRMENT OF FINANCIAL ASSETS

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between the carrying amount and the best estimate of the amount the company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment to decrease, the decrease in impairment loss is reversed through profit or loss.

2.15 NON-DERIVATIVE FINANCIAL LIABILITIES

Non-derivative financial liabilities are initially recorded at fair value less directly attributable transaction costs, and subsequently at amortised cost using the effective interest method. The company has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts and trade and other payables. The company derecognises financial liabilities when its contractual obligations are discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts are recognised in profit or loss.

2.16 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.

2.17 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.

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.

VAL TM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

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 and Virgin Holidays. As indefinite life assets, these are not amortised but are subject to annual impairment testing. Annual impairment tests are performed by preparing valuations of the trademark licences, and comparing these valuations to the carrying value of the assets. The valuations are based on the net present value of future royalty payments expected from Virgin Atlantic and Virgin Holidays business. Key assumptions include discount rate (the weighted average cost of capital) and forecasts for the underlying businesses, including future growth rates.

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:	2017	2016
	£'000	£'000
United Kingdom:		
Virgin Atlantic	12,637	12,329
Virgin Holidays	5,781	5,631
	<u>18,418</u>	<u>17,960</u>
Australia:		
Virgin Australia	5	2
	<u>18,423</u>	<u>17,962</u>

5. FINANCE INCOME

	2017	2016
	£'000	£'000
Royalty fee interest receivable from group undertakings	-	74
Bank interest	5	16
	<u>5</u>	<u>90</u>

VAL TM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

6. FINANCE COSTS

	2017 £'000	2016 £'000
Other interest	-	6

7. PROFIT BEFORE INCOME TAX

	2017 £'000	2016 £'000
Profit before income tax is stated after charging: Auditors' remuneration for statutory audit	3	3

8. EMPLOYEES

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

	2017 No.	2016 No.
The average number of persons employed in the reporting period was: Directors	5	5

9. INCOME TAX EXPENSE

	2017 £'000	2016 £'000
Current tax:		
UK corporation tax on profit for the year	3,539	3,605
Adjustments in respect of prior periods	(2)	2
Total current tax	3,537	3,607
Deferred tax	-	-
Total tax on profit on ordinary activities	3,537	3,607

Factors affecting tax charge for the year

The tax assessed for the year is lower (2016: lower) than the effective rate of corporation tax as explained below:

Profit before income tax	18,402	18,023
Profit before income tax multiplied by the effective rate of corporation tax 19.25% (2016: 20%)	3,542	3,605
Effects of:		
Group relief claimed	(1)	-
Other permanent differences	(2)	-
Adjustments in respect of prior periods	(2)	2
Total tax charge for the year	3,537	3,607

VAL TM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

9. INCOME TAX EXPENSE (CONTINUED)

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was enacted on 6 September 2016. Such changes are not expected to have a significant effect on the deferred tax balances of the company.

10. INTANGIBLE ASSETS

	Intellectual property £'000
Cost:	
At 1 January 2017 and 31 December 2017	172,970
	<u> </u>
Accumulated amortisation and impairment:	
At 1 January 2017 and 31 December 2017	-
	<u> </u>
Net book value:	
At 31 December 2017	172,970
	<u> </u>
At 31 December 2016	172,970
	<u> </u>

The intellectual property intangible assets above are trademark licences that have been granted with Virgin Australia, Virgin Atlantic Limited and Virgin Holidays Limited.

11. TRADE AND OTHER RECEIVABLES

	2017 £'000	2016 £'000
Amounts owed by group undertakings	-	4
Prepayments and accrued income	4,558	4,272
	<u>4,558</u>	<u>4,276</u>

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

12. SHARE CAPITAL

	2017 £'000	2016 £'000
Allotted, called up and fully paid: 173,100,000 ordinary shares of £1 each	173,100	173,100
	<u> </u>	<u> </u>

VAL TM LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2017****13. 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 cash dividends of £14,756,000 (2016: £28,629,000). At the balance sheet date, a further dividend of £3,697,000 (2016: £3,588,000) has been proposed.

After the balance sheet date, dividends of £3,444,000 (2016: £nil) were proposed by the directors. The dividends have not been provided for.

14. TRADE AND OTHER PAYABLES

	2017 £'000	2016 £'000
Amounts owed to group undertakings	1	-
Corporation tax	1,737	1,802
Other tax and social security costs	422	781
Accruals and deferred income	17	11
	<u>2,177</u>	<u>2,594</u>

15. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

At 31 December 2017, 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 under International Accounting Standard 24: Related Party Disclosures.

Statement of comprehensive income	2017 £'000	2016 £'000
Royalties receivable:		
Virgin Atlantic Limited	12,637	12,329
Virgin Holidays Limited	5,781	5,631
Virgin Australia Holdings Limited	5	2
Royalty interest received:		
Virgin Atlantic Limited	-	49
Virgin Holidays Limited	-	25
	<u> </u>	<u> </u>
Statement of financial position	2017 £'000	2016 £'000
Trade and other receivables:		
Virgin Australia Holdings Limited	1	-
Virgin Atlantic Limited	3,159	2,988
Virgin Holidays Limited	1,398	1,284
	<u> </u>	<u> </u>

VAL TM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

16. 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.