

Virgin Orbit UK Limited  
Annual report and financial statements  
31 December 2020

**Virgin Orbit UK Limited**  
**Annual report and financial**  
**statements**  
**Company registration number 12140254**  
**31 December 2020**



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## Directors' report

The directors present their report and the financial statements for the 17-month period ended 31 December 2020.

### Principal activities

Virgin Orbit UK Limited ("VO UK", the "Company" or "we") is a UK-registered entity incorporated in August 2019 and wholly owned by Virgin Orbit, LLC ("VO US or Virgin Orbit") with the view of providing support to VO US in relation to the Spaceport Cornwall project, more specifically to represent Virgin Orbit in the arrangements with the Cornwall Council, its affiliates, and the UK Space Agency ("UKSA"). VO US is in the business of providing flexible launch solutions to put small-satellite payloads into orbit. VO US is a vertically integrated aerospace company focused on the development, manufacture, and operation of rocket technologies for launch solutions across various industries including commercial, government, research, and education. VO US' launch solution includes an air pad launch of a specially developed two stage, low-cost LauncherOne rocket system from a customized Boeing 747 400 aircraft ("Cosmic Girl"). The development and manufacturing activities are headquartered in Long Beach, California with plans to operate the commercial rocket launches out of Mojave, California, Guam, and Cornwall. On 5 November 2019, Virgin Orbit UK entered into a grant agreement with the UKSA whereby the company was awarded £7.5 million in grant funding to design, develop, and manufacture a ground support equipment and conduct mission planning to enable horizontal launch of small satellites from Spaceport Cornwall at Cornwall Airport Newquay.

### Business review

The Company recorded a profit of £nil for the period and has a net asset balance of £nil at 31 December 2020. VO UK is acting as an intermediary with respect to the recharge of third party costs and it is not undertaking any value-adding activities in relation to them. VO UK currently does not have employees and its three directors are VO US employees. VO US performs the majority of the work from the US territory/remotely with some travel to the UK when local presence is required. As such, VO UK's costs associated with the provision of services between VO US and VO UK are pass-through costs that do not have any mark-up. Any costs incurred by the Company in excess of the government grant are recharged to VO US.

The immediate parent undertaking, Virgin Orbit, LLC, has formally indicated in a letter of support its intention to provide sufficient funding to the Company to enable it to meet its liabilities as they fall due, for at least the next 18 months from year-end of the financial statements. The directors have no reason to believe the parent company will not be in a position to provide the support referred to above and, accordingly, have prepared the financial statements on a going concern basis.

### Subsequent Events

The director confirms that there have been no significant events subsequent to the balance sheet date which require disclosure in or adjustment to these financial statements.

### Results and dividends

The audited financial statements for the period are set out on pages 5 to 13.

During the period no dividend was paid or is proposed to be paid on the ordinary shares.

**Directors**

The directors who held office during the period were as follows:

<u>Name</u>	<u>Date of Appointment</u>	<u>Active or Resigned</u>
Dan Hart	06 August 2019	Active as of auditor's report date
Brita O'Rear	06 August 2019	Active as of auditor's report date
Derrick Boston	06 August 2019	Active as of auditor's report date

**Provision of information to auditor**

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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**Political and charitable contributions**

The Company made no political or charitable donations or incurred any political expenditure during the financial period.

**Auditor**

Pursuant to Section 487 of the Companies Act 2006, KPMG LLP are the auditors appointed by the directors for the financial period.

This report was approved by the board on 29 April 2021 and signed on its behalf by:



**Brita O'Rear**  
Director  
The Battleship Building  
179 Harrow Road  
London W2 6NB

**STATEMENT OF DIRECTORS' RESPONSIBILITIES 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 period. Under that law they have elected to prepare the financial statements in accordance with the provisions of FRS 102 Section 1A, "The Financial Reporting Standard applicable to the UK and Republic of Ireland".

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with applicable FRS 102 Section 1A standards;
- 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 VIRGIN ORBIT UK LIMITED**

### **Opinion**

We have audited the financial statements of Virgin Orbit UK Limited ("the company") for the period ended 31 December 2020, which comprise the Income Statement, Statement of Financial Position and related notes, including the accounting policies in note 1.

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 results for the period then ended;
- have been properly prepared in accordance with UK accounting standards applicable to smaller entities, including Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Going concern**

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 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 to unusual accounts, and those with specific key words in the description.

*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.

**Directors' report**

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

Our responsibility is to read 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 directors' report;

- in our opinion the information given in that report for the financial year is consistent with the financial statements; 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**

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; 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.

We have nothing to report in these respects.

**Directors' responsibilities**

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities**

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

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

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

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



**Polina Nikolaev (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor  
*Chartered Accountants*  
15 Canada Square  
London  
E14 5GL  
5 May 2021

## Income Statement

For the 17-month period ended 31 December 2020

	<i>Note</i>	<b>Period ended 31 December 2020 £000</b>
Research and development expenses	4	(2,002)
Administrative expenses	4	(127)
<b>Operating loss</b>		<b>(2,129)</b>
Other income	5	2,129
<b>Profit / (Loss) before taxation</b>		<b>-</b>
Taxation	6	-
<b>Profit / (Loss) for the period</b>		<b>-</b>

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

Company registration number: 12140254

## Statement of Financial Position

As at 31 December 2020

	<i>Note</i>	<b>31 December 2020 £000</b>
<b>Non-current assets</b>		
Property, plant and equipment	7	955
		<u>955</u>
<b>Current assets</b>		
Trade and other receivables		19
Cash		1,844
		<u>1,863</u>
<b>Total assets</b>		<u><u>2,818</u></u>
<b>Current liabilities</b>		
Trade and other payables		(270)
Due to related party	8	(1,593)
		<u>(1,863)</u>
<b>Non-current liabilities</b>		
Deferred income		(955)
		<u>(955)</u>
<b>Total liabilities</b>		<u><u>(2,818)</u></u>
<b>Net Assets</b>		<u><u>-</u></u>
<b>Owner's equity</b>		
Share capital	9	-
<b>Total equity</b>		<u><u>-</u></u>

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

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with FRS 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland."

These financial statements were approved by the board of directors on 29 April 2021 and were signed on its behalf by:



**Brita O'Rear**  
Director

## Notes to the financial statements

### 1. Accounting policies

The principal accounting policies are summarized below. The accounting policies have, unless otherwise stated, been consistently applied throughout all periods presented in the accompanying financial statements.

#### 1.1 General information and basis of preparation

Virgin Orbit UK Limited (the "Company") is incorporated in the United Kingdom and is subject to the small companies regime of Companies Act 2006.

The Company is a private company limited by shares and is registered in England and Wales. The address of the registered office is The Battleship Building, 179 Harrow Road, London, W2 6NB.

The financial statements have been prepared in compliance with FRS 102 Section 1A, "The Financial Reporting Standard applicable to the UK and Republic of Ireland."

The Company meets the definition of a qualifying entity under section 1A of FRS 102 and has therefore taken advantage of the disclosure exemptions available in respect to its financial statements. Exemptions have been taken in relation to the presentation of a statement of cash flows and statement of changes in equity.

Furthermore, as the Company was incorporated in August 2019, the first financial statements are prepared from inception through 31 December 2020 or a 17-month reporting period. The Company has not presented comparative financial information but instead prepared a single statement of financial position as of 31 December 2020 and income statement for the 17-months ended 31 December 2020.

#### 1.2 Going concern

The Company's operations are subsidized by government grants and has considerable financial resources available from its parent company, Virgin Orbit, LLC (the "Parent Company"). Currently, the Company is dependent on its Parent Company for continued support to fund operations including costs not reimbursed by the grant, without which the Company would not be able to pay obligations as they come due, and would need to curtail operations. The Parent Company intends to use reasonable efforts to provide such funding as may be necessary to satisfy the Company's obligations and debt service requirements as they come due. Despite the current challenges in the global economic conditions, the directors do not expect significant adverse changes in relation to the Company's 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 prepared a cash flow forecast for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its Parent Company, to meet its liabilities as they fall due for that period. Those forecasts are dependent on the Parent Company providing additional financial support during that period. The Parent Company has indicated its intention to continue to make available such funds as are needed by the Company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident 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 these financial statements.

### 1.3 Property, plant, and equipment

Tangible fixed assets are stated at historical cost less accumulated depreciation and any provisions for impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is calculated on a straight-line basis over its estimated useful life, which range as follows:

Machinery and equipment	5 to 7 years
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### 1.4 Trade and other receivables

Short-term receivables are measured at the transaction price, less allowances for any potential uncollectible amounts and do not bear interest. The Company estimates allowances based on historical losses, the age of the receivable balance, credit quality of our customers, current economic conditions, and other factors that may affect the customer's ability to pay. There were no allowances for uncollectible amounts and no write-offs as of and for the period ended 31 December 2020.

### 1.5 Trade and other payables

Short-term payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Payables are measured at the transaction price or estimated accrual amount until actuals become available.

### 1.6 Foreign currency

#### *Functional and presentation currency*

The company's functional currency is the British pound sterling.

#### *Transactions and balances*

All transactions incurred for the period ending 31 December 2020 were denominated in the pound sterling. As of 31 December 2020, there were no gains and losses on the foreign currency translations.

### 1.7 Research and development

Research and development ("R&D") expenditure is charged to profit and loss in the period in which it is incurred. The Company has R&D activities related to ground support equipment and mission planning for the horizontal launch of small satellites from Spaceport Cornwall.

The Company has capitalised development costs related to the Transportable Ground Operating System ("TGOS") equipment prior to the start of construction. TGOS will provide future economic benefits to the Company's launch capabilities as it a transportable machine that will control temperatures and pressure of liquid propellants when fuelling rockets. The Company capitalizes development costs incurred in the application of research findings or other knowledge to a plan or design for the production of new or substantially improved equipment.

### 1.8 Administrative expenses

Administrative expenses consist of accounting, finance, tax, legal, and consulting expenditure to support general corporate functions and are expensed as incurred.

### 1.9 Government grants

The Company adopted the accrual model of government grants outlined in FRS 102 Section 24. Government grants are recognised over the period in which the related costs are incurred that the grant is intended to compensate. The Company records the grant where there is reasonable assurance that the conditions attached to the grant have been met and the grant will be received. Grants related to income are recognised as a receivable and credited separately to other income. Grants related to assets are recognised as deferred income in the period which it is receivable and released to profit and loss over the useful life of the related asset.

### 2. Accounting estimates and judgement

The preparation of the financial statements in conformity with FRS 102 Section 1A requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from the estimates calculated.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no accounting policies that are considered to be critical, because they either require significant amount of management judgement or the results are material to the company financial statements.

### 3. Director's remuneration and staff costs

The directors did not receive any remuneration during the period for services to the Company.

The Company has no employees.

### 4. Expenses and auditor's remuneration

Included in operating loss are the following expenses broken by category:

	Period ended 31 December 2020 £000
<b>Research and Development:</b>	
Third-party contractors	728
VO US intercompany contractors	<u>1,275</u>
Total research and development	2,002
<b>Administrative:</b>	
Professional fees	118
Other costs	<u>9</u>
Total administrative	127

The Company paid £21 thousand to its auditors in respect of the audit of the financial statements for the period ending 31 December 2020.

**5. Other Income**

An analysis of income by class of business is as follows:

	<b>Period ended 31 December 2020 £000</b>
Government grant income	1,756
Intercompany charge back	<u>373</u>
Total other income	2,129

For the 17-month period ended 31 December 2020, other income consists of £1.8 million government grant income and £0.4 million intercompany chargeback to VO US for costs incurred in excess of the government grant. This account along with the company's operating losses results in nil profits in line with the company's transfer pricing analysis.

**6. Taxes**

	<b>Period ended 31 December 2020 £</b>
<b>Analysis of tax charge in period</b>	
Current tax:	
UK corporation tax	0
<b>Total tax charge per income statement</b>	<u><u>0</u></u>

**Factors affecting tax charge for the period**

The tax charge for the period can be reconciled to the profit per the income statement as follows;

	<b>Period ended 31 December 2020 £</b>
Profit / (Loss) before taxation on continued operations	<u>0</u>
Profit / (Loss) before taxation on continued operations multiplied by standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	<u>0</u>
<b>Total tax charge per income statement</b>	<u><u>0</u></u>

In the March 2020 budget, it was announced that the UK tax rate would remain at 19% from 1 April 2020 and would not be reduced to the 17% rate which was substantively enacted in September 2016. Accordingly, the company's profit for the year is taxed at 19%.

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.

The company has not recognised or unrecognised deferred tax balances.

**7. Property, plant and equipment**

	<b>Assets under construction £000</b>
<b>Cost</b>	
At 6 August 2019	-
Additions	955
<b>At 31 December 2020</b>	<b>955</b>
<b>Amortisation</b>	
Amortisation	-
<b>At 31 December 2020</b>	<b>-</b>
<b>Net book value at 31 December 2020</b>	<b>955</b>

For the period ending 31 December 2020, the Company capitalized £955 thousand development costs related to the Transportable Ground Operating System (TGOS). No amortization was recognised as the asset was under development and before the start of physical construction. The Company received £955 thousand reimbursement from the government grant, which was recorded to deferred income and will be amortized against the asset over the useful life.

**8. Related parties**

During the reporting period the Company made purchases in the ordinary course of business of £2.2 million of contractor costs for engineering services from its immediate parent Virgin Orbit, LLC. The balance due to the parent company as of 31 December 2020 is £1.6 million.

The total remuneration for key management personnel for the reporting period is disclosed in note 3.

**9. Share capital**

	<b>Period ended 31 December 2020 £000</b>
<i>Alotted, called up and fully paid</i>	
1 ordinary shares of £1	-

**10. Ultimate parent undertaking and controlling party**

As at 31 December 2020, the ultimate parent undertaking was Virgin Group Holdings Limited, a company incorporated in the British Virgin Islands. The directors consider Sir Richard Branson to be the ultimate controlling party of the group. The immediate parent undertaking is Virgin Orbit, LLC, which is a U.S. based company incorporated in Delaware.

The largest and smallest group in which the results of the Company are consolidated are those for VO Holdings, Inc. ("VO Holdings"). VO Holdings is incorporated in the U.S. and its financial statements are not publicly available. The results of the Company are not consolidated into any higher group whose financial statements are publicly available.