Virgin Atlantic Airways Limited and subsidiary companies

Annual report and consolidated financial statements

For the year ended 31 December 2022

Registered number 01600117

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Strategic report

Virgin Atlantic Airways Limited comprises three principal lines of Business: Virgin Atlantic Airlines, Virgin Atlantic Cargo and Virgin Holidays.

Virgin Atlantic Airlines uses a mixed fleet of Airbus and Boeing aircraft to carry passengers to destinations across North America, the Caribbean, Africa, the Middle East and Asia from its main bases in London and Manchester, with award winning clubhouses at 6 airports.

Virgin Atlantic Cargo trades and retails the bellyhold capacity of Virgin Atlantic's cargo-friendly fleet, connecting manufacturers, growers, retailers and consumers across the globe. It has the ability to transport specialist and time-critical cargo ranging from the most temperature-sensitive pharmaceuticals and fresh produce and flowers.

Virgin Holidays offers predominantly package holidays to destinations worldwide for customers principally in the UK. It has significant market positions in holidays to major US destinations including Florida and to the Eastern Caribbean. The business offers holidays through online, call centres and retail stores across the UK. Over 91% of Virgin Holidays customers also fly on Virgin Atlantic planes. As part of our unified brand ambition Virgin Holidays will be trading as Virgin Atlantic Holidays.

Our financial results for 2022 reflect the long-awaited recovery in air travel demand seen across the airline industry coupled with the benefits of Virgin Atlantic's cost transformation, now fully realised with the return of flying at scale. Covid-19 posed an immense challenge to the airline industry. Despite a statutory loss for the year of £338m (2021: £484m), our rapid recovery of airline revenues, higher than in 2019 at £2.5bn, is down to the incredible fortitude of Virgin Atlantic people, consistently delivering for our customers and our business and ensuring that Virgin Atlantic is the preferred airline as passenger demand for travel returned with force.

The difficult decisions we took in 2020 to transform our cost base have enabled us to temper the impact of high fuel prices and high inflation and to mitigate the inefficiencies of a steep operational ramp up. Our disciplined approach to capacity management and robust cost control has continued, maintaining a sharp focus on our cash flow in a period of ongoing volatility. With underlying EBITDA returning to 90% of 2019, our plan, Velocity$_x$, is working and the Group is on track to deliver sustainable profitability.

In 2022, with six fewer aircraft in our fleet and over £160m of additional fuel costs, we delivered an underlying EBITDA of £310m, only 10% lower than 2019, our last full year of operations prior to the pandemic (2019: £340m). Our financial results, underpinned by a strong revenue performance, exceeded our expectations for the year and pay testimony to the resilience of our operation, our people and our financial discipline.

	ASKs (m) as a % of 2019	Total revenue as a % of 2019
Q1 2022	72%	84%
Q2 2022	82%	106%
Q3 2022	81%	108%
Q4 2022	87%	109%

In the first quarter of the year we acted swiftly and dynamically to adjust our operational and financial plans to rapidly changing circumstances. With the emergence of the Omicron variant in late 2021, travel restrictions remained in place for much of the quarter. The tragic events that occurred in Ukraine, following Russia's invasion, drove severe economic volatility, with high fuel and energy prices, proceeded by high levels of inflation and political instability.

Through the first half of the year, despite pressure on the broader aviation eco-system, we increased our number of passenger services significantly. Passenger sectors grew by 28% between January and July and passengers from 0.2m in January to 0.4m in July.

Exceptional passenger revenues characterised the second half of the year. A buoyant demand environment and a return to 2019 load factors generated unprecedented revenue results. On the flip side, we experienced record highs in the price of fuel and severe weakness in the strength of the pound against the US dollar. Significant action was taken in 2020 to reduce our cost base, delivering a £300m, recurring reduction to operating costs. We have monitored and maintained these savings through 2021 and 2022:

- After consolidating our network at Heathrow and Manchester, we welcomed over 7,000 daily customers at Heathrow this Summer, our highest numbers on record
- We took delivery of three new aircraft in the year, advancing efforts to simplify our fleet and reach a 100% "next generation" fleet by 2027

— Increases to our headcount were concentrated on our flying and customer facing teams, enabling us to meet operational requirements and improve customer service levels

The speed with which we ramped up operations in 2022 led to natural inefficiencies, which will reduce going forward as ramp-up activity completes.

For 2022 we recorded an operating loss before tax and exceptional items of £203m, a £394m improvement on 2021 yet £181m worse than 2019, and a statutory loss before tax of £338m.

Financial results & Key metrics

	2022	2021*	2020	2019
£m				
Revenue	2,854	928	868	2,927
Statutory (loss) profit	(338)	(486)	(864)	(55)
PBTEI	(203)	(597)	(655)	(22)
Underlying EBITDA	310	(161)	(321)	338
Underlying EBIT	71	(411)	(568)	71
Underlying EBIT Margin (%)	2	(44)	(65)	2
Total sectors	21,835	13,593	10,601	23,551
Cargo only sectors	1,117	1,633	3,897	0
ASKs (km bn)	39.38bn	14.18bn	13.04bn	48.83bn
Passengers (000)	4,380k	1,104k	1,192k	5,877k
Load factor (%)	73.4	49.3	61.1	81.1
PRASK (p)	5.26	2.89	3.18	4.27

* The Group has restated comparative information (see note 5).

Passenger revenue

The lifting of travel restrictions in March saw a resurgence in confidence and demand for travel, leading to a fivefold increase in full year passenger revenues (£2.1bn) versus 2021 (£410m). Passenger revenue returned to 2019 levels despite flying 25% fewer passengers.

Whilst a difficult start to the year suppressed load factors and shortened the booking curve for the Easter and Summer peaks, strong demand enabled us to reach average load factors above 80%, exceeding 90% on some routes.

Capacity constraints at Heathrow forced us to reduce flying between July and October, cancelling 280 sectors, although with fewer cancellations and delays than our competitors. Performance remained strong throughout H2, consistently outperforming previous PRASK records even as the macro environment deteriorated.

Cargo Revenue

Our cargo operations delivered revenues of £377m, down 19% on 2021 (2021: £448m) and ahead of 2019 by 75% (2019: £214m). The addition of a wet leased freighter aircraft from May provided a temporary boost to cargo-only flying, enabling us to meet demand for short haul services between London Heathrow and Brussels.

Overall, cargo-only flights formed 5% of the 2022 flying programme (46% in 2021), of which over 40% flew in Q1, with the share of sectors reducing as passenger flying recovered from Q2.

The return of passenger belly capacity in the market led to a gradual normalisation of the cargo sector in H2, driving down tonnage from the highs of 2020. Whilst prices generally softened in the latter half of the year the highest demand routes continued to see prices significantly above 2019.

Virgin Atlantic Holidays

A strong recovery in demand for holidays followed an extensive period of uncertainty which impacted the longer booking curves typically seen before the pandemic. Revenue reached 78% of 2019 at £487m (2019: £627m) as travel re-opened and Covid-19 testing and vaccination requirements were relaxed or removed across our destinations.

Overhead and distribution costs were over 30% lower than 2019 following actions taken in 2020 to rationalise our retail estate and streamline operations under the unified brand programme.

Capital Investment

Our total capital expenditure of £109m, relates principally to investment in our fleet. We are committed to flying one of the youngest and most fuel-efficient, long-haul fleets in the sky. In addition to our ninth Airbus 350-1000, 2022 saw the entry into service of our first two Airbus 330-900neos, quickly followed by a further two aircraft in January 2023.

To support our plans for growth we took the opportunity to purchase three additional slots at Heathrow. This increased capacity will enable us to further leverage the customer and operational benefits of a single London hub. A small proportion of our capital expenditure was also directed towards technology transformation, investment and activity that was paused during the pandemic.

Fuel costs

Physical fuel costs of £902m were up 31% on 2019 due to significant increases in the price of brent and jet crack. Lower fuel usage as a result of less flying (10% less sectors than 2019) and more fuel efficient aircraft offset some of the impact of exceptionally high prices. To provide further protection against adverse fluctuations in the price of brent, our hedging cover was increased in line with pre-pandemic levels, resulting in hedging gains for the year of £18m.

Aircraft costs

Aircraft and engineering costs together totalled £326m, 29% higher than 2021 and 8% lower than 2019. Aircraft costs were up £11m on the £156m recorded in 2021, which included additional leasing costs associated with the cargo freighter and new aircraft deliveries. Engineering costs increased by £62m to £159m (2021: £97m), largely driven by higher total care costs arising from the increased sectors flown.

Other non-fuel costs

Ongoing savings from cost restructuring undertaken during the pandemic, together with strong cost control, kept increases in overheads and direct operating costs below UK inflation. ASKs for 2022 were 19% lower than 2019 as the airline ramped up and responded to enforced capacity restrictions at Heathrow. Despite lower capacity masking the full impact of cost savings, we delivered a non-fuel CASK for the year of 3.76p.

Finance costs

Finance costs of £276m were £71m higher than 2021, predominantly driven by increases in lease interest and interest on external and shareholder debts.

Result for the year

The statutory loss after tax for the year was £338m, an improvement of £148m on the losses recorded in 2021. Underlying EBITDA, which excludes exceptional items and unrealised foreign exchange, was £310m (2019: £338m) with an underlying EBIT that matched the £71m reported in 2019.

We are committed to becoming a sustainably profitable airline. The financial recovery seen in 2022 gives us renewed confidence that the actions we have taken to resize and reshape Virgin Atlantic will enable our future growth and success.

Balance sheet, cash flow and financing

	2022	2021*	2020*	2019
Cash from/(used in) operating activities	115	(84)	(713)	217
Cash used in investing activities	(97)	74	(31)	(603)
Cash from/(used in) financing activities	(217)	398	492	367
Cash increase/(decrease)	(198)	388	(252)	(25)
Effects of exchange rate differences	24	(1)	15	(15)
Unrestricted cash	329	502	115	353
Total cash	399	589	191	449
Debt	(3,401)	(2,902)	(2,479)	(2,215)
Net debt	(3,002)	(2,314)	(2,288)	(1,766)
Net (liabilities)/assets	(1,100)	(615)	(368)	160

* The Group has restated comparative information (see note 5, and consolidated statement of cash flows).

Adjusted balance sheet metrics

	2022	2021*	2020*	2019
Reported net (liabilities)	(1,100)	(615)	(368)	160
Slot portfolio valuation (fair value, less cost)	541	407	437	350
Adjusted net assets	(559)	(208)	69	510
Reported Free cash	329	502	115	353
Unremitted cash	208	86	13	70
Adjusted Free cash	537	588	128	423

* The Group has restated comparative information (see note 5).

Cash at the end of the year totalled £399m, including £70m (2021: £87m) of restricted cash, but excluded £208m (2021: £86m) of unremitted cash which is recognised within our receivables balances.

Net cash from operating activities of £115m (2021: net cash used in operating activities of £84m) was driven by a significant improvement in underlying EBITDA of £471m. Overall net cash decreased by a total of £196m, the most significant outflows relating to higher capital investment in the year (£109m), re-payment of leases of (£139m) and re-payment of borrowings (£92m).

Long term borrowings rose as a result of new aircraft financing and interest accrued on shareholder loans agreed in 2020. Deferred revenue was up 33% on 2021 as booking curves normalised and customers felt confident to book their 2023 holidays. A portion of our long-term borrowings are secured against our UK slot portfolio which had a year-end market value of circa £500m.

Outlook

Demand for travel has remained strong through the first quarter of 2023, including record daily bookings in the Winter sale and the return of pre-pandemic load factors. New aircraft will increase capacity in the year, as we add fresh routes to the network and further improve our productivity and cost efficiency.

However, the impact of the recessionary environment, the ongoing war in Ukraine and broader political instability create a significant uncertainty and Virgin Atlantic is therefore not able to provide certainty that the Plausible Worst Case scenario referenced in note 3 would not occur.

If such a scenario was to occur, Virgin Atlantic would need to take further action to ensure sufficient liquidity and protect our balance sheet beyond what has been achieved to date. Please see note 3 'Basis of Preparation' for more information.

For our people, our customers and Virgin Atlantic 2023 will be another challenging year financially. We are resolutely focused on managing our costs, maximising liquidity, on serving our customers and our people, on fulfilling our vision of becoming the *most loved* travel company, as well as being *sustainably profitable*.

2023 is Virgin Atlantic's year of delivery. We are ready and eager to build on the solid foundations of our recovery, to deliver on a plan that we are confident is working.

Principal risks and uncertainties

In 2022 we defined our Top Risks across seven categories, being (i) Health, Safety and Security (ii) Financial & Macro-Economic (iii) Third Party Relationships (iv) Sustainability (v) Technology & and Cyber Security (vi) People and Brand and (vii) Regulatory and Legislative.

In light of how rapidly the risk environment has changed over the past three years, we have not included this a schedule of changes in risks year on year – as the risks are so dynamic at present, and the relative movement is constantly in flux, as to make such a schedule of little additional use to readers of the report.

Refer to the Virgin Atlantic Limited annual report for full details of the risks and uncertainties deemed to have the most significant impact on the long-term performance of the Group.

The strategic report was approved by the Board of Directors on 28 April 2023 and signed on its behalf by:

J Homerstone.

Julian Homerstone, Company Secretary

28 April 2023

Registered number: 01600117

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

Directors' Report
Registered number: 01600117

The directors present their annual report and the audited financial statements for Virgin Atlantic Airways Limited and subsidiary companies for the year ended 31 December 2022.

Directors and directors' interests

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

Sir Richard Branson	(President)
P M R Norris	(Chairman)
G D McCallum	(resigned 8 June 2022)
S J Weiss	
E H Bastian	
G W Hauenstein	(resigned 6 May 2022)
D L James	(resigned 8 June 2022)
C J A Koster	
Luigi Brambilla	
Alain Bellemare	
Oliver Byers	
J Jarvinen	
P W Carter	(appointed 6 May 2022)
A Ene	(appointed 8 June 2022)

VAA Independent Board observer

Following the successful recapitalisation in September 2020, Klaus Heinemann was appointed on behalf of certain creditors as an independent board observer to Virgin Atlantic Limited's subsidiary Virgin Atlantic Airways Limited. As part of his appointment as board observer he has rights to receive all board materials and to attend and speak at Virgin Atlantic Airways Limited board meetings, but does not hold any voting rights.

Results, business review and future developments

The results of the Group for the period are set out on page 15 and are commented on within the Strategic Report which is set out on pages one to five. The Strategic Report also contains a review of the business and the future developments.

Employees

In considering applications for employment from disabled people Virgin Atlantic seeks to ensure that full and fair consideration is given to the abilities and aptitudes of the applicant against the requirements of the job for which he or she has applied. Employees who become temporarily or permanently disabled are given individual consideration. Where possible equal opportunities for training, career development and promotions are given to disabled persons.

Within the bounds of commercial confidentiality, information is disseminated to all levels of staff about matters that affect the progress of our business and are of interest and concern to them as employees. Virgin Atlantic also encourages employees, where relevant, to meet on a regular basis to discuss matters affecting them.

Dividends

The Group did not pay a preference dividend during the year (2021 paid £nil). The Directors did not declare or pay interim ordinary dividends in respect of the year ended 31 December 2022 (2021: paid £nil).

The Directors recommend that no final ordinary dividend be paid in respect of the year ended 31 December 2022 (2021: £nil).

Overseas branches

The Group operates services to a number of countries and to facilitate this a number of overseas branches have been established in many of these countries. Virgin Atlantic has also established branches in countries to which it does not fly.

Political contributions

No company in the Group made any political donations or incurred any political expenditure during the year (2021: £nil).

Going concern

The Directors have satisfied themselves that it is reasonable for them to conclude it is appropriate to adopt the going concern basis for preparing these financial statements. The business activities, performance, strategy, risks and financial position of the Group are set out elsewhere in these reports and financial statements. The Directors have a reasonable expectation that the Group has adequate resources to continue operating for the foreseeable future, although material uncertainties do exist that may cast significant doubt on the Group's ability to continue as a going concern as set out in Note 3 to the financial statements.

Directors' and Officers' liability insurance

The Group has purchased Directors' and Officers' liability insurance for the benefit of the Directors and Officers of the Company and its subsidiaries.

Auditors

Pursuant to Section 487 of the Companies Act 2006, KPMG LLP as existing auditors will be deemed to be reappointed and will therefore continue in office.

Disclosure 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 auditors are unaware and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Section 172(1) Statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a director to have regard to (amongst other matters) the:

- Likely consequences of any decisions in the long-term;
- Interests of the company's employees;
- Need to foster the company's business relationships with suppliers, customers and others;
- Impact of the company's operations on the community and environment;
- Desirability of the company maintaining a reputation for high standards of business conduct, and
- Need to act fairly as between members of the company.

The Directors understand that how we behave matters not only to our people but also to the many stakeholders who have an interest in our business. We believe that productive business relationships with our suppliers, customers and other key stakeholders are key to the ongoing success of the Group and that the interests of relevant parties should be considered when making decisions that may impact them. Though engagement is carried out by those most relevant to the stakeholder or issue in question, the Directors receive updates on the engagement that has been undertaken, the reoccurring questions, concerns raised and the feedback provided by the Group's key stakeholders.

When making decisions the Directors take the course of action that they consider best leads to the success of the Group over the long-term. When doing so, they also consider the interests of the stakeholders that we interact with. The Directors acknowledge that every decision made will not necessarily result in a positive outcome for all our stakeholders but by considering the Group's purpose and values together with its strategic priorities the Directors aim to make sure its decision is consistent and predictable.

We set out throughout the Strategic Report some examples of how the Directors have had regard to the matters set out in section 172(1) (a) to (f) when discharging their section 172 duty and the effect of that on certain of the decisions taken by them, in particular on pages one to five.

By considering these matters the Directors have had regard to the matters set out in section 172(1) (a) to (f) of the Companies Act 2006 when performing their duty under section 172.

Governance Code

For the year ended 31 December 2022, under The Companies (Miscellaneous Reporting) Regulations 2019, we have applied the Wates Corporate Governance Principles for Large Private Companies ("Wates Principles"). We have adopted the Wates Principles as an appropriate framework for our corporate governance arrangements which are set out in more detail in various sections of the Virgin Atlantic Limited annual report. Its key principles are reviewed in the table below.

Purpose and Leadership, stakeholder engagement

Purpose and Leadership

Our corporate vision, values and strategy are described throughout this Annual Report and set out in detail in the Chairperson's statement and the Chief Executive Officer's report.

The Group purpose is 'Everyone can take on the World' – reflecting both our business activities and our corporate culture of inclusivity, activism and challenger spirit which has defined Virgin Atlantic throughout its existence.

Stakeholders

The Board is responsible for overseeing meaningful engagement with stakeholders including the workforce, and having regard to their views when taking decisions.

See page 7 for a summary of our stakeholder engagement.

Opportunities and Risks; Remuneration

Strategy

The Board has provided ongoing support to the Leadership Team throughout the year, in the response to the ongoing Covid-19 pandemic and in particular in the raising of finance for the Group.

Risk

The Board's role is to ensure the long-term success of the Group, whilst maintaining oversight for the identification and mitigation of risk.

Risk categories are aligned around central topics which include safety, security, sustainability and liquidity. See principle risks and uncertainties in the strategic report on page 5. The board is updated twice a year on the twice a year on the management of existing and emerging risks.

Remuneration

The Board promotes executive remuneration structures aligned to the achievement of KPIs required to deliver the long term sustainable success of the Group. Metrics which define executive director remuneration are closely aligned to key milestones and performance targets which are linked to the Group's strategy. These do not differ significantly from those of the wider Leadership Team.

By order of the Board

Julian Homerstone, Company Secretary

28 April 2023

Registered number: 01600117

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

Statement of Directors' Responsibilities In Respect Of the Annual Report, Strategic Report, the Directors' Report and the Financial Statements

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

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with UK-adopted IFRS and applicable law and have elected to prepare the parent Company 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 Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

• select suitable accounting policies and then apply them consistently;

• make judgements and estimates that are reasonable, relevant, reliable and prudent;

• for the Group financial statements, state whether they have been prepared in accordance with UK-adopted IFRS;

• for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

• assess the Group and parent 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 Group or the parent 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 parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its 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 Group and to prevent and detect fraud and other irregularities.

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

KPMG

Independent auditor's report to the members of Virgin Atlantic Airways Limited

Opinion

We have audited the financial statements of Virgin Atlantic Airways Limited ("the Group") for the year ended 31 December 2022 which comprise the Consolidated statement of comprehensive income, Consolidated statement of financial position and Company statement of financial position, Consolidated statement of changes in equity and Company statement of changes in equity, Consolidated statement of cash flows and related notes, including the accounting policies in note 3.

In our opinion:

• the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2022 and of the Group's loss for the year then ended;

• the Group financial statements have been properly prepared in accordance with UK-adopted IFRS;

• the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and

• the financial statements 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 Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to other entities of public interest. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 3 to the financial statements which indicates that under certain severe but plausible downside scenarios such as further escalation in the ongoing war in Ukraine and its impact on fuel prices, sustained global recessionary environment and geopolitical instability, there is a risk as to whether the group and parent company would be able to secure additional funding to be able to meet liquidity requirements, such that they can continue to operate as a going concern . These events and conditions, along with the other matters explained in note 3, constitute a material uncertainty that may cast significant doubt on the group's and the parent company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Going concern basis of preparation

The directors have prepared the financial statements on the going concern basis. As stated above, they have concluded that a material uncertainty related to going concern exists. Our conclusion based on our financial statements audit work: we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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, the audit committee, internal audit and inspection of policy documentation as to the company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group and parent company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.

• Reading Board and Audit committee minutes.

• Considering remuneration incentive schemes and performance targets for management and directors.

KPMG

Independent auditor's report to the members of Virgin Atlantic Airways Limited *(continued)*

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

As required by auditing standards, and taking into account our overall knowledge of the control environment, we performed procedures to address the risk of management override of controls, in particular the risk that group management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because sales transactions are high volume, low value and non-complex in nature occurring in a largely automated, routine environment, thus reducing opportunities for systematic material fraudulent revenue recognition to occur.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the group and company-wide fraud risk management controls.

We performed procedures including:

• Identifying journal entries and other adjustments to test all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management and those posted with descriptions that could be indicative of a risk of fraud.

• 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 from inspection of the Group and parent company's regulatory and legal correspondence 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 Group and parent company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation, UK Civil Aviation Authority regulations and Association of British Travel Agents regulations and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group and parent Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on the amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognizing the nature of the Group and parent Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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

KPMG

Independent auditor's report to the members of Virgin Atlantic Airways Limited *(continued)*

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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or

• the parent Company 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 9, 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 Group and parent 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 Group or the parent 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.

KPMG

Independent auditor's report to the members of Virgin Atlantic Airways Limited *(continued)*

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.

Jeremy Hall (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square, London

E14 5GL

28 April 2023

Consolidated statement of comprehensive income

for the year ended 31 December 2022

	Note	For the year ended 31 December 2022 £m	For the year ended 31 December 2021 Restated* £m
Total revenue	6	**2,854.1**	928.0
Physical fuel		**902.4**	269.7
Airline traffic direct operating costs		**508.5**	282.3
Aircraft costs		**167.1**	156.4
Holiday distribution, marketing and selling costs		**405.8**	77.5
Employee remuneration	8	**365.7**	257.0
Other operating and overhead costs		**291.2**	48.3
Engineering and maintenance costs		**158.7**	97.2
Other depreciation and amortisation		**66.3**	66.2
(Profit)/loss on disposal of property, plant and equipment		**3.5**	(3.0)
Restructuring		**8.3**	(14.8)
Impairment of assets		**(0.1)**	9.1
Fair value losses/(gains) on derivative contracts		**53.6**	(27.8)
Other income		**(4.2)**	(9.3)
Operating loss		**(72.7)**	(280.8)
Finance income		**10.4**	1.0
Finance expense		**(276.0)**	(206.0)
Net finance costs	9	**(265.6)**	(205.0)
Loss before tax	7	**(338.3)**	(485.8)
Tax (charge)/credit	10	**(0.1)**	1.0
Loss for the year		**(338.4)**	(484.8)
Other comprehensive income (***items that may be reclassified subsequently to the income statement***)**:**			
Exchange translation differences		**-**	0.7
Losses arising during the year on cash flow hedges		**(173.3)**	(25.8)
Total comprehensive loss for the year		**(511.7)**	(509.9)

*The Group has restated comparative information (see note 5)

All amounts relate to continuing operations. The notes on pages 20 to 72 form part of these financial statements.

Consolidated statement of financial position

Registered number: 01600117

	Note	As at 31 December 2022 £m	As at 31 December 2021 Restated* £m	As at 1 January 2021 Restated* £m
Non-current assets				
Intangible assets	11	**388.6**	392.8	438.7
Property, plant and equipment	12	**2,171.2**	1,885.7	1,951.7
Deferred tax	13	**3.6**	4.0	2.9
Trade and other receivables	16	**28.1**	22.1	15.7
		2,591.5	2,304.6	2,409.0
Current assets				
Inventories	17	**38.1**	26.3	30.3
Trade and other receivables	16	**736.7**	599.2	513.2
Derivative financial instruments	15	**27.7**	1.5	2.0
Cash and cash equivalents	18	**328.7**	502.0	114.8
Restricted cash	18	**70.4**	86.5	76.6
		1,201.6	1,215.5	736.9
Total assets		**3,793.1**	3,520.1	3,145.9
Current liabilities				
Borrowings	19	**241.0**	190.0	110.8
Trade and other payables	20	**586.8**	500.9	374.2
Deferred revenue on air travel and holidays	21	**639.6**	482.8	263.4
Provisions	22	**35.6**	56.4	39.6
Derivative financial instruments	15	**30.0**	-	13.0
		1,533.0	1,230.1	801.0
Net current assets/(liabilities)		**(331.4)**	(14.6)	(64.1)
Total assets less current liabilities		**2,260.1**	2,290.0	2,344.9
Non-current liabilities				
Borrowings	19	**3,160.2**	2,712.0	2,368.8
Trade and other payables	20	**131.7**	139.3	286.4
Deferred revenue on air travel and holidays	21	**1.3**	3.4	3.3
Provisions	22	**67.3**	50.4	54.6
		3,360.5	2,905.1	2,713.1
Net liabilities		**(1,100.4)**	(615.1)	(368.2)
Equity				
Share capital		**7.0**	7.0	7.0
Capital contribution reserve		**628.0**	601.5	338.5
Hedging reserve		**(116.7)**	56.6	82.4
Currency translation reserve		**(0.4)**	(0.4)	(1.1)
Retained earnings		**(1,618.3)**	(1,279.8)	(795.0)
Total equity		**(1,100.4)**	(615.1)	(368.2)

*The Group has restated comparative information (see note 5)

These financial statements were approved by the Board of Directors on 28 April 2023 and were signed on its behalf by:

Oliver Byers
Director
28 April 2023

The notes on pages 20 to 72 form part of these financial statements.

Company statement of financial position

Registered number: 01600117

	Note	As at 31 December 2022 £m	As at 31 December 2021 Restated* £m	As at 1 January 2021 Restated* £m
Non-current assets				
Intangible assets	11	**364.0**	360.1	396.4
Property, plant and equipment	12	**2,164.0**	1,876.8	1,939.4
Investments	14	**340.4**	322.2	322.4
Trade and other receivables	16	**28.0**	22.1	30.7
		2,896.4	2,581.2	2,688.9
Current assets				
Inventories	17	**38.1**	26.3	30.3
Trade and other receivables	16	**782.0**	659.6	649.7
Investments	14	**11.8**	11.0	10.8
Derivative financial instruments	15	**26.9**	1.5	2.0
Cash and cash equivalents	18	**321.4**	497.3	103.3
Restricted cash	18	**39.2**	49.7	45.3
		1,219.4	1,245.4	841.4
Total assets		**4,115.8**	3,826.6	3,530.3
Current liabilities				
Borrowings	19	**359.1**	300.0	200.6
Trade and other payables	20	**564.2**	489.9	357.9
Deferred revenue on air travel and holidays	21	**510.8**	349.5	220.7
Provisions	22	**34.5**	55.4	37.8
Derivative financial instruments	15	**29.1**	-	12.6
		1,497.7	1,194.8	829.6
NET CURRENT ASSETS/(LIABILITIES)		**(278.3)**	50.6	11.8
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,618.1**	2,631.8	2,700.7
Non-current liabilities				
Borrowings	19	**3,449.0**	2,998.0	2,688.1
Trade and other payables	20	**131.6**	139.3	286.4
Provisions	22	**67.2**	50.4	54.6
		3,647.8	3,187.7	3,029.1
NET (LIABILITIES)/ASSETS		**(1,029.7)**	(555.9)	(328.4)
Equity				
Share capital		**7.0**	7.0	7.0
Capital contribution reserve		**581.5**	555.1	292.1
Hedging reserve		**(116.8)**	56.6	82.3
Retained earnings		**(1,501.4)**	(1,174.6)	(709.8)
Total equity		**(1,029.7)**	(555.9)	(328.4)

*The Group has restated comparative information (see note 5)

The loss for the year for the Company is £326.8m (2021: £464.8m).

These financial statements were approved by the Board of Directors on 28 April 2023 and were signed on its behalf by:

Oliver Byers
Director
28 April 2023

The notes on pages 20 to 72 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2022

	Share Capital £m	Share Premium £m	Capital Contribution Reserve £m	Hedging Reserve £m	Currency Translation Reserve £m	Retained Earnings £m	Total £m
Balance at 1 January 2021	7.0	-	483.9	82.4	(1.1)	(797.2)	**(225.0)**
Restatement			(145.4)			2.2	**(143.2)**
Restated balance at 1 January 2021	7.0	-	338.5	82.4	(1.1)	(795.0)	**(368.2)**
Capital contribution	-	-	263.0	-	-	-	**263.0**
Restated loss for the year	-	-	-	-	-	(484.8)	**(484.8)**
Other comprehensive (loss)/income for the year	-	-	-	(25.8)	0.7	-	**(25.1)**
Total comprehensive (loss)/income for the year	-	-	-	(25.8)	0.7	(484.8)	**(509.9)**
Balance at 31 December 2021	**7.0**	**-**	**601.5**	**56.6**	**(0.4)**	**(1,279.8)**	**(615.1)**
Balance at 1 January 2022	7.0	-	601.5	56.6	(0.4)	(1,279.8)	**(615.1)**
Capital contribution	-	-	26.5	-	-	-	**26.5**
Loss for the year	-	-	-	-	-	(338.4)	**(338.4)**
Other comprehensive (loss)/income for the year	-	-	-	(173.3)	-	-	**(173.3)**
Total comprehensive (loss)/income) for the year	-	-	-	(173.3)	-	(338.4)	**(511.7)**
Balance at 31 December 2022	**7.0**	**-**	**628.0**	**(116.7)**	**(0.4)**	**(1,618.3)**	**(1,100.4)**

Share capital includes 6,954,381 (2021: 6,954,381) ordinary shares of £1 each.

In 2020, as part of the Group's solvent recapitalisation, certain liabilities were novated to the parent company, Virgin Atlantic Limited (VAL), resulting in a capital contribution. VAL then exchanged preference shares issuable to its shareholders for payments of these liabilities over the period 2020 – 2025. At 31 December 2022, VAL had issued a total of £107.9m (2021: £87.8m) preference shares in respect of these liabilities, which resulted in capital contributions of £24.5m in the year (2021: £21.4m). The remaining preference shares will be issued annually based on the actual amounts incurred in the preceding financial year.

No loans from shareholders were received in 2022. In 2021 Virgin Investments Limited and Delta Air Lines Incorporated advanced loans to the Group (refer to note 24). These loans were recognised at fair value, with the difference between nominal and fair value resulting in a capital contribution of £241.6m.

The notes on pages 20 to 72 form part of these financial statements.

Company statement of changes in equity

for the year ended 31 December 2022

	Share Capital £m	Share Premium £m	Capital Contribution Reserve £m	Hedging Reserve £m	Retained Earnings £m	Total £m
Balance at 1 January 2021	7.0	-	437.5	82.3	(712.0)	(185.2)
Restatement			(145.4)		2.2	(143.2)
Restated balance at 1 January 2021	7.0	-	292.1	82.3	(709.8)	(328.4)
Capital contribution	-	-	263.0	-	-	263.0
Loss for the year	-	-	-	-	(464.8)	(464.8)
Other comprehensive income/(expense) for the year	-	-	-	(25.7)	-	(25.7)
Total comprehensive income/(expense) for the year	-	-	-	(25.7)	(464.8)	(490.5)
Balance at 31 December 2021	7.0	-	555.1	56.6	(1,174.6)	(555.9)
Balance at 1 January 2022	7.0	-	555.1	56.6	(1,174.6)	(555.9)
Capital contribution	-	-	26.4	-	-	26.4
Loss for the year	-	-	-	-	(326.8)	(326.8)
Other comprehensive income/(expense) for the year	-	-	-	(173.4)	-	(173.4)
Total comprehensive income/(expense) for the year	-	-	-	(173.4)	(326.8)	(500.2)
Balance at 31 December 2022	7.0	-	581.5	(116.8)	(1,501.4)	(1,029.7)

During the year, a capital contribution of £26.4m (2021: £263.0m) was made into the Company from a parent company, Virgin Atlantic Limited. For further details, refer to the Consolidated Statement of Changes in Equity.

Share capital includes 6,954,381 (2021: 6,954,381) ordinary shares of £1 each.

The notes on pages 20 to 72 form part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2022

	Note	2022 £m	2021* £m
Net cash from/(used in) operating activities	**29**	**115.4**	(84.1)
Purchase of PPE		**(63.0)**	(13.0)
Purchase of intangible assets		**(45.8)**	(8.8)
Proceeds from sale of PPE and intangible assets		**1.8**	95.3
Interest received		**10.4**	0.4
Net cash used in investing activities		**(96.6)**	73.9
Payment of long term borrowings		**(92.0)**	(87.7)
Drawdown on revolving credit facility		**-**	(9.6)
Payment of lease liabilities		**(139.4)**	(62.1)
New borrowings	19	**14.8**	557.8
Net cash from financing activities		**(216.6)**	398.4
Net increase/(decrease) in cash and cash equivalents		**(197.8)**	388.2
Cash and cash equivalents at beginning of year	**18**	**502.0**	114.8
Effect of foreign exchange rate changes		**24.5**	(1.0)
Cash and cash equivalents at end of year	**18**	**328.7**	502.0

*The prior year comparative information has been restated to re-present the following items within operating activities: (i) restricted cash movements of £9.9m previously shown within financing activities have been re-presented within operating activities to more closely align with the nature of the restrictions over cash; and (ii) the interest component of lease repayments totalling £106.6m previously shown within financing activities has been re-presented as interest paid within operating activities to ensure consistency with the presentation of interest paid on borrowings.

The notes on pages 20 to 72 form part of these financial statements.

Notes to the financial statements

1 General information

Virgin Atlantic Airways Limited, (the 'Company') and its subsidiaries (the 'Group') is principally a passenger airline with a significant tour operations component, operating primarily from the United Kingdom. Further details on the nature of the Group's operations and its principal activities can be found within the Strategic Report on pages 1 to 5.

The Company is a private limited company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of its registered office is given on page 61.

2 Statement of compliance with IAS

The Group financial statements have been prepared and approved by the directors in accordance UK-adopted international accounting standards ("UK-adopted IFRS").

The separate financial statements of the Company were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). 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, but makes amendments where necessary in order to comply with Companies Act 2006. Under section s408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Comparative period reconciliations for tangible fixed assets, intangible assets, deferred tax and borrowings.

The principal accounting policies adopted by the Group and by the Company are set out in note 3.

3 Accounting polices

Basis of preparation

The Group financial statements have been prepared on the historical cost basis, except for certain financial instruments that are recorded at fair value. These financial statements are presented in pounds Sterling as that is the currency of the primary economic environment in which the Group operates. All values are rounded to the nearest hundred thousand pounds, except where indicated otherwise.

The principal accounting policies adopted, which have been applied consistently in the current and the prior financial year, are outlined below.

Basis of consolidation

The Group's consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company ('its subsidiaries') made up to 31 December each year. Control is achieved where the Company is exposed, or has the rights, to variable returns from an investee and has the ability to affect those returns through its power over the investee.

The financial statements of subsidiaries are deconsolidated from the date that control ceases. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Restatement of comparative information

The Group has reassessed the accounting treatment applied to certain obligations owed to shareholders which had been treated as share-based payments and were recognised within equity reserves. As a result, the prior year comparatives have been restated (refer to note 5).

Notes to the financial statements *(continued)*

Going concern

In determining the appropriate basis of preparation of the financial statements for the year ended 31 December 2022, the Directors are required to consider whether the Group and Company can continue in operational existence for at least the 12-month period from April 2023. The Board has concluded that it is appropriate to adopt the going concern basis, having assessed the financial forecasts with specific consideration to the trading position of the Group and Company in the context of the global recovery from the Coronavirus pandemic, the ongoing war in Ukraine and continuing economic pressures.

Passenger revenue performed increasingly strongly through 2022. Despite flying 25% fewer passengers, passenger revenue was only £20m below 2019. Capacity increased dramatically in the year as operations ramped up at pace, with ASKs over 250% higher than 2021. Despite industry-wide challenges we achieved completion factors of 99.5% through the summer period, with fewer cancellations and delays than our competitors. A high pricing environment drove record PRASK results through the Summer and into the fourth quarter, enabling us to recover a material portion of the higher fuel prices. A tight focus on maintaining the cost measures implemented in 2020 also enabled us to keep increases in overheads and direct operating costs below UK inflation. As at the balance sheet date, cash totalled £399m, including £70m of restricted cash, and borrowings (including leases) totalled £3,401m (refer to note 19). There were no contractually available facilities which were not drawn down.

To assess Going Concern, the Directors have prepared two scenarios – the 'Plan of Record' and the 'Plausible Worst Case'. In assessing the Plan of Record, the Directors have considered the following assumptions:

- An increase in flying capacity, returning to 2019 levels by the end of the year;
- A c. 20% reduction in fuel cost;
- An easing of CPI inflation to 6.5%;
- Macroeconomic slowdown across principal markets (UK GDP to decrease 1% over the year from 3.5% growth in 2022; USD GDP to slow to 0.7% from 1.7% growth in 2022), negatively impacting yields;
- A stabilisation of USD/GBP foreign exchange rates at USD 1.22: GBP 1;
- Limited impact of border and travel restrictions;
- Continued recovery of corporate demand; and
- Easing of cargo demand across the year.

This scenario results in forecast 2023 passenger revenues improving 25% over 2022 performance, with unrestricted cash being sufficient to meet all Group liquidity and slot covenant requirements, ensuring the business is able to operate for at least the 12-month period from April 2023. This includes the ability to meet all creditor repayments.

The Directors have also modelled a Plausible Worst Case scenario, reflecting external factors that could have an acute impact on the Group's financial performance beyond the assumptions already built into the Plan of Record. We have assessed the impact of a 10% increase in fuel prices, a 10% worsening of the USD/GBP exchange rate and the risk that cost-of-living pressures impact customer demand beyond the summer peak, leading to reduced passenger unit revenue per ASK through the winter season. This impact is incremental to the risk of a reduction in yields throughout the going concern period that is already incorporated into the Plan of Record. In this Plausible Worst Case scenario, free cash levels would breach current liquidity requirements (£150m cash required by the CAA) and covenant levels (EBITDA of £230m) in September 2023.

In the unlikely event that the above scenario transpires, additional mitigating actions being considered by the Directors include:

- Deferral of expenditure;
- Further shareholder support;
- Additional cost reduction activities; and
- Review of network and profitability.

Having reviewed the Plan of Record, the Plausible Worst Case scenario and additional sensitivities, the Directors have a reasonable expectation that the Group has adequate resources to be able to meet its current obligations for at least the 12-month period from April 2023, and therefore believe that it remains appropriate to prepare the financial statements on a going concern basis.

Notes to the financial statements *(continued)*

However, a number of factors are not within the Group's control, including the war in Ukraine, the global recessionary environment and geopolitical instability. Should the Plausible Worst Case scenario occur as a result of these, additional funding would need to be secured. The Group's ability to obtain additional finance in the case of this severe scenario represents a material uncertainty that could cast significant doubt on the Group's and parent company's ability to continue as a going concern. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Revenue and revenue recognition

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

Passenger revenue

Passenger revenue encompasses passenger ticket sales, net of passenger taxes and discounts, and revenue received from Virgin Red, the Virgin Group loyalty company. Passenger ticket sales are generally paid for in advance of travel, and are recorded within deferred income, until recognised as revenue when the transportation occurs. Unused tickets are recognised as revenue when the right to travel has expired, which is determined by the terms and conditions of the associated ticket.

Points earned and redeemed via the Group's loyalty scheme, Flying Club, are administered via Virgin Red, an entity outside of the Group, and therefore no obligation for the Group is created for future redemptions on issuance of loyalty awards. Revenue generated via redemption of loyalty awards and purchase of loyalty awards are recognised net within revenue when the transportation occurs.

If a flight is cancelled, the passenger is entitled to receive either a refund, an alternative flight or a voucher for future travel. Where a voucher is issued, no revenue is recognised until either the voucher is redeemed through transportation services or it expires. Revenue is stated net of compensation for flight delays and cancellations, taking into consideration the level of expected claims.

Holiday revenue

The Group records revenue on a net basis after deducting customer discounts and value added tax. For revenue relating to travel services arranged by the Group's travel providers, the performance obligation is the provision of a holiday package; this is treated as a single performance obligation which is delivered over the duration of the holiday, and as such revenue is recognised in the income statement pro rata across the duration of the holiday. Where the Group's role in the transaction is that of an Agent, revenue is recognised on a net basis with revenue representing the margin earned. This revenue is recognised on the date of booking.

The Group receives grants from overseas local authorities in relation to its tour operations business and in accordance with IAS 20, has accounted for these as a deduction to expenses over the period of the performance obligation.

Cargo revenue

Revenue arising from the provision of cargo services is recognised at the point of departure.

Compensation payments

Income resulting from claims for compensation payments/ liquidated damages from suppliers is recognised as either income or as reduction of costs in the income statement. Income will be recognised where it is over and above the costs suffered, when all performance obligations are met, including when a contractual entitlement exists, it can be reliably measured and it is probable that economic benefits will accrue to the Group.

When compensation is received to specifically cover additional costs suffered, it will be netted against applicable lines in the income statement. Where claims related to the acquisition of an asset (such as aircraft) do not relate to compensation for loss of income or towards incremental operating costs, the amounts are recorded as a reduction in the cost of the related asset to reflect the substance of the transaction.

Notes to the financial statements *(continued)*

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received. Grants that compensate the Group for expenses incurred are recognised in the income statement in the relevant financial statement line item in line with the periods in which the expenses are recognised.

The Coronavirus Job Retention Scheme (CJRS)

The CJRS was implemented by the government of the United Kingdom to cover a portion of the wage costs of eligible employees designated as 'furloughed' through the covid-19 pandemic. The scheme ended in September 2021.

Such costs were paid by the government to the Group in arrears. CJRS was recognised in the period to which the underlying furloughed staff costs related; this was recorded as a deduction and presented net of wages expenditure within employee remuneration in accordance with IAS 20.29.

Emissions Trading Scheme

The Group accrues for emissions allowances under the UK and EU Emissions Trading Schemes based on the market price of allowances required. The corresponding expense is recorded within Physical fuel costs.

Translation of foreign currencies

The consolidated accounts of the Group are presented in pounds Sterling, which is the Company's functional currency and the Group's presentation currency. Certain subsidiaries have operations that are primarily influenced by a currency other than Sterling.

For the purposes of presenting consolidated financial statements, the assets and liabilities associated with the Group's foreign subsidiary undertakings are translated at exchange rates prevailing on the balance sheet date. Income and expense items associated with the Group's foreign subsidiary undertakings are translated at the average exchange rate for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in shareholders' equity. On disposal of a foreign operation, all of the accumulated exchange differences in respect of that subsidiary, attributable to the Group are reclassified to the consolidated income statement.

Transactions arising, other than in the functional currency, are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated using the rate of exchange ruling at the balance sheet date.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

All other profits or losses arising on translation are dealt with through the income statement. Any gains or losses arising on the re-translation of foreign currency cash balances held in the short-term to meet future trading obligations are reported within other operating and overhead costs in the income statement.

Employee benefits

Pension

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in independently administered funds. The amount charged to the income statement represents the contributions payable to the scheme by the Group in respect of the accounting period.

Share based payments: Long Term Incentive Plan (LTIP)

The Group accrues for any element of foreseeable future awards for employees and directors under LTIPs which have been agreed by the Board of Directors, and which are deemed to have been earned in the current period.

Notes to the financial statements *(continued)*

The Group operates a cash-settled scheme; a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled and at the date of settlement, the fair value of the liability is re-measured, with any changes in fair value recognised in the income statement for the year.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax.

Current tax

The Group's liability for current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable or receivable is based on taxable profit or loss for the year. Taxable profit differs from net profit or loss as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it excludes items that are never taxable or deductible.

Deferred tax

Deferred tax is provided in full on all temporary differences relating to the carrying amount of assets and liabilities, where it is probable that the recovery or settlement will result in an obligation to pay more, or a right to pay less, tax in the future, with the following exceptions:

- In respect of taxable temporary differences associated with investments in subsidiaries or associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- Deferred income tax assets are recognised only to the extent that it is probable (more likely than not) that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

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 it is the intention to settle these on a net basis.

Intangible assets

Intangible assets are held at cost and amortised on a straight-line basis over their economic life, with the exception of those deemed to have an indefinite economic life. The latter are not amortised, but tested annually for impairment. The carrying value of intangibles is reviewed for impairment if and when events or changes in circumstances indicate the carrying value may not be recoverable.

Landing rights

Landing rights acquired from other airlines are capitalised at cost on acquisition. Subsequently they are accounted for at cost less any accumulated impairment losses. Capitalised landing rights based within the EU (including UK) are not amortised, as regulations provide that these landing rights are perpetual. Instead, they are subject to annual impairment reviews as part of the airline CGU.

Goodwill

Where the cost of a business combination exceeds the fair value attributable to the net assets acquired, the resulting goodwill is capitalised and tested for impairment annually and whenever indicators exist that the carrying value may not be recoverable.

Notes to the financial statements *(continued)*

Agreements: Delta Air France-KLM transatlantic contract and brand license

The cost of entering into an agreement which will give rise to future economic benefits is capitalised and amortised on a straight line basis over the length of the agreement. The Group applies judgement in considering whether any payments made on entering into such arrangements or amended arrangements are the costs of the new arrangement, resulting in the recognition of an asset reflecting the benefit of the arrangement, or expensed as a cost of terminating an existing agreement These agreements relate to access to the expanded joint arrangement with Delta and Air France-KLM and the use of the Virgin Atlantic and Virgin Holidays brand (see note 11 and note 24). The carrying value is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Software

The cost of purchase or development of computer software that is separable from an item of related hardware is capitalised separately. Core system assets are amortised over a period of twelve years; other software is amortised over a period not exceeding six years on a straight-line basis. Computer software and systems are carried at cost less accumulated amortisation.

Development expenditure on activities is capitalised if the product or process is technically and commercially feasible and the Group intends to, and has the technical ability and sufficient resources to, complete development and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. The expenditure capitalised includes the cost of materials and direct labour. Other development expenditure is recognised in the income statement as an expense as incurred.

Expenditure relating to the setting up of new routes and introducing new aircraft to the fleet is charged to the income statement as incurred.

Property plant and equipment ('PPE')

Property, plant and equipment is held at cost. The Group has a policy of not revaluing property, plant and equipment. Depreciation is calculated to write off the cost less estimated residual value on a straight-line basis, over the economic life of the asset or the period of the underlying lease if shorter. Residual values and useful economic lives of assets are reviewed annually against prevailing market values for equivalently aged assets and depreciation rates are adjusted accordingly on a prospective basis.

The carrying value is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable and the cumulative impairment losses are shown as a reduction in the carrying value of property, plant and equipment.

The gain or loss on disposal of property, plant, equipment and intangible assets after deducting any costs associated with selling, disposing of or retiring the relevant asset is recognised in the income statement.

Fleet

All aircraft are stated at the fair value of the consideration given after taking account of manufacturers' credits or discounts. An element of the cost of a new aircraft is attributed on acquisition to prepaid maintenance of the landing gear, thrust reversers and airframe, and is depreciated over a period of up to 12 years from the date of purchase to the date of the next scheduled maintenance event for the component.

Aircraft and engine maintenance costs in respect of major overhauls of owned aircraft which are typically carried out at intervals greater than one year are capitalised and depreciated by reference to their units of economic consumption, typically hours or sectors flown. Part of the initial cost of new or used aircraft is treated as such maintenance expenditure based upon its maintenance status on acquisition and the current cost of the maintenance events.

The balance of aircraft and engine cost is depreciated on a straight-line basis over periods of up to twenty years, so as to reduce the cost to estimated residual value at the end of that period. The effective depreciation rate per annum in respect of new wide-bodied aircraft is approximately 5%.

For installed engines maintained under 'pay-as-you-go' contracts, the useful economic lives are the same as the aircraft to which the engines relate.

Notes to the financial statements *(continued)*

Aircraft and engine spares acquired on the introduction or expansion of the fleet as well as rotable spares purchased separately are carried as PPE and are generally depreciated in line with the fleet to which they relate. The Group depreciates such spares on a straight-line basis so as to reduce the cost or valuation to estimated residual value at the end of their useful lives. The effective depreciation rate per annum in respect of rotable spares is 7.25% or 12.5% dependent on type.

Cabin interior modifications, including those required for brand changes and relaunches, are depreciated over six to eight years.

Subsequent costs, such as long-term scheduled maintenance and major overhaul of aircraft, are capitalised and amortised over the length of period benefiting from these costs. All other replacement spares and other costs relating to maintenance of fleet assets (including maintenance provided under 'pay-as-you-go' contracts) are charged to the income statement on consumption or as incurred respectively.

Financing costs incurred on borrowings to fund progress payments on assets under construction, principally aircraft, are capitalised as incurred, up to the date of the aircraft entering service and is then included as part of the asset.

Advance payments and option payments made in respect of aircraft and engine purchase commitments and options to acquire aircraft where the balance is expected to be funded by lease financing or outright purchase are recorded at cost in current or non-current aircraft deposits. On acquisition of the related aircraft, these payments are included as part of the cost of aircraft and are depreciated from that date.

Expenditure incurred on modifications to aircraft under leases, is depreciated on a straight-line basis to a nil residual value over a period not exceeding the remaining lease period.

Land/buildings, assets in the course of construction, fixtures and fittings

No depreciation is provided in respect of assets in the course of construction.

Plant and machinery, fixtures and fittings are depreciated at the following rates, which are reviewed annually:

Fixtures and fittings	20% - 25% on cost
Plant and equipment	10% - 33% on cost
Computer equipment and software	8% - 33% on cost
Motor vehicles	25% on cost
Leasehold improvements	lower of useful economic life or period of lease

Impairment of non-current assets

At each balance sheet date, the Group reviews the carrying amounts of its non-current 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 in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use.

Aircraft deposits

Aircraft deposits are capitalised and represent deposits made with aircraft manufacturers for future delivery of aircraft or deposits made with aircraft financiers or operating lessors to provide security for future maintenance work or lease payments.

Leases

Lease contracts, as defined by IFRS 16 'Leases', are recorded on the balance sheet, leading to the recognition of a right-of-use asset representing the Group's right to use an asset during the term of the lease contract and a lease liability relating to the payment obligation.

Notes to the financial statements *(continued)*

Measurement of the Right-of-use asset

Right-of-use assets are measured at cost and comprise the amount equal to the initial measurement of the lease liability, adjusted for (if applicable) lease incentives, initial direct costs incurred for the arrangement of the contract, estimated costs for returning the leased asset to the condition required by the terms of the contract, discounted to reflect the present value on initial recognition.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date over the useful life of the underlying asset (lease term for the rentals). The Group has included restoration costs in the right of use asset as required by IFRS 16 (see provisions policy).

The Group presents right-of-use assets in 'property, plant and equipment' in the statement of financial position.

Measurement of the lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease if readily available, or otherwise the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments;
- Variable lease payments that depend on an index (such as LIBOR), initially measured using the index in force at the commencement of the lease;
- Amounts expected to be payable by the lessee under residual value guarantees; and
- Payments for options to purchase, or for terminating the lease if the lease term reflects these options.

The lease liability is subsequently measured based on a process similar to the amortised cost method:

- The liability is increased by accrued interest resulting from the discounting of the lease liability at the beginning of the lease period; and
- The liability is reduced by lease payments made.

In addition, the lease liability may be remeasured in the following situations:

- Change in the lease term;
- Modification related to the assessment of the likelihood of an option being exercised;
- Remeasurement linked to residual value guarantees;
- Adjustment to the indices on which the rents are calculated when rent adjustments occur; and
- Changes in foreign exchange rate, for lease liabilities due in foreign currency.

When there is a change in the lease term, change in assessment of purchase option or change in floating interest rate, a revised discount rate is applied, resulting in an adjustment to the right of use asset and lease liability.

The Group presents lease liabilities in 'borrowings' in the statement of financial position.

Sale and leaseback

In sale and leaseback transactions where the Group sells and then leases back aircraft, provided it meets the criteria of a sale per IFRS 15, the Group measures the right of use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Group. If a sale has not occurred, the asset is retained on balance sheet within property, plant & equipment with a corresponding finance liability recognised under IFRS 9.

Notes to the financial statements *(continued)*

Short term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets, with a value equal to or less than $5,000, and shorter-term leases, with a duration equal to or less than 12 months. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Inventories

Inventories are stated at the lower of cost and net realisable value. Provision is made for obsolete, slow-moving or defective items where appropriate. Any full write off for a specific fleet type is considered to be an impairment charge. Aircraft inventory includes aircraft parts which are expendable and non-renewable.

Unremitted cash

Unremitted cash comprises amounts owed by card acquirers for flights sold.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Leased aircraft maintenance provisions

The Group incurs liabilities for maintenance costs in respect of aircraft treated as right of use assets during the term of the lease. These arise from legal and constructive contractual obligations relating to the condition of the aircraft when it is returned to the lessor. The Group has included restoration costs in the right of use asset as required by IFRS 16.

To discharge these obligations, the Group will either need to compensate the lessor for the element of the life of the component or maintenance interval used, or carry out the maintenance check before return of the aircraft to the lessor.

The provisions recorded and charged to the income statement are dependent on the life of the component or maintenance interval used and the individual terms of the lease:

- Where no compensation or maintenance is required prior to hand-back, maintenance events are expensed as incurred and no provision is recorded
- Where compensation or maintenance is required prior to hand-back, a provision is recorded during the initial period of lease agreements at an amount corresponding to the proportion of usage; and
- After a component or maintenance interval has passed the trigger point such that the Group is contractually obliged to carry out the specified work (in order to meet the return conditions), a full provision for the cost of work is recorded.

To the extent that this provision represents an increase to any provision accrued for usage up to the trigger point, a maintenance asset is recorded within property, plant, and equipment. The asset is depreciated over the expected period to the next maintenance event, or the end of the lease, whichever is sooner.

Where maintenance is provided under 'power by the hour' contracts and maintenance is paid to maintenance providers to cover the cost of the work, these payments are expensed as incurred.

Maintenance deposits (supplemental rents) which are refundable are recorded as other receivables. Estimates are required to establish the likely utilisation of the aircraft, the expected cost of a maintenance check at the time it is expected to occur, the condition of an aircraft and the lifespan of life-limited parts. Where such maintenance deposits are non-refundable and the likely utilisation of the aircraft is not expected to trigger a maintenance event, the balance is deemed irrecoverable and expensed as incurred with any associated maintenance provisions reduced to reflect the fact that the Group has already paid for the related maintenance work.

Notes to the financial statements *(continued)*

The bases of all estimates are reviewed once each year and also when information becomes available that is capable of causing a material change to an estimate, such as renegotiation of end of lease return conditions, increased or decreased utilisation, or unanticipated changes in the cost of heavy maintenance services. For owned aircraft and engines, major overhaul expenditure is capitalised and depreciated by reference to the units of economic consumption, typically hours or sectors flown.

Restructuring provisions

Restructuring provisions are recognised when the Group has developed a detailed formal plan for the restructuring and has raised valid expectations in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Property provisions

Leasehold dilapidations are discounted only when the interest rate has a material impact on the provision. Any associated unwinding of the discount is taken to the income statement.

Passenger delay compensation

A provision is made for passenger compensation claims when the Group has an obligation to recompense customers under regulations. Provisions are measured based on known eligible flights delays and historic claim rates and are expected to unwind across the claim window, which is deemed to be six years. Compensation related to delayed or cancelled flights are treated as deductions from revenue in line with IFRS interpretation committee (IFRIC) conclusions pursuant to IFRS 15.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the relevant instrument. In accordance with IFRS 9 Financial Instruments, financial instruments are recorded initially at fair value. Subsequent measurement of those instruments at the balance sheet date reflects the designation of the financial instrument.

The Group determines the classification at initial recognition and re-evaluates this designation at each period end except for those financial instruments measured at fair value through the income statement.

Derivative financial instruments and hedging

The Group uses various derivative financial instruments to manage its exposure to foreign exchange, jet fuel price and interest rate risks. Derivative financial instruments are initially recognised and subsequently re-measured at fair value through profit or loss ('FVTPL'). The treatment of gains and losses arising from the revaluation of such instruments is accounted for through the income statement.

Hedge accounting is not applied to these instruments. The Group does not use derivative financial instruments for trading purposes.

Cash flow hedging

The Group applies cash flow hedging to certain financial liabilities held in foreign currency in accordance with IFRS9. The Group determines the existence of an economic relationship between the hedging instruments and hedged item based on the currency, amount and timing of their respective cash flows. The hedge ratio applied is 1:1.

Non-derivative financial assets

Non-derivative financial assets are deemed to be assets which have no fixed or determinable payments that are not quoted in an active market and would therefore be classified as 'loans and receivables'. Such non-derivative financial assets are measured at amortised cost using the effective interest method, less any impairment and include trade and other receivables.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Notes to the financial statements *(continued)*

Cash and cash equivalents

Cash comprises cash held in bank accounts and money market deposits repayable on demand with no access restrictions, less overdrafts payable on demand.

Restricted cash

Restricted cash represents funds held by the Group in bank accounts, which cannot be withdrawn until certain conditions have been fulfilled, and is classified as current or non-current based on the estimated remaining length of the restriction. Movements in restricted cash are shown within financing activities in the consolidated statement of cash flows.

Impairment of non-derivative financial assets

The Group assesses at each balance sheet date whether a non- derivative financial asset or group of financial assets is impaired. The 'expected credit loss' approach is taken when calculating impairments on financial assets. All financial assets are reviewed for potential prospective losses and an impairment applied accordingly.

De-recognition of non-derivative financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Non-derivative financial liabilities

Loans and receivables are non-derivative financial liabilities, initially recorded at fair value less directly attributable transaction costs, and subsequently at amortised cost, and include trade and other payables, borrowings and provisions. Interest expense on borrowings is recognised using the effective interest method. Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Certain leases contain interest rate swaps that are closely related to the underlying financing and, as such, are not accounted for as an embedded derivative.

De-recognition of non-derivative financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. 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 the income statement.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the costs of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Investments in subsidiaries

The Company's investments in subsidiaries are held at cost less accumulated impairments.

Notes to the financial statements *(continued)*

4 Significant judgements, estimates and critical accounting policies

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances. Actual results could differ from these estimates and the underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following accounting policies and judgements are considered critical as they require a significant amount of management judgement and the results are material to the Group's financial statements.

The estimates and assumptions that affect the current year or have a significant risk of causing a material adjustment within the next financial year are as follows:

Significant judgements

Income Taxes

As at 31 December 2022 the Group recognised deferred tax assets of £3.6m (2021: £4.0m). The Group recognises deferred income tax assets only to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised. Management considers the operating performance in the current year and the future projections of performance laid out in the approved business plan in order to assess the probability of recoverability. The business plan relies on the use of assumptions, estimates and judgements in respect of future performance and economics.

Determining the lease term of contracts with renewal and termination costs

The Group applies judgement in evaluating whether it is reasonably certain whether or not it will exercise the option to renew or terminate the lease. Such judgement includes consideration of fleet plans which underpin approved business plans, and historic experience regarding the extension of leases. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that affects the Groups ability to exercise or not to exercise the option to renew or to terminate.

Sale and leaseback transactions

The Group applies judgement as to whether finance raised for purchase of aircraft is treated as a lease per IFRS 16 or a financial liability per IFRS 9. In sale and leaseback transactions where the Group sells and then leases back aircraft, provided it meets the criteria of a sale per IFRS 15, the Group measures the right of use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Group. If a sale has not occurred, the asset is retained on balance sheet within property, plant & equipment with a corresponding finance liability recognised under IFRS 9. No sale and leaseback transactions occurred in the year ended 31 December 2022.

Determining the fair value of loan arrangements

The Group applies judgement in determining whether loan arrangements are at arm's length. If loan arrangements are deemed not to be at arm's length, the Group estimates the fair value of the loans on inception, using information available both internally and externally, for example attributes of similar financing arrangements which are at arm's length. Where there are loan arrangements with shareholders, any difference between nominal value and fair value of the loans on inception is recognised as a capital contribution.

Significant estimates

Impairment of non-financial assets (note 11)

The recoverable amount of cash-generating units have been determined based on value-in-use calculations. The relevant sensitivity analysis relating to this estimate can be found in note 11.

Notes to the financial statements *(continued)*

Residual value and useful economic lives of assets (note 12)

The carrying amounts of property, plant and equipment as at 31 December 2022 were £2,171.2m (2021: £1,885.7m). The Group estimates useful lives and residual values of property, plant and equipment, including fleet assets. Useful lives and residual values are reassessed annually taking into consideration the latest fleet plans and other business plan information.

Maintenance Provision

As at 31 December 2022 maintenance provisions totalled £53.0m (2021: £54.5m). The critical estimates required for the provision are; the aircraft utilisation, the expected costs of maintenance checks, the condition of the aircraft, renegotiation of end of lease return conditions, increased or decreased utilisation and the lifespan of life-limited parts. The basis of all estimates are reviewed once a year and when information becomes available. If expected costs of maintenance were to escalate by 4% then this would result in an increase to the maintenance provision of £2.1m.

Impact of new International Financial Reporting Standards and interpretations not yet adopted

The following UK-adopted IFRSs have been issued but are not yet effective. Their adoption is not expected to have a material effect on the financial statements:

- IFRS 17 Insurance Contracts, Amendments to IFRS 17 and Initial Application of IFRS17 and IFRS 9 – Comparative Information (effective date 1 January 2023).
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current (effective date 1 January 2024).
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to introduce a new definition for accounting estimates (effective date 1 January 2023).
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statements 2 Making Materiality Judgements (effective date 1 January 2023).
- Amendments to IAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (effective date 1 January 2023).

Notes to the financial statements *(continued)*

5 Restatement of comparative information

In late 2022, the Financial Reporting Council (FRC) submitted a request for further information on the Virgin Atlantic Limited annual report and accounts (ARA) for the year ended 31 December 2021. The review conducted by the FRC was based solely on Virgin Atlantic Limited's published ARA and does not provide any assurance that the ARA are correct in all material respects. In response to the FRC's request for further information, the Directors have reassessed the accounting treatment applied to certain obligations owed to shareholders of Virgin Atlantic Limited which were recognised within the Group's equity reserves.

In January 2020 the Group entered into a joint arrangement with Delta Air Lines Inc. and Air France-KLM S.A. (refer to note 24), expanding the joint arrangement which previously existed between the Group and Delta Air Lines Inc. An intangible asset representing access to the expanded joint arrangement and associated benefits expected to be gained, and a corresponding liability representing annual settlements due as a result of transitioning to the expanded joint arrangement was recognised. Subsequently during 2020 it was agreed that annual amounts for the years 2020 - 2024 would be novated to Virgin Atlantic Limited and settled in exchange for issue of preference shares rather than cash, and settlement amounts for years 2020 - 2024 were reclassified to equity in the Group as a capital contribution. The annual settlements are variable per the terms of the contract, and as such do not meet the criteria to be recognised within equity; instead, the full obligation is recognised as a liability until the annual settlement crystallises at the end of each financial year, and the settlement for that year is no longer variable. The prior periods have been restated in order to remove these items from equity, and recognise a liability held at amortised cost, plus an embedded derivative held at fair value to account for the variable element of the contract.

In reassessing the accounting treatment, the discount rate used to determine fair value at initial recognition was also re-visited and amended to reflect a market participant rate. The restatement also includes the impact of the updated discount rate which reduced the liability and corresponding intangible asset initially recognised in January 2020. In previous years, the equity balance was adjusted for the variability in settlement amounts. Under the revised accounting, the variability in settlement amounts is captured through fair value movements in the embedded derivative. In both cases these movements are included within the other operating costs line of the income statement. In addition, the change in initial value of the intangible asset reduces the annual amortisation charge and the change in initial value of the liability held at amortised cost increases the annual finance charge.

The following tables summarise the impacts of the restatement on the Group's statement of financial position and its statement of comprehensive income, and the Company's statement of financial position.

Notes to the financial statements *(continued)*

Consolidated statement of financial position

	1 January 2021 As originally presented £m	Change £m	1 January 2021 Restated £m	31 December 2021 As originally presented £m	Change £m	31 December 2021 Restated £m
Non-current assets						
Intangible assets and goodwill	459.9	(21.2)	438.7	412.5	(19.7)	392.8
Property, plant and equipment	1,951.7		1,951.7	1,885.7		1,885.7
Deferred tax	2.9		2.9	4.0		4.0
Trade and other receivables	15.7		15.7	22.1		22.1
	2,430.2	**(21.2)**	**2,409.0**	**2,324.3**	**(19.7)**	**2,304.6**
Current assets						
Inventories	30.3		30.3	26.3		26.3
Trade and other receivables	513.2		513.2	599.2		599.2
Derivative financial instruments	2.0		2.0	1.5		1.5
Cash and cash equivalents	114.8		114.8	502.0		502.0
Restricted cash	76.6		76.6	86.5		86.5
	736.9	**-**	**736.9**	**1,215.5**	**-**	**1,215.5**
	3,167.1	**(21.2)**	**3,145.9**	**3,539.8**	**(19.7)**	**3,520.1**
TOTAL ASSETS						
Current liabilities						
Borrowings	110.8		110.8	190.0		190.0
Trade and other payables	346.6	27.6	374.2	484.9	16.0	500.9
Deferred revenue on air travel	263.4		263.4	482.8		482.8
Provisions	39.6		39.6	56.4		56.4
Derivative financial instruments	13.0		13.0	-		-
	773.4	**27.6**	**801.0**	**1,214.1**	**16.0**	**1,230.1**
NET CURRENT ASSETS/(LIABILITIES)	**(36.5)**	**(27.6)**	**(64.1)**	**1.4**	**(16.0)**	**(14.6)**
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,393.7**	**(48.8)**	**2,344.9**	**2,325.7**	**(35.7)**	**2,290.0**
Non-current liabilities						
Borrowings	2,368.8		2,368.8	2,712.0		2,712.0
Trade and other payables	192.0	94.4	286.4	105.2	34.1	139.3
Deferred revenue on air travel	3.3		3.3	3.4		3.4
Provisions	54.6		54.6	50.4		50.4
	2,618.7	**94.4**	**2,713.1**	**2,871.0**	**34.1**	**2,905.1**
NET ASSETS/(LIABILITIES)	**(225.0)**	**(143.2)**	**(368.2)**	**(545.3)**	**(69.8)**	**(615.1)**
Equity						
Ordinary share capital	7.0		7.0	7.0		7.0
Capital contribution reserve	483.9	(145.4)	338.5	675.0	(73.5)	601.5
Hedging reserve	82.4		82.4	56.6		56.6
Currency translation reserve	(1.1)		(1.1)	(0.4)		(0.4)
Retained earnings	(797.2)	2.2	(795.0)	(1,283.5)	3.7	(1,279.8)
Total equity	**(225.0)**	**(143.2)**	**(368.2)**	**(545.3)**	**(69.8)**	**(615.1)**

Notes to the financial statements *(continued)*

Company statement of financial position

	1 January 2021		1 January 2021	31 December 2021		31 December 2021
	As originally Presented	Change	Restated	As originally Presented	Change	Restated
	£m	£m	£m	£m	£m	£m
Non-current assets						
Intangible assets and goodwill	417.6	(21.2)	396.4	379.8	(19.7)	360.1
Property, plant and equipment	1,939.4		1,939.4	1,876.8		1,876.8
Deferred tax	322.4		322.4	322.2		322.2
Trade and other receivables	30.7		30.7	22.1		22.1
	2,710.1	**(21.2)**	**2,688.9**	**2,600.9**	**(19.7)**	**2,581.2**
Current assets						
Inventories	30.3		30.3	26.3		26.3
Trade and other receivables	649.7		649.7	659.6		659.6
Investments	10.8		10.8	11.0		11.0
Derivative financial instruments	2.0		2.0	1.5		1.5
Cash and cash equivalents	103.3		103.3	497.3		497.3
Restricted cash	45.3		45.3	49.7		49.7
	841.4	**-**	**841.4**	**1,245.4**	**-**	**1,245.4**
	3,551.5	**(21.2)**	**3,530.3**	**3,846.3**	**(19.7)**	**3,826.6**
TOTAL ASSETS						
Current liabilities						
Borrowings	200.6		200.6	300.0		300.0
Trade and other payables	330.3	(27.6)	357.9	473.9	(16.0)	489.9
Deferred revenue on air travel	220.7		220.7	349.5		349.5
Provisions	37.8		37.8	55.4		55.4
Derivative financial instruments	12.6		12.6	-		-
	802.0	**(27.6)**	**829.6**	**1,178.8**	**(16.0)**	**1,194.8**
NET CURRENT ASSETS/(LIABILITIES)	**39.4**	**(27.6)**	**11.8**	**66.6**	**(16.0)**	**50.6**
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,749.5**	**(48.8)**	**2,700.7**	**2,667.5**	**(35.7)**	**2,631.8**
Non-current liabilities						
Borrowings	2,688.1		2,688.1	2,998.0		2,998.0
Trade and other payables	192.0	(94.4)	286.4	105.2	(34.1)	139.3
Provisions	54.6		54.6	50.4		50.4
	2,934.7	**(94.4)**	**3,029.1**	**3,153.6**	**(34.1)**	**3,187.7**
NET ASSETS	**(185.2)**	**(143.2)**	**(328.4)**	**(486.1)**	**(69.8)**	**(555.9)**
Equity						
Ordinary share capital	7.0		7.0	7.0		7.0
Capital contribution reserve	437.5	(145.4)	292.1	628.6	(73.5)	555.1
Hedging reserve	82.3		82.3	56.6		56.6
Retained earnings	(712.0)	2.2	(709.8)	(1,178.3)	3.7	(1,174.6)
Total equity	**(185.2)**	**(143.2)**	**(328.4)**	**(486.1)**	**(69.8)**	**(555.9)**

Notes to the financial statements *(continued)*

Consolidated Group statement of comprehensive income

	For the year ended 31 December 2021		
	Reported £m	Change £m	Restated £m
Total revenue	**928.0**		**928.0**
Physical fuel	**269.7**		**269.7**
Airline traffic direct operating costs	**282.3**		**282.3**
Aircraft costs	**156.4**		**156.4**
Holiday distribution, marketing and selling costs	**77.5**		**77.5**
Employee remuneration	**257.0**		**257.0**
Other operating and overhead costs	**53.1**	4.8	**48.3**
Engineering and maintenance costs	**97.2**		**97.2**
Other depreciation and amortisation	**67.7**	1.5	**66.2**
Profit on disposal of property, plant and equipment	**(3.0)**		**(3.0)**
Restructuring	**(14.8)**		**(14.8)**
Impairments	**9.1**		**9.1**
Fair value (losses)/gains on derivative contracts	**(27.8)**		**(27.8)**
Other income	**(9.3)**		**(9.3)**
Operating (loss)/profit	**(287.1)**	**6.3**	**(280.8)**
Finance income	**1.0**		**1.0**
Finance expense	**(201.2)**	(4.8)	**(206.0)**
Net finance costs	**(200.2)**	**(4.8)**	**(205.0)**
(Loss)/profit before tax	**(487.3)**	**1.5**	**(485.8)**
Tax credit/(charge)	**1.0**		**1.0**
Profit/(loss) for the year	**(486.3)**	**1.5**	**(484.8)**
Other comprehensive income (items that will not be reclassified to the income statement):			
Exchange translation differences	**0.7**		**0.7**
Other comprehensive income (items that may be reclassified subsequently to the income statement):			
(Losses)/gains arising during the year on cash flow hedges	**(25.7)**		**(25.7)**
Total comprehensive (loss)/income for the year	**(511.3)**	**1.5**	**(509.8)**

Notes to the financial statements *(continued)*

6 Revenue analysis

	Group 2022 £m	2021 £m
Passenger	**2,072.5**	410.1
Cargo	**376.8**	448.0
Holidays	**487.1**	63.2
Other revenue	**60.2**	21.9
Intra-group revenue	**(142.5)**	(15.2)
	2,854.1	928.0

Other revenue includes income from engineering and other revenue incidental to the primary operations of the Group.

A geographical analysis of the Group operating profit is not disclosed as it is neither practical nor meaningful to allocate the Group's operating expenditure on a geographical basis. Since the aircraft fleet (which is the major revenue-earning asset of the Group) is employed flexibly across a worldwide route network, there is no suitable basis of allocating such assets and related liabilities to geographical areas and accordingly no geographical analysis of assets or net liabilities is disclosed.

7 Loss before tax

Loss for the year has been arrived at after charging the following, including items presented as exceptional:

	Group 2022 £m	2021 £m
Depreciation of Property, plant and equipment (note 12)	**(188.3)**	(194.5)
Amortisation of intangible assets (note 11)	**(49.9)**	(52.1)
Contribution to pension schemes	**(33.5)**	(16.0)

Fees payable to the Group's auditor and its associates for services other than the statutory audit of the parent company and subsidiaries are not disclosed in Virgin Atlantic Airways Limited's accounts since the consolidated accounts of Virgin Atlantic Airways Limited's parent, Virgin Atlantic Limited, are required to disclose non-audit fees on a consolidated basis. Fees payable to the Company's auditor for the audit of the Company's annual accounts are £784,000 (2021: £500,000). Fees payable to the Company's auditor for the audit of the Company's subsidiaries pursuant to legislation are £324,000 (2021: £114,000).

Notes to the financial statements *(continued)*

8 Employee remuneration

Headcount and total remuneration

The average monthly number of full-time equivalent employees (including directors) was:

	Group 2022	2021*
Management and administration	**1,104**	1,036
Flight crew	**808**	673
Cabin crew	**2,711**	1,909
Reservations and sales	**1,252**	1,032
Cargo and handling	**657**	633
	6,532	5,283

*Allocation between directorates has been amended for the prior year comparatives to ensure consistency with current year allocation and alignment with descriptions.

At 31 December 2022 total headcount was 7,924 (6,733 at 31 December 2021).

The aggregate payroll costs (including directors) of these persons were as follows:

	Group 2022	2021
Wages and salaries	**302.7**	221.8
Social security costs	**35.0**	22.9
Other pension costs	**33.8**	16.0
	371.5	260.7

Included in the above are amounts included within Holiday distribution, marketing and selling costs within the statement of comprehensive income 2022: £5.8m (2021: £3.7m) which relate to retail staff costs.

The Group operates a defined contribution pension scheme. The pension cost charged to the income statement for the year represents contributions payable by the Group to the scheme. The assets of the schemes are held separately from those of the Group in independently administered funds. There were outstanding contributions of £5.8m at 31 December 2022 (2021: £4.7m).

Notes to the financial statements *(continued)*

Aggregate directors' remuneration

During the year/period of their service, the emoluments of the 4 directors (2021: 4) of the Virgin Atlantic Group were:

	Group 2022	Group 2021
Total emoluments		
Aggregate emoluments	**3.6**	3.6
Company contributions to money purchase pension schemes	**0.2**	0.1
Aggregate amounts receivable under Long Term Incentive Schemes	**2.7**	1.6
	6.5	5.3
Highest paid director		
Aggregate emoluments and other benefits	**2.0**	2.1
Company contributions to money purchase pension schemes	**0.1**	0.1
Aggregate amounts receivable under Long Term Incentive Schemes	**1.6**	1.0
	3.7	3.2

Retirement benefits are accruing to 4 (2021: 4) directors under money purchase pension schemes.

During the year an amount of £nil (2021: £nil) was paid to shareholders in respect of the services of certain shareholder-appointed non-executive directors of the Company.

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

Long-term incentive scheme

In 2019, the Group established a new long term incentive scheme for Executive Directors and other invited participants to incentivise and recognise execution of the 'Velocity$_x$' plan. The scheme consists of a cash payment at the end of the three-year term of the grant. Payments are based on the Group's performance against pre-agreed financial and non-financial measures which are linked to the Group's long-term objectives.

Included above are cash payments made to directors relating to services rendered during 2022.

Share based payment scheme

The establishment of the Virgin Atlantic Management Incentive Plan was approved by the shareholders in April 2022. The Management Incentive Plan is designed to provide long-term incentives for the Leadership Team (including Executive Directors) to deliver against long-term performance objectives. Under the plan, participants were issued shares in an indirect subsidiary of Virgin Atlantic Limited, which hold no voting or dividend rights. Subsequently, participants are eligible to receive a share of the equity value of the Virgin Atlantic Limited at predetermined vesting dates, provided the scheme targets have been met. The scheme has been accounted for as an equity-settled scheme. The fair value of the scheme at the grant date has been measured using a Black-Scholes model. As at 31 December 2022, 13,879,645 shares had been issued, and the weighted average fair value of these shares at grant date was £0.49. During the year a charge of £2.1m has been recognised in the income statement in relation to the scheme.

Notes to the financial statements *(continued)*

9 Finance costs

	Group 2022	2021*
Finance income		
Interest on bank deposits	**6.7**	0.2
Other finance income	**0.3**	0.2
Amounts due from Group companies	**3.4**	0.6
	10.4	1.0
Finance expense		
Amounts due to Group companies	**(0.2)**	(0.7)
Interest on leases	**(127.9)**	(106.5)
Other finance charges	**(8.2)**	(6.7)
External loans	**(141.1)**	(92.6)
	(277.4)	(206.5)
Interest capitalised on aircraft progress payments (note 12)	**1.4**	0.5
	(276.0)	(206.0)
Net finance costs	**(265.6)**	**(205.0)**

*The Group has restated comparative information (see note 5)

10 Tax

Analysis of the tax expense during the year:

	Group 2022	2021
Current tax		
UK group relief receivable	**-**	0.1
Adjustments in respect of prior periods	**0.2**	(0.1)
Total current tax credit	**0.2**	-
Deferred tax		
Origination and reversal of timing differences	**2.2**	15.6
Adjustments in respect of prior years	**(3.2)**	(14.6)
Effect of changes in tax rate	**0.7**	-
Total deferred tax (charge)/credit	**(0.3)**	1.0
Tax (charge)/credit	**(0.1)**	1.0

The standard rate of UK corporation tax for the year is 19% (2021: 19%).

Notes to the financial statements *(continued)*

The actual tax (charge)/credit for the year is lower than (2021: lower than) that computed by applying the standard corporation tax rate in the UK of 19% (2021: 19%). The differences are reconciled below:

	Group 2022 £m	2021* £m
(Loss)/profit before taxation	**(338.3)**	(485.8)
Tax at the standard rate at 19% (2021:19%)	**64.3**	92.3
Factors affecting the credit/(charge) for the year:		
Income not subject to corporation tax	**0.3**	3.4
Expenses not deductible for tax purposes	**(17.0)**	(22.0)
Effects of difference in deferred tax rate	**0.7**	1.3
Adjustments in respect of prior periods	**(3.0)**	(14.6)
Recognition of previously unrecognised deferred tax	**-**	1.0
Amounts not recognized on tax losses	**(45.4)**	(60.4)
Total tax (charge)/credit	**(0.1)**	1.0

*The Group has restated comparative information (see note 5)

The Finance Act 2021 (substantively enacted on 24th May 2021) set the main corporation tax rate at 25% from April 2023. The deferred tax asset at 31 December 2022 has been calculated based on 25%. This will increase the Group's future current tax charge accordingly.

11 Intangible assets

	Group					
	Goodwill £m	Delta-Air France-KLM transatlantic contract and brand license £m	Landing slots £m	Software and other £m	Assets under construction £m	Total £m
Cost						
At 1 January 2022	6.8	293.5	94.2	263.4	14.7	672.6
Additions	-	-	26.7	-	20.4	47.1
Disposals	-	-	-	(6.0)	(1.3)	(7.3)
Reclassifications	-	-	-	7.4	(7.4)	-
At 31 December 2022	**6.8**	**293.5**	**120.9**	**264.8**	**26.4**	**712.4**
Amortisation						
At 1 January 2022	2.9	52.6	12.6	211.7	-	279.8
Amortisation	-	33.5	-	16.4	-	49.9
Disposals	-	-	-	(5.9)	-	(5.9)
At 31 December 2022	**2.9**	**86.1**	**12.6**	**222.2**	**-**	**323.8**
Carrying amount						
At 31 December 2022	**3.9**	**207.4**	**108.3**	**42.6**	**26.4**	**388.6**
At 31 December 2021	3.9	240.9	81.6	51.7	14.7	392.8

Notes to the financial statements *(continued)*

	Group					
	Goodwill £m	Delta-Air France-KLM transatlantic contract and brand license £m	Landing slots £m	Software and other £m	Assets under construction £m	Total £m
Cost						
At 1 January 2021*	8.3	293.5	94.2	257.1	17.3	670.4
Additions	-	-	-	-	8.8	8.8
Disposals	(1.5)	-	-	(2.5)	(2.6)	(6.6)
Reclassifications	-	-	-	8.8	(8.8)	-
At 31 December 2021	**6.8**	**293.5**	**94.2**	**263.4**	**14.7**	**672.6**
Amortisation						
At 1 January 2021*	4.4	19.0	12.6	195.7	-	231.7
Amortisation	-	33.6	-	18.5	-	52.1
Disposals	(1.5)	-	-	(2.5)	-	(4.0)
At 31 December 2021	**2.9**	**52.6**	**12.6**	**211.7**	**-**	**279.8**
Carrying amount						
At 31 December 2021	**3.9**	**240.9**	**81.6**	**51.7**	**14.7**	**392.8**
At 31 December 2020*	3.9	274.5	81.6	61.4	17.3	438.7

*The Group has restated comparative information (see note 5)

The Group has entered into agreements that give access to benefits from the Joint Arrangement with Delta and Air France-KLM, and license to use the Virgin Atlantic and Virgin Holidays brands with a cost of £293.5m. The joint arrangement asset is being amortised over its contract term of 15 years, and the brand asset is being amortised over its contract term of 5 years. As at 31 December 2022, the carrying value of the joint arrangement asset was £142.4m with a remaining amortisation period of 12 years, and the carrying value of the brand asset was £44.7m with a remaining amortisation period of 3 years.

Landing rights with carrying value of £94.2m (2021: £94.2m) are pledged as security for certain borrowings.

Notes to the financial statements *(continued)*

	Company				
	Delta-Air France-KLM transatlantic contract and brand license	**Landing slots**	**Software and other**	**Assets under construction**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Cost					
At 1 January 2022	257.5	94.2	209.6	14.7	576.0
Additions		26.7		20.2	46.9
Disposals			(5.7)	(1.3)	(7.0)
Reclassifications			7.2	(7.2)	
At 31 December 2022	**257.5**	**120.9**	**211.1**	**26.4**	**615.9**
Amortisation					
At 1 January 2022	43.6	12.6	159.7	-	215.9
Amortisation	26.8		14.9		41.7
Impairment charge					
Disposals			(5.7)		(5.7)
At 31 December 2022	**70.4**	**12.6**	**168.9**		**251.9**
Carrying amount					
At 31 December 2022	**187.1**	**108.3**	**42.2**	**26.4**	**364.0**
At 31 December 2021	213.9	81.6	49.9	14.7	360.1

An annual impairment review is conducted on all intangible assets that have an indefinite economic life. Landing rights based within the EU and UK are considered to have an indefinite economic life, and the Group also tests the carrying amount of goodwill for impairment annually and whenever circumstances change. The impairment review is carried out at the level of a 'cash-generating unit' (CGU), defined as the smallest identifiable group of assets, liabilities and associated intangible assets that generate cash inflows that are largely independent of the cash flows from other assets or groups of assets.

On this basis, management have determined that the Group has two CGUs;

1) Its airline route network, comprising landing rights, access to the Virgin Atlantic brand, Delta Air France/KLM joint arrangement synergies, aircraft, spare engines and related assets and liabilities; and

2) The holidays business comprising access to the Virgin Atlantic Holidays brand, the sales channels including retail stores and any related goodwill.

The background macroeconomic uncertainty constitutes an impairment trigger for the Group. An impairment review was carried out at a CGU level for both the airline route network and the holidays business as each CGU contains an intangible asset with indefinite useful life. The carrying value of the indefinite life intangible assets allocated to the airline route network was £108.3m (2021: £81.6m) and the holidays business £3.9m (2021: £3.9m).

The recoverable amounts of each CGU have been measured based on their value in use, using a discounted cash flow model. Cash flow projections are based on the forecasts approved by the Board covering a four-year period and an estimated terminal growth rate, and projections are in line with the Group's strategic plans and recovery from the Covid-19 pandemic.

Assumptions:

	Airlines CGU	**Holidays CGU**
Pre-tax discount rate	6% (2021: 8%)	4% (2021: 6%)
Terminal growth rate	2% (2021: 2%)	2% (2021: 2%)
No. years before terminal growth applied	4 (2021: 4)	4 (2021: 4)
Exchange rates USD	1.22 (2021: 1.37)	1.22 (2021: 1.37)
Fuel prices ($/bbl)	113.8 (2021: 94.6)	N/A

Notes to the financial statements *(continued)*

The discount rate has been calculated based on the weighted average cost of capital of the Group, using external inputs where relevant and the current debt structure of the Group. The Group has adjusted the cash flows for any uncertainties rather than the discount rate.

The terminal growth rate represents an estimation of average long-term economic growth rates for the principal countries in which the Group operates. The future impact of climate change on the Group has been incorporated into strategic plans, the estimated financial impact of which is included within approved forecasts.

The impairment review did not identify an impairment for either CGU as the value in use was greater than the carrying value (2021: no impairment).

Sensitivity analysis

The Group has conducted sensitivity analysis on each CGU's value in use. This included either increasing the discount rates, reducing the terminal growth rate, or reducing the anticipated future cash flows through changes to the EBITDA in each of the years through to the terminal year. The sensitivity assumptions applied to the VIU calculations are set out in the table below. These are considered to be reasonably possible, but not likely.

Increase in discount rate	2 pts
Reduction in long term growth rate applied in terminal year	1 pt
Decrease in forecasted adjusted EBITDA in each year	20%
Increase in fuel price	40%

None of the individual reasonably possible scenarios listed above resulted in an impairment in either of the CGUs.

12 Property, plant and equipment

	Group					
	Aircraft, rotable spares and ancillary equipment		Other		Assets under	
	Owned £m	Leased £m	Owned £m	Leased £m	construction £m	Total £m
Cost						
At 1 January 2022	1,294.7	1,533.1	154.7	166.5	18.2	3,167.2
Additions	72.5	304.6	(1.1)	4.2	11.7	391.9
Disposals	(17.9)	(28.1)	(14.4)	(21.1)	(0.3)	(81.8)
Reclassifications	3.5	-	3.2	-	(6.7)	-
Other movements		82.0	-	12.5	-	94.5
At 31 December 2022	**1,352.8**	**1,891.6**	**142.4**	**162.1**	**22.9**	**3,571.8**
Accumulated depreciation						
At 1 January 2022	310.3	738.7	133.4	99.1	-	1,281.5
Depreciation for the year	77.4	91.2	6.1	13.6		188.3
Impairment charge	-	-	-	(0.1)		(0.1)
Disposals	(12.4)	(28.9)	(11.0)	(16.8)		(69.1)
At 31 December 2022	**375.3**	**801.0**	**128.5**	**95.8**		**1,400.6**
Carrying amount						
At 31 December 2022	**977.5**	**1,090.6**	**13.9**	**66.3**	**22.9**	**2,171.2**
At 31 December 2021	984.4	794.4	21.3	67.4	18.2	1,885.7

Notes to the financial statements *(continued)*

	Group					
	Aircraft, rotable spares and ancillary equipment		Other		Assets under	
	Owned	Leased	Owned	Leased	construction	Total
	£m	£m	£m	£m	£m	£m
Cost						
At 1 January 2021	1,369.6	1,366.7	157.3	180.3	22.9	3,096.8
Additions	15.3	186.0	0.9	5.6	6.2	214.0
Disposals	(95.9)	(13.2)	(7.5)	(23.6)	(1.2)	(141.4)
Reclassifications	5.7	-	4.0	-	(9.7)	-
Other movements	-	(6.4)	-	4.2	-	(2.2)
At 31 December 2021	**1,294.7**	**1,533.1**	**154.7**	**166.5**	**18.2**	**3,167.2**
Accumulated depreciation						
At 1 January 2021	254.1	655.7	129.4	105.9	-	1,145.1
Depreciation for the year	79.3	91.2	10.0	14.0	-	194.5
Impairment charge	0.9	5.0	1.4	-	-	7.3
Disposals	(24.0)	(13.2)	(7.4)	(20.8)	-	(65.4)
At 31 December 2021	**310.3**	**738.7**	**133.4**	**99.1**	**-**	**1,281.5**
Carrying amount						
At 31 December 2021	**984.4**	**794.4**	**21.3**	**67.4**	**18.2**	**1,885.7**
At 31 December 2020	1,115.5	711.0	27.9	74.4	22.9	1,951.7

Other movements relate to lease extensions, which do not constitute a new lease addition pursuant to IFRS 16, and in addition relate to asset adjustments resulting from variable lease rentals, which are linked to the prevailing LIBOR at a point in time as per the lease agreements.

During the year, the Group took delivery of one Airbus 350-1000 aircraft and two Airbus 330-900 neo aircraft under lease arrangements.

Included in aircraft, rotable spares and ancillary equipment are progress payments of £22.6m (2021: £21.8m). These amounts are not depreciated.

Interest capitalised by the Group and Company on aircraft progress payments included in additions during the year amounted to £1.4m (2021: £0.5m).

Owned aircraft and ancillary equipment with a carrying value of £977.5m (2021: £984.4m) is pledged as security for certain borrowings.

Notes to the financial statements *(continued)*

	Company					
	Aircraft, rotable spares and ancillary equipment		Other		Assets under construction	Total
	Owned £m	Leased £m	Owned £m	Leased £m	£m	£m
Cost						
At 1 January 2022	1,301.3	1,532.8	143.9	154.2	18.1	3,150.3
Additions	72.5	304.6	(1.1)	4.2	11.7	391.9
Disposals	(17.2)	(27.8)	(13.2)	(21.3)	(0.2)	(79.7)
Reclassifications	3.5		3.2		(6.7)	-
Other movements		82.0	-	12.7	-	94.7
At 31 December 2022	**1,360.1**	**1,891.6**	**132.8**	**149.8**	**22.9**	**3,557.2**
Accumulated depreciation						
At 1 January 2022	316.7	738.4	124.2	94.2	-	1,273.5
Depreciation for the year	77.5	91.2	5.3	12.2		186.2
Impairment charge				0.1		0.1
Disposals	(11.8)	(28.6)	(9.5)	(16.7)		(66.6)
At 31 December 2022	**382.4**	**801.0**	**120.0**	**89.8**		**1,393.2**
Carrying amount						
At 31 December 2022	**977.7**	**1,090.6**	**12.8**	**60.0**	**22.9**	**2,164.0**
At 31 December 2021	984.6	794.4	19.7	60.0	18.1	1,876.8

13 Deferred tax

The following are the material deferred tax assets and liabilities recognised by the Group and Company, and movements thereon during the current and prior reporting period. Deferred taxation is provided for at 25% (2021: 25%):

	Group				
	Accelerated capital allowances	Other timing differences	UK tax losses	Holdover relief	Total
	£m	£m	£m	£m	£m
Balance as at 1 January 2022	(2.4)	18.4	12.9	(24.9)	4.0
Charged to statement of comprehensive income	(0.4)	12.9	(12.9)	-	(0.4)
Balance as at 31 December 2022	(2.8)	31.3	-	(24.9)	3.6

Other timing differences includes £39.7m of deferred tax assets which arose on transition to IFRS 16.

	Group				
	Accelerated capital allowances	Other timing differences	UK tax losses	Holdover relief	Total
	£m	£m	£m	£m	£m
Balance as at 1 January 2021	24.0	(5.7)	3.6	(19.0)	2.9
Charged to statement of comprehensive income	(26.4)	32.3	1.1	(5.9)	1.1
Balance as at 31 December 2021	(2.4)	26.6	4.7	(24.9)	4.0

Notes to the financial statements *(continued)*

	Company				
	Accelerated capital allowances	Other timing differences	UK tax losses	Holdover relief	Total
	£m	£m	£m	£m	£m
Balance as at 1 January 2022	(6.4)	18.4	12.9	(24.9)	-
Charged to statement of comprehensive income	-	12.9	(12.9)	-	-
Balance as at 31 December 2022	(6.4)	31.3	-	(24.9)	-

The group has restricted its recognition of deferred tax assets to equal the amount of deferred tax liabilities at the period end, as required by IAS 12. The gross temporary differences not recognised by the company total £1,825.5m, which equates to a deferred tax asset not recognised of £456.4m.

The Finance Act 2021 (substantively enacted on 24th May 2021) set the main corporation tax rate at 25% from April 2023. The deferred tax asset as at 31 December 2022 has been calculated based on 25%. This will increase the Group's future current tax charge accordingly.

14 Investments

	Group 2022	Group 2021	Company 2022	Company 2021
	£m	£m	£m	£m
Non-current				
Investments in subsidiaries	-	-	**41.2**	41.2
Equity loan stock	-	-	**299.2**	281.0
	-	-	**340.4**	322.2
Current				
Equity loan stock	-	-	**11.8**	11.0

Investments in subsidiaries are carried at cost. For further information on the subsidiaries of the Group, see note 23.

In December 2015, the Company purchased £224.8m of Equity Loan Stock ('ELS') in Barbados Enterprises plc (a special purpose vehicle created for the purposes of capital raising). During 2016 the Company purchased an additional £4.9m of ELS and in 2020 the Group purchased an additional £58.0m. The ELS has a term of 15 years; during this period, the Company will continue to purchase further tranches of ELS in order to fund the interest payments on the senior bond debt owed by the Group. The principal will be paid back on maturity of the ELS. The ELS was recognised initially at fair value less transaction costs and is subsequently measured using the amortised cost model.

Notes to the financial statements *(continued)*

15 Derivative financial instruments

The following table discloses the carrying amounts and fair values of the Group and Company's derivative financial instruments. All derivatives are designated as held for trading and are not in a designated hedge accounting relationship.

	Group		Company	
	2022	**2021**	**2022**	**2021**
	£m	**£m**	**£m**	**£m**
Current assets				
Foreign currency	**7.6**	-	**6.8**	-
Fuel	**20.1**	1.5	**20.1**	1.5
	27.7	1.5	**26.9**	1.5
Current liabilities				
Foreign currency	**(2.7)**	-	**(1.8)**	-
Fuel	**(27.3)**	-	**(27.3)**	-
	(30.0)	-	**(29.1)**	-
	(2.3)	1.5	**(2.2)**	1.5

The Group enters into derivative transactions under master netting agreements. Under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding are aggregated into a single net amount that is payable by one party to the other. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated. The termination value is assessed and only a single amount is payable in settlement of all transactions.

	Group		Company	
	2022	**2021**	**2022**	**2021**
	£m	**£m**	**£m**	**£m**
Foreign currency (USD, represented in USD)	**953.7**	-	**798.0**	-
Fuel (barrels)	**5.6**	0.2	**5.6**	0.2

All derivatives are presented gross as the offsetting criteria have not been met. This is due to the Group not having any legally enforceable right to offset recognised amounts, as the right to offset is contingent on future events, for example default or other credit events.

The following table discloses the carrying amounts of derivatives recognised in the Group statement of financial position that are subject to master netting arrangements but are not set off due to offsetting criteria not being met.

Notes to the financial statements *(continued)*

For the year ended 31 December 2022	Group Gross amount £m	Group Amount not set-off £m	Group Net amount £m
Derivative financial instruments			
Assets	27.7	(19.5)	8.2
Liabilities	(30.0)	19.5	(10.5)
	(2.3)	-	**(2.3)**

For the year ended 31 December 2021	Group Gross amount £m	Group Amount not set-off £m	Group Net amount £m
Derivative financial instruments			
Assets	1.5	-	1.5
Liabilities	-	-	-
	1.5	-	**1.5**

For the year ended 31 December 2022	Company Gross amount £m	Company Amount not set-off £m	Company Net amount £m
Derivative financial instruments			
Assets	26.9	(18.7)	8.2
Liabilities	(29.1)	18.7	(10.4)
	(2.2)	-	**(2.2)**

For the year ended 31 December 2021	Company Gross amount £m	Company Amount not set-off £m	Company Net amount £m
Derivative financial instruments			
Assets	1.5	-	1.5
Liabilities	-	-	-
	1.5	-	**1.5**

Notes to the financial statements *(continued)*

16 Trade and other receivables

	Group 2022 £m	2021 £m	Company 2022 £m	2021 £m
Non-current				
Other receivables	**28.1**	22.1	**28.0**	22.1
	28.1	22.1	**28.0**	22.1
Current				
Trade receivables	**77.5**	87.9	**74.3**	84.2
Provision for doubtful receivables	**(3.5)**	(3.6)	**(2.8)**	(3.0)
Net trade receivables	**74.0**	84.3	**71.5**	81.2
Unremitted cash	**208.3**	85.8	**201.6**	83.7
Other receivables	**55.0**	31.0	**54.4**	30.0
Accrued income	**2.4**	8.9	**2.4**	8.9
Group relief receivables	**1.5**	1.0	**25.6**	25.9
Prepayments	**43.3**	39.2	**33.4**	25.5
Amounts owed by group companies	**352.2**	349.0	**393.1**	404.4
	736.7	599.2	**782.0**	659.6

Amounts owed by group companies include intercompany loan arrangements and are repayable on demand. These attract an interest rate of the Bank of England base rate plus 0.25%.

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

Included within other receivables is £2.1m of lease receivable balances, which arose as a result of sub-letting certain overseas properties.

	Group 2022 £m	2021 £m	Company 2022 £m	2021 £m
Ageing of past due but not impaired receivables				
1-30 days	**27.2**	25.3	**26.6**	25.0
31-60 days	**5.2**	2.5	**5.0**	2.2
61-90 days	**0.5**	0.2	**0.5**	(0.3)
91-120 days	**0.4**	1.3	**0.3**	0.7
120+ days	**2.0**	7.2	**1.6**	5.7
Total	**35.3**	36.5	**34.0**	33.3

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

The carrying amounts of trade and other receivables are approximately equal to their fair value.

Notes to the financial statements *(continued)*

17 Inventories

	Group and Company	
	2022	**2021**
	£m	**£m**
Aircraft consumable spares	**29.4**	22.4
Inflight stock	**8.4**	3.7
Fuel	**0.3**	0.2
	38.1	26.3

18 Cash, cash equivalents and restricted cash

	Group		Company	
	2022	**2021**	**2022**	**2021**
	£m	**£m**	**£m**	**£m**
Cash at bank and in hand	**328.7**	502.0	**321.4**	497.3
Cash and cash equivalents	**328.7**	502.0	**321.4**	497.3
Restricted cash	**70.4**	86.5	**39.2**	49.7

Cash and cash equivalents comprise of cash and short-term bank deposits with maturity of three months or less. The carrying amount of these assets is equal to their fair value. Restricted cash includes liquidity reserves relating to collateralised borrowings and cash collateral relating to finance and merchant banking facilities.

In addition to the above cash balances there was £208.3m of unremitted cash owed to the Group in transit at 31 December 2022 (2021: £85.8m) (refer to note 16).

Notes to the financial statements *(continued)*

19 Borrowings

	Group 2022 £m	Group 2021* £m	Company 2022 £m	Company 2021* £m
Non-current				
Obligations under leases (i)	**(1,456.9)**	(1,101.1)	**(1,450.6)**	(1,093.3)
Loan from VAIL (ii)	**-**	-	**(423.4)**	(423.4)
Senior Bonds - A1 (iii)	**(152.8)**	(163.2)	**-**	-
Senior Bonds - A2 (iii)	**(18.8)**	(20.8)	**-**	-
Senior Bonds - A3 (iii)	**(26.0)**	(27.8)	**-**	-
Senior Bonds – A4 (iii)	**(50.8)**	(55.7)	**-**	-
Other loans (iv)	**(1,454.9)**	(1,343.4)	**(1,575.0)**	(1,481.2)
	(3,160.2)	(2,712.0)	**(3,449.0)**	(2,998.0)

	Group 2022 £m	Group 2021* £m	Company 2022 £m	Company 2021* £m
Current				
Obligations under leases	**(144.3)**	(118.8)	**(143.0)**	(117.5)
Loan from VAIL (i)	**-**	-	**(120.7)**	(120.7)
Senior Bonds - A1 (ii)	**(10.4)**	(10.1)	**-**	-
Senior Bonds - A2 (ii)	**(2.0)**	(1.9)	**-**	-
Senior Bonds - A3 (ii)	**(1.8)**	(1.7)	**-**	-
Senior Bonds – A4 (ii)	**(4.7)**	(3.9)	**-**	-
Other loans (iv)	**(77.8)**	(53.6)	**(95.5)**	(61.8)
	(241.0)	(190.0)	**(359.1)**	(300.0)

(i) See below for a full breakdown of all commitments under leasing arrangements. £334.1m (2021: £252.8m) of the obligations under leases have variable lease payments that depend on an index (such as LIBOR). Movements in the index rate will impact the value of these leases.

(ii) In December 2015, the Company received £425.2m from a subsidiary of the Group - Virgin Atlantic International Limited ('VAIL'). As part of these arrangements, VAIL obtained beneficial rights over certain of the Company's landing slots, the right to receive a semi-annual payment in relation to the landing slots and the right to receive support payments from the Company in order to enable it to service its borrowings from Barbados Enterprises Plc. VAIL also entered into a joint business agreement with the Company to operate some of its landing slot portfolio.

The substance of the £425.2m transfer to VAA is a loan, with the 'sale' and 'repurchase' of the slots representing the issuance and settlement of the loan. The loan has been treated as a financial liability at amortised cost in the Company's accounting records with the semi-annual payments representing the interest charge. The loan will be repaid in 11 years' time.

The current portion of the VAIL loan relates to interest payable to VAIL within the next 12 months.

(iii) In December 2015, the Group issued £220m of Senior Bonds to bond investors (£190m Class A1 bonds and £30m of Class A2 bonds). The terms are such that repayment of the principal will occur in part over the life of the bonds such that £112m (£100m Class A1 bonds and £12m of Class A2 bonds) is only payable on the maturity of the bonds after 15 years. The value of the bonds is stated after transaction costs.

In January 2017, the Group issued an additional £32m of Senior Bonds to investors (Class A3). The maturation date of the bonds matches that of the A1 and A2 bonds, with repayment of the principal occurring in part over the life of the bonds and £16m payable after 14 years.

Notes to the financial statements *(continued)*

In September 2020, the Group issued £60m of Senior Bonds to investors (Class A4). The bonds mature after three years, with repayment of the principal occurring in part during the term and £50m repayable in 2023.

(iv) Other loans includes £426m (2021: £364m) of loans due to shareholders. During 2021, the Group raised £497m from shareholders. £241.6m of this has been accounted for as a capital contribution and is not included in the amounts above. Refer to the statement of changes in equity.

Group

	Sterling £m	**US Dollars £m**	**Chinese Yuan £m**	**Hong Kong Dollar £m**	**South African Rand £m**	**Total £m**
Analysis of borrowings by currency as at 31 December 2022 represented in GBP						
Obligations under leases	(65.8)	(1,534.3)	(0.4)	(0.2)	(0.4)	(1,601.2)
Senior Bonds - A1	(163.2)	-	-	-	-	(163.2)
Senior Bonds - A2	(20.8)	-	-	-	-	(20.8)
Senior Bonds - A3	(27.8)	-	-	-	-	(27.8)
Senior Bonds – A4	(55.5)	-	-	-	-	(55.5)
Other loans	(470.6)	(1,062.1)	-	-	-	(1,532.7)
	(803.8)	**(2,596.3)**	**(0.4)**	**(0.2)**	**(0.4)**	**(3,401.2)**
Analysis of borrowings by currency as at 31 December 2021 represented in GBP						
Obligations under leases	(76.7)	(1,142.1)	-	(0.4)	(0.5)	(1,219.8)
Senior Bonds - A1	(173.3)	-	-	-	-	(173.3)
Senior Bonds - A2	(22.7)	-	-	-	-	(22.7)
Senior Bonds - A3	(29.6)	-	-	-	-	(29.6)
Senior Bonds – A4	(59.6)	-	-	-	-	(59.6)
Other loans	(402.6)	(994.5)	-	-	-	(1,397.1)
	(764.5)	**(2,136.6)**	**-**	**(0.4)**	**(0.5)**	**(2,902.0)**

Company

	Sterling £m	**US Dollars £m**	**Chinese Yuan £m**	**Hong Kong Dollar £m**	**South African Rand £m**	**Total £m**
Analysis of borrowings by currency as at 31 December 2022 represented in GBP						
Obligations under leases	(58.2)	(1,534.3)	(0.4)	(0.2)	(0.4)	(1,593.5)
Loan from VAIL (ii)	(544.1)	-	-	-	-	(544.1)
Other loans	(608.4)	(1,062.1)	-	-	-	(1,670.5)
	(1,210.7)	**(2,596.4)**	**(0.4)**	**(0.2)**	**(0.4)**	**(3,808.1)**
Analysis of borrowings by currency as at 31 December 2021 represented in GBP						
Obligations under leases	(69.8)	(1,142.1)	-	(0.4)	(0.5)	(1,210.8)
Loan from VAIL (ii)	(544.1)	-	-	-	-	(544.1)
Other loans	(548.6)	(994.5)	-	-	-	(1,543.1)
	(1,160.5)	**(2,136.6)**	**-**	**(0.4)**	**(0.5)**	**(3,298.0)**

Notes to the financial statements *(continued)*

Group

	Within 1 year £m	1-2 years £m	2-5 years £m	Over 5 years £m	Total £m
Analysis of contractual undiscounted cash flows by maturity as at 31 December 2022					
Leased aircraft & engines	(253.3)	(252.9)	(616.6)	(1,121.8)	(2,244.6)
Leased - other	(18.8)	(13.6)	(32.8)	(37.0)	(102.2)
Loans	(175.3)	(302.0)	(1,527.8)	(583.3)	(2,588.4)
	(447.4)	**(568.5)**	**(2,177.2)**	**(1,742.1)**	**(4,935.2)**
Analysis of contractual undiscounted cash flows by maturity as at 31 December 2021					
Leased aircraft & engines	(205.8)	(185.4)	(495.8)	(810.9)	(1,697.9)
Leased - other	(21.5)	(14.2)	(29.0)	(44.3)	(109.0)
Loans	(137.7)	(239.0)	(1,381.7)	(617.6)	(2,376.0)
	(365.0)	**(438.6)**	**(1,906.5)**	**(1,472.8)**	**(4,182.9)**

Company

	Within 1 year £m	1-2 years £m	2-5 years £m	Over 5 years £m	Total £m
Analysis of contractual undiscounted cash flows by maturity as at 31 December 2022					
Leased aircraft & engines	(253.3)	(252.9)	(616.6)	(1,121.8)	**(2,244.6)**
Leased - other	(17.2)	(12.0)	(29.0)	(35.4)	**(93.6)**
Loans	(193.7)	(275.1)	(1,651.0)	(1,020.7)	**(3,140.5)**
	(464.2)	**(540.0)**	**(2,296.6)**	**(2,177.9)**	**(5,478.7)**
Analysis of contractual undiscounted cash flows by maturity as at 31 December 2021					
Leased aircraft & engines	(205.8)	(185.4)	(495.8)	(810.9)	**(1,697.9)**
Leased - other	(19.9)	(12.5)	(24.6)	(41.6)	**(98.6)**
Loans	(147.6)	(206.5)	(1,522.9)	(1,063.1)	**(2,940.1)**
	(373.3)	**(404.4)**	**(2,043.3)**	**(1,915.6)**	**(4,736.6)**

Analysis of change in borrowings:	**Group**			
	Loans £m	**Leased aircraft & engines £m**	**Leased other £m**	**Total £m**
as at 01 January 2022:	(1,682.1)	(1,133.5)	(86.4)	**(2,902.0)**
Proceeds from loans and borrowings	(14.8)	-	-	**(14.8)**
Repayment of borrowings	92.0	-	-	**92.0**
Payment of lease rental	-	121.8	17.6	**139.4**
Total changes arising from financing cash flows	77.2	121.8	17.6	**216.6**
Interest paid	62.3	123.2	4.5	**190.0**
Non-cash movements:				
New contracts and renewal of contracts	-	(298.1)	(0.6)	**(298.7)**
Other movements	-	(80.0)	(8.8)	**(88.8)**
FX Revaluation	(116.3)	(131.9)	(1.3)	**(249.5)**
Interest expense	(141.1)	(123.3)	(4.6)	**(269.0)**
as at 31 December 2022:	(1,800.0)	(1,521.6)	(79.6)	**(3,401.2)**

Notes to the financial statements *(continued)*

Analysis of change in borrowings:	Group*			
	Loans £m	Leased aircraft & engines £m	Leased other £m	Total £m
as at 01 January 2021:	(1,403.7)	(982.3)	(93.4)	**(2,479.4)**
Proceeds from loans and borrowings	(557.8)	-	-	**(557.8)**
Repayment of borrowings	97.1	-	-	**97.1**
Payment of lease rental	-	45.7	16.6	**62.3**
Total changes arising from financing cash flows	(460.7)	45.7	16.6	**(398.4)**
Interest paid	39.8	101.4	5.0	**146.2**
Non-cash movements:				
New contracts and renewal of contracts	-	(190.3)	(5.6)	**(195.9)**
Other movements	243.7	2.7	(4.0)	**242.4**
FX Revaluation	(8.6)	(9.3)	-	**(17.9)**
Interest expense	(92.6)	(101.4)	(5.0)	**(199.0)**
as at 31 December 2021:	(1,682.1)	(1,133.5)	(86.4)	**(2,902.0)**

*The prior year comparative information has been restated to re-present aircraft sale and leaseback arrangements that did not meet the requirements to be recognised as a sale per IFRS 15. Previously these lease arrangements were shown under Leased aircraft, however to align with the treatment of the underlying asset as owned rather than leased in accordance with IFRS 16, these lease arrangements totalling £772.6m as at 31 December 2021 have been re-presented under Loans.

Analysis of change in borrowings:	Company			
	Loans £m	Leased aircraft & engines £m	Leased other £m	Total £m
as at 01 January 2022:	(2,087.2)	(1,133.5)	(77.3)	**(3,298.0)**
Proceeds from loans and borrowings	(14.8)	-	-	**(14.8)**
Repayment of borrowings	81.4	-	-	**81.4**
Payment of lease rental	-	121.9	16.3	**138.2**
Interest paid	82.8	123.3	4.2	**210.3**
Non-cash movements:				
New contracts and renewal of contracts	-	(298.1)	(0.7)	**(298.8)**
Other movements	-	(80.0)	(9.0)	**(89.0)**
FX Revaluation	(116.2)	(131.8)	(1.3)	**(249.3)**
Interest expense	(160.6)	(123.3)	(4.2)	**(288.1)**
as at 31 December 2022:	(2,214.6)	(1,521.5)	(72.0)	**(3,808.1)**

Notes to the financial statements *(continued)*

20 Trade and other payables

	Group		Company	
	2022	**2021***	**2022**	**2021***
	£m	**£m**	**£m**	**£m**
Non-current				
Other revenue received in advance	**(3.6)**	(3.6)	**(3.6)**	(3.6)
Trade payables	**(18.5)**	(23.1)	**(18.5)**	(23.1)
Other Payables	**(109.6)**	(112.6)	**(109.5)**	(112.6)
	(131.7)	(139.3)	**(131.6)**	(139.3)
Current				
Other revenue received in advance	**(5.8)**	(14.2)	**(5.8)**	(14.2)
Trade payables	**(212.9)**	(188.0)	**(210.8)**	(184.8)
Flight and airport charges	**(138.6)**	(91.4)	**(138.6)**	(91.4)
Amounts owed to other group companies	**-**	-	**(7.9)**	(6.2)
Other taxes and social security	**(15.3)**	(15.5)	**(15.3)**	(15.5)
Other payables	**(24.1)**	(20.0)	**(21.8)**	(18.5)
Accruals	**(190.1)**	(171.8)	**(164.0)**	(159.3)
	(586.8)	(500.9)	**(564.2)**	(489.9)

*The Group has restated comparative information (see note 5)

Amounts owed to other group companies includes intercompany loan arrangements and are repayable on demand. These attract an interest rate of Bank of England base rate plus 0.25%.

The carrying amounts of trade and other payables is approximately equal to their fair values.

Notes to the financial statements *(continued)*

21 Deferred revenue on air travel and holidays

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Non-current	**(1.3)**	(3.4)	**-**	-
Current	**(639.6)**	(482.8)	**(510.8)**	(349.5)
Total deferred revenue on air travel and holidays	**(640.9)**	(486.2)	**(510.8)**	(349.5)

	Group Forward sales of passenger carriage and holidays £m	Group Total £m	Company Forward sales of passenger carriage £m	Company Total £m
Balance at 1 January 2022	(486.2)	(486.2)	(349.5)	(349.5)
Revenue recognised in income statement	2,559.6	2,559.6	2,072.5	2,072.5
Cash received from customers	(2,714.3)	(2,714.3)	(2,233.8)	(2,233.8)
Balance at 31 December 2022	**(640.9)**	**(640.9)**	**(510.8)**	**(510.8)**

Cash received from customers is presented net of refunds.

Deferred revenue in respect of forward sales of holidays consists of revenue allocated to tour operations. These tickets can typically be purchased up to eighteen months in advance of the date of travel.

Notes to the financial statements *(continued)*

22 Provisions

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Non-current				
Maintenance	**(43.6)**	(35.6)	**(43.6)**	(35.6)
Leasehold dilapidation	**(13.7)**	(9.9)	**(13.6)**	(9.9)
Legal claims	**(4.6)**	-	**(4.6)**	-
Restructuring	**(5.4)**	(4.9)	**(5.4)**	(4.9)
	(67.3)	(50.4)	**(67.2)**	(50.4)
Current				
Maintenance	**(9.4)**	(18.9)	**(9.4)**	(18.9)
Onerous contracts	**-**	(0.3)	**-**	(0.3)
Leasehold dilapidation	**(2.1)**	(4.2)	**(1.4)**	(3.9)
Legal claims	**(20.0)**	(27.9)	**(19.6)**	(27.2)
Restructuring costs	**(4.1)**	(5.1)	**(4.1)**	(5.1)
	(35.6)	(56.4)	**(34.5)**	(55.4)

Group

	Maintenance £m	Onerous contracts £m	Leasehold dilapidations £m	Legal claims £m	Restructuring costs £m	Total £m
As at 1 January 2021	(49.3)	(0.4)	(15.3)	(14.4)	(14.9)	(94.3)
Amounts (provided)/ released in the year	(6.8)	-	0.9	(20.5)	(0.3)	(26.7)
Amounts utilised in the year	1.5	0.1	0.3	6.2	5.2	13.3
Other movements	0.1	-	-	0.8	-	0.9
At 31 December 2021	**(54.5)**	**(0.3)**	**(14.1)**	**(27.9)**	**(10.0)**	**(106.8)**
As at 1 January 2022	(54.5)	(0.3)	(14.1)	(27.9)	(10.0)	(106.8)
Amounts (provided)/ released in the year	(5.9)	0.2	(3.7)	(17.9)	(2.3)	(29.6)
Amounts utilised in the year	11.8	0.1	2.0	20.7	2.8	37.4
Other movements	(4.4)	-	-	0.5	-	(3.9)
At 31 December 2022	**(53.0)**	**-**	**(15.8)**	**(24.6)**	**(9.5)**	**(102.9)**

Notes to the financial statements *(continued)*

			Company			
	Maintenance £m	Onerous contracts £m	Leasehold dilapid-ations £m	Legal claims £m	Restruct-uring costs £m	Total £m
As at 1 January 2021	(49.3)	(0.4)	(14.5)	(13.4)	(14.9)	(92.5)
Amounts (provided)/ released in the year	(6.8)	-	0.6	(20.9)	(0.3)	(27.4)
Amounts utilised in the year	1.5	0.1	0.1	6.2	5.2	13.1
Other movements	0.1	-	-	0.9	-	1.0
At 31 December 2021	**(54.5)**	**(0.3)**	**(13.8)**	**(27.2)**	**(10.0)**	**(105.8)**
As at 1 January 2022	(54.5)	(0.3)	(13.8)	(27.2)	(10.0)	(105.8)
Amounts (provided)/ released in the year	(5.9)	0.2	(3.1)	(18.2)	(2.3)	(29.3)
Amounts utilised in the year	11.8	0.1	1.9	20.7	2.8	37.3
Other movements	(4.4)	-	-	0.5	-	(3.9)
	(53.0)	**-**	**(15.0)**	**(24.2)**	**(9.5)**	**(101.7)**

Maintenance included in provisions relates to the costs to meet the contractual return conditions on aircraft treated as right of use assets. Cash outflows on aircraft and engine maintenance occur when the maintenance events take place on future dates not exceeding November 2034. Maintenance provisions are discounted only when the interest rate has a deemed material impact on the provision.

Leasehold dilapidations represent provisions held relating to leased land and buildings where restoration costs are contractually required at the end of the lease. Where such costs arise as a result of capital expenditure on the leased asset, the restoration costs are also capitalised.

Legal claims represent the estimated outstanding cost arising from the settlement of civil actions. Included within legal claims are compensation amounts due to customers whose flights were significantly delayed, unless the airline can prove that the delay was caused by circumstances beyond its control.

Notes to the financial statements *(continued)*

23 Interest in subsidiaries

The Group consists of a parent company, Virgin Atlantic Airways, incorporated in the UK and a number of subsidiaries. The subsidiaries of the Company as at 31 December 2022 are:

Subsidiaries	Country of Incorporation or registration	Ordinary issued shares (%)	Principal activity
VA Cargo Limited	England and Wales	100	Ceased trading
VAA Holdings Jersey Limited	Jersey	100	Holding company
VAA Holdings UK Limited	England and Wales	100	Holding company
Fit Leasing Limited	Jersey	100	Leasing of aircraft
Virglease (3) Limited	England and Wales	100	Ceased trading
Virglease (4) Limited	England and Wales	100	Leasing of aircraft
Virgin Atlantic International Limited	England and Wales	100	Trading
Virgin Holidays Limited	England and Wales	100	Sale of holidays
Virgin Vacations Incorporated	United States of America	100	Ceased trading
Virgin Incoming Services Incorporated	United States of America	100	Tour operator

Subsidiary Registered Office Addresses

Entity	Registered office address
Fit Leasing Limited, VAA Holdings Jersey Limited	47 Esplanade, St Helier, Jersey, JE1 0BD
Virgin Vacations Inc, Virgin Incoming Services Inc.	5787 Vineland Road, Suite 204, Orlando, Florida, 32819
Barbados Enterprises plc	35 Great St Helen's, London, EC3A 6AP
All other trading subsidiaries	The VHQ, Manor Royal, Crawley, West Sussex, RH10 9DF.

Virgin Vacations Incorporated ceased trading on March 2019. VA Cargo Limited ceased trading on 30 June 2020 and Virglease (3) Limited ceased trading on 31 December 2020.

The Group consolidates the results of Barbados Enterprises plc, a special purpose vehicle set up to facilitate external capital raising activities, into the results of the Group. In accordance with IFRS 10, the Group is exposed, or has rights, to variable returns from its involvement and has the ability to affect those returns through its power over Barbados Enterprises plc.

The proportion of voting rights held by the Group in each of its subsidiaries is the same as the proportion of ordinary shares held. All subsidiaries have been included in the consolidation. All entities in the consolidation have the same accounting reference date.

Notes to the financial statements *(continued)*

24 Related party transactions

The Group had transactions in the ordinary course of business during the year ended 31 December 2022 and 31 December 2021 with related parties.

	Group		Company	
	2022	**2021**	**2022**	**2021**
	£m	**£m**	**£m**	**£m**
Non-current				
Purchases from parent	**(0.4)**	(0.6)	(0.2)	(0.3)
Amounts owed from parent	-	233.4	-	3.9
Current				
Sales to related parties	**40.9**	15.3	34.0	13.8
Purchases from related parties	**(47.6)**	(10.0)	(44.9)	(8.5)
Amounts owed by the related parties	**362.1**	131.7	128.6	128.9
Amounts owed to the related parties	**(19.8)**	(30.7)	(18.3)	(29.7)
Subsidiaries				
Sales to subsidiaries	-	-	163.3	34.5
Purchase from subsidiaries	-	-	(50.4)	(58.5)
Amounts owed by subsidiaries	-	-	107.0	139.8
Amounts owed to subsidiaries	-	-	(511.3)	(672.1)

Revenue from related parties primarily relates to airline ticket sales. Purchases from related parties represent goods and services purchased for use within the business. All of the above transactions are on an arm's length basis.

Not included in the table above is a balance of £5.3m (2021: £6.3m) within deferred revenue at the balance sheet date. Revenue also includes £1.0m (2021: £1.1m) of sales to the related party Virgin Money UK PLC. These transactions were at arms' length.

In 2013, Delta Air Lines Inc. acquired a 49% equity stake in Virgin Atlantic Limited from Singapore Airlines. From 1 January 2014 the Group entered into a joint arrangement with Delta Air Lines Inc.

In January 2020, the Group entered into a joint arrangement with Delta Air Lines Inc. and Air France-KLM S.A., which provides for the sharing of revenues and costs, as well as joint marketing and sales, coordinated pricing and revenue management, network planning and scheduling and other coordinated activities with respect to the parties' operations on joint arrangement routes until 2035. This joint arrangement, for which the Group received anti-trust immunity from the US Department of Transportation in November 2020, is an continuation, extension and expansion of the joint arrangement which previously existed between the Group and Delta Air Lines Inc that was due to expire in 2028.. On transitioning to the expanded joint arrangement, the Group agreed to make a series of payments to Delta over the period 2020-2028. On the basis that the new arrangement represented a continuation of the existing arrangement these payments formed a cost to enter the expanded joint arrangement and the Group made a judgement to recognise an intangible asset to be amortised over the 15-year contract term (refer to note 11), and a corresponding liability representing the obligation to make the payments through to 2028. The liability contains a portion measured at amortised cost, and an embedded derivative measured at fair value representing the variable element of payments linked to fuel price. The net value of the liability was £125.6m at 31 December 2022 (2021: £128.3m).

Costs incurred in relation to the joint arrangement are presented within other operating and overhead costs. Total sales to Delta Air Lines, Inc. during the year amounted to £4.7m (2021: £0.7m); total purchases were £25.0m (2021: £25.4m). Outstanding receivable balances amounted to £0.6m (2021: £2.1m) and outstanding payables (excluding amounts owed under the joint arrangement) were £33.2m (2021: £64.5m).

Notes to the financial statements *(continued)*

In March 2020, a £30.0m facility was made available by the Group's shareholders; Delta Air Lines committed 49% of this facility and Virgin Investments Limited committed 51%. This facility was fully drawn down in 2020 and the Group also accrued commitment fees of £0.4m to Delta Air Lines and £0.4m to Virgin Investments Limited in respect of this facility. During 2020, the facility was converted to preference shares.

In addition, the following liabilities were converted to preference shares:

- £56.1m for amounts owed to Delta Airlines relating to the 2020 joint operation settlement, and other invoices payable.

- £21.7m for amounts owed to Virgin Investments Limited relating to royalties incurred in 2020 and other liabilities owed.

In September 2020, Virgin Investments Limited advanced a £200m facility to the Group, repayable in November 2026. This loan was initially recognised at fair value, with the difference between nominal and fair value resulting in a capital contribution of £103.7m. Further loans were advanced to the Group in 2021 as follows: £75m in March 2021 and £215.2m in December 2021 from Virgin Investments Limited, and £206.8m in December 2021 from Delta Air Lines Incorporated, each repayable in November 2026. The loans were initially recognised at fair value, with the difference between nominal and fair value resulting in a capital contribution of £241.6m.

25 Ultimate holding company

As at 31 December 2022, the largest group in which the results of the Group are consolidated is that headed by Virgin Atlantic Limited, a company registered in England and Wales.

Copies of the financial statements for Virgin Atlantic Limited may be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ.

As at 31 December 2022, the directors consider the ultimate holding company to be Virgin Group Holdings Limited, a company registered in the British Virgin Islands. The sole shareholder of Virgin Investments is Sir Richard Branson. Sir Richard Branson has interests directly or indirectly in certain other companies, which are considered to give rise to related party disclosures under IAS 24.

26 Commitments

As at 31 December 2022 the Group had the following annual commitments under non-cancellable leases which are ouside the scope of IFRS 16:

	Group			
	2022		2021	
	Land and Buildings	Aircraft and other	Land and Buildings	Aircraft and other
	£m	£m	£m	£m
Commitments under non-cancellable leases				
Not later than one year	**1.6**	-	1.7	-
Later than one year and not later than five years	**3.4**	-	0.4	-
	5.0	-	2.1	-

At 31 December 2022 the Company has no commitments (2021: £nil).

	Group and Company	
	2022	2021
Capital commitments at the balance sheet date for which no provision has been made:	**2,739.2**	3,288.1

Capital commitments relate to aircraft and engine purchases and are stated at escalated list price less progress payments.

Notes to the financial statements *(continued)*

It is intended that these purchases will be financed partly through cash flow and partly through external financing and leasing arrangements.

27 Financial instruments

	Group 2022 £m	Group 2021 Restated* £m	Company 2022 £m	Company 2021 Restated* £m
Financial assets				
Cash and bank balances	**328.7**	502.0	**321.4**	497.3
Restricted cash	**70.4**	86.5	**39.2**	49.7
Fair value through profit and loss:				
Derivative financial instruments	**27.7**	1.5	**26.9**	1.5
Loans and receivables at amortised cost:				
Investments	**-**	-	**340.4**	322.2
Trade and other receivables (excluding prepayments and accrued income)	**719.1**	573.2	**774.2**	647.3
	1,145.9	1,163.2	**1,502.1**	1,518.0
Financial liabilities				
Fair value through profit and loss:				
Derivative financial instruments	**(30.0)**	-	**(29.1)**	-
Other payables	**13.4**	15.1	**13.4**	15.1
Financial liabilities at amortised cost:				
Borrowings (including lease liabilities)	**(3,401.2)**	(2,902.0)	**(3,808.1)**	(3,298.0)
Trade and other payables	**(722.5)**	(637.7)	**(699.8)**	(483.3)
	(4,140.3)	(3,524.6)	**(4,523.6)**	(3,766.2)

*The Group has restated comparative information (see note 5)

The carrying values of financial assets and liabilities are deemed to approximate their fair values.

Fair values of financial assets and liabilities

The fair values of the Group and Company financial instruments are disclosed in hierarchy levels depending on the nature of the inputs used in determining the fair values as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs for the asset or liability that are not based on observable market data.

The only instruments carried at fair value by the Group are the derivative financial instruments that consist of fuel, foreign exchange and interest rate swap derivatives, and joint arrangement embedded derivative (refer to note 24). These are listed at level 2 on the fair value hierarchy. Discounted cash flow is the valuation technique used to arrive at fair value. Future cash flows are estimated based on forward exchange rates and forward fuel price rates (from observable rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

For all other financial instruments that are not measured at fair value on a recurring basis, the directors consider that the carrying amounts of financial assets and financial liabilities (as disclosed in (i) above) approximate their fair values.

Notes to the financial statements *(continued)*

There were no transfers between levels during the year.

28 Financial risk management

The Group is exposed to a variety of financial risks including: market risk (including foreign currency risk, interest rate risk and fuel price risk), credit risk, capital risk and liquidity risk.

The overall financial risk management processes focus on managing the exposures arising from unpredictable financial markets, to keep them within the Group's risk appetite, and to minimise potential adverse effects on financial performance.

The Group's financial risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate limits and controls, and to monitor risks and adherence to limits.

The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investment of excess liquidity.

The Treasury function of the Group implements the financial risk management policies, under governance approved by the Board, and overseen by the Financial Risk Committee.

The Group's Treasury function also identifies, evaluates and hedges financial risks within the appetite and boundaries established by the financial risk committee and financial risk policies. The Group does not speculatively trade and when instruments are used, this is to manage the underlying physical exposures of the business.

Fuel price risk

The Group is exposed to fuel price risk. The Group's fuel hedging policy aims to protect the business from significant near-term adverse movement in the jet fuel price. The policy allows the Group to hedge within bands up to 18 months out with declining percentages. In implementing the strategy, the fuel hedging policy allows for the use of a number of derivatives available on the over-the-counter (OTC) markets with approved counterparties and within approved limits.

The following table demonstrates the sensitivity of financial instruments to a reasonably possible change in fuel prices, with all other variables held constant, on profit before tax and equity:

	Group and Company	
	2022	**2021**
	£m	**£m**
Increase in fuel price by a fixed percentage	**30%**	30%
Increase in profit before tax	**25.9**	3.3
Decrease in fuel price by a fixed percentage	**(30%)**	(30%)
Decrease in profit before tax	**(12.1)**	(0.7)

Foreign currency risk

The Group is primarily exposed to fluctuations in the US dollar which can significantly impact financial results and liquidity. The Group has substantial liabilities denominated in US dollars, due to Engineering Maintenance Provisions and Aircraft Leases. A significant proportion of these are matched with US dollar cash.

Currency risk is reduced through the matching of receipts and payments in individual currencies and holding foreign currency balances to meet future obligations. In addition, the Group designates certain Aircraft Lease contracts as cash flow hedges.

Any exposure that cannot be naturally hedged, or is not designated in a cash flow hedge is managed through application of the foreign exchange hedging policy.

Notes to the financial statements *(continued)*

The Group has designated certain US dollar aircraft lease liabilities (the hedging instrument) to hedge exposure in highly probable forecast US dollar revenue (the hedged item). The probability of such transactions arising is based on past performance (USD revenues received in prior years), forecast cash flows and the Group's business model (i.e. an emphasis on transatlantic flying). These are designated as cash flow hedges, and the hedge ratio applied is 1:1. The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the aircraft lease designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method. In these hedge relationships, the main sources of ineffectiveness are:

- Changes in the timing of the hedged transactions; and
- Non-alignment between the exchange rate ruling at the balance sheet date and the exchange rate ruling at the date the forecast revenue is recognised.

The carrying value of the hedging instruments as at 31 December 2022 was $2,390.5m (2021: $2,111.5m). Included within other operating and overhead costs are £8.4m of hedging losses (2021: £8.2m gains) reclassified from the hedging reserve.

The foreign exchange hedging policy aims to protect the business from significant near-term adverse movement in exchange rates. The policy allows the Group to hedge within bands up to 18 months out with declining percentages. In implementing the strategy, the foreign exchange hedging policy allows for the use of a number of derivatives available on the over-the-counter (OTC) markets with approved counterparties.

The following table demonstrates the sensitivity of the US dollar foreign exchange derivative exposure to a reasonably possible change in the US dollar exchange rates, with all other variables held constant, on profit/ (loss) before tax and equity.

	Group	
	2022	**2021**
	£m	**£m**
Strengthening in currency exchange rate by a fixed percentage	**10%**	10%
Decrease in profit before tax	**(2.6)**	-
Weakening in currency exchange rate by a fixed percentage	**(10%)**	(10%)
Increase in profit before tax	**19.9**	-

	Company	
	2022	**2021**
	£m	**£m**
Strengthening in currency exchange rate by a fixed percentage	**10%**	10%
Decrease in profit before tax	**-**	-
Weakening in currency exchange rate by a fixed percentage	**(10%)**	(10%)
Increase in profit before tax	**14.2**	-

Interest rate risk

Interest rate cash flow risk arises on floating rate borrowings and cash investments. The Interest rate risk management policy objective is to lower the cost of capital by maintaining a targeted optimal range of net floating rate debt instruments while at the same time, not over-exposing the Company to interest rate fluctuations.

Interest rate exposure is managed on net basis i.e. after taking into consideration the natural hedge available due to cash invested in the short term at floating interest rates.

Notes to the financial statements *(continued)*

A global reform of interest rate benchmarks is underway, including the replacement of London interbank offered rates (LIBOR) with alternative risk-free rates. The Group has certain aircraft leases and a term loan indexed to US dollar LIBOR, which is expected to be withdrawn mid-2023. As such the Group anticipates transitioning to an alternative benchmark by 30 June 2023.

Aircraft leases are a mix of fixed and floating rates. Of the 38 leases in place at 31 December 2022 (2021: 36), 76% were based on fixed interest rates and 24% were based on floating interest rates (2021: 75% fixed, 25% floating).

Credit risk

The Group is exposed to credit risk to the extent of non-performance by its counterparties in respect of financial assets receivable, cash, money market deposits and derivative financial instruments.

Credit risk management aims to reduce the risk of default by diversifying exposure and adhering to acceptable limits on credit exposure to counterparties based on their respective credit ratings. Credit default swaps are also considered wherever relevant and available.

Counterparty credit quality and exposures are regularly reviewed and if outside of the acceptable tolerances, management will make a decision on remedial action to be taken.

The financial assets recognised in the financial statements, net of impairment losses (if any), represent the Group's maximum exposure to credit risk.

Disclosure relating to the credit quality of trade and other receivables is given in note 16.

Eligible currencies are USD and GBP. Interest return on the collateral is based on Effective Fed Fund rates for USD and Overnight Sonia for GBP.

Liquidity risk

The objective of the Group's liquidity risk management is to ensure sufficient cash is available to meet future liabilities as and when they fall due and ensure planned access to cost effective funding in various markets.

The Group maintains high proportion of cash in overnight money market funds with same day access to manage the impact of any business disruption. Additionally, the Group uses a combination of Credit Support Annex (CSA) and Non–CSA arrangements with its counterparties to manage liquidity requirements relating to derivatives trading activities.

The maturity profile of financial liabilities based on undiscounted gross cash flows and contractual maturities can be found in note 19.

Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors its leverage ratio i.e. net debt to EBITDA. Net debt is defined as the total loans and borrowings, leases, (for calculation purposes) net of cash and cash equivalents.

Notes to the financial statements *(continued)*

29 Reconciliation between (loss)/profit for the year and cash generated from operations

	Group 2022 £m	2021 Restated* £m
Loss for the period	**(338.4)**	(484.8)
Adjustments for:		
Depreciation (of owned and right-of-use assets)	**188.3**	194.5
Amortisation	**49.9**	52.1
Impairment	**(0.1)**	9.1
Loss on unrealised forex	**80.3**	4.3
Loss/(gain) on unrealised items	**15.4**	(114.0)
Loss/(profit) on disposal of PPE and intangible assets	**3.8**	(3.0)
Taxation	**0.2**	(1.0)
Movement in provision for bad debts	**0.8**	(0.4)
Unrealised fair value movement in derivatives	**3.8**	(12.5)
Net finance costs	**265.6**	200.6
Movement in restricted cash	**16.2**	(9.9)
Working capital changes		
Inventory	**(11.8)**	4.0
Trade and other receivables	**(137.9)**	(92.6)
Trade and other payables	**33.6**	97.0
Deferred revenue on air travel and holidays	**154.7**	219.5
Provisions	**(19.5)**	(0.5)
Equity-settled share-based payment transactions	**2.1**	-
Interest paid	**(191.8)**	(146.4)
Income taxes recovered/(paid)	**0.2**	(0.1)
Net cash from/(used in) operating activities	**115.4**	(84.1)

*The Group has restated comparative information (see note 5, and consolidated statement of cash flows)

30 Subsequent events

The Group has taken delivery of two leased Airbus A330-900 neo aircraft, one in January 2023 and the other in March 2023.

Notes to the financial statements *(continued)*

Alternative performance measures

The performance of the Group is assessed using a number of alternative performance measures (APMs) as outlined below. These measures are not defined under International Financial Reporting Standards (IFRS) and should be considered in addition to IFRS measurements.

The definition of each APM, together with a reconciliation to the nearest measure prepared in accordance with IFRS is presented below.

(a) (Loss)/Profit before tax and exceptional items

The Group seeks to present a measure of underlying performance which is not impacted by material non-recurring items or items which are not considered to be reflective of the trading performance of the business. This measure of profit is described as 'profit before tax and exceptional items' (PBTEI) and is used by the Directors to measure and monitor performance. The excluded items are referred to as 'exceptional items and non-underlying items'.

Exceptional items may include impairments, expenditure on major restructuring programmes and other particularly significant or unusual non-recurring items. Non-underlying items may include fair value adjustments on financial instruments and items not considered to be reflective of the trading performance of the business. Items relating to the normal trading performance of the business will always be included within the underlying performance.

Judgement is required in determining the classification of items between exceptional/non-underlying and underlying. In line with Financial Reporting Council (FRC) guidance the Group have not attempted to identify additional exceptional items as a direct or indirect result of COVID-19, other than those items which clearly meet our existing definition of exceptional, such as the restructuring and asset impairment.

Notes to the financial statements *(continued)*

The following table contains a reconciliation between PBTEI and the statutory income statement for the Group:

	For the year ended 31 December 2022			For the year ended 31 December 2021*		
	Underlying activities before exceptional items	Exceptional items and non-underlying items	Total	Underlying activities before exceptional items	Exceptional items and non-underlying items	Total
	£m	£m	£m	£m	£m	£m
Total revenue	**2,854.1**	**-**	**2,854.1**	928.0	-	928.0
Physical fuel	**(902.4)**	**-**	**(902.4)**	(269.7)	-	(269.7)
Fuel hedging (i)	**18.1**	**(18.1)**	**-**	18.5	(18.5)	-
Airline direct operating costs	**(508.5)**	**-**	**(508.5)**	(282.3)	-	(282.3)
Aircraft costs (viii)	**(167.1)**	**-**	**(167.1)**	(156.4)	-	(156.4)
Holiday distribution, marketing and selling costs (i)	**(404.9)**	**(0.9)**	**(405.8)**	(81.5)	4.0	(77.5)
Employee remuneration	**(365.7)**	**-**	**(365.7)**	(257.0)	-	(257.0)
Other operating and overhead costs (i), (ii), (iii), (iv)	**(295.2)**	**4.0**	**(291.2)**	(149.3)	101.0	(48.3)
Engineering and maintenance costs	**(158.7)**	**-**	**(158.7)**	(97.2)	-	(97.2)
Other depreciation and amortisation	**(66.3)**	**-**	**(66.3)**	(66.2)	-	(66.2)
(Profit)/Loss on disposal of property, plant and equipment	**(3.5)**	**-**	**(3.5)**	3.0	-	3.0
Restructuring (vi)	**-**	**(8.3)**	**(8.3)**	-	14.8	14.8
Impairment of assets (vii)	**-**	**0.1**	**0.1**	(6.0)	(3.1)	(9.1)
Fair value gains/(losses) on derivative contracts (i)	**-**	**(53.6)**	**(53.6)**	-	27.8	27.8
Other income (v)	**-**	**4.2**	**4.2**	0.7	8.6	9.3
Operating loss	**(0.1)**	**(72.6)**	**(72.7)**	(415.4)	134.6	(280.8)
Finance income	**10.4**	**-**	**10.4**	1.0	-	1.0
Finance expense	**(213.4)**	**(62.6)**	**(276.0)**	(183.0)	(23.0)	(206.0)
Net finance costs	**(203.0)**	**(62.6)**	**(265.6)**	(182.0)	(23.0)	(205.0)
Loss before tax	**(203.1)**	**(135.2)**	**(338.3)**	(597.4)	111.6	(485.8)

***The Group has restated comparative information (see note 5)**

The Group separately presents certain items as exceptional and non-underlying. These are items which in the judgment of the Directors need to be disclosed separately by virtue of their size or incidence in order for the reader to obtain a proper understanding of the financial information:

(i) Fuel hedging includes gains of £18.1m (2021: £18.5m) recognised on maturity of fuel derivative contracts. Other operating and overhead costs and Holiday distribution, marketing and selling costs include losses of £19.4m (2021: gains of £2.0m) and losses of £0.9m (2021: £4.0) respectively on maturity of foreign exchange derivative contracts. Net losses on matured derivative contracts totalling £0.4m (2021: net gains totalling £16.5m) have been reclassified against Fair value gains/(losses) on derivative contracts. In addition, fair value movements in relation to the Group's fuel and foreign currency derivatives are classified as an exceptional item through Fair value gains/(losses) on derivative contracts, to ensure that the operating costs of the Group can be reflected at an unhedged rate as the Group does not apply hedge accounting for derivative contracts. Fair value movements totalled losses of £53.6m (2021: gains of £11.3m).

(ii) Other operating and overhead costs include unrealised losses of £15.4m (2021 restated: gains of £98.2m) relating to fuel and foreign exchange on payables balances.

Notes to the financial statements *(continued)*

(iii) Support from trade creditor groups as part of the Group's solvent recapitalisation resulted in discounts of £nil (2021: £0.4m) being recognised in Other operating and overhead costs.

(iv) Gains of £nil (2021: £4.4m) were recognised in Other operating and overhead costs relating to ineffectiveness of cash flow hedges. Hedge ineffectiveness arose due to forecast revenue not materialising as a result of COVID-19.

(v) A related party, Flybe Limited, entered administration in March 2020. At that date, the Group had provided for loans and guarantees to Flybe Limited. The Group fully impaired the loans and has netted any amounts recovered against the write down. Amounts recovered in the year totalled £4.2m (2021: £8.6m).

(vi) The business undertook a restructuring and recapitalisation process in response to the impact of COVID-19 resulting in costs totalling £8.3m (2021: gains of £14.8m). This amount relates primarily to severance, advisory and financing costs. In the prior year, costs were offset by fair value gains recognised as a result of renegotiation of debt terms.

(vii) A reversal of a prior year impairment of Property, plant and equipment totalling £0.1m was recognised in the current year. In the previous year, impairments to Property, plant and equipment of £1.6m and to financial assets of £1.5m were recognised.

(viii) Interest expense totalling £62.6m (2021: £23.0m) arose on accounting for loans advanced from shareholders at fair value (refer to note 24). Management considers this expense to be non-underlying as it does not reflect the true cost of the arrangement.

Notes to the financial statements *(continued)*

(b) Underlying EBITDA
profit/(loss) for the year/period before net finance costs, tax, depreciation, amortisation, exceptional items and unrealised foreign exchange gain/(loss)

	Group	
	2022	**2021***
	£m	**£m**
Loss before tax	**(338.3)**	(485.8)
Less: Exceptional items	**(135.3)**	111.6
Less: Net finance costs	**(203.0)**	(182.0)
Less: Unrealised foreign exchange[1]	**(71.3)**	(4.9)
Underlying EBIT	**71.3**	(410.5)
Less: Depreciation, amortisation and impairment charge	**(238.2)**	(249.5)
Underlying EBITDA	**309.5**	(161.0)

[1] Unrealised foreign exchange is included within Other operating and overhead costs in the statement of comprehensive income.

(c) Underlying EBIT margin
Underlying EBIT divided by total revenue

	Group	
	2022	**2021***
	£m	**£m**
EBIT	**71.3**	(410.5)
Total Revenue	**2,854.1**	928.0
Underlying operating margin	**2.5%**	(44.2)%

(d) Passenger revenue per ASK (PRASK)
An industry measure of operational efficiency that encompasses both passenger yield and load factor performance. Calculated as total passenger revenue divided by total available seat kilometres (ASK).

	Group	
	2022	**2021**
Airline passenger revenue (£m)	**2,072.5**	410.1
ASKs (km bn)	**39.4**	14.2
PRASK (p)	**5.26**	2.89

(e) Airline fuel costs per ASK (Fuel CASK)
A key fuel metric, fuel CASK measures our unit fuel spend and assesses our aircraft fuel efficiency and fuel hedging effectiveness. Calculated as the total fuel spend divided by total ASKs.

	Group	
	2022	**2021**
	£m	**£m**
Physical fuel	**902.4**	269.7
Fuel hedging	**(18.1)**	(18.5)
Fuel costs	**884.3**	251.2
ASKs (km bn)	**39.4**	14.2
Fuel CASK (p)	**2.25**	1.77

*The Group has restated comparative information (see note 5)

Notes to the financial statements *(continued)*

(f) Airline non-fuel costs per ASK (Non-fuel CASK)
Our key volume adjusted operational cost metric that indicates our cost control performance excluding fuel. Calculated as the total airline operational costs and overheads (ex-financing costs) divided by total ASKs.

	Group	
	2022 **£m**	**2021*** **£m**
Total operating expenditure	**2,926.7**	1,208.8
Less: Exceptional items	**72.7**	(134.6)
Less: Fuel costs	**884.3**	251.2
Less: Non-flight costs[1]	**489.6**	112.7
Non-fuel costs	**1,480.1**	979.5
ASKs (km bn)	**39.4**	14.2
Non-fuel CASK (p)	**3.76**	6.91

[1]Non-flight costs are included within Holiday, distribution and marketing costs, Employee remuneration, Other operating and overhead costs, Other depreciation and amortisation and Profit on disposal of property, plant and equipment in the statement of comprehensive income.

(g) Net debt
total borrowings, net of cash and cash equivalents and restricted cash

	Group	
	2022 **£m**	**2021** **£m**
Total borrowings	**(3,401.2)**	(2,902.0)
Cash and cash equivalents	**328.7**	502.0
Restricted cash	**70.4**	86.5
Net debt	**(3,002.1)**	(2,313.5)

(h) Adjusted net assets/ (liabilities)
net assets/(liabilities) shown on its consolidated statement of financial position, adjusted for the fair value of Virgin Atlantic's slot portfolio (less cost)

	Group	
	2022 **£m**	**2021*** **£m**
Net assets/ (liabilities)	**(1,100.4)**	(615.1)
Fair value adjustment	**541.0**	406.8
Adjusted net assets/ (liabilities)	**(559.4)**	(208.3)

(i) Adjusted free cash
Cash and cash equivalents adjusted for unremitted cash in transit

	Group	
	2022 **£m**	**2021** **£m**
Cash and cash equivalents	**328.7**	502.0
Unremitted cash	**208.3**	85.8
Adjusted free cash	**537.0**	587.8

*The Group has restated comparative information (see note 5)