Virgin Holidays Limited and subsidiary companies

Annual report and consolidated financial statements
31 December 2020

Registered number: 1873815

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Strategic report

The Directors present their annual report and the audited financial statements of Virgin Holidays Limited ("the Company") and its subsidiary companies (together "the Group") for the year ended 31 December 2020.

Principal activity

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 90% of Virgin Holidays customers also fly on Virgin Atlantic planes.

The subsidiaries impacting the profits and net assets of the Group in the year are listed in note 23 to the financial statements.

Results

The Group's trading results are stated on page 11 of the consolidated financial statements. Revenue for the year was £96m *(2019: £626.6m)*. The loss before tax and exceptional items was £39.2m *(2019: £3.2m profit)*, with a statutory loss before tax of £36.6m, down from the £17.6m loss before tax made in 2019.

Business review

The financial results for 2020 are a stark reflection of the immense challenges that the airline industry has faced from the COVID-19 pandemic.

The year had started on plan with January and February in line with targets. From March onwards the pandemic had a dramatic impact on passenger operations. The closure of US borders combined with the UK entering its first lockdown in March led to the temporary cessation of holidays.

Revenue fell 85% to £96m reflecting the restrictions on non-essential travel present for much of 2020. With Holiday departures declining 80%, holiday distribution, marketing and selling costs were similarly reduced, and the operations were streamlined as part of the single brand unification, with Virgin Holidays becoming Virgin Atlantic Holidays. The retail store network was also reduced by 5 stores as part of the restructuring and totalled 50 stores at year end.

From 1 July 2020, all employees of Virgin Holidays Limited transferred via a Transfer of Undertakings (Protection of Employment) (TUPE) process to Virgin Atlantic Airways Limited (the immediate parent of the Group). Refer to note 9 for more details.

Future outlook

With the recently announced path to exit UK lockdown restrictions there is a roadmap to recovery and to the recommencement of international passenger flying at scale. While the timing and shape of recovery remain uncertain, the actions taken in 2020 to reshape and resize Virgin Atlantic have positioned the Group to capitalise on the recovery when it takes hold. Nevertheless, the discipline and focus on cost and liquidity management continue to ensure Virgin Holidays' survival and return to profitability.

Key Performance Indicators

The directors have outlined below the key performance indicators that we rely on to manage the Group's activities. The financial indicators are on a 12 month basis to December for comparability.

	2019	**2020**	**YoY**
Total customers (000's)	390	**59**	-85%
Contribution (£m)	5.5	**-39**	n/a

Strategic report *(continued)*

Principal risks and uncertainties
In 2020 the Group defined the Top Risks across seven categories, being (i) Health, Safety and Security (ii) Financial & Macro-Economic (iii) Crisis Management & Business Continuity (iv) Sustainability (v) Technology & Data Security (vi) People and Brand and (vii) Regulatory and Legislative.

The approach to evaluating the risks and their impact on our business generated by the Covid-19 pandemic has been to consider the pandemic against these seven risk categories. We have therefore assessed what mitigations are managing and controlling the potential risk impacts in each risk category, rather than including a standalone risk category for the pandemic.

Several of the key risks have seen changes in their profile during the year, as identified in the table below. Whilst new emerging risks are not disclosed, the aggregate impact of the Covid-19 pandemic across the past year means that the risk landscape for the Group as a whole has nonetheless become materially more challenging.

Increased	**Decreased**
Health & pandemic protection	Industrial relations
Liquidity & financing risk	
Supplier failure risk	
Technology & data security	

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 26 March 2021 and signed on its behalf by:

Julian Homerstone
Company Secretary

Company Secretariat,
The VHQ, Fleming Way,
Crawley,RH10 9DF
26 March 2021

Directors' report

Dividends

The Directors recommend that no *(2019: £nil)* ordinary final divided be paid in respect of the period ended 31 December 2020.

Directors

The Directors who served during the year and up to the date of this report were as follows:

Sir Richard Branson	(President)
P M R Norris	(Chairman)
G D McCallum	
I P Woods	(resigned 20 January 2021)
S J Weiss	
E H Bastian	
G W Hauenstein	
D L James	
T Mackay	(resigned 20 September 2020)
C J A Koster	
Luigi Brambilla	(Virgin nominated Director appointed 20 January 2021)
Alain Bellemare	(Delta nominated Director appointed 11 February 2021)
Oliver Byers	(appointed 21 September 2020)
J Jarvinen	(appointed 1 July 2019)
S Sear	(resigned 11 February 2021)

Share based payments: long term incentive plan

The Virgin Atlantic Group has a long term incentive scheme for Executive Directors and other invited participants to incentivise and recognise execution of our "Velocity" plan. The details of this scheme can be found in note 9.

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.

Political contributions

During the year the Group did not make any contributions to political parties *(2019: £nil)*.

Financial risk management

The Board of Directors is responsible for setting financial risk management policies and objectives, and for approving the parameters within which the various aspects of financial risk management are operated. The Directors have delegated powers to the Financial Risk Committee to ensure that the policies and objectives are fully implemented in line with their approved policy.

The financial risk management policies outline our approach to market risk (including foreign currency risk), counterparty credit risk, and liquidity risk. Group Treasury carries out financial risk management within the parameters of the Board approved policies.

Directors' report *(continued)*

Foreign currency risk

Exposure to US Dollar denominated costs including hotel costs result in a short US Dollar position. The Group is exposed to foreign currency risk and utilises a range of hedging instruments, arranged on its behalf by a subsidiary company of Virgin Atlantic Limited, to minimise its foreign exchange exposure. The key foreign currency risk arises in respect of US Dollar.

Derivative financial instruments

The Group's policy is not to trade in derivatives on a speculative basis but to use these instruments to hedge anticipated exposures, arranged through a subsidiary company of Virgin Atlantic Limited. All derivatives are used for the purpose of risk management and accordingly they do not expose the Group to market risk as they are matched to identified physical exposures within the Group.

Going concern

The accounts have been prepared on a going concern basis; for full disclosure refer to the Basis of Preparation section in note 3.

Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Other information

An indication of likely future developments in the business and particulars of significant events that have occurred since the end of the financial year have been included in the Strategic report on page 2.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office until further notice.

The Directors' report was approved by the Board of Directors on 26 March 2021 and signed on its behalf by:

Julian Homerstone
Company Secretary

Registered office:
Company Secretariat,
The VHQ, Fleming Way,
Crawley, RH10 9DF
26 March 2021

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 both the group and the parent company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 and reliable;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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 Holidays Limited

Opinion

We have audited the financial statements of Virgin Holidays Limited ("the company") for the year ended 31 December 2020 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 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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. 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 the Company's ability to continue as a going concern is dependent on the continued financial support from its ultimate parent company, Virgin Atlantic Limited. The financial statements of Virgin Atlantic Limited include material uncertainties related to going concern and therefore the availability of support may be in doubt if required. These events and conditions, along with the other matters explained in note 3, constitute a material uncertainty that may cast significant doubt on the 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 they do not intend to liquidate the group or company, or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic for at least a year from the date of approval of the financial statements ("the going concern period"). As stated above, they have also concluded that there is a material uncertainty related to going concern.

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

We performed the following procedures:

- Critically assessed assumptions in the 'Plan of Record' and 'Severe but plausible Case' scenarios relevant to liquidity and covenant metrics, by comparing to external forecasts for the aviation industry's recovery from the impacts of the Covid-19 pandemic and economic forecasts, overlaying our knowledge of the company's plans based on approved budgets and our knowledge of the company and the sector in which it operates.
- We specifically challenged the assumptions underpinning the 'Severe but plausible Case' scenario prepared by the directors to evaluate whether this represented a sufficiently severe but plausible downside scenario.
- We inspected confirmations from lenders of the level of committed financing, and the associated covenant requirements.
- We evaluated the achievability of the actions the directors consider they would take to improve the position should the risks from the 'Severe but plausible Case' materialise, which include review and rationalisation of the group's network, an increased focus on the group's Cargo business and new route opportunities, further significant

restructuring and cost reduction activities, further deferral of expenditure and securing additional shareholder support, taking into account the extent to which the directors can control the timing and outcome of these actions.
- We considered whether the going concern disclosure in note 3 to the financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks, dependencies, and related sensitivities.

Our conclusions based on this work:

- We consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- We found the going concern disclosure in note 3 to be acceptable.

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 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.

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, including the impact on the company of the significant business disruptions experienced as a result of the Covid-19 pandemic, 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.

We also identified a fraud risk related to impairment of assets in response to possible pressures to use favourable forecasts when determining the value in use of the assets, therefore avoiding a potential impairment.

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 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 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.

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

For the failure, in certain instances, to meet required timescales for refunds discussed in the Strategic Report, we assessed disclosures against our understanding from inspecting regulatory correspondence.

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

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

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

Strategic report and directors' report

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

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- We have not identified material misstatements in the strategic report and the directors' report;
- In our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- In our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- Adequate accounting records have not been kept 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 6, 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.

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.

Jonathan Downer (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL

26 March 2021

Consolidated statement of comprehensive income

for the year ended 31 December 2020

	Note	2020 Ordinary activities before exceptional items £'000	2020 Exceptional items and fair value movements (Note 8) £'000	2020 Total £'000	2019 Ordinary activities before exceptional items £'000	2019 Exceptional items and fair value movements (Note 8) £'000	2019 Total £'000
Revenue	6	**95,775**	-	**95,775**	626,594	-	626,594
Cost of sales		**(95,837)**	**(15,667)**	**(111,504)**	(569,040)	(14,363)	(583,403)
Gross (loss)/profit		**(62)**	**(15,667)**	**(15,729)**	57,554	(14,363)	43,191
Depreciation and amortisation	7	**(11,272)**	**(3,977)**	**(15,249)**	(10,644)	-	(10,644)
Employee remuneration	9	**(7,163)**	-	**(7,163)**	(22,069)	-	(22,069)
Distribution, marketing and selling costs		**(923)**	-	**(923)**	(9,861)	-	(9,861)
Other operating costs and overheads		**(19,833)**	-	**(19,833)**	(12,112)	-	(12,112)
Operating loss		**(39,253)**	**(19,644)**	**(58,897)**	2,868	(14,363)	(11,495)
Restructuring		-	**(1,462)**	**(1,462)**	-	(1,071)	(1,071)
		-	**(1,462)**	**(1,462)**	-	(1,071)	(1,071)
Finance income		**843**	-	**843**	3,291	-	3,291
Finance expense		**(830)**	-	**(830)**	(648)	-	(648)
Net finance income excluding interest on non-trading intercompany loan balances	10	**13**	-	**13**	2,643	-	2,643
Fair value gains/(losses) on derivative contracts		-	**23,775**	**23,775**	-	(5,350)	(5,350)
Loss before tax and interest on intercompany non-trading balances	8	**(39,240)**	**2,669**	**(36,571)**	5,511	(20,784)	(15,273)
Interest expense on non-trading intercompany loan balances	10				(2,306)	-	(2,306)
Loss before tax	8	**(39,240)**	**2,669**	**(36,571)**	3,205	(20,784)	(17,579)
Tax (charge)/credit	11			**(4,876)**			3,074
Loss for the year				**(41,447)**			(14,505)
Other comprehensive income (items that will not be reclassified subsequently to the income statement):							
Foreign currency translation difference				**(42)**			(56)
Total comprehensive loss for the year				**(41,489)**			(14,561)

The total comprehensive income for the year for the Company is £40,109k loss (2019: £14,096k loss).

All amounts relate to continuing operations. The notes on pages 16 to 49 form part of these financial statements.

Consolidated statement of financial position

as at 31 December 2020

Registered number: 1873815	Note	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Non-current assets			
Intangible assets and goodwill	12	42,282	13,569
Property, plant and equipment	13	12,511	19,231
Deferred tax	14	-	5,445
Trade and other receivables	17	18	19
		54,811	38,264
Current assets			
Trade and other receivables	17	243,857	266,687
Derivative financial instruments	16	2	468
Cash and cash equivalents	18	5,139	1,781
		248,998	268,936
TOTAL ASSETS		303,809	307,200
Current liabilities			
Trade and other payables	19	(168,143)	(70,892)
Deferred revenue on tour operations	21	(76,020)	(168,521)
Derivative financial instruments	16	(432)	(7,712)
Provisions	22	(1,705)	(790)
Borrowings	20	(1,784)	(1,769)
		(248,084)	(249,684)
NET CURRENT ASSETS		914	19,252
TOTAL ASSETS LESS CURRENT LIABILITIES		55,725	57,516
Non-current liabilities			
Borrowings	20	(8,567)	(11,366)
Deferred revenue on tour operations	21	(3,303)	(1,822)
Derivative financial instruments	16	-	(1,168)
		(11,870)	(14,356)
NET ASSETS		43,855	43,160
Equity			
Share capital		2,457	2,457
Currency translation reserve		235	277
Capital contribution reserve		79,596	37,412
Retained earnings		(38,433)	3,014
		43,855	43,160

These financial statements were approved by the Board of Directors on 26 March 2021 and were signed on its behalf by:

Oliver Byers
Director

The notes on pages 16 to 49 form part of these financial statements.

Company statement of financial position
for the year ended 31 December 2020

Registered number: 1873815	Note	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Non-current assets			
Intangible assets and goodwill	12	**41,533**	11,692
Property, plant and equipment	13	**12,483**	19,229
Investments	15	**288**	288
Deferred tax	14	**-**	5,445
Trade and other receivables	17	**18**	19
		54,322	36,673
Current assets			
Trade and other receivables	17	**243,079**	268,011
Derivative financial instruments	16	**2**	468
Cash and cash equivalents	18	**5,162**	252
		248,243	268,731
TOTAL ASSETS		**302,565**	305,404
Current liabilities			
Trade and other payables	19	**(167,505)**	(71,122)
Deferred revenue on tour operations	21	**(76,020)**	(168,483)
Derivative financial instruments	16	**(432)**	(7,712)
Provisions	22	**(1,705)**	(790)
Borrowings	20	**(1,784)**	(1,769)
		(247,446)	(249,876)
NET CURRENT ASSETS		**797**	18,855
TOTAL ASSETS LESS CURRENT LIABILITIES		**55,119**	55,528
Non-current liabilities			
Borrowings	20	**(8,567)**	(11,366)
Deferred revenue on tour operations	21	**(3,305)**	(1,822)
Derivative financial instruments	16	**-**	(1,168)
		(11,872)	(14,356)
NET ASSETS		**43,247**	41,172
Equity			
Share capital		**2,457**	2,457
Retained earnings		**(38,806)**	1,303
Capital contribution reserve		**79,596**	37,412
		43,247	41,172

These financial statements were approved by the Board of Directors on 26 March 2021 and were signed on its behalf by:

Oliver Byers
Director

The notes on pages 16 to 49 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2020

	Share Capital	Currency Translation Reserve	Capital Contribution Reserve	Retained Earnings	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2019	2,457	333	-	67,519	70,309
Loss for the year	-	-	-	(14,505)	(14,505)
Exchange translation differences	-	(56)	-	-	(56)
Dividends Paid	-	-	-	(50,000)	(50,000)
Capital contribution			37,412		37,412
Balance at 31 December 2019	**2,457**	**277**	**37,412**	**3,014**	**43,160**
Balance at 1 January 2020	2,457	277	37,412	3,014	43,160
Loss for the year	-	-	-	(41,447)	(41,447)
Exchange translation differences	-	(42)	-	-	(42)
Capital contribution	-		42,184	-	42,184
Balance at 31 December 2020	**2,457**	**235**	**79,596**	**(38,443)**	**43,855**

Share capital includes 2,456,774 *(2019: 2,456,774)* ordinary shares of £1 each.

Company statement of changes in equity

for the year ended 31 December 2020

	Share Capital	Capital Contribution Reserve	Retained Earnings	Total
	£'000	£'000	£'000	£'000
Balance at 1 January 2019	2,457	-	65,399	67,856
Loss for the year	-	-	(14,096)	(14,096)
Dividends Paid	-	-	(50,000)	(50,000)
Capital Contribution	-	37,412		37,412
Balance at 31 December 2019	2,457	37,412	1,303	41,172
Balance at 1 January 2020	2,457	37,412	1,303	41,172
Loss for the year	-	-	(40,109)	(40,109)
Capital contribution	-	42,184	-	42,184
Balance at 31 December 2020	**2,457**	**79,596**	**(38,806)**	**43,247**

Share capital includes 2,456,774 *(2019: 2,456,774)* ordinary shares of £1 each.

During the year, as part of the Virgin Atlantic Group's solvent recapitalisation, certain liabilities were novated to the parent company, Virgin Atlantic Limited (VAL), resulting in a capital contribution of £42,184k. VAL then exchanged preference shares issuable to its shareholders for payments of these liabilities over the period 2020 – 2025. At 31 December 2020, VAL had issued a total of £4,969k preference shares relating to Virgin Holidays liabilities, with an additional £3,139k issued in February in relation to payments relating to 2020. The remaining preference shares will be issued annually based on the actual amounts incurred in the preceding financial year.

The notes on pages 16 to 49 form part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2020

	Note	As at 31 December 2020 £000	As at 31 December 2019 £000
Net cash from operating activities before exceptional items	29	7,165	58,027
Adjustments for exceptional items	29	767	627
Net cash from operating activities	29	7,932	58,654
Purchase of property, plant and equipment		(809)	(6,253)
Purchase of intangible assets		(951)	(3,328)
Interest received		712	922
Net cash used in investing activities		(1,048)	(8,659)
Proceeds from new leases		(927)	2,577
Payment of lease liabilities		(2,556)	(2,210)
Dividends paid		-	(50,000)
Net cash used in financing activities		(3,483)	(49,633)
Net increase in cash and cash equivalents		3,401	362
Cash and cash equivalents at beginning of year (incl. restricted cash)		1,781	1,475
Effect of foreign exchange rate changes		(43)	(56)
Cash and cash equivalents at end of year (incl. restricted cash)	18	5,139	1,781

The notes on pages 16 to 49 form part of these financial statements.

Notes to the financial statements *(continued)*

1 General Information

Virgin Holidays Limited (the 'Company') and its subsidiaries ('VHOLS' or the 'Group' as applicable) is a holiday tour operator, 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 2 to 3. 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 6.

2 Statement of compliance with IAS

The Group has prepared its consolidated financial statements in accordance with international accounting standards (IAS) in conformity with the requirements of the Companies Act 2006.

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 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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

3 Accounting policies

Basis of preparation

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Virgin Atlantic Limited's assumptions around the resumption of material levels of flying in summer 2021. Virgin Atlantic Limited has indicated its intention to continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. However, continued support is dependent on the ability of the Virgin Atlantic Limited Group being able to settle its liabilities as they fall due. The Directors of Virgin Atlantic Limited have concluded that material uncertainties exists over the Virgin Atlantic Limited Group's ability to continue as a going concern as there is a high level of uncertainty as to how the global aviation industry will emerge from the Covid-19 pandemic. The following basis of preparation wording has been included in the group accounts:

In determining the appropriate basis of preparation of the financial statements for the year ended 31 December 2020, the Directors are required to consider whether the Group and Company can continue in operational existence for the foreseeable future. The Board has concluded that it is appropriate to adopt the going concern basis, having undertaken an assessment of the financial forecasts with specific consideration to the trading position of the Group and Company in the context of the current Coronavirus pandemic ('Covid-19'), for the reasons set out below.

Since March 2020 the Coronavirus pandemic has had a severe and unprecedented impact on the whole aviation and travel sector. For Virgin Atlantic (the parent company) this impact has included a reduction of 80% in passenger revenue.

The Directors secured a privately funded, solvent recapitalisation in September 2020 which delivered a refinancing package worth c.£1.2bn over the following 18 months:

- Our shareholders are providing c.£600m in support over the life of the plan including a £200m investment from Virgin Group and the deferral of c.£400m of shareholder payments such as brand fees and JV related costs.
- Davidson Kempner provided £170m of secured financing and our largest suppliers contributed an additional £450m by way of deferrals.

Notes to the financial statements *(continued)*

3 Accounting policies *(continued)*

Basis of preparation *(continued)*

In addition, the Directors acted at pace to reduce the cost base and simplify the fleet and network, as well as delivering £335m in cost savings in 2020 (with over £200m of recurring cost reductions).

At 31 December 2020, the Group's financing consisted of total cash balances of £191m (including unrestricted cash of £115m). At 28 February 2021 the Group had total cash balances of £194m (including unrestricted cash of £104m).

To assess Going Concern the Directors have prepared a series of dynamic downside scenarios that cover rolling 12-month financial forecasts for the Group, comprising profit and loss, balance sheets and projected cash flows through to 31 March 2022. All scenarios also considered the impact of movements in the US dollar exchange rate and the price of jet fuel. Two scenarios are key for the assessment of going concern - the 'Plan of Record' and 'Severe but plausible' scenarios.

As there is still significant uncertainty around the resumption of material levels of flying, the Directors have taken a prudent approach to assessing the expected scenario. The sensitivities within this scenario (the 'Plan of Record') are more severe than the announcements made by the UK Government on 22 February 2021. The Plan of Record scenario includes the following assumptions:

- Travel bans in place in all key markets until at least June, with the US border remaining closed until July 2021.
- A further extension of travel restrictions and enhanced enforcement of the UK non-essential travel ban.
- Full restrictions on overseas holidays until July 2021.
- Subdued passenger demand into Q3 2021, reflecting uncertainty around border re-openings and broader confidence in air travel.
- Border restrictions start to be lifted in Q3 2021, with a slow ramp up in passenger revenue from Q3 2021 onwards.
- Some level of travel restrictions in place in all operated markets throughout 2021 with a phased return to mild restrictions from Q3 2021.
- A cautious approach to increasing passenger capacity in Q3.

This scenario results in H1 2021 passenger revenue at 6% of 2019 and total 2021 revenues at 27% of 2019 levels.
This scenario indicated that the unrestricted cash would be insufficient to ensure the survival of the business for at least the 12-month period from March 2021. However, post the additional mitigating actions set out below the cash low point under such a scenario would be £115m and the Group would meet liquidity and slot covenant requirements, and continue to operate for the foreseeable future.

Mitigating actions already taken by the Group after the balance sheet date to secure this outcome include:

- The sale and leaseback of two 787 aircraft which generated a net increase in cash of £40m (with $110m of the proceeds being used to reduce our external debt with Davidson Kempner Capital Management). This will support future liquidity through a reduction in interest payable.
- On 15 March 2021 we completed a further solvent recapitalisation finance package worth £160m. This package comprised:
  - A further £97m shareholder funding from Virgin Group.
  - Further support from creditor groups, including operating lease lessors, totalling £63m.

- Other mitigations include:
  - Further utilisation of the Government Coronavirus Job Retention Scheme, with over 50% of our staff furloughed between January and April 2021.
  - Proactively focusing on customer incentives to achieve at least a c.50% rebook rate.
  - Continued suspension of discretionary overhead and capex spend.
  - Proactive management of the supplier cost base resulting in reductions in cash liability and future cost rates.

Due to the high level of uncertainty as to how the global aviation industry will emerge from the Covid-19 pandemic the Directors have also modelled a more severe, but plausible downside scenario (the 'Severe but plausible' scenario). This includes assumptions relating to the estimates of the impact of factors including:

- The potential for further UK lockdowns over the summer and winter months, resulting in the grounding of our fleet.
- Phased return to mild travel restrictions across operated markets delayed until March 2022.
- Significant relaxation of travel restrictions not coming into effect until herd immunity is reached in the relevant regions. Assumptions include some regions not reaching herd immunity until Q2 2022 or beyond.

Notes to the financial statements *(continued)*

3 Accounting policies *(continued)*

Basis of preparation *(continued)*
In this 'severe but plausible' scenario our free cash levels would breach current liquidity and slot covenant levels in July 2021. The Group would also be exposed to further working capital outflows through refunds because of the return of customer advance payments on cancelled departures. However, in this scenario, and based on experience to date, the Directors expect a significant portion of sales in advance will be retained, in return for discount vouchers and offers on future departures. At 28 February 2021 the value of forward sales across both the Airline and Holidays businesses was £325m of which around £99m related to departures from July 2021 to the end of the year and a further £15m related to departures in 2022.

In the unlikely event that this scenario transpires, the Directors considered additional potential mitigating actions. These included:

- Review and rationalisation of our network.
- Increased focus on our Cargo business and new route opportunities.
- Further significant restructuring and cost reduction activities.
- Deferral of expenditure.
- Securing additional shareholder support.

However, there is no guarantee that the Directors will be able to mitigate all potential eventualities; therefore the Directors consider the 'severe but plausible' scenario could represent a material uncertainty and could cast significant doubt upon the Group's ability to continue as a going concern. Notwithstanding this material uncertainty caused by the current Coronavirus pandemic, the Directors do not consider this additional 'severe but plausible' scenario to be likely.

Based on their enquiries the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Basis of consolidation

The financial statements consolidate Virgin Holidays Limited ("the Company") and its subsidiaries (together "the Group"). 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 has the power (directly or indirectly) to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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.

Notes to the financial statements *(continued)*

3 Accounting policies *(continued)*

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, value added tax and other sales-related taxes and comprises of tour operations revenue.

The Group's revenue is measured as the aggregate amount of gross revenue receivable from holiday packages, airline travel, and other travel services supplied to customers in the ordinary course of business.

The Group records revenue net of 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. Revenue is taken to the income statement on the date of holiday and flight departure; this is deemed to materially reflect recognition over the duration of the holiday, apart from at the year end when an adjustment is made to ensure revenue is recognised in the relevant financial year. 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. The revenue is recognised on the date of booking.

Revenue relating to other services provided by the Group is taken to the income statement as earned.

Monies received by the balance sheet date relating to holidays commencing and flights departing after the period end are included within current liabilities as deferred revenue.

The Group receives grants from 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.

Translation of foreign currencies

The consolidated accounts of the Group are presented in pound 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.

Notes to the financial statements *(continued)*

3 Accounting policies *(continued)*

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 in the income statement.

Employee benefits

Pension
The Group operates a defined contribution personal 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. 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 is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it 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

Notes to the financial statements *(continued)*

3 Accounting policies *(continued)*

Intangible assets
Intangible assets are held at cost and amortised on a straight-line basis over their economic life, or where deemed to have an indefinite economic life and are not amortised, are 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.

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.

Software
The cost of purchase or development of computer software that is separable from an item of related hardware is capitalised separately and amortised over a period not exceeding six years on a straight-line basis.

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.

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.

Land/buildings, assets in the course of construction, fixtures and fittings
The buildings in freehold land and buildings are being depreciated over a period of 50 years, on a straight-line basis. No depreciation is provided in respect of assets in the course of construction or freehold land.

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

Fixtures and fittings	20% - 25% on cost
Plant and equipment	10% - 33% on cost
Computer equipment	10% - 33% on cost

Non-current assets held for sale
Non-current assets are classified as held for sale when it is highly probable to be disposed of within 12 months and the current carrying value is to be recovered principally through sale as opposed to continuing use. Held for sale assets are carried at the lower of carrying value and fair value less costs to sell. Assets are not depreciated or amortised once classified as held for sale.

Notes to the financial statements *(continued)*

3 Accounting policies *(continued)*

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.

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.

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 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 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;
- 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;
- 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;
- Changes in foreign exchange rate, for lease liabilities due in foreign currency.

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

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.

Notes to the financial statements *(continued)*

3 Accounting policies *(continued)*

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.

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 and onerous lease provisions are discounted with the unwinding of the discount being taken to the income statement.

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 derivative financial instruments to manage its exposure to foreign exchange. 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. The Group does not use derivative financial instruments for speculative trading purposes.

Hedge accounting is not applied to these instruments.

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.

Investments in equity instruments are carried at cost where fair value cannot be reliably measured due to significant variability in the range of reasonable fair value estimates.

Cash and cash equivalents

Cash, for the purposes of the cash flow statement, comprises cash held in bank accounts and money market deposits repayable on demand with no access restrictions, less overdrafts payable on demand.

Cash equivalents are current asset investments which are readily convertible into known amounts of cash at, or close to, their carrying values or traded in an active market, without curtailing or disrupting the business.

3 Accounting policies *(continued)*

Notes to the financial statements *(continued)*

Financial instruments *(continued)*

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 historic write offs and this proportion is applied to its class of financial assets to calculate the required provision.

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
Non-derivative financial liabilities are 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.

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.

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

Revenue recognition

A key judgement in recognising revenue is to distinguish where the Group's activities act in the capacity of principal or agent so as to determine the accounting as either gross or net respectively, in line with IFRS 15 revenue recognition principles. The Group exercises judgement to assess principal or agency by considering if it obtains control in the revenue arrangements, has pricing discretion and is exposed to inventory risk, in which case the Group will be principal to the arrangement.

Residual value and useful economic lives of assets

The Group exercises judgement to determine useful lives and residual values of property, plant and equipment. The assets are depreciated to their residual values over their estimated useful lives.

Impairment of goodwill

Judgements have been made in respect of the amounts of future operating cash flows to be generated by certain of the Group's cash-generating units in order to assess whether there has been any impairment of the amounts included in the Statement of Financial Position for goodwill.

Classification of income and expense between exceptional and underlying items (note 8)

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.

Exceptional items may include impairments, expenditure on major restructuring programmes, fair value adjustments on financial instruments and other particularly significant or unusual non-recurring items. 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 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)*

5 Changes in significant accounting policies

There have been no changes in accounting policies during 2020. In the prior year, the Group applied IFRS 16 to its opening balances.

6 Analysis of revenue

	Group	
	2020	**2019**
	£'000	**£'000**
Package holidays	**95,775**	626,594

No segmental analysis of turnover or operating profit is provided as the directors consider that the Group is in all material respects engaged in the single integrated business of a tour operator.

7 Loss before tax

Loss for the year has been arrived at after charging the following:

	Group	
	2020	**2019**
	£'000	**£'000**
Depreciation of property, plant and equipment (note 13)	**(4,507)**	(4,077)
Amortisation of intangible assets (note 12)	**(7,048)**	(6,574)
Impairment	**(4,018)**	-
Auditor's remuneration	**(85)**	(75)

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 Holidays Limited's financial statements since the consolidated financial statements of Virgin Holidays Limited's parent, Virgin Atlantic Limited, are required to disclose non-audit fees on a consolidated basis.

Notes to the financial statements *(continued)*

8 Exceptional items

Exceptional items included in (loss)/profit before tax include the following:

	Group	
	2020	**2019**
	£'000	**£'000**
Forex derivative (gains)/losses reclassified to fair value gains on derivatives (i)	**(15,667)**	(14,363)
Restructuring and recapitalisation costs (ii)	**(1,462)**	(1,071)
Impairment (iii)	**(3,977)**	-
Fair value gains/ (losses) on derivatives (i)	**23,775**	(5,350)
	2,669	(20,784)
The fair value (losses)/gains on derivatives can be analysed as follows:		
Gain/ (loss) on fair value movements	**8,108**	(19,713)
Gain on forex derivatives settled during the year (reclassified - see above)	**15,667**	14,363
	23,775	(5,350)

The Group separately presents certain items as exceptional. 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. In addition, in order to assist the reader to understand the underlying business performance, the Group separately discloses within the income statement specific IFRS 9 mark to market movements:

(i) Cost of sales include gains of £15,667k *(2019: £14,363k loss)* relating to movements on maturity of foreign currency derivative contracts.

Fair value movements in relation to the Group's foreign currency derivatives are reclassified 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.

(ii) During the year, the Group recognised £1,462k *(2019: £nil)* of restructuring and recapitalisation costs relating to employee severance as a result of the wider Virgin Atlantic Airways Limited restructure and associated legal fees.

(iii) The Group has performed an impairment assessment against goodwill resulting in a charge of £1,126k relating to the impairment of goodwill in a holiday touring division which is no longer operational *(2019: £nil)* as well as further impairments of £2,851k relating to the closure of retail space and space at the Gatwick hub *(2019: £nil).*

Notes to the financial statements *(continued)*

9 Employee remuneration

(i) Headcount and total remuneration

From 1 July 2020, all employees of Virgin Holidays Limited transferred via a Transfer of Undertakings (Protection of Employment) (TUPE) process to Virgin Atlantic Airways Limited (the immediate parent of the Group). The only employees as at the end of December 2020 were in the subsidiary entity, Virgin Incoming Services Inc.

The average monthly number of full time equivalent employees was:

	Group	
	2020 Number	**2019 Number**
Selling	**305**	649
Administration	**96**	92
Operations	**76**	140
	477	881

The aggregate payroll costs of these persons were as follows:

	Group	
	2020 £'000	**2019 £'000**
Wages and salaries	**8,769**	27,969
Social security costs	**916**	2,422
Other pension costs	**656**	1,567
	10,341	31,958

Included in the above are amounts included within cost of sales within the statement of comprehensive income 2020: £3,178k *(2019: £9,889k)* which relate to retail staff costs.

During the year, the Group made use of the Coronavirus Job Retention Scheme implemented by the UK government, where those employees designated as being "furloughed workers" are eligible to have 80% of their salary costs paid up to a maximum of £2,500 per month. The total amount of such relief received by the Group amounted to £3,100k (*2019: £nil*) and is offset within employee remuneration within the statement of comprehensive income and within the figures above.

The Virgin Atlantic Limited Group operates a defined contribution pension scheme. The pension cost charged in the profit and loss account for the year represents contributions payable by the Group to the scheme. There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Notes to the financial statements *(continued)*

9 Employee remuneration *(continued)*

(ii) Aggregate Directors' remuneration

During the year/period of their service, the emoluments of the 4 directors (*2019: 4*) of the Virgin Atlantic Group were:

	Group	
	2020	**2019**
	£'000	**£'000**
Total emoluments		
Aggregate emoluments	**2,747**	3,934
Company contributions to money purchase pension schemes	**111**	107
Aggregate amounts receivable under Long Term Incentive Schemes	**-**	692
	2,858	4,733
Highest paid director		
Aggregate emoluments and other benefits	**1,499**	2,655
Company contributions to money purchase pension schemes	**59**	60
Aggregate amounts receivable under Long Term Incentive Schemes	**-**	450
	1,558	3,165

Retirement benefits are accruing to 4 (*2019: 4*) directors under money purchase pension schemes.

During the year an amount of £nil (*2019: £166k*) 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

(iii) Long-term incentive scheme

During the year the Group established a new long term incentive scheme for Executive Directors and other invited participants to incentivise and recognise execution of the "Velocity" plan. The scheme consists of a cash payment and 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.

Notes to the financial statements *(continued)*

10 Net finance income

	Group 2020 £'000	Group 2019 £'000
Finance income		
Amounts due from other group companies	**843**	3,291
	843	3,291
Finance expense		
Interest	**(69)**	
Amounts due to other group companies	**(62)**	(63)
Interest on leases	**(699)**	(585)
	(830)	(648)
Net finance income excluding interest on non-trading intercompany loan balances	**13**	2,643
Interest expense on non-trading intercompany loan balances		
Amounts due to other group companies	-	(2,306)
		(2,306)
Net finance income including non-trading intercompany loan balance	**13**	337

11 Tax

Analysis of the tax expense during the period:

	Group 2020 £'000	Group 2019 £'000
Current tax		
UK corporation tax	**184**	(873)
Adjustments in respect of prior periods	**386**	1,604
Non-UK current tax	**(2)**	(21)
Total current tax credit	**568**	710
Deferred tax		
Origination and reversal of timing differences	**(5,050)**	3,801
Adjustments in respect of prior years	**(394)**	(1,437)
Total deferred tax (charge)/credit	**(5,444)**	2,364
Tax (charge)/credit	**(4,876)**	3,074

The standard rate of UK corporation tax for the period is 19.00% *(2019: 19%)*. The actual current tax charge for the period differs from that computed by applying the standard tax rate to the profit on ordinary activities before tax as reconciled below:

Notes to the financial statements *(continued)*

11 Tax *(continued)*

	Group 2020 £'000	Group 2019 £'000
Loss on ordinary activities before taxation	**(36,571)**	(17,579)
Tax at the standard rate at 19.00% *(2019: 19%)*	**6,948**	3,340
Factors affecting the (charge)/credit for the year:		
Income not taxable	**160**	325
Expenses not deductible for tax purposes	**(1,587)**	(310)
Effect of reduction in deferred tax rate	**594**	(447)
Amounts not recognised	**(10,984)**	-
Adjustments in respect of prior periods	**(7)**	168
Total tax (charge)/credit	**(4,876)**	3,074

Despite the loss for the group, there is a tax charge for the period which is driven by deferred tax assets not recognised and permanent differences.

In addition, the Group continues to be directly and indirectly affected by new tax legislation. Changes in such legislation, regulation or interpretation could have an effect on the Group's operating results and financial position.

Notes to the financial statements *(continued)*

12 Intangible assets and goodwill

	Group					
	Goodwill £'000	Software and other intangibles £'000	Assets in the course of construction £'000	Other intangibles £'000	Brand licence £'000	Total £'000
Cost						
At 1 January 2020	8,292	52,405	1,134	1,615	-	63,446
Additions	-	-	996	-	35,931	36,927
Disposals	-	(2,170)	-	-	-	(2,170)
Reclassifications	-	1,722	(1,722)	-	-	-
At 31 December 2020	**8,292**	**51,957**	**408**	**1,615**	**35,931**	**98,203**
Amortisation						
At 1 January 2020	3,293	44,969	-	1,615	-	49,877
Amortisation for the year	-	4,796	-	-	2,252	7,048
Impairment	1,126	38	-	-	-	1,164
Disposals	-	(2,168)	-	-	-	(2,168)
At 31 December 2020	**4,419**	**47,635**	-	**1,615**	**2,252**	**55,921**
Carrying amount						
At 31 December 2020	**3,873**	**4,322**	**408**	-	**33,679**	**42,282**
At 31 December 2019	4,999	7,436	1,134	-	-	13,569

During the year, the Group capitalised the rights to use the Virgin Holidays brand over the period 2020 – 2025. This will be amortised on a straight line basis over the life of the contract.

During the year, the decision was taken not to offer touring holidays to customers going forward. The goodwill at 1 January 2020 included £1,126k in relation to Bales Worldwide Limited (purchased 14 December 2009) which offered touring holidays. The goodwill relating to Bales has therefore been fully written down *(2019: £302k* in relation to Virgin Vacations Incorporated – a wholly owned subsidiary which ceased trading).

Notes to the financial statements *(continued)*

12 Intangible assets and goodwill *(continued)*

	Goodwill £'000	Software and other intangibles £'000	Company Assets in the course of construction £'000	Brand Licence £'000	Total £'000
Cost					
At 1 January 2020	3,516	53,873	1,134	-	58,523
Additions	-	-	996	35,931	36,927
Reclassifications	-	1,721	(1,721)	-	-
Disposals	-	(2,170)	-	-	(2,170)
At 31 December 2020	**3,516**	**53,424**	**409**	**35,931**	**93,280**
Amortisation					
At 1 January 2020	405	46,426	-	-	46,831
Amortisation	-	4,796	-	2,252	7,048
Impairment	-	38	-	-	38
Disposals	-	(2,170)	-	-	(2,170)
At 31 December 2020	**405**	**49,090**	-	**2,252**	**51,747**
Carrying amount					
At 31 December 2020	**3,111**	**4,334**	**409**	**33,679**	**41,533**
At 31 December 2019	3,111	7,447	1,134	-	11,692

The Directors have conducted an impairment review at 31 December 2020 and based on this review no impairment needs to be recognised.

Goodwill arises when the Group acquires a business for consideration that exceeds the fair value of the separately identifiable assets of the acquiree. At 31 December 2020 the goodwill balance was attributable to Virgin Holidays Cruises Limited (purchased 8 October 2007).

In accordance with accounting standards, the Group tests the carrying value of goodwill for impairment annually and whenever events or 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 one CGU, namely its holiday tour operation. Impairment testing is performed by comparing the carrying value of the cash-generating unit (CGU) to the recoverable amount, determined on the basis of the CGU's value in use. The value in use is based on the net present value of future cash flow projections discounted at post-tax rates appropriate for each CGU. The Group's CGUs are determined by product and include the Cruising division.

The recoverable amounts of these CGUs 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 five-year period, and projections in line with the Group's strategic plans and recovery from the COVID-19 pandemic.

Notes to the financial statements *(continued)*

12 Intangible assets and goodwill *(continued)*

Assumptions:

	Holidays CGU
Pre-tax discount rate	7%
Terminal growth rate	2%
No. years before terminal growth rate applied	5

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. Given the uncertainty of the impact and timing of COVID-19, the Group has adjusted the cash flows for these uncertainties rather than the discount rate.

The impairment review of the holidays CGU resulted in no impairment during the year (2019: 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 f 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 pts
Decrease in forecasted adjusted EBITDA in each year	20%

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

Notes to the financial statements *(continued)*

13 Property, plant and equipment

	Group					
	Fixtures and fittings Owned £'000	Plant and equipment Owned £'000	ROU asset - Motor Vehicles Leased £'000	ROU asset - Property Leased £'000	Assets in the course of construction £'000	Total £'000
Cost						
At 1 January 2020	11,410	3,765	237	18,038	1,647	35,097
Other	-	-	(7)	(4,099)	-	(4,106)
Additions	42	2	-	4,275	436	4,755
Disposals	(3,131)	(1,569)	(18)	(1,437)	-	(6,155)
Reclassifications	1,989	76	-	-	(2,065)	-
At 31 December 2020	**10,310**	**2,274**	**212**	**16,777**	**18**	**29,591**
Accumulated depreciation						
At 1 January 2020	5,652	3,610	134	6,470	-	15,866
Depreciation	2,196	287	53	1,971	-	4,507
Impairments	1,312	-	-	1,542	-	2,854
Disposals	(2,998)	(1,699)	(17)	(1,433)	-	(6,147)
At 31 December 2020	**6,162**	**2,198**	**170**	**8,550**	-	**17,080**
Carrying amount						
At 31 December 2020	**4,148**	**76**	**42**	**8,227**	**18**	**12,511**
At 31 December 2019	5,758	155	103	11,568	1,647	19,231

	Company					
	Fixtures and fittings Owned £'000	Plant and equipment Owned £'000	ROU asset - Motor Vehicles Leased £'000	ROU asset - Property Leased £'000	Assets in the course of construction £'000	Total £'000
Cost						
At 1 January 2020	11,289	3,644	237	18,037	1,647	34,854
Other	-	-	(7)	(4,099)	-	(4,106)
Additions	-	-	-	4,274	436	4,710
Disposals	(3,002)	(1,568)	(18)	(1,437)	-	(6,025)
Reclassifications	1,989	76	-	-	(2,065)	-
At 31 December 2020	**10,276**	**2,152**	**212**	**16,775**	**18**	**29,433**
Accumulated depreciation						
At 1 January 2020	5,526	3,489	134	6,476	-	15,625
Depreciation	2,183	282	53	1,971	-	4,489
Impairments	1,312	-)	-	1,542	-	2,854
Disposals	(2,865)	(1,699)	(17)	(1,437)	-	(6,018)
At 31 December 2020	**6,156**	**2,072**	**170**	**8,552**	-	**16,950**
Carrying amount						
At 31 December 2020	**4,120**	**80**	**42**	**8,223**	**18**	**12,483**
At 31 December 2019	5,763	155	103	11,561	1,647	19,229

During the year, seven of the retail stores were permanently closed as part of the Group's response to COVID-19. Assets related to these stores have been fully written down in the year, along with any property used in office and airport locations which will no longer be used. This has resulted in an impairment charge of £2,851k in the year *(2019: £nil)*.

In accordance with accounting standards, the Group tests the carrying value of assets including right-of-use assets for impairment if there is an indicator of impairment. The impact of the pandemic on the holidays industry has given rise to an impairment trigger, and as such management have conducted an impairment review, please refer to note 12 for full details. The review has not led to any impairments at a holidays CGU level *(2019: £nil)*.

Notes to the financial statements *(continued)*

14 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.

	Group and Company	
	2020	**2019**
	£'000	**£'000**
Temporary trading differences	-	5,445

The gross temporary differences not recognised by the group total £57.6m, which equates to a deferred tax asset not recognised of £10.9m.

There are no significant losses in the Group for which a deferred tax asset has not been recognised.

The net deferred tax movement in the statement of financial position is as follows:

	Group and Company
Movement in deferred tax asset/(liability)	**£'000**
Balance as at 31 December 2019	5,445
Charged to statement of comprehensive income	(5,445)
Balance as at 31 December 2020	-

15 Investments

	Company	
	2020	**2019**
	£'000	**£'000**
Investment in subsidiaries carried at cost	**288**	288

For further details on subsidiaries, see note 23.

Notes to the financial statements *(continued)*

16 Derivative financial instruments

The following table shows 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 and Company	
	2020	**2019**
	£'000	**£'000**
Non-current assets		
Foreign currency	-	-
Current assets		
Foreign currency	**2**	468
Current liabilities		
Foreign currency	**(432)**	(7,712)
Non-current liabilities		
Foreign currency	-	(1,168)
	(430)	(8,412)

Nominal Amounts:

	Group and Company	
	2020	**2019**
	'000	**'000**
Foreign Currency		
USD (represented in USD)	**14,200**	370,100
Other foreign currency (represented in GBP)	**372**	6,915

For currency contracts, quantity represents the nominal value of currency contracts held (in thousands).

Notes to the financial statements *(continued)*

17 Trade and other receivables

	Group		Company	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Non-current portion				
Other receivables	**18**	19	**18**	19
Amounts owed by group companies	**-**	-	**-**	-
	18	19	**18**	19
Current portion				
Trade receivables	**6,119**	13,085	**5,914**	12,795
Provision for doubtful debts	**(1,784)**	(271)	**(1,784)**	(271)
Net trade receivables	**4,335**	12,814	**4,130**	12,524
Other receivables	**1,394**	2,987	**1,020**	2,948
Prepayments and accrued income	**8,757**	21,838	**8,755**	21,735
Amounts owed by group companies	**229,371**	229,048	**229,174**	230,804
	243,857	266,687	**243,079**	268,011

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

	Group and Company	
	2020	**2019**
Ageing of past due but not impaired receivables	**£'000**	**£'000**
1-30 days	**79**	1,998
31-60 days	**173**	112
61-150 days	**420**	136
150+ days	**1,863**	108
Total	**2,535**	2,354

In determining the recoverability of a trade receivable the Group and Company 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 values.

Notes to the financial statements *(continued)*

18 Cash and cash equivalents

	Group		Company	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Cash and bank balances	**5,139**	1,781	**5,162**	252

Cash and cash equivalents comprise of cash and short-term bank deposits with maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is equal to their fair value.

19 Trade and other payables

	Group		Company	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Current portion				
Trade payables	**(4,839)**	(2,047)	**(4,912)**	(1,921)
Amounts owed to other group companies	**(131,244)**	(8,385)	**(130,785)**	(8,382)
Group relief payable	**(15,845)**	(16,413)	**(15,845)**	(16,413)
Other payables	**(3,744)**	(1,050)	**(3,735)**	(1,062)
Accruals	**(12,471)**	(42,997)	**(12,228)**	(43,344)
	(168,143)	(70,892)	**(167,505)**	(71,122)

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

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

20 Borrowings

	Group and Company	
	2020	**2019**
	£'000	**£'000**
Non-current portion		
Obligations under lease liabilities	**(8,567)**	(11,366)
	(8,567)	(11,366)
Current portion		
Obligations under lease liabilities	**(1,784)**	(1,769)
	(1,784)	(1,769)

Notes to the financial statements *(continued)*

20 Borrowings *(continued)*

Lease debt maturity analysis is as follows:

	Group and Company: 2020				
	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
	£'000	£'000	£'000	£'000	£'000
Lease debt - property	(1,750)	(1,276)	(3,886)	(3,395)	**(10,307)**
Lease debt - other	(34)	(10)	-	-	**(44)**
Total - Lease debt	(1,784)	(1,286)	(3,886)	(3,395)	**(10,351)**

	Group and Company: 2019				
	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
	£'000	£'000	£'000	£'000	£'000
Lease debt - property	(1,702)	(1,768)	(5,646)	(3,904)	**(13,020)**
Lease debt - other	(57)	(37)	(12)	-	(106)
Total - Lease debt	(1,759)	(1,805)	(5,658)	3,904	**(13,126)**

Change in lease debt is as follows:

	Group and Company						
	1 January 2020	New contracts & renewal of contracts	Other movements	Payment of lease rental	Revaluation	Interest	31 December 2020
	£'000	£'000		£'000		£'000	£'000
Lease debt - property	(13,020)	(4,274)	5,195	2,500	-	(698)	(10,297)
Lease debt - other	(106)	-	(3)	56	-	(1)	(54)
Total	(13,126)	(4,274)	5,192	2,556	-	(699)	(10,351)

	Group and Company						
	1 January 2019	New contracts & renewal of contracts	Other movements	Payment of lease rental	Revaluation	Interest	31 December 2019
	£'000	£'000		£'000		£'000	£'000
Lease debt - property	(12,026)	(2,545)	-	2,132	-	(581)	**(13,020)**
Lease debt - other	(157)	(23)	-	78	-	(4)	**(106)**
Total	(12,183)	(2,568)	-	2,210	-	(585)	**(13,126)**

Notes to the financial statements *(continued)*

21 Deferred revenue on tour operations

	Group		Company	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Non-current	(3,303)	(1,822)	(3,305)	(1,822)
Current	(76,020)	(168,521)	(76,020)	(168,483)
Total deferred revenue on tour operations	**(79,323)**	**(170,343)**	**(79,325)**	**(170,305)**

	Group	Company
	£'000	**£'000**
As at 1 January 2020	(170,343)	(170,305)
Revenue recognised in the income statement	95,775	95,702
Cash received from customers	(4,755)	(4,722)
At 31 December 2020	**(79,323)**	**(79,325)**

Deferred revenue in respect of forward sales of holidays consists of revenue allocated to tour operations. These tickets can typically be purchased eighteen months from the date of travel. Cash received from customers is presented net of refunds.

22 Provisions

	Group and Company		
	Legal claims £'000	**Leasehold Dilapidations £'00**	**Total provisions £'000**
As at 1 January 2020	(790)	-	(790)
Amounts released/(provided) in the year	(121)	(794)	(915)
Amounts utilised in the year	-		-
At 31 December 2020	**(911)**	**(794)**	**(1,705)**

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 holidays have been adversely impacted by incidents leading to injury or illness.

Notes to the financial statements *(continued)*

23 Interests in subsidiaries

The Group consists of a parent company, Virgin Holidays, incorporated in the UK and a number of subsidiaries which operate and are incorporated around the world. The subsidiaries of the Group as at 31 December 2020 are:

Subsidiaries	Country of incorporation or registration	% Ordinary issued shares	Principal activity
Virgin Vacations Incorporated	United States of America	100	Travel Agency
Virgin Incoming Services Incorporated	United States of America	100	Tour Operator

All subsidiaries have been included in the consolidation. The proportion of voting rights held by the Group in each of its subsidiaries is the same as the proportion of ordinary shares held. The registered office of Virgin Vacations Incorporated and Virgin Incoming Services Incorporated is 5787 Vineland Road, Suite 204, Orlando, Florida, 32819.

Virgin Vacations Incorporated ceased trading on 31 March 2019.

Notes to the financial statements *(continued)*

24 Related party transactions

The Group and Company had transactions in the ordinary course of business during the year ended 31 December 2020 and 31 December 2019 with related parties.

	Group		Company	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Parent				
Sales to/purchases on behalf of parent	**(18,930)**	(142,710)	**(18,930)**	(142,710)
Amounts owed by parent	**149,767**	6,555	**149,767**	6,555
Related parties under common control				
Sales to related parties	**443**	5,716	**443**	5,716
Purchases from related parties	**(6,466)**	(6,751)	**(6,466)**	(6,751)
Amounts owed by related parties	**230,644**	228,703	**230,644**	228,703
Amounts owed to related parties	**(185)**	(1,885)	**(185)**	(1,885)
Subsidiary undertakings of the parent				
Purchases from subsidiary undertakings of the parent			**(36)**	(187)
Amounts owed by the subsidiary undertakings of the parent			**572**	1,756

As at 31 December 2020, 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 Group Holdings Limited 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.

Revenues from related parties primarily relate to the sale of holidays and holiday vouchers. Purchases from related parties represent goods and services purchased for use within the business. All transactions have been concluded at arm's length.

In September 2020, the Group novated £4,969k of liabilities to Virgin Atlantic Limited (VAL) resulting in a capital contribution. VAL then converted the liabilities to preference shares issued to the shareholders of the VAL Group.

Notes to the financial statements *(continued)*

25 Ultimate holding company

As at 31 December 2020, the Directors consider that the Group's ultimate parent company and its controlling party is Virgin Group Holdings Limited, a company incorporated in the British Virgin Islands, the accounts of which are neither consolidated nor publicly available. The Directors consider that Sir Richard Branson is the ultimate controlling party of the Company.

As at 31 December 2020, Virgin Atlantic Limited, a company registered in England & Wales, is the parent undertaking of the largest group of which the Company is a member and for which consolidated financial statements are drawn up.

As at 31 December 2020, Virgin Atlantic Airways Limited, a company registered in England & Wales, is the parent undertaking of the smallest group of which the Company is a member and for which consolidated financial statements are drawn up.

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

26 Commitments

As at 31 December 2020, the Group and Company had the following annual commitments under non-cancellable leases which are out of the scope of IFRS 16 (see note 5):

	Group and company			
	2020		2019	
Commitments under non-cancellable leases	**Land and buildings £'000**	**Other £'000**	**Land and buildings £'000**	**Other £'000**
Within one year	**1,990**	-	2,363	-
In the second to fifth year inclusive	**291**	-	2,506	-
After five years	**-**	-	-	-
	2,281	-	4,869	-

Neither the Group nor the Company have any capital commitments *(2019: £nil).*

Notes to the financial statements *(continued)*

27 Financial instruments

(i) Financial instruments by category

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Financial assets				
Cash and bank balances	**5,139**	1,781	**5,162**	252
Fair value through profit and loss:				
Derivative financial instruments	**2**	468	**2**	468
Loans and receivables at amortised cost:				
Trade and other receivables (excluding prepayments and accrued income)	**235,118**	244,868	**234,342**	245,950
	240,259	**247,117**	**239,506**	**246,670**
Financial liabilities				
Fair value through profit and loss:				
Derivative financial instruments	**(432)**	(8,880)	**(432)**	(8,880)
Financial liabilities at amortised cost:				
Trade and other payables	**(168,143)**	(70,892)	**(167,505)**	(71,122)
Borrowings	**(10,351)**	(13,135)	**(10,351)**	(13,135)
	(178,926)	**(92,907)**	**(178,288)**	**(93,187)**

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

(ii) Fair values of financial assets and liabilities

The fair values of the Group's 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 and Company are the derivative financial instruments that consist of foreign exchange derivatives. 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 (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.

There were no transfers between levels during the year.

Notes to the financial statements *(continued)*

28 Financial risk management

Financial risk management

The Group and Company is exposed to a variety of financial risks; market risk (including foreign currency risk and interest rate risk), credit risk, capital risk and liquidity risk. The Group and Company is not exposed to any commodity price risk. The overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance.

The Group and Company risk management policies are established to identify and analyse the risks faced by the entities, and to set appropriate limits and controls and monitor risks and adherence to limits. The Treasury function implements the financial risk management policies under governance approved by the Board and overseen by the Group Audit Committee. The Treasury function identifies, evaluates and hedges financial risks. 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.

(i) Foreign currency risk

The Group and Company is exposed to currency risk on hotel and other costs that are denominated in a currency other than sterling. The key foreign currency risk arises in respect of a shortfall of US dollars. Currency risk is reduced through matching receipts and payments in individual currencies and holding foreign currency balances to meet future obligations. Any exposure that cannot be naturally hedged is managed through application of the foreign exchange hedging policy.

The foreign exchange hedging policy aims to provide protection against sudden and significant movements in exchange rates. The policy allows Virgin Holidays to hedge currency payments using forward foreign exchange contracts arranged on its behalf by the Group's parent Virgin Atlantic Airways Limited.

The Group and Company has substantial liabilities denominated in US dollars.

The following table demonstrates the sensitivity of financial instruments 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 and Company	
	2020	2019
	£'000	£'000
US Dollar		
Strengthening in USD to GBP currency exchange rate percent	**10%**	10%
Decrease in profit before tax	**(950)**	(33,900)
Weakening in currency exchange rate percent	**-10%**	-10%
Increase in profit before tax	**1,160**	25,500

(ii) Interest rate risk

The Group and Company has no external borrowings on which interest is payable. Cash balances are swept to a the Group's parent company Virgin Atlantic Airways Limited that manages the larger Group interest rate risk and pays interest at market rates.

Notes to the financial statements *(continued)*

28 Financial risk management *(continued)*

(ii) Credit risk

The Group and Company is exposed to credit risk to the extent of non-performance by its counterparties in respect of financial assets receivable and /or in the money positions for derivatives transactions. The main cash investments and all derivative transactions are held with the Group's parent Virgin Atlantic Airways Limited.

The maximum exposure to credit risk is limited to the carrying value of each class of asset as summarised in note 27. The Group and Company does not hold any other collateral to mitigate this exposure.

(iii) Liquidity risk

Advanced payment for holidays generates favourable cash flows. Cash balances are swept to the Group's parent, Virgin Atlantic Airways Limited that manages the Group and Company liquidity risk. There are no margin call requirements for intercompany derivative transactions.

A maturity profile has not been provided as there are no significant borrowings. The only financial liabilities are trade and other payables and derivative financial instruments. All trade and other payables, and the majority of derivative financial instruments are current and will be settled within the following financial year. This is also the case for the 2019 comparative year.

(iv) Capital risk

The objective of capital management is to ensure that the Group and Company is able to continue as a going concern whilst delivering shareholder expectations of a strong capital base as well as returning benefits for other stakeholders and optimising the cost of capital.

The Group and Company generates favourable cash inflows from advanced holiday payments and has no external loans and borrowings. Cash balances are swept and managed by the Group's parent, Virgin Atlantic Airways Limited that manages capital risk for the larger group.

Notes to the financial statements *(continued)*

29 Reconciliation between profit for the year and cash generated from operations

		Group	
		2020	**2019**
		£'000	**£'000**
Loss for the period		**(41,448)**	(14,505)
Adjustments for:			
Depreciation		**4,507**	4,077
Amortisation		**7,042**	6,574
(Gain) on unrealised forex		**(3,590)**	(1,189)
Taxation		**4,876**	(3,074)
Movement in provision for bad debts		**(1,513)**	469
Unrealised fair value movement in derivatives		**(7,981)**	20,523
Net interest paid		**(13)**	(337)
Other exceptional items	(i)	**4,672**	445
Working capital changes			
Trade and other receivables		**12,736**	75,180
Trade and other payables		**119,270**	(44,058)
Deferred revenue on tour operations		**(91,018)**	14,447
Provisions		**392**	102
Net cash from operating activities		**7,932**	58,654
Adjustments for exceptional items	(i)	**(767)**	(627)
Net cash from operating activities before exceptional items		**7,165**	58,027

(i) Other exceptional items consists of the following (see note 8):

	Group		
	Cash	**Non cash**	**Total**
2020	**£'000**	**£'000**	**£'000**
Restructuring and recapitalisation costs	**(798)**	**(523)**	**(1,321)**
Impairment	**31**	**(4,149)**	**(4,118)**
	(767)	**(4,672)**	**(5,439)**

	Group		
	Cash	**Non cash**	**Total**
2019	**£'000**	**£'000**	**£'000**
Restructuring and recapitalisation costs	**(627)**	**(445)**	**(1,071)**
	(627)	**(445)**	**(1,071)**

Notes to the financial statements *(continued)*

30 Subsequent Events

On 15 March 2021, the Virgin Atlantic Group completed a further solvent recapitalisation finance package worth £160m. This package comprised:

- A further £97m shareholder funding from Virgin Group.
- Further support from creditor groups, including operating lease lessors, totalling £63m.