

**Virgin UK Holdings Limited and subsidiary companies**

**Annual report and financial statements**

**Registered number 03160887**

**31 December 2017**

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**Group Strategic Report**  
***For the year ended 31 December 2017***

The directors present the strategic report for the Company and its subsidiaries ("the Group") for the year ended 31 December 2017.

The principal activities of the Group during the year are rail transportation, healthcare, hotels, brand licensing and management services.

The Group is part of a larger group (the "Virgin Group"), the ultimate parent of which is Virgin Group Holdings Limited, a company registered in the British Virgin Islands, and whose sole shareholder is Sir Richard Branson. The Virgin Group comprises a large number of businesses across different market segments and geographies, and actively invests in opportunities across both developed and developing markets. The activities of the Group should therefore be regarded as a sub-set of the wider Virgin Group business which includes additional activities, the results of which are not included in these financial statements.

Certain companies within the Group, principally Virgin Management Limited in the UK, and Virgin Management USA, Inc. in the US, provide investment management services to Virgin Group Holdings Limited and other Virgin Group companies in order that the portfolio of Virgin Group companies is coordinated and managed effectively. In addition, Virgin Holdings Limited acts as the principal treasury management company of the wider Virgin Group.

The Group profit for the financial year, after taxation, amounted to £98million (2016: £80million), and before exceptional items amounted to £98million (2016: £87million).

The Group's net assets have increased by £89million to £560million at 31 December 2017. Total assets have decreased by £337million to £1,082million at 31 December 2017 driven by a lower cash balance, attributable to the repayment of the multi-currency facility and loans owed to related undertakings. This has resulted in a corresponding decrease in amounts owed to group undertakings and non-current borrowings.

Given the diverse nature of the Group's activities, the review focuses individually on the principal businesses consolidated or equity accounted for in these financial statements.

***Rail***

Virgin Rail Group Holdings Limited and its subsidiary companies ("Virgin Rail") operate passenger rail services between London (Euston) and Birmingham; Wolverhampton, Holyhead, Chester, Liverpool, Manchester, Preston, Carlisle and Glasgow under the franchise operated by West Coast Trains Limited ("West Coast"), a company in the Virgin Rail Group. The profit for the year ended 31 December 2017, after taxation and non-controlling interest, amounted to £48million (2016: £45million). The profit attributable to the shareholders of the parent was £24million (2016: £23million).

Virgin Rail operated these services under the terms of the Franchise Agreement, dated 18 June 2014, for the period from 22 June 2014 to 31 March 2017, with an option for the Department for Transport ("DfT") to extend it by up to one year. This option was exercised on 21 December 2015 and the Franchise Agreement ran to 31 March 2018.

In November 2016, the DfT announced it plans to invite bids for a new rail franchise that will combine the current West Coast services with the development and introduction of High Speed 2 ("HS2") services. The new franchise, the West Coast Partnership, will include responsibility for services on both the West Coast Main Line and designing and running the initial high speed services from 2026. The invitation to tender for the West Coast Partnership franchise states the aim to commence operations on 15 September 2019.

On 5 February 2018, West Coast signed a new Direct Award Franchise Agreement with the DfT for a short-term franchise for the period from 1 April 2018 to 31 March 2019 with an optional extension, exercisable by the DfT, of up to one year. Following the expiry of the franchise, West Coast will cease to trade.

**Group Strategic Report (continued)**  
**For the year ended 31 December 2017**

*Rail (continued)*

Virgin Rail has seen continued passenger revenue and journey growth during the financial year and continues to make profit share payments, in addition to franchise premium commitments, to the DfT thus benefitting tax payers. Virgin Rail is focused on continually improving the customer experience and customer satisfaction levels. The selection, training, development and encouragement of staff continues to reflect this; while management is continually reviewing operations to provide the best value for money service to customers.

Significant non-financial KPIs include safety, train punctuality, customer satisfaction and net advocacy scores. Rail safety is discussed in the Principal Risks and Uncertainties section below.

West Coast's latest Customer Satisfaction survey results maintain a high position compared to other long distance train operators. This has been achieved by the Group's good value for money offerings and dedication of staff. In the Autumn 2017 National Passenger Survey West Coast achieved an overall satisfaction score of 91% (Autumn 2016: 91%).

As well as delivering customer satisfaction, Virgin Rail is focused on its corporate responsibility and meeting its commitments to the environment, to local communities and to the UK economy.

Virgin Rail has seen a reduction in punctuality on the West Coast Main Line. This is reflected in its overall Public Performance Measure. Virgin Rail continues to press for improvements from Network Rail under its performance contract to ensure that its performance is improved and customer delays are minimised, given that Network Rail are responsible for around 70% of delays.

Financial KPIs focus on profitability and cash management. Financial results are closely monitored by management, shareholders and the DfT.

Virgin Rail has seen passenger revenue and journey growth year on year. Annual passenger journeys now stand at 38.3million, a 2% increase from the previous financial year.

*Healthcare*

Virgin Healthcare Holdings Limited and its subsidiary companies ("Virgin Care") is an innovative provider of NHS services across England. Virgin Care provides a range of NHS and social care services including community hospitals, district nursing, sexual health and prison health as well as GP-led walk-in and healthcare centres, urgent care centres, out of hours services, community diagnostics and GP practices. Virgin Care works with a wide range of NHS, independent and third sector partners to deliver NHS services, employing nurses, GP's, consultants and other clinical and administrative staff.

Virgin Care's principal activity during the year was the provision of NHS and Local Authority funded community services across England. During the year, a significant proportion of Virgin Care's contractual arrangements across north-west and south-west Surrey came to an end, and were replaced with a number of new significant long term contracts. Virgin Care commenced a seven year contract with the NHS and local authority in Essex for the provision of children and family services. A new seven year contract with the NHS and local authority in Bath & North East Somerset for the provision of community services commenced. Virgin Care also commenced a new five year NHS contract for the provision of Adult Services across West Lancashire. Virgin Care's loss for the year ended 31 December 2017, after taxation, amounted to £19million (2016: £7million). The Group's share of this is a loss of £19million (2016: £7million).

**Group Strategic Report (continued)**  
**For the year ended 31 December 2017**

*Brand licensing*

VEL Holdings Limited and its subsidiaries ("Virgin Enterprises") owns and licenses the Virgin brand name and is principally engaged in its management, protection, development and commercial exploitation.

The revenues of Virgin Enterprises consist of royalties under the trademark licence agreements it has entered into with companies using the Virgin brand (Licensees). Royalties receivable under these agreements are usually calculated as a percentage of the revenues of the Licensees, typically subject to a set minimum.

Royalty income grew by £9million during the year from £95million to £104million. Virgin Enterprises' profit for the year ended 31 December 2017, after taxation, amounted to £67million (2016: £66million). The profit attributable to the shareholders of the parent is £60million (2016: £58million).

*Hotels*

The Group has two hotels businesses.

Virgin Hotels Group Limited and its subsidiaries and VLE Limited ("Virgin Limited Edition") own and operate a number of luxury hotels under the Virgin Limited Edition brand, including a Moroccan Kasbah, a Swiss ski lodge, villas in Mallorca and a game reserve in South Africa.

Virgin Hotels Holdings LLC and its subsidiaries ("Virgin Hotels") is a hotel operating business in North America trading under the Virgin Hotels brand. It currently operates a hotel in Chicago and several others are due to open by the end of 2019.

For the year ended 31 December 2017, in aggregate the Hotels businesses' loss amounted to £9million (2016: £7million). This comprised of a loss of £3million (2016: £2million) in Virgin Limited Edition and a loss of £6million (2016: £5million) in Virgin Hotels Holdings LLC.

*Management*

Virgin Management Limited, Virgin Management USA, Inc. and Virgin Management SA are engaged in providing management services to their ultimate parent company Virgin Group Holdings Limited and other affiliated companies. These include investment management services in relation to the wider Virgin Group.

For the year ended 31 December 2017, in aggregate the Management services businesses' profit amounted to £4million (2016: £3million).

**Group Strategic Report (continued)**  
**For the year ended 31 December 2017**

**Principal risks and uncertainties**

The Group faces a range of risks and uncertainties. Detailed below are those specific risks and uncertainties that could have the most significant impact on the Group's long-term performance. The risks and uncertainties described below are not intended to be exhaustive but the key risks facing the Group.

*Economic conditions*

A prolonged economic downturn may result in revenue reduction and potential reduction of profit for all businesses. A global economic slowdown may adversely affect discretionary spending, particularly for leisure activities and travel and result in lower income from brand royalties. In order to minimise this risk, there is a focus on cost control and efficient operation across all activities of the Group.

*Brand reputation*

The strong reputation and loyalty engendered by the Group's brands is a core part of the value of the businesses. Any damage to the brands caused by any single event or series of events could materially impact customer loyalty and the propensity of customers to travel with Virgin, or purchase Virgin products and services, and so adversely affect the business. The businesses regularly monitor customer satisfaction through monthly customer surveys, alongside ongoing research and development of products and services to mitigate this risk. The Group invests in substantial resources to maintain its strong brand position.

*Cyber risk*

The Group, whilst maintaining adequate protection, is aware that the risk of cyber attacks is increasing and may cause significant disruption to operations or result in lost revenue. The Group, along with its suppliers, constantly monitors the risk to its operations. System controls, disaster recovery and business continuity arrangements exist to mitigate the risk of a critical system failure.

*Risks specific to Virgin Rail*

*Major incidents/ Terrorism*

As with any operator of public transportation, there is a risk that Virgin Rail is involved in a major incident which could result in injury to customers or staff. The potential impact includes damage to Virgin Rail's reputation and possible claims against Virgin Rail. Virgin Rail has procedures in place to respond to any major incident that may occur.

*West Coast Franchise Agreement*

The Franchise Agreement and the Direct Award Franchise Agreement were negotiated using a range of assumptions with regard to revenue growth and cost base. It is imperative that Virgin Rail takes all actions outlined in its bids to ensure that its targets are met.

Virgin Rail is required to comply with certain conditions as part of its rail franchise agreement. If it fails to comply with these conditions, it may be liable to penalties or the potential termination of the franchise. Compliance with franchise conditions is closely managed and monitored and procedures are in place to minimise the risk of non-compliance.

*Network Rail performance*

Reliable running of the high frequency West Coast timetable depends on the ability of Network Rail to maintain a fully operational network. Failure to do so impacts Virgin Rail's operational performance. In order to manage the risk, management closely monitors performance targets.

**Group Strategic Report (continued)**  
**For the year ended 31 December 2017**

**Principal risks and uncertainties (continued)**

*Risks specific to Virgin Rail (continued)*

*Failure of critical supplies*

Virgin Rail has a number of key suppliers supporting various areas of the business, for example infrastructure, rolling stock and IT. Failure of one of these key suppliers would impact on the financial and operational performance of Virgin Rail. Virgin Rail has contingency plans for each key supplier if this eventuality occurs.

*Rail safety*

Virgin Rail remains committed, through annual continuous improvement, to maintaining a safe and secure environment for its passengers, workforce and the general public. Virgin Rail's ongoing safety strategic objectives are:

- to minimise the risk of death and injury to customers and staff;
- to eliminate main line Category A "Signals Passed At Danger";
- to support the national initiative to reduce trespass, vandalism and railway crime and disorder; and
- to encourage a rail industry partnership to raise safety standards through shared information, best practice and common safety values.

These are supported by specific focus on safety targets including passenger and staff accident levels, Signals Passed at Danger and safety related defects.

Both the Pendolino and Super Voyager train fleets have a range of safety features. These include (amongst others) enhanced crash protection, laminated windows, improved lighting, fire detection and fighting systems, power operated doors, CCTV and Train Management Systems.

Virgin Rail continues to make progress with the following initiatives:

- ongoing maintenance of a close safety partnership with Network Rail;
- ongoing use of driver training simulators supported by interactive computer based training assessment tools for improved safety, training and off-line experience; and
- promoting industry safety values throughout the Group and working with suppliers to do the same. Core safety values are included in training courses, job descriptions and Safety Responsibility Statements.

*Risks specific to Virgin Care*

*Business growth*

The directors of Virgin Care ensure the business has the resources and management processes in place to mobilise more than one large contract at a time. Matters are properly discussed by the Virgin Care board and are adequately resourced.

*Government regulation*

The political and commercial environment in which Virgin Care operates, including current or potential new legislation is monitored by the Virgin Care board.

**Group Strategic Report (continued)**  
**For the year ended 31 December 2017**

**Principal risks and uncertainties (continued)**

*Risks specific to brand licensing*

In addition to the risk to brand reputation, Virgin Enterprises is reliant on royalty income generated by its trademark licence agreements and any material adverse change in the business or market in which any of the licensees operate could affect the level of royalty income received. Virgin Enterprises takes steps to mitigate this risk through a wide distribution of Licensees across a number of different geographies and industries, and through actively monitoring its Licensee relationships.

*Risks specific to Hotels*

*Termination of management agreements*

The hotels businesses enter into management agreements with property owners. The principal risk is deemed to be the termination of these management agreements by such owners. Limited Edition mitigates this risk by thoroughly evaluating each hotel project, obtaining indemnification protections and customary insurance coverages, employing a comprehensive management team and engaging appropriate industry consultants.

**Going Concern**

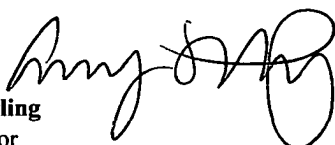
Working capital and cash flow of operating subsidiaries are managed by those subsidiaries according to their immediate requirements. Cash is also managed centrally on review of the subsidiaries' funding requirements, as well as the requirements of the head office and investment holding companies.

The directors are aware of the uncertainty over the extension of the West Coast franchise operated by Virgin Rail and the impact this may have on future income streams. Having taken this into consideration in their assessment of going concern, the directors believe that the Group still has considerable financial resources, and as a consequence the directors believe that the Group is well placed to manage its business risks successfully.

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

This report was approved by the board on 20 June 2018 and signed on its behalf.

**A Stirling**  
Director





## **Directors' Report**

The directors present their report and the consolidated financial statements for the year ended 31 December 2017.

### **Results and dividends**

The results of the Group for the year are set out on page 12 and are commented on within the strategic report.

The directors do not recommend the payment of a dividend (2016: £nil).

### **Directors**

The directors who served during the year were:

I P Woods (appointed 1 February 2017)

J Bayliss

P M R Norris

E M Lovell

P C K McCall (appointed 1 February 2017)

A Stirling (appointed 1 February 2017)

L V Thomas (appointed 1 February 2017)

### **Employees**

The Group and its operating subsidiaries are non-discriminatory employers operating employment policies that aim to eliminate unfair discrimination, harassment, victimisation and bullying. The Group is committed to ensuring that all individuals are treated fairly, with respect, and are valued irrespective of disability, race, gender, health, social class, sexual preference, marital status, nationality, religion, employment status, age or membership or non-membership of a trade union.

The Group uses consultative procedures agreed with its staff and elected representatives with a view to ensuring that its employees are aware of the financial and economic factors that affect the Group's performance and prospects. Within the bounds of commercial confidentiality, information is disseminated to all levels of staff about matters that affect the progress of the Group and are of interest and concern to them as employees. The Group also encourages employees, where relevant, to meet on a regular basis to discuss matters affecting them.

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

### **Political and charitable contributions**

The Group made no political contributions during the financial year (2016: political expenditure of £488,101). Donations to UK charities amounted to £4million (2016: £4million) of which £4million (2016: £4million) was made to Virgin Unite, a charity affiliated to the Group.

**Directors' Report** *(continued)*

**Provision of information to auditor**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any needed by the Company and the Group's auditor in connection with preparing its report and to establish that the Company and the Group's auditor are aware of that information.

**Auditor**

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

This report was approved by the board on 20 June 2018 and signed on its behalf.

**A Stirling**  
Director

A handwritten signature in black ink, appearing to read 'A Stirling', with a large, stylized loop at the end.

The Battleship Building  
179 Harrow Road  
London W2 6NB

## **Statement of Directors' Responsibilities in Respect of the Strategic Report, the Directors' Report and the Financial Statements**

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their 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 and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

## **Independent Auditor's Report to the Members of Virgin UK Holdings Limited and Subsidiary Companies**

### **Opinion**

We have audited the financial statements of Virgin UK Holdings Limited ("the company") for the year ended 31 December 2017 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- 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 of 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.

### **Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### **Strategic report and directors' report**

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

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

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

**Independent Auditor's Report to the Members of Virgin UK Holdings Limited and Subsidiary Companies**  
(continued)

**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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

**Directors' responsibilities**

As explained more fully in their statement set out on page 9, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities**

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

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

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

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



**Sarah Styant (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor  
*Chartered Accountants*  
15 Canada Square  
London  
E14 5GL  
20 June 2018

**Consolidated Income Statement**  
*for the year ended 31 December 2017*

		2017	2016
	<i>Note</i>	£m	£m
<b>Revenue</b>	3	<b>1,662</b>	1,543
Cost of sales		<u>(947)</u>	<u>(886)</u>
<b>Gross profit</b>		<b>715</b>	657
Administrative expenses		<b>(423)</b>	(417)
Other operating expenses	4	<u><b>(178)</b></u>	<u>(140)</u>
<b>Operating profit</b>	5	<b>114</b>	100
(Loss)/Profit on disposal of businesses	8	-	(7)
Finance income		<b>16</b>	10
Finance expenses		<b>(15)</b>	(17)
<b>Net financing expense</b>	7	<u><b>1</b></u>	<u>(7)</u>
Share of profit of equity-accounted investees, net of tax	12	<u>-</u>	<u>16</u>
<b>Profit before tax</b>		<b>115</b>	102
Taxation	9	<u><b>(17)</b></u>	<u>(22)</u>
<b>Profit for the year</b>		<u><b>98</b></u>	<u>80</u>
<b>Attributable to:</b>			
Equity holders of the parent		<b>69</b>	46
Non-controlling interest		<b>29</b>	34
<b>Profit for the year</b>		<u><b>98</b></u>	<u>80</u>

**Consolidated Statement of Comprehensive Income**  
*for the year ended 31 December 2017*

	2017 £m	2016 £m
<b>Profit for the year</b>	<b>98</b>	<b>80</b>
<b>Other comprehensive income</b>		
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurements of defined benefit asset	<u>1</u>	<u>8</u>
	<b>1</b>	<b>8</b>
<i>Items that are or may be reclassified to profit or loss:</i>		
Foreign currency translation differences	(11)	22
Effective portion of changes in fair value cash flow hedges	1	3
Net change in fair value of cash flow hedges reclassified to profit and loss	1	4
Change in fair value of assets classified as available-for-sale	<u>24</u>	<u>8</u>
	<b>15</b>	<b>37</b>
<b>Other comprehensive income for the year, net of income tax</b>	<u><b>16</b></u>	<u><b>45</b></u>
<b>Total comprehensive income for year</b>	<u><b>114</b></u>	<u><b>125</b></u>
<b>Attributable to:</b>		
Equity holders of the parent	<b>82</b>	<b>87</b>
Non-controlling interest	<u><b>32</b></u>	<u><b>38</b></u>
<b>Total comprehensive income for year</b>	<u><b>114</b></u>	<u><b>125</b></u>

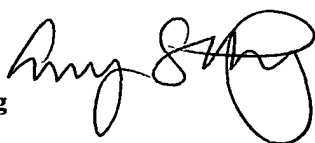
The notes on pages 19 to 70 form part of these financial statements.

**Consolidated Balance Sheet  
at 31 December 2017**

	<i>Note</i>	<b>2017 £m</b>	<b>2016 £m</b>
<b>Non current assets</b>			
Property, plant and equipment	10	62	56
Intangible assets	11	273	276
Equity accounted investees	12	24	15
Other investments	14	73	52
Trade and other receivables	17	-	3
Deferred tax assets	16	8	9
Employee benefits	24	3	14
		<u>443</u>	<u>425</u>
<b>Current assets</b>			
Inventory		2	2
Trade and other receivables	17	380	342
Cash and cash equivalents	18	256	650
Other financial assets		1	-
		<u>639</u>	<u>994</u>
<b>Total assets</b>		<u><b>1,082</b></u>	<u><b>1,419</b></u>
<b>Current liabilities</b>			
Loans and borrowings	19	-	(2)
Trade and other payables	20	(452)	(788)
Deferred income	21	(23)	(6)
Provisions	22	(6)	(8)
Other financial liabilities	15	(1)	(1)
		<u>(482)</u>	<u>(805)</u>
<b>Non current liabilities</b>			
Loans and borrowings	19	(16)	(97)
Trade and other payables	20	(6)	(6)
Deferred tax liability	16	(3)	(2)
Deferred income	21	(11)	(15)
Provisions	22	(4)	(4)
Other financial liabilities	15	-	(19)
		<u>(40)</u>	<u>(143)</u>
<b>Total liabilities</b>		<u><b>(522)</b></u>	<u><b>(948)</b></u>
<b>Net assets</b>		<u><b>560</b></u>	<u><b>471</b></u>
<b>Equity attributable to equity holders of the parent</b>			
Share capital	23	1,086	1,086
Share premium		25	25
Other reserves		95	83
Retained earnings		(686)	(756)
		<u>520</u>	<u>438</u>
<b>Non-controlling interest</b>		<u>40</u>	<u>33</u>
<b>Total equity</b>		<u><b>560</b></u>	<u><b>471</b></u>

The financial statements were approved and authorised by the board and were signed on its behalf on 20 June 2018.

**A Stirling**  
Director

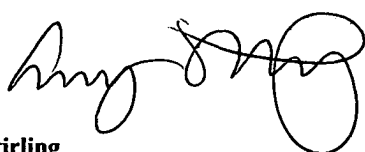




**Company Balance Sheet**  
**at 31 December 2017**  
Registered number: 03160887

	<i>Note</i>	<b>2017</b>	<b>2016</b>
		<b>£m</b>	<b>£m</b>
<b>Fixed assets</b>			
Investments	13	1,146	1,146
<b>Current assets</b>			
Debtors	17	8	7
<b>Creditors:</b> amounts falling due within one year	20	<u>(6)</u>	<u>(10)</u>
<b>Net current liabilities</b>		<u>2</u>	<u>(3)</u>
<b>Net assets</b>		<u><u>1,148</u></u>	<u><u>1,143</u></u>
<b>Capital and reserves</b>			
Share capital	23	1,086	1,086
Share premium		25	25
Retained earnings		<u>37</u>	<u>32</u>
<b>Shareholders' funds</b>		<u><u>1,148</u></u>	<u><u>1,143</u></u>

The financial statements were approved and authorised by the board and were signed on its behalf on 20 June 2018.



**A Stirling**  
Director

**Consolidated Statement of Changes in Equity**

	Share capital £m	Share premium £m	Trans- lation reserve £m	Fair value reserve £m	Cash flow hedging reserve £m	Other reserve £m	Retained earnings £m	Non-con- trolling interest £m	Total £m
Balance at 1 January 2016	1,086	25	11	(1)	(3)	39	(806)	34	385
<b>Total comprehensive income for the year:</b>									
Profit for the year	-	-	-	-	-	-	46	34	80
Other comprehensive income	-	-	22	8	7	-	4	4	45
<b>Total comprehensive income for the year</b>	-	-	22	8	7	-	50	38	125
<b>Transactions with owners, recorded directly in equity:</b>									
Issue of shares	-	-	-	-	-	-	-	3	3
Dividend to non-controlling interest	-	-	-	-	-	-	-	(42)	(42)
<b>Total transaction with owners</b>	-	-	-	-	-	-	-	(39)	(39)
<b>Balance at 31 December 2016</b>	<b>1,086</b>	<b>25</b>	<b>33</b>	<b>7</b>	<b>4</b>	<b>39</b>	<b>(756)</b>	<b>33</b>	<b>471</b>
Balance at 1 January 2017	1,086	25	33	7	4	39	(756)	33	471
<b>Total comprehensive income for the year:</b>									
Profit for the year	-	-	-	-	-	-	69	29	98
Other comprehensive income	-	-	(11)	21	2	-	1	3	16
<b>Total comprehensive income for the year</b>	-	-	(11)	21	2	-	70	32	114
<b>Transactions with owners, recorded directly in equity:</b>									
Dividend to non-controlling interests	-	-	-	-	-	-	-	(25)	(25)
<b>Total transaction with owners</b>	-	-	-	-	-	-	-	(25)	(25)
<b>Balance at 31 December 2017</b>	<b>1,086</b>	<b>25</b>	<b>22</b>	<b>28</b>	<b>6</b>	<b>39</b>	<b>(686)</b>	<b>40</b>	<b>560</b>

**Company Statement of Changes in Equity**

	Share capital £m	Share premium £m	Retained earnings £m	Total £m
Balance as at 1 January 2016	1,086	25	27	1,138
<b>Total comprehensive income for the year:</b>				
Profit or loss	-	-	5	5
<b>Total comprehensive income for the year</b>	-	-	5	5
<b>Transactions with owners, recorded directly in equity:</b>				
Premium on shares issued during the year	-	-	-	-
Dividend to non-controlling interests	-	-	-	-
<b>Total transaction with owners</b>	-	-	-	-
<b>Balance at 31 December 2016</b>	<b>1,086</b>	<b>25</b>	<b>32</b>	<b>1,143</b>
Balance at 1 January 2017	1,086	25	32	1,143
<b>Total comprehensive income for the year:</b>				
Profit or loss	-	-	5	5
<b>Total comprehensive income for the year</b>	-	-	5	5
<b>Transactions with owners, recorded directly in equity:</b>				
Premium on shares issued during the year	-	-	-	-
Dividend to non-controlling interests	-	-	-	-
<b>Total transaction with owners</b>	-	-	-	-
<b>Balance at 31 December 2017</b>	<b>1,086</b>	<b>25</b>	<b>37</b>	<b>1,148</b>

**Consolidated Cash Flow Statement**  
for the year ended 31 December 2017

	Note	2017 £m	2016 £m
<b>Cash flows from operating activities</b>			
Profit for the year		98	80
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment		6	7
Foreign exchange loss/(gain)		18	(29)
Loss / (gain) on sale of investments		-	7
Share of profit of equity -accounted investees		-	(16)
Finance income		(16)	(10)
Finance expense		15	17
Taxation		17	22
		<b>138</b>	<b>78</b>
Decrease in inventories		-	-
Decrease/(increase) in trade and other receivables		(9)	38
Increase in trade and other payables		8	2
Increase/(decrease) in provisions and employee benefits		10	10
		<b>9</b>	<b>50</b>
Interest paid		(14)	(15)
Tax paid		(22)	(40)
<b>Net cash from operating activities</b>		<b>111</b>	<b>73</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(17)	(3)
Proceeds from sale of property, plant and equipment		-	4
Acquisition of intangible fixed assets		-	(3)
Interest received		5	4
Disposal of equity-accounted investees		-	(7)
Acquisition of other investments		-	-
<b>Net cash flow from investing activities</b>		<b>(12)</b>	<b>(5)</b>
<b>Cash flow from financing activities</b>			
Issue of shares		-	9
Proceeds from new loan		-	232
Repayment of borrowings		(81)	(107)
Repayment of interest rate swap		(19)	-
Funding provided to related parties		(362)	-
Repayments from related parties		13	-
Realised losses on derivatives		1	4
Dividends paid		(25)	(42)
<b>Net cash from financing activities</b>		<b>(473)</b>	<b>96</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(374)</b>	<b>164</b>
Cash and cash equivalents at 1 January		650	451
Effect of exchange rate fluctuations on cash held		(20)	36
<b>Cash and cash equivalents at 31 December</b>	18	<b>256</b>	<b>650</b>

**1 Accounting policies**

Virgin UK Holdings Limited (the 'Company') is a private company incorporated in England, UK. The registered number is 03160887 and the registered address is The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") and equity account the Group's interest in associates and joint ventures. The parent company financial statements present information about the Company as a separate entity and not about its Group.

The group and the parent company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101") respectively. On publishing the parent company financial statements here together with the group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements. Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

Working capital and cash flow of operating subsidiaries are managed by those subsidiaries according to their immediate requirements. Cash is also managed centrally on review of the subsidiaries' funding requirements, as well as the requirements of the head office and investment holding companies.

The directors are aware of the uncertainty over the extension of the West Coast franchise operated by Virgin Rail and the impact this may have on future income streams. Having taken this into consideration in their assessment of going concern, the directors believe that the Group still has considerable financial resources, and as a consequence the directors believe that the Group is well placed to manage its business risks successfully.

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

**1.1 Measurement convention**

The financial statements are prepared on the historical cost basis except for the following assets and liabilities which are stated at their fair value: derivative financial instruments, other investments and financial instruments classified as fair value through the profit or loss or as available-for-sale.

**1.2 Basis of consolidation***Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated during the consolidation process. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

**1 Accounting policies (continued)****1.2 Basis of consolidation (continued)***Change in subsidiary ownership and loss of control*

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Where the Group loses control of a subsidiary, the assets and liabilities are derecognised along with any related non-controlling interest ("NCI") and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

*Joint ventures*

A joint venture is an arrangement over which the Group and one or more third parties have joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

*Associates*

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

*Application of the equity method to associates and joint ventures*

Associates and joint ventures are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

*Separate parent company financial statements*

In the parent company financial statements, all investments in subsidiaries, joint ventures and associates are carried at cost less impairment.

**1.3 Foreign currency**

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

*Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

**1 Accounting policies (continued)****1.3 Foreign currency (continued)***Foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve or non-controlling interest, as the case may be. When a foreign operation is disposed of, such that control, joint control or significant influence (as the case may be) is lost, the entire accumulated amount in the FCTR, net of amounts previously attributed to non-controlling interests, is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while still retaining control, the relevant proportion of the accumulated amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while still retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

**1.4 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 IAS 39, 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 reporting date except for those financial instruments measured at fair value through profit or loss.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

*Trade and other receivables*

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

*Trade and other payables*

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

*Investments in debt and equity securities*

Financial instruments designated at the IAS 39 transition date or upon initial recognition if later are stated at fair value, with any resultant gain or loss recognised in profit or loss.

**1 Accounting policies (continued)****1.4 Financial instruments (continued)***Investments in debt and equity securities (continued)*

Other investments in debt and equity securities held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised in other comprehensive income and presented within equity in the fair value reserve. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

*Share capital**Ordinary shares*

Ordinary shares are classified as equity.

*Preference share capital*

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Group's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon approval by the Group's shareholders.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

*Derivative financial instruments and hedging**Derivative financial instruments*

The Group holds various derivative financial instruments to hedge its exposure to foreign exchange, fuel price and interest rates. Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

*Cash flow hedges*

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, any cumulative gain or loss existing in equity remains in equity until the forecast transaction is ultimately recognised in profit or loss. If the forecast transaction is no longer expected to occur, the cumulative gain or loss recognised in equity is transferred to profit or loss.



**1 Accounting policies (continued)****1.4 Financial instruments (continued)***Fair value hedges*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

The Group does not use derivative financial instruments for trading purposes.

**1.5 Property, plant and equipment ("PPE")**

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The Group has a policy of not revaluing property, plant and equipment.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land and assets in the course of construction are not depreciated. The estimated useful lives are as follows:

Buildings	Up to 50 years
Plant and equipment	10% - 33%
Fixtures and fittings	20% - 25%

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

**1 Accounting policies (continued)****1.6 Intangible Assets***Goodwill*

Goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

*Research and development*

Expenditure on research activities is recognised in the income statement as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends, has the technical ability and has sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

*Other intangible assets*

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and less accumulated impairment losses. Useful economic lives and residual values are reviewed annually. Assets that are deemed to have an indefinite useful life are not amortised but are subject to an impairment test on at least an annual basis.

**1.7 Impairment of assets***Financial assets (including receivables)*

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

*Non-financial assets*

The carrying amounts of the Group's non-financial assets, other than biological assets, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

**1 Accounting policies (continued)****1.7 Impairment of assets (continued)**

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or (“CGU”). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**1.8 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.

**1.9 Employee benefits***Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

*Defined benefit plans*

Defined benefit obligations are measured at discounted present value whilst scheme assets are recorded at market value. Any recognised net asset is limited to the present value of economic benefits available in the form of any future refunds from the scheme or reductions in future contributions to the scheme.

The service costs of defined benefit schemes are spread systematically over the working lives of employees and included within operating profit. Scheme administration expenses are also included within operating profit. Net interest expense or income is calculated by applying the discount rate to the net defined benefit asset or liability and included within net finance costs. Actuarial gains and losses are recognised immediately in the statement of comprehensive income. Mortality rates are considered when retirement benefit obligations are calculated. Past service costs are recognised immediately in income to the extent that the benefits are already vested, and otherwise are amortised on a straight-line basis over the average period until the benefits become vested.

**1 Accounting policies (continued)****1.9 Employee benefits (continued)**

A full actuarial valuation of the scheme is undertaken triennially and updated annually using independent actuaries following the projected unit credit method. The present value of the scheme obligations is determined by discounting the estimated future cash flows using interest rates of high quality corporate bonds which have terms to maturity equivalent to the terms of the related obligations. Experience adjustments and changes in assumptions which affect actuarial gains and losses are reflected in the actuarial gain or loss for the year.

The Group has no rights or obligations in respect of the Railways Pension Scheme ('RPS') following the expiry of the related franchise. The liability or asset recognised for the relevant section of the RPS represents only that part of the net deficit (or surplus) of the section that the employer expects to fund (or recover) over the life of the franchise to which the section relates. Where the award of a new rail franchise to the Group results in it assuming a net pension liability, a corresponding intangible asset is recognised, reflecting a cost in obtaining the right to operate the franchise. When a pension asset is assumed, a corresponding deferred income balance is recognised. The intangible asset or deferred income balance is amortised to the income statement on a straight-line basis over the expected life of the related franchise.

*Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

*Termination benefits*

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to either terminating the employment of current employees according to a detailed formal plan or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

**1.10 Provisions and contingent liabilities**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

*Onerous contracts*

A provision for onerous contracts is recognised when the unavoidable costs of meeting the obligations under the contract exceed the expected economic benefits to be derived from the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing the contract.

*Contingent liabilities*

Contingent liabilities are present obligations with uncertainties about either the probability of outflows of resources or the amount of the outflows, and possible obligations whose existence is uncertain. Contingent liabilities are not recognised except for contingent liabilities that represent present obligations in a business combination.

**1 Accounting policies (continued)****1.11 Revenue**

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, gross of commission, but net of discounts, VAT and other sales-related taxes.

*Virgin Rail*

Revenue comprises amounts receivable, excluding VAT, for services and goods supplied to external customers, primarily in respect of passenger transportation. Turnover originates wholly in the United Kingdom.

Passenger revenue principally represents amounts attributed to the Group by the Railway Settlement Plan (which administers the income allocation system within the UK rail industry) for each financial period. Income is attributed based on models of certain aspects of passenger behaviour and, to a lesser extent, from allocations agreed for specific revenue flows. The attributed share of season ticket income is deferred within creditors and released to the profit and loss account over the life of the relevant season ticket.

Other trading income consists principally of the provision of station facilities to other train operators, retail commissions receivable, car parking and royalties. Other trading income and catering income are recognised as the income is earned.

Revenue is recognised when all performance conditions associated with the revenue have been met.

*Virgin Care*

Revenue comprises amounts recognised in respect of the NHS and other services and is recognised in the period in which the services are delivered and is stated excluding VAT.

*Brand licensing**Royalties*

Royalties are receivable under trademark licence agreements entered into with companies using the Virgin brand (Licensees), exclusive of VAT and trade discounts. Royalties receivable are recognised as earned typically based on a percentage of the revenues of the Licensee, subject to minimum guarantees. Certain licences are pre-paid, and these royalty revenues are recognised on a straight line basis over the term of the licence agreement.

**1.12 Expenses***Operating lease payments*

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

*Finance lease payments*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**1 Accounting policies (continued)****1.12 Expenses (continued)***Financing income and expenses*

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

**1.13 Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they intend to settle these on:

**1 Accounting policies (continued)****1.14 Adopted IFRS not yet applied**

The following standards and interpretations have been issued by the International Accounting Standards Boards but the Group has decided not to early adopt them in preparing these consolidated financial statements.

*Financial instruments - IFRS 9*

IFRS 9 'Financial Instruments' (effective for the year ending 31 December 2018) replaces IAS 39 'Financial Instruments - Recognition and Measurement'. The standard covers the classification, measurement, impairment and de-recognition of financial assets and liabilities and provides new hedge accounting requirements. The Group has assessed the impact of the new standard and noted that IFRS 9 will not have a material impact on the recognition and measurement of the financial assets and liabilities.

*Revenue from contracts with customers - IFRS 15*

IFRS 15 'Revenue from Contracts with Customers' (effective for the year ending 31 December 2018) is based on the principle that revenue is recognised when the control of goods or services is transferred to the customer. The standard provides a single, principles-based five-step model to be applied to all contracts with customers to determine whether, how much and when the revenue is recognised. IFRS 15 replaces the separate models for goods, services and construction contracts under IAS 11 'Construction Contracts' and IAS 18 'Revenue'. The Group has assessed the impact of the new standard and noted that IFRS 15 will not have a material impact on the timing and recognition of revenue.

*Leases - IFRS 16*

IFRS 16 'Leases' (effective for the year ending 31 December 2018) requires lessees to recognise operating leases on the Group's balance sheet, unless the lease term is 12 months or less or the underlying asset has a low value. The standard, which replaces IAS 17 'Leases', will give rise to the recognition of an asset representing the right-of-use of the leased item and a related liability being the future lease payment obligations. Costs currently classified as operating lease costs will be reclassified and split between the depreciation of an asset, on a straight line basis, and interest on the lease liability. The reclassification will increase operating profit with corresponding increases in the depreciation charge and interest expense. Interest will also be higher in the early stages of the lease and reduce over the term of the lease.

The Group continues to assess the impact of the new standard but based on preliminary assessment, the Group believes that IFRS 16 will not have a material impact on the consolidated balance sheet.

**2 Significant judgements, estimates and accounting policies**

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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 consolidated financial statements.

*Intangible assets*

Intangible assets are reviewed for impairment annually. The Group exercises judgement to determine whether intangible assets should be impaired.

*Virgin Rail**Pensions*

The determination of Virgin Rail's pension benefit obligation and expense for defined benefit schemes is dependent on the selection by the Virgin Rail directors of certain assumptions used by the actuaries in calculating such amounts. Those assumptions include the discount rate, the annual rate of increase in future salary levels and mortality levels. The directors' assumptions are based on actual historical experience and external data. Significant differences in actual experience or significant changes in assumptions may materially affect the pension obligation and future expense.

*Rail contractual positions*

The UK Rail industry is subject to a complex matrix of contractual relationships. West Coast Trains is party to contractual relationships with, amongst others, the Department for Transport, Network Rail and rolling stock lessors. The nature of these contracts is such that there can be uncertainty over amounts receivable or payable by Virgin Rail in accordance with the contracts. Virgin Rail makes estimates of the amounts receivable or payable based on available, relevant information. Actual outcomes can differ from the estimates made by Virgin Rail.



### 3 Revenue

The table below sets out revenue for each of the Group's industry segments and geographic areas of operation.

#### By activity

	2017	2016
	£m	£m
Rail	1,159	1,109
Healthcare	308	262
Brand licensing	105	87
Hotels	42	44
Other trading	48	41
	<b>1,662</b>	<b>1,543</b>

Other trading principally includes management services and amounts due from related parties.

	Revenue by source	Revenue by source	Revenue by destination	Revenue by destination
	2017	2016	2017	2016
	£m	£m	£m	£m
By geographical market				
UK	1,572	1,417	1,602	1,417
The Americas	51	36	26	36
Asia	3	2	-	2
Europe	14	7	3	7
Africa	2	1	12	1
Rest of the world	20	80	19	80
	<b>1,662</b>	<b>1,543</b>	<b>1,662</b>	<b>1,543</b>

The geographical analysis of revenue by source is derived by allocating revenue to the area in which the sale is made, whilst the geographical analysis of revenue by destination is derived by allocating revenue to the geographical area in which the relevant overseas point lies.

### 4 Other operating income/(expense)

	2017	2016
	£m	£m
Other operating income	12	6
Rail franchise expense	(242)	(198)
Network change compensation and performance regime	52	37
Operating income from related parties	-	15
	<b>(178)</b>	<b>(140)</b>

**5 Expenses and auditor's remuneration**

*Included in operating profit are the following:*

	<b>2017</b>	2016
	<b>£m</b>	£m
Depreciation of property, plant and equipment	3	2
Amortisation of intangible assets	3	5
Rentals under operating leases:		
- plant and equipment	72	119
- aircraft and other	-	12
	<u>          </u>	<u>          </u>

*Auditor's remuneration:*

	<b>2017</b>	2016
	<b>£m</b>	£m
Fees payable to the Company's auditor for the audit of the Company's financial statements		-
Fees payable to the Company's auditor and its associates in respect of:		
The auditing of accounts of subsidiaries of the Company pursuant to legislation	1	1
Other services pursuant to legislation	-	1
	<u>          </u>	<u>          </u>

**6 Staff numbers and costs**

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	<b>2017</b>	2016
Administration and management	1,170	1,438
Healthcare operations	5,256	4,296
Rail operations	2,716	2,727
Other operations	618	626
	<u>9,760</u>	<u>9,087</u>

The Company had 7 directors (2016: 4) during the year of which 0 (2016: 1) were an employee.

**6 Staff numbers and costs (continued)**

The aggregate payroll costs of these persons were as follows:

	2017	2016
	£m	£m
Wages and salaries	384	341
Social security costs	39	34
Other pension costs	42	35
Other costs	6	12
	<u>471</u>	<u>422</u>

**Aggregate directors' remuneration**

During the year/period of their service, the emoluments of the directors of the Group and Company were:

	2017	2016
	£m	£m
<b>Total emoluments</b>		
Aggregate emoluments	<u>3</u>	<u>2</u>
<b>Highest paid director</b>		
Aggregate emoluments and other benefits	<u>1</u>	<u>1</u>

Aggregate emoluments include employer contributions paid to 4 (2016: 2) directors under defined contribution or SIPP schemes.

Remuneration for certain directors is recharged to the ultimate parent company in respect of services provided to that company.

**7 Finance income and expense**

	2017 £m	2016 £m
<b>Finance income</b>		
Finance income receivable from related undertakings	5	2
Bank interest receivable	1	1
Other finance income	7	3
Net interest on net defined benefit pension plan assets	1	4
Net forex exchange gain	2	-
	<u>16</u>	<u>10</u>
<b>Finance expense</b>		
Borrowings and overdrafts	4	7
On loans from related undertakings	1	-
Other finance expense	10	8
Net foreign exchange loss	-	2
	<u>15</u>	<u>17</u>

**8 Exceptional items**

	2017 £m	2016 £m
Net loss on disposal of businesses	-	(7)
	<u>-</u>	<u>(7)</u>

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.

The net loss on disposal of businesses in 2016 arose from:

**31 December 2016**

	£m
Loss on disposal of investment in VP Parent Holdings Inc.	<u>7</u>

On 19 February 2016, the Group's shareholding diluted from 29.09% to 19.85%, resulting in a loss on disposal of £7million.

9 Taxation

Recognised in the income statement

	2017 £m	2016 £m
<b>Current tax expense</b>		
UK corporation tax		
Current tax on income for the period	22	23
Adjustments in respect of prior periods	(6)	(2)
	<u>16</u>	<u>21</u>
Double tax relief	(2)	(2)
<b>Total UK corporation tax</b>	<u>14</u>	<u>19</u>
Current tax on income for the period	1	3
<b>Total foreign tax</b>	<u>1</u>	<u>3</u>
<b>Total current tax expense</b>	<u>15</u>	<u>22</u>
<b>Deferred tax expense</b>		
Origination and reversal of timing differences	2	-
Adjustments in respect of prior years	-	-
<b>Total deferred tax income</b>	<u>2</u>	<u>-</u>
<b>Total tax expense</b>	<u>17</u>	<u>22</u>

Reconciliation of effective tax rate

	2017 £m	2016 £m
Profit for the year	98	80
Total tax expense (including tax on discontinued operations)	17	22
Profit excluding tax charge	<u>115</u>	<u>102</u>
Tax using UK corporation tax rate of 19.25% (prior year: 20%)	22	21
Non deductible expenses	3	3
Tax exempt income	(3)	(2)
Current year losses for which no deferred tax asset is recognised	1	2
Change in other unrecognised temporary differences	1	-
Recognition of tax effect of previously unrecognised tax losses	(1)	-
Over provision in prior years	(6)	(2)
Total tax expense (including tax on discontinued operations)	<u>17</u>	<u>22</u>

**10 Property, plant and equipment**

	Land and buildings £m	Plant and machinery, fixtures and fittings £m	Assets under construction £m	Total £m
<b>Cost</b>				
At 1 January 2016	41	27	1	69
Exchange differences	9	5	-	14
Additions	-	1	2	3
Disposals	-	(19)	-	(19)
Reclassification	-	-	(1)	(1)
At 31 December 2016	50	14	2	66
<b>Depreciation and impairment</b>				
At 1 January 2016	(1)	19	-	18
Exchange differences	1	4	-	5
Depreciation for the year	1	1	-	2
Disposals	-	(15)	-	(15)
At 31 December 2016	1	9	-	10
<b>Carrying amount</b>				
At 31 December 2016	49	5	2	56
<b>Cost</b>				
At 1 January 2017	50	14	2	66
Exchange differences	1	-	-	1
Additions	7	8	2	17
Reclassification	(9)	-	-	(9)
At 31 December 2017	49	22	4	75
<b>Depreciation and impairment</b>				
At 1 January 2017	1	9	-	10
Depreciation for the year	2	1	-	3
At 31 December 2017	3	10	-	13
<b>Carrying amount</b>				
At 31 December 2017	46	12	4	62

**11 Intangible assets**

	<b>Goodwill £m</b>	<b>Software £m</b>	<b>Intellectual Property £m</b>	<b>Total £m</b>
<b>Cost</b>				
At 1 January 2016	226	-	69	295
Additions	-	3	-	3
Reclassification	-	-	1	1
At 31 December 2016	226	3	70	299
<b>Amortisation</b>				
At 1 January 2016	-	-	18	18
Amortisation	-	1	4	5
At 31 December 2016	-	1	22	23
<b>Carrying amount</b>				
At 31 December 2016	226	2	48	276
<b>Cost</b>				
At 1 January 2017	226	3	70	299
At 31 December 2017	226	3	70	299
<b>Amortisation</b>				
At 1 January 2017	-	1	22	23
Amortisation	-	1	2	3
At 31 December 2017	-	2	24	26
<b>Carrying amount</b>				
At 31 December 2017	226	1	46	273

**11 Intangible assets (continued)**

An annual impairment review is conducted on all intangible assets that have an indefinite economic life. The Group also tests the carrying amount 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. Impairment testing is performed by comparing the carrying value of each 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.

There were no indications of impairment and therefore no impairment charge has resulted during the year (2016: no impairment).

**Intellectual property**

Intellectual property principally comprises Virgin Enterprises Limited's intellectual property licences amounting to £58million (2016: £60million). A licence agreement with Virgin Active IPCO Limited required an upfront payment of £60million, which is being amortised over 27 years, representing the period of the head licence.

The Company did not have any intangible assets (2016: £nil).



12 Equity accounted investees

	VP Parent Holdings Inc. £m	Other associates £m	Total £m
<b>Carrying amount</b>			
At 1 January 2016	25	14	39
Additions	-	1	1
Group share of profit	16	-	16
Disposal	(41)	-	(41)
At 31 December 2016	-	15	15
<b>Carrying amount</b>			
At 1 January 2017	-	15	15
Additions	-	9	9
At 31 December 2017	-	24	24

*V3L Nashville, Inc*

Additions in other associates relate to the Group's contribution in Nashville Music Row Hotel JV LLC, which has been reclassified from land and buildings as disclosed in note 10. For the year ended 31 December 2017, Nashville Music Row Hotel JV LLC did not generate any income or incur any costs.

The Group's interest in other associates contributed £nil (£2016: £nil) to the Group's share of total comprehensive income.

**13 Investments (company only)**

	<b>Investments in subsidiary companies £m</b>
<b>Cost</b>	
At 1 January 2017	1,146
Additions	-
Disposals	-
<b>At 31 December 2017</b>	<b>1,146</b>
<b>Net book value</b>	
<b>At 31 December 2017</b>	<b>1,146</b>
At 31 December 2016	1,146

**14 Other investments**

Other investments comprise available-for-sale financial assets.

	<b>2017 £m</b>	<b>2016 £m</b>
At 1 January	52	3
Additions	-	8
Disposals	(2)	
Reclassification	-	34
Impairment	(1)	-
Fair value adjustments	24	7
<b>At 31 December</b>	<b>73</b>	<b>52</b>

Further disclosures relating to financial assets are set out in note 28.

The fair value adjustment of £24million relates to the increase in the value of VP Parent Holdings Inc. On 24 May 2018, Virgin Holdings Limited and Virgin Life Care Investments Limited agreed to dispose of their combined shareholding in Virgin Pulse (VP Parent Holdings, Inc.) for cash consideration of £70million (\$95million).

## 15 Derivative financial instruments

The following table discloses the carrying amounts and fair values of the Group's derivative financial instruments. All derivatives are designated as held for trading. One of the fuel derivatives noted below is in a designated hedge accounting relationship.

	2017 £m	2016 £m
<b>Current liabilities</b>		
Fuel (designated for hedge accounting)	(1)	(1)
	<u>(1)</u>	<u>(1)</u>
<b>Non-current liabilities</b>		
Interest rate swap	-	(19)
	<u>-</u>	<u>(19)</u>

	2017 Quantity (million)	2016 Quantity (million)
<b>Nominal amounts</b>		
Fuel (Barrels)	-	-
Interest rate swap (GBP)	-	206
Interest rate swap (USD)	-	75

The Company did not hold any derivative financial instruments (2016: £nil).

### Hedge accounting

Virgin Rail has fuel swaps designated for hedge accounting. The type of hedge is designated as a cash flow hedge. The movements in the cash flow hedging reserve were as follows:

	£m
At 1 January 2016	(3)
Changes in fair value during the year taken to cash flow hedging reserve	4
Transfer from cash flow hedge to profit and loss	4
At 31 December 2016	<u>5</u>
At 1 January 2017	5
Changes in fair value during the year taken to cash flow hedging reserve	1
Transfer from cash flow hedge to profit and loss	1
At 31 December 2017	<u>7</u>

There have been no instances during the year (2016: none) where a forecast transaction for which hedge accounting had previously been used was no longer expected to occur.

**16 Deferred tax assets and liabilities**

Deferred tax assets have not been recognised in respect of deductible temporary differences and tax losses of £461m (2016: £466m) because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom. £112m of these amounts relates to tax losses which will expire at various dates between 2017 and 2036.

At 31 December 2017, there was unrecognised deferred tax on gross temporary differences of £2m (2016: £3m), related to investments in subsidiaries and joint ventures. However, this liability was not recognised because the Group controls the timing of the reversal of the related taxable temporary differences and management is satisfied that they will not reverse in the foreseeable future.

**Recognised deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

	2017 £m	2016 £m
Fixed assets	(6)	(8)
Other timing differences	1	1
	<u>(5)</u>	<u>(7)</u>
Deferred tax asset	(8)	(9)
Deferred tax liability	3	2
	<u>(5)</u>	<u>(7)</u>

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

	£m
Balance as at 1 January 2016	(8)
Charged to statement of comprehensive income	1
Balance as at 1 January 2017	<u>(7)</u>
Charged to statement of comprehensive income	2
Balance as at 31 December 2017	<u>(5)</u>

The Company did not have any deferred tax (2016: £nil).

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and from 19% - 17% (effective from April 2020) were substantively enacted before 31 December 2017. These reductions will reduce the groups future current tax charge accordingly. The deferred tax asset for UK companies as at 31 December 2017 has been calculated based on these rates. Deferred tax from non-UK companies as at 31 December 2017 has been calculated using the applicable statutory rate for the individual country.

## 17 Trade and other receivables

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Non-current</b>				
Amounts owed by group undertakings	-	-	-	-
Other receivables	-	1	-	-
Prepayments and accrued income	-	2	-	-
	<u>-</u>	<u>3</u>	<u>-</u>	<u>-</u>
<b>Current</b>				
Trade receivables	79	62	-	-
Amounts owed by group undertakings	174	171	8	7
Other receivables	45	50	-	-
Prepayments and accrued income	76	59	-	-
Corporation Tax	6	-	-	-
	<u>380</u>	<u>342</u>	<u>8</u>	<u>7</u>

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

	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
<b>Ageing of past due but not impaired receivables</b>		
1-30 days	7	18
31-60 days	1	-
61-90 days	-	-
90+ days	10	6
Total	<u>18</u>	<u>24</u>

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

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

	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
<b>Analysis of trade receivables by currency:</b>		
Sterling	76	60
US dollars	2	1
Other	1	1
	<u>79</u>	<u>62</u>
<b>Analysis of amounts due by group undertakings and undertakings in which the Group has a participating interest by currency:</b>		
Sterling	16	32
US dollars	143	116
Swiss francs	15	24
Other	-	-
	<u>174</u>	<u>171</u>
<b>Analysis of other receivables by currency:</b>		
Sterling	45	51
	<u>45</u>	<u>51</u>

**18 Cash and cash equivalents**

	2017	2016
	£m	£m
Cash at bank and in hand	256	650
	<u>256</u>	<u>650</u>

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

The Company did not have any cash and cash equivalents (2016: £nil).

	2017	2016
	£m	£m
<b>Analysis of cash and cash equivalents by currency</b>		
Sterling	117	153
US dollars	126	494
Other	13	3
	<u>256</u>	<u>650</u>

**19 Borrowings**

	2017	2016
	£m	£m
<b>Non-current</b>		
Secured bank loans	13	94
Other shareholder loans	3	3
	<u>16</u>	<u>97</u>
<b>Current</b>		
Unsecured bank loans	-	2
Other shareholder loans	-	-
	<u>-</u>	<u>2</u>

The Company did not have any borrowings (2016: £nil).

*Financing - VHL facility*

On 5 November 2014, Virgin Holdings Limited and Virgin Group Investments Limited, as borrowers and guarantors, and certain other subsidiaries of Virgin Group Holdings Limited entered into a multi-currency term facility of £150million with Lloyds Bank plc and Barclays Bank plc.

On 14 June 2017, the term loan was repaid in full (2016: £82 million drawn down).

**19 Borrowings (continued)***Financing - VELH facility*

On 5 November 2014, VEL Holdings Limited, a subsidiary of the Group, as borrower and guarantor, and certain other subsidiaries of Virgin Group Holdings Limited, the company's ultimate parent undertaking, entered into a multi-currency revolving credit facility of £150million with Lloyds Bank plc and Barclays Bank plc ("the VELH Facility"). On 19 December 2016, the VELH facility was increased to £220million. On 31 August 2017, the VELH facility was reduced to £50million.

As at 31 December 2017, £nil was drawn down under the VELH Facility (2016: £nil). As at 31 December 2017, there are Letters of Credit drawn under the VELH facility of £6million (2016: £6million).

The VELH Facility is guaranteed by Virgin Holdings Limited, Virgin Enterprises Limited, VEL Holdings Limited, Virgin Management Limited, Virgin Aviation TM Holdings Limited and Virgin Aviation TM Limited.

The VELH Facility has sub-facilities for drawings in AUD, EUR, GBP and USD which can be utilised for both cash drawings and letters of credit. The final maturity date of the VELH Facility is 5 November 2019.

*Other secured loans*

Verbier Lodge SA has a secured bank loan of £13million (2016: £14million) secured on the land and buildings of Verbier Lodge.

	<b>Sterling £m</b>	<b>US Dollar £m</b>	<b>Australian Dollar £m</b>	<b>Swiss Francs £m</b>	<b>Total £m</b>
<b>Analysis of borrowings by currency as at 31 December 2017:</b>					
Secured bank loans	-	-	-	13	13
Other shareholder loans	3	-	-	-	3
	<u>3</u>	<u>-</u>	<u>-</u>	<u>13</u>	<u>16</u>
<b>Analysis of borrowings by currency as at 31 December 2016:</b>					
Secured bank loans	66	-	28	-	94
Unsecured bank loans	2	-	-	-	2
Other shareholder loans	3	-	-	-	3
	<u>71</u>	<u>-</u>	<u>28</u>	<u>-</u>	<u>99</u>

The maturity profile of borrowings is disclosed in note 28.

**20 Trade and other payables**

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Non-current</b>				
Amounts owed to group undertakings	-	-	-	-
Accrued expenses	-	-	-	-
Other financial liabilities	6	6	-	-
	<u>6</u>	<u>6</u>	<u>-</u>	<u>-</u>
<b>Current</b>				
Trade payables	101	83	-	-
Amounts owed to group undertakings	236	561	6	9
Corporation tax	4	6	-	-
Other taxation and social security	25	26	-	-
Other payables	29	30	-	-
Accrued expenses	57	81	-	1
Other financial liabilities	-	1	-	-
	<u>452</u>	<u>788</u>	<u>6</u>	<u>10</u>

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

	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
<b>Analysis of trade payables:</b>		
Sterling	98	81
US dollars	3	2
	<u>101</u>	<u>83</u>
<b>Analysis of amounts owed to group undertakings by currency:</b>		
Sterling	229	543
US dollars	-	14
Other	7	4
	<u>236</u>	<u>561</u>

**21 Deferred income**

	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
<b>Current</b>		
Other revenue received in advance	23	6
	<u>23</u>	<u>6</u>
<b>Non-current</b>		
Other revenue received in advance	11	15
	<u>11</u>	<u>15</u>

The Company did not have any deferred income (2016: £nil).



**22 Provisions**

	2017 £m	2016 £m
<b>Non-current</b>		
Onerous leases	4	4
	<u>4</u>	<u>4</u>
<b>Current</b>		
Onerous leases	2	5
Legal claims and other	4	3
	<u>6</u>	<u>8</u>

	Onerous leases £m	Legal claims & other £m	Total £m
As at 1 January 2016	6	5	11
Amounts provided/(released) in the year	3	(1)	2
Other movements	-	(1)	(1)
At 31 December 2016	<u>9</u>	<u>3</u>	<u>12</u>
At 1 January 2017	9	3	12
Amounts provided/(released) in the year	(3)	1	(2)
Other movements	-	-	-
At 31 December 2017	<u>6</u>	<u>4</u>	<u>10</u>

The Group operates from a number of properties where the costs involved with fulfilling the terms and conditions of the lease are higher than the amount of economic benefit received. Such provisions represent the rent and occupancy related expenses which will be incurred after these properties have been vacated until the end of the lease term. Also included are provisions held relating to leased land and buildings where restoration costs are contractually required at the end of the lease.

Legal claims represent the estimated outstanding cost arising from the settlement of civil actions.

The Company did not have any provisions (2016: £nil).

**23 Capital and reserves***Share capital*

	2017 £m	2016 £m
<b>Allotted, called up and fully paid</b>		
1,085,779,995 (2016: 1,085,779,995) ordinary share of £1 each	<u>1,086</u>	<u>1,086</u>

*Share Premium*

	£m	£m
<b>Allotted, called up and fully paid</b>		
1,085,779,995 (2016: 1,085,779,995) ordinary shares	<u>25</u>	<u>25</u>

*Translation reserve*

The translation reserve comprises all foreign exchange differences from the translation of the financial statements of foreign operations.

*Fair value reserve*

The fair value reserve includes the cumulative net change in the fair value of available-for-sale financial assets until the investment is derecognised or impaired.

*Cash flow hedging reserve*

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

*Other reserve*

The other reserve comprises the adjustment between consideration paid and the capital of entities acquired that are under the common control of the ultimate parent entity.

**24 Employee benefits*****Defined contribution plans***

The Group operates a number of defined contribution pension schemes. The assets of these schemes are held separately from those of the Group in independently administered funds. The total expense relating to these plans for the current year was £18million (2016: £15million). There were no outstanding or prepaid contributions at year end (2016: £nil).

***Defined benefit plans*****(a) Description of retirement benefit arrangements**

Virgin Rail Group Limited operates a defined benefit pension scheme. The subsidiary participates in its own separate shared cost section of the Railway Pension Scheme ('RPS'). The RPS is a funded scheme and provides benefits based on final pensionable pay. The assets of the RPS are held separately from those of the subsidiary. The RPS is a shared cost scheme with costs being shared between the employer and the members on the basis of a 60:40 split.

Virgin Rail has no rights or obligations in respect of the RPS following expiry of the related franchise. Therefore, the liability (or asset) recognised for the relevant section of the RPS reflects only that part of the net deficit (or surplus) of the section that the employer is expected to fund (or expected to recover) over the life of the franchise to which the section relates. The adjusting entry referred to as the "franchise adjustment" represents that proportion of the deficit (or surplus) that is expected to exist at the end of the franchise and which the Group would not be obliged to fund (or entitled to recover).

The latest actuarial valuation of the Virgin Rail's section of the RPS was undertaken at 31 December 2013 using the projected unit method. This valuation has been updated to 31 December 2017 by a qualified independent actuary, using revised assumptions that are consistent with the requirements of IAS 19.

**(b) Principal actuarial assumptions**

The principal actuarial assumptions at the balance sheet date were as follows:

	2017	2016
Discount rate	2.6%	3.0%
RPI inflation assumption	3.2%	2.8%
CPI inflation assumption	2.0%	2.3%
Rate of increase in pensionable salaries	2.5%	2.6%
Rate of increase of pensions in payment	2.0%	1.8%
Post-retirement mortality (life expectancies in years)		
- Current pensioners at 60 - male	26.0	26.0
- Current pensioners at 60 - female	28.5	28.5
- Future pensioners at 60 aged 40 now - male	28.5	28.5
- Future pensioners at 60 aged 40 now - female	31.0	31.0

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity.

**24 Employee benefits (continued)****(c) Pension amounts recognised in the balance sheet**

The amounts recognised in the balance sheet were as follows:

	2017 £m	2016 £m
Equities	287	262
Bonds	79	70
Property	66	58
Other	219	196
Fair value of section assets	651	586
Present value of defined benefit obligations	(978)	(909)
Deficit in section	(327)	(323)
Members share of section	131	129
Franchise adjustment	199	208
Surplus recognised by Group	3	14

**(d) Movement in surplus recognised by Group**

	2017 £m	2016 £m
At beginning of year	14	11
Employer contributions	10	11
Expense charged to income statement	(22)	(16)
Recognised in the statement of comprehensive income	1	8
At the end of year	3	14

From 22 June 2014, the Interim Franchise Agreement was superseded by the new Franchise Agreement, effective for the period from 22 June 2014 to 31 March 2018.

**(e) Sensitivity analysis**

The following is an approximate sensitivity analysis of the impact of the change in the key actuarial assumptions. In isolation, the following adjustments would adjust the pension surplus as follows:

	2017 £m	2016 £m
Discount rate - increase of 0.1%	3	13
Price inflation - increase of 0.1%	3	15
Rate of increase in pensionable salaries - increase of 0.1%	3	14
Rate of increase of pensions in payment - increase of 0.1%	3	14
Increase in life expectancy of pensioners or non-pensioners by 1 year	3	15

**(f) Pension amounts recognised in income statement**

	2017 £m	2016 £m
Current service cost	21	15
Administration costs	1	1
Included in operating profit	22	16
Net interest income	6	3
Unwinding of franchise adjustment	(6)	(3)
	22	16

Service costs and administration costs are recognised in operating costs and net interest and unwinding of franchise adjustment are recognised in net finance costs.

**24 Employee benefits (continued)**

**(g) Pension amounts recognised in statement of comprehensive income**

	2017 £m	2016 £m
Actuarial loss	54	83
Changes in financial assumptions	(13)	(152)
Experience on benefit obligations	(38)	(43)
Change in franchise adjustment	(2)	120
Total pension credit recognised in other comprehensive income	<u>1</u>	<u>8</u>

**(h) Benefit obligations**

Changes in the present value of the defined benefit obligations are analysed as follows:

	2017 £m	2016 £m
At beginning of year	572	474
Current service cost	21	15
Interest on benefit obligations	16	15
Unwinding of franchise adjustment	(6)	(3)
Contributions by employees	7	8
Benefits paid	(15)	(12)
Actuarial (gains)/losses due to:		
- Changes in financial assumptions	12	152
- Experience on benefit obligations	38	43
- Change in franchise adjustment	2	(120)
At end of year	<u>647</u>	<u>572</u>

**(i) Scheme assets**

The movement in the fair value of scheme assets was as follows:

	2017 £m	2016 £m
At beginning of year	586	485
Administration costs	(1)	(1)
Interest income	10	12
Employer contributions	9	11
Contributions by employees	6	8
Benefits paid	(15)	(12)
Remeasurement gain	55	83
At end of year	<u>650</u>	<u>586</u>

**25 Commitments****(i) Commitments under operating leases**

As at 31 December 2017, the Group had annual commitments under non-cancellable operating leases as set out below:

Group	2017		2016	
	Land and buildings	Plant and machinery	Land and buildings	Plant and machinery
Expiry date:	£m	£m	£m	£m
Not later than one year	14	119	12	119
Later than one year and not later than five years	7	28	4	30
Later than five years	1	-	-	-
	<b>22</b>	<b>147</b>	<b>16</b>	<b>149</b>

Virgin Rail has, in the normal course of business, entered into a number of long term supply contracts. The most significant of these relate to track and station access facilities, train maintenance arrangements and IT outsourcing.

Under the Franchise Agreement and the Direct Award Franchise Agreement for West Coast, there is a requirement for Virgin Rail and West Coast to comply with certain performance and other obligations. If the Group fails to comply with these obligations, it may be liable to penalties or the potential termination of the franchise.

**26 Contingent liabilities**

In accordance with the Franchise Agreement for West Coast, Virgin Rail Group Limited has procured a performance bond in favour of the Department for Transport (DfT) for West Coast. This performance bond has been issued by Chubb European Group Limited (formerly ACE European Group Limited) for up to £21million.

Virgin Holdings Limited guarantees the operating lease commitments in relation to a property leased by Virgin Active Limited. The total aggregate liability is £19million.

The Group has given the following guarantees:

Beneficiary		Aggregate Liability
Delta Air Lines Inc.	Indemnity in connection with a reorganisation of the Virgin Atlantic Group.	\$15million
Virgin Galactic, LLC	Aggregate Virgin Galactic customer deposits.	\$73million
New Devon CCG	Provision of community health services (expired April 2018)	£5million
Simmons Bank, BPG Hotel XXXVI LLC and C Buccini, R Buccini and D Pollin	Indemnity in respect of the Nashville Hotel held by VHRE New Orleans LLC.	\$55million
Stagecoach Group Plc	Counter-indemnity to Stagecoach Group Plc in relation to funding commitments in favour of the DfT in respect of the obligations of Inter City Railways Limited under the InterCity East Coast rail franchise.	£9million

**27 Related parties**

At 31 December 2017 the Company's ultimate parent undertaking was Virgin Group Holdings Limited, whose sole shareholder is Sir Richard Branson. The shareholder of Virgin Group Holdings Limited has interests directly or indirectly in certain other companies which are considered to give rise to related party disclosures under International Accounting Standard 24: Related Party Disclosures.

During the year, the Group entered into the following transactions with related parties:

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
<b>Companies related by virtue of common control or ownership</b>		
Revenue	26	41
Purchases	(5)	(3)
Other income	3	15
Interest receivable	4	2
Interest payable	-	-
Receivables outstanding	181	155
Payables outstanding	(230)	(562)
<b>Companies related by virtue of being associates of the Group</b>		
Revenue	6	6
Purchases	-	-
Receivables outstanding	-	-
<b>Companies related by virtue of being investors in the Group</b>		
Revenue	2	4
Purchases	-	(36)
Payables outstanding	(3)	(3)
<b>Key management personnel *</b>	-	2

\* This represents costs incurred by the Group in relation to key management personnel who are not directors of the Company. Refer to note 6, directors remuneration, for costs in relation to the directors.

## 28 Financial instruments

## (a) Fair values of financial instruments

	Carrying amount £m	Fair value £m	Level 1 £m	Level 2 £m	Level 3 £m
<b>31 December 2017</b>					
<b>Available for sale financial assets</b>					
Available for sale investments	73	73	-	-	73
<b>Loans and receivables</b>					
Cash and cash equivalents	256	-	-	-	-
Trade and other receivables	380	-	-	-	-
<b>Total financial assets</b>	<b>709</b>	<b>73</b>	<b>-</b>	<b>-</b>	<b>73</b>
<b>Financial liabilities designated as fair value through profit and loss</b>					
Derivative financial instruments	(1)	(1)		(1)	
<b>Financial liabilities measured at amortised cost</b>					
Borrowings	(16)	-	-	-	-
Trade and other payables (excl. accruals)	(401)	-	-	-	-
<b>Total financial liabilities</b>	<b>(418)</b>	<b>(1)</b>	<b>-</b>	<b>(1)</b>	<b>-</b>
<b>31 December 2016</b>					
<b>Available for sale financial assets</b>					
Available for sale investments	52	52	-	52	-
<b>Loans and receivables</b>					
Cash and cash equivalents	650	-	-	-	-
Trade and other receivables	345	-	-	-	-
<b>Total financial assets</b>	<b>1,047</b>	<b>52</b>	<b>-</b>	<b>52</b>	<b>-</b>
<b>Financial liabilities designated as fair value through profit and loss</b>					
Derivative financial instruments	(20)	(20)	-	(20)	-
<b>Financial liabilities measured at amortised cost</b>					
Borrowings	(99)	-	-	-	-
Trade and other payables (excl. accruals)	(713)	-	-	-	-
<b>Total financial liabilities</b>	<b>(832)</b>	<b>(20)</b>	<b>-</b>	<b>(20)</b>	<b>-</b>



**28 Financial instruments (continued)****(a) Fair values of financial instruments (continued)**

The fair value of the Group's financial instruments are disclosed in fair value hierarchy based on the valuation technique used to determine fair value.

- 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 (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows the valuation techniques used to measure Level 2 fair values:

<b>Financial instruments measured at fair value</b>	<b>Valuation technique</b>
Fuel, foreign exchange and interest rate swaps	Discounted cash flow is the valuation technique used to arrive at fair value. Future cash flows are estimated based on forward exchange rates, forward fuel price rate and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Equity securities	A variety of valuation techniques are used to arrive at the fair value of the equity securities. These include: discounted cash flow, using the fair value of the underlying asset and cost where this is believed to be the market value.

At 31 December 2017, the group's available for sale financial assets are classified at level 3 of the fair value hierarchy (2016: none).

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 approximate their fair values.

There were no transfers between levels during the year.

**(b) Financial risk management**

The Group is exposed to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and fuel price risk), credit risk, capital risk and liquidity 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's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate limits and controls and to monitor risks and adherence to limits. Financial risk management of the subsidiaries is delegated to those operating subsidiary boards. The Treasury functions of the Group and subsidiaries implement the financial risk management policies under governance approved by the various Boards of Directors. These risk management policies are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group's Treasury functions identify, evaluate and hedge financial risks. The Boards approve the written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, the use of derivative financial instruments and investment of excess liquidity.

**28 Financial instruments (continued)****(b) Financial risk management (continued)**

The Group's Treasury functions monitor compliance with the Group's risk management policies and procedures, and review the adequacy of this risk framework with respect to the risks faced by the various parts of the Group.

**(i) Price risk**

Virgin Rail is exposed to commodity price risk. Virgin Rail's operations consume approximately 27.5 million litres of diesel fuel per annum. As a result, Virgin Rail's profit is exposed to movements in the underlying price of fuel.

Virgin Rail's objective in managing commodity price risk is to reduce the risk that movements in fuel prices result in adverse movements in its profit and cash flow. Virgin Rail has a policy of managing volatility in its fuel costs by maintaining an ongoing fuel hedging programme whereby derivatives are used to fix or cap the variable unit cost of a percentage of projected future fuel costs, after taking account of derivatives in place, which varies due to movements in fuel prices.

The fuel derivatives hedge the underlying commodity price risk (denominated in US\$) and they also hedge the currency risk due to the commodity being priced in US\$ and the functional currency of Virgin Rail being pounds sterling.

An increase of 10% in fuel prices, with all other variables held constant, at the reporting date would have decreased equity and profit before tax by £nil (2016: £nil). A decrease of 10% in fuel prices, with all other variables held constant, at the reporting date would have increased equity and profit before tax by £nil (2016: £nil).

Demand for Virgin Rail's services can also be affected by movements in fuel prices due to the impact on the cost of competing transport service, including private cars.

Virgin Rail is also exposed to changes in electricity prices as electricity is consumed to power some of the trains operated. The Group has some protection to price changes via rail industry arrangements to fix the price on a proportion of anticipated electricity consumption.

**(ii) Foreign currency risk**

The Group is primarily exposed to currency risk on cash balances, royalty income, intercompany funding and certain borrowings that are denominated in a currency other than Great British Pounds (GBP). The currencies in which these transactions are primarily denominated in are United States Dollars (USD), Australian Dollars (AUD), the Euro (EUR) and South African Rand (ZAR).

Currency risk is reduced through matching assets and liabilities in individual currencies and holding foreign currency balances to meet future obligations. Any exposure that cannot be naturally hedged is managed through the 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 the Group to hedge within bands up to 24 months out with declining percentages. In implementing the strategy, the foreign exchange hedging policy allows for the use of a number of derivatives available on the over-the-counter (OTC) markets with approved counterparties and within approved limits.

**28 Financial instruments (continued)****(b) Financial risk management (continued)****(ii) Foreign currency risk (continued)**

A strengthening of GBP, as indicated below, against the USD, EUR and CHF at 31 December 2017 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2017	2016
	£m	£m
Strengthening in US Dollar exchange rate by a fixed percentage	10%	10%
Decrease in profit before tax	(24)	30
Weakening in US Dollar exchange rate by a fixed percentage	(10%)	(10%)
Increase in profit before tax	31	66
Strengthening in Euro exchange rate by a fixed percentage	10%	10%
Decrease in profit before tax	-	-
Weakening in Euro exchange rate by a fixed percentage	(10%)	(10%)
Increase in profit before tax	-	-

**(iii) Interest rate risk**

The Group's interest rate risk arises primarily from its borrowings. Borrowings issued at variable interest rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to maintain a mix of fixed to floating rate debt. This is achieved by entering into interest rate swaps. These swaps are designated to hedge underlying debt obligations. Hedging activities are evaluated regularly to align with interest rate views and the risk appetite of the Group, ensuring the most cost effective hedging strategies are applied.

The interest rate portfolio of the Group's interest-bearing financial instruments was:

	Carrying amount	
	2017	2016
<b>Fixed rate instruments</b>		
Financial assets	103	123
Financial liabilities	(13)	(14)
Derivative financial liabilities	(1)	(19)
	<u>89</u>	<u>90</u>
<b>Variable rate instruments</b>		
Financial liabilities	-	(82)
Derivative financial assets	-	-
	<u>-</u>	<u>(82)</u>

The above table shows the principal amounts for financial instruments other than derivatives and separately shows the notional amount for derivatives including the carrying amount of the interest rate swaps. The derivative is a floating-to-fixed swap.

**28 Financial instruments (continued)****(b) Financial risk management (continued)****(iv) Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The Group is exposed to credit risk to the extent of the non-performance by its counterparties in respect of financial asset receivables and /or 'in-the-money' positions for derivatives transactions. In respect of cash investments (including bank deposits and Money Market Funds), the underlying counterparty as well as country limits are in place and based on several credit quality criteria. Each investment counterparty or Money Market Fund must be rated by one rating agency (Fitch, Moody's or S&P). Credit default swaps and Tier 1 capital adequacy requirements are also considered wherever relevant and available. Similarly for foreign exchange and interest rate swap counterparties, adequate processes are in place whereby credit ratings and credit default swaps are reviewed where available, ISDA master agreements are executed and Parent Guarantees are put in place wherever necessary to mitigate and minimize credit risk. Due diligence is carried out for new foreign exchange, investment and interest rate swap counterparties which are then presented to the Group's Board for approval with the information mentioned above.

The maximum exposure to credit risk is limited to the carrying value of each class of asset as summarised in the table at the beginning of this note.

The Group and Company do not hold any collateral to mitigate this exposure.

**(v) Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its cash requirements on an ongoing basis. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses and impending capital calls and investment funding for a period of 24 months. This includes the servicing of financial obligations but excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters.

Bank covenants are monitored on a quarterly basis to ensure compliance with lending agreements and an authorised certificate of compliance is provided to each of the main lending institutions which states compliance with the financial and security terms of the lending agreement.

**28 Financial instruments (continued)****(b) Financial risk management (continued)****(v) Liquidity risk (continued)**

The maturity profile of financial liabilities based on undiscounted gross cash flows and contractual maturities is as follows:

	2017			
	Within 1 year £m	1-2 years £m	2-5 years £m	Over 5 years £m
<b>Non-derivative financial liabilities</b>				
Trade and other payables (excl. accruals)	(401)	-	-	-
Borrowings:				
Secured bank loans	-	-	-	(13)
Unsecured bank loans	-	-	-	-
Shareholders loans	-	-	-	(3)
	<b>(401)</b>	<b>-</b>	<b>-</b>	<b>(16)</b>
<b>Derivative financial liabilities</b>				
Interest rate swaps	-	-	-	-
Fuel swap	(1)	-	-	-
	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>-</b>
	2016			
	Within 1 year £m	1-2 years £m	2-5 years £m	Over 5 years £m
<b>Non-derivative financial liabilities</b>				
Trade and other payables (excl. accruals)	(713)	-	-	-
Borrowings:				
Secured bank loans	-	-	(82)	(14)
Unsecured bank loans	(2)	-	-	-
Shareholders loans	-	-	-	(3)
	<b>(715)</b>	<b>-</b>	<b>(82)</b>	<b>(17)</b>
<b>Derivative financial liabilities</b>				
Interest rate swaps	-	-	(19)	-
Fuel swap	(1)	-	-	-
	<b>(1)</b>	<b>-</b>	<b>(19)</b>	<b>-</b>

**(vi) Capital risk**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure. The Group regularly reviews and maintains or adjusts the capital structure as appropriate in order to achieve these objectives.

## 29 Post balance sheet events

On 5 February 2018, West Coast signed a new Direct Award Franchise Agreement with the DfT for a short-term franchise for the period 1 April 2018 to 31 March 2019 with an optional extension, exercisable by the DfT, of up to one year.

On 16 May 2018, the Department for Transport announced that the Virgin Trains East Coast contract would end on 24 June 2018 and transfer to an Operator of Last Resort. In connection with the Group's counter-indemnity to Stagecoach Group Plc, £6million has been called subsequently to year end.

On 24 May 2018, Virgin Holdings Limited and Virgin Life Care Investments Limited, together with Insight Venture Partners agreed to dispose of 100% of the shares in Virgin Pulse (VP Parent Holdings, Inc) to Marlin Equity for cash consideration of £70million (\$95million).

On 8 June 2018 Virgin Hotels LLC bought out the minority shareholdings held by L-B Hotels LLC and WD Capital for a cash consideration of US\$34.5million and US\$1.2million respectively. This has resulted in Virgin Hotels Holdings LLC owning 99.409% of Virgin Hotels LLC.

## 30 Group entities

The subsidiaries of the Group as at 31 December 2017 are:

Subsidiaries	Country of incorporation	% Holding	Share type
Classboss Limited The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Arenal & Dunas Resort SLU* Pau Claris 97, 4º 1ª, 08009, Barcelona, Spain	Spain	100.0%	Ordinary
Barfair Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Bluebottle Investments (UK) Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Bluebottle UK Limited The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Cairnline Limited* ^ The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Current Sponge Productions Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	90.0%	Ordinary
Dinicero SLU* Pau Claris 97, 4º 1ª, 08009, Barcelona, Spain	Spain	100.0%	Ordinary

## 30 Group entities (continued)

Subsidiaries	Country of incorporation	% Holding	Share type
Dragonfly SA Avenue d'Ouchy 14, c/o Etude Pétremand & Rappo, avocats, 1006, Lausanne, Switzerland	Switzerland	100.0%	Ordinary
Exeter Property Holdings (Pty) Limited*^ 3 Solitaire, 73A Pretoria Avenue, Atholl, 2196, SA	South Africa	50.0%	Ordinary
Ganson SLU* Pau Claris, 8009, Barcelona, Spain.	Spain	100.0%	Ordinary
Investment Facility Company Forty (Pty) Limited*^ Unit 1, Ground Floor Building 6, Albury Office Park, CNR Jan Smuts and Albury Road, Gauteng, 2196, SA	South Africa	100.0%	Ordinary
LB Yacht Charter LLP*^ The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	97.0%	Ordinary
Rimdrax 5000 SLU* Pau Claris 97, 4° 1ª, 08009, Barcelona, Spain	Spain	100.0%	Ordinary
SA Mauritius Investments Limited Suite 510, 5th Floor Barkly Wharf, Le Caudan Waterfront, Port Louis, 1112-07, Mauritius	Mauritius	100.0%	Ordinary
Son Bunyola SLU* Pau Claris 97, 4° 1ª, 08009, Barcelona, Spain	Spain	100.0%	Ordinary
Son Creus SLU* Pau Claris 97, 4° 1ª, 08009, Barcelona, Spain	Spain	100.0%	Ordinary
Tarrango Holdings Limited* Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands	British Virgin Islands	100.0%	Ordinary
The Virgin Drinks Group Limited*^ The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary redeemable preference
Ultraway Limited*^ The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Ulusaba Game Farm (Pty) Limited*^ (in Unit 1, Ground Floor Building 6, Albury Office Park, CNR Jan Smuts and Albury Road, Gauteng, 2196, SA	South Africa	100.0%	Ordinary
Ulusaba Rock Lodge (Pty) Limited*^ Block C VAA Building, 50 Sixth Street, Hyde Park 2196, SA	South Africa	100.0%	Ordinary

## Notes to the Financial Statements

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### 30 Group entities (continued)

Subsidiaries	Country of incorporation	% Holding	Share type
VAL TM (Holdings) Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	51.0%	Ordinary
VAL TM Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	51.0%	Ordinary
VAL Trademark Three Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
VAL Trademark Two Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
V Cab Holdings, LLC* 65 Bleecker Street, 6th Floor, New York 10012, USA	USA	94.6%	Common units Preferred units
VEL Holdings Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Verbier Lodge SA* ^ Chemin de Plendazeu 3, 1936 Verbier, Switzerland	Switzerland	100.0%	Ordinary
Vexair Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
VHC Lower LLC* Corporation Services Company, 801 Adlai Stevenson Drive, Springfield IL, 62703, USA	USA	65.9%	Membership interest
VHC Middle LLC* Corporation Services Company, 801 Adlai Stevenson Drive, Springfield IL, 62703, USA	USA	65.9%	Membership interest
VH Community Services Limited** Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	99.0%	Ordinary
VHC Upper, LLC* Corporation Services Company, 801 Adlai Stevenson Drive, Springfield IL, 62703, USA	USA	65.9%	Membership interest
VHP GP Management, LLC* 2711 Centreville Road, Suite 400, Wilmington DE 19808, USA	USA	100.0%	Membership interest
VHP Holdings, LP* 2711 Centreville Road, Suite 400, Wilmington DE 19808, USA	USA	98.1%	Class A units



**30 Group entities (continued)**

<b>Subsidiaries</b>	<b>Country of incorporation</b>	<b>% Holding</b>	<b>Share type</b>
VH (Spain) Limited*^ The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Class B units Ordinary
VHRE New Orleans LLC* 2711 Centreville Road, Suite 400, Wilmington DE 19808, USA	USA	100.0%	Membership interest
Victory Acquisitions Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Aviation TM Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Aviation TM Holdings Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Care Blackpool LLP**^ Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	94.5%	Partnership interest
Virgin Care Chelmsford LLP**^ Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	94.5%	Partnership interest
Virgin Care Corporate Services Limited**^ Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	94.5%	Ordinary
Virgin Care Coventry LLP**^ Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	94.5%	Partnership interest
Virgin Care Darlington LLP**^ Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	94.5%	Partnership interest
Virgin Care East Riding LLP**^ Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	94.5%	Partnership interest
Virgin Care Hampshire Health LLP**^ Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	94.5%	Partnership interest
Virgin Care Hartlepool LLP**^ Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	94.5%	Partnership interest

## 30 Group entities (continued)

Subsidiaries	Country of incorporation	% Holding	Share type
Virgin Care Leeds LLP**^ Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	94.5%	Partnership interest
Virgin Care Limited**^ Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	94.5%	Ordinary
Virgin Care Liverpool LLP**^ Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	94.5%	Partnership interest
Virgin Care Provider Services Limited**^ Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	94.5%	Ordinary
Virgin Care Services Limited**^ Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	94.5%	Ordinary
Virgin Care Stockton LLP**^ Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	94.5%	Partnership interest
Virgin Care Tech Limited**^ Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	94.5%	Ordinary
Virgin Care Vertis LLP**^ Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	94.5%	Partnership interest
Virgin Care Wandle LLP**^ Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	94.5%	Partnership interest
Virgin Care Wyre Forest LLP**^ Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	94.5%	Partnership interest
Virgin Care Private Limited**^ Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	94.5%	Partnership interest
Virgin Clubs Limited**^ The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Corporate Services Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary

**30 Group entities (continued)**

<b>Subsidiaries</b>	<b>Country of incorporation</b>	<b>% Holding</b>	<b>Share type</b>
Virgin Clubs Limited** The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Corporate Services Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Developments Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Enterprises Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Entertainment Holdings Inc* 2711 Centreville Road, Suite 400, Wilmington DE 19808, USA	USA	100.0%	Ordinary
Virgin Group Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Healthcare Holdings Limited^ Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	99.0%	Ordinary
Virgin Hotels Chicago LLC* Corporation Services Company, 801 Adlai Stevenson Drive, Springfield IL, 62703, USA	USA	66.5%	Membership interest
Virgin Hotels Dallas LLC* Incorp Services, 919 North Market Street, Suite 950, Wilmington, New Castle, 19801, USA	USA	66.5%	Partnership interest
Virgin Hotels Holdings, LLC* 2711 Centreville Road, Suite 400, Wilmington DE 19808, USA	USA	96.4%	Class A Units
Virgin Hotels Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Hotels, LLC* 2711 Centreville Road, Suite 400, Wilmington DE 19808, USA	USA	70.4%	Membership interest
Virgin Hotels Maroc SA** Kasbah Tamadot, Route D'Imlil, ASNI, Morocco	Morocco	100.0%	Ordinary

**30 Group entities (continued)**

<b>Subsidiaries</b>	<b>Country of incorporation</b>	<b>% Holding</b>	<b>Share type</b>
Virgin Hotels Nashville, LLC* Incorp Services, 919 North Market Street, Suite 950, Wilmington, New Castle, 19801, USA	USA	66.5%	Membership interest
Virgin Hotels New York LLC* Incorp Services, 919 North Market Street, Suite 950, Wilmington, New Castle, 19801, USA	USA	66.5%	Membership interest
Virgin Hotels North America, LLC* Incorp Services, 919 North Market Street, Suite 950, Wilmington, New Castle, 19801, USA	USA	66.5%	Membership interest
Virgin Hotels Palm Springs, LLC* Incorp Services, 919 North Market Street, Suite 950, Wilmington, New Castle, 19801, USA	USA	66.5%	Membership interest
Virgin Hotels San Francisco LLC* Incorp Services, 919 North Market Street, Suite 950, Wilmington, New Castle, 19801, USA	USA	66.5%	Membership interest
Virgin Hotels Silicon Valley LLC Incorp Services, 919 North Market Street, Suite 950, Wilmington, New Castle, 19801, USA	USA	66.5%	Membership interest
Virgin Hotels New Orleans, LLC Incorp Services, 919 North Market Street, Suite 950, Wilmington, New Castle, 19801, USA	USA	66.5%	Membership interest
Virgin Life Care Investments Limited The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	91.2%	Ordinary
Virgin Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Management Asia Pacific Pty Limited* Level 5, East Village, 2 Defries Avenue, Zetland 2017, Australia	Australia	100.0%	Ordinary
Virgin Management Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Management SA Avenue d'Ouchy 14, c/o Etude Pétremand & Rappo, avocats, 1006, Lausanne, Switzerland	Switzerland	100.0%	Ordinary
Virgin Management South Africa (Pty) Limited* 6th Floor, 119 Herzog Boulevard, Foreshore, Cape Town, Western Cape, 8001, SA	South Africa	100.0%	Ordinary

## 30 Group entities (continued)

Subsidiaries	Country of incorporation	% Holding	Share type
Virgin Management SA Avenue d'Ouchy 14, c/o Etude Pétremand & Rappo, avocats, 1006, Lausanne, Switzerland	Switzerland	100.0%	Ordinary
Virgin Management USA Inc* Corporation Services, 251 Little Falls Drive, Wilmington, DE 19808, USA	USA	100.0%	Ordinary
Virgin Models Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Money South Africa (Pty) Limited* 2nd Floor, 35 Ferguson Road, Illova, Sandton 2196, SA	South Africa	100.0%	Ordinary
Virgin Oceanic Expedition, LLC* (dissolved 20/07/2017) 2711 Centreville Road, Suite 400, Wilmington DE 19808, USA	USA	100.0%	Membership interest
Virgin Property Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Rail Group Holdings Limited^ The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	51.0%	Ordinary
Virgin Rail Group Limited**^ The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	51.0%	Ordinary Preference
Virgin Rail Projects Limited**^ The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	51.0%	Ordinary
Village Development LLC, (previously Virgin Rail Texas LLC)* Corporation Services, 251 Little Falls Drive, Wilmington, DE 19808, USA	USA	100.0%	Membership interest <sup>c</sup>
Virgin Red Limited The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Sky Investments Limited The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Start Up Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary

**30 Group entities (continued)**

<b>Subsidiaries</b>	<b>Country of incorporation</b>	<b>% Holding</b>	<b>Share type</b>
Virgin Summit Eden House, LLC* 2711 Centreville Road, Suite 400, Wilmington DE 19808, USA	USA	100.0%	Membership interest
Virgin Trains Limited*^ The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	51.0%	Ordinary
Virgin Trains Sales Limited*^ The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	51.0%	Ordinary
Virgin Trustee Services Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Unite Nominees Pty Limited Virgin Active Health Clubs, East Village Level 5, 2A Defries Avenue, Zetland NSW 2017, Australia	Australia	100.0%	Ordinary
Virgin Voyager Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin.Com Limited The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
VLE (BVI) Limited*^ Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands	British Virgin Islands	100.0%	Ordinary
VM Advisory Limited The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
VOP Holdings Limited (in liquidation)* 25 Farringdon Street, London, EC4A 4AB, United Kingdom	England & Wales	100.0%	Ordinary
Voyager Group Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary Redeemable preference
V Secretarial Services Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
West Coast Trains Limited*^ The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	51.0%	Ordinary

## Notes to the Financial Statements

Virgin UK Holdings Limited and subsidiary companies  
Annual report and financial statements  
31 December 2017

### 30 Group entities (continued)

<b>Subsidiaries</b>	<b>Country of incorporation</b>	<b>% Holding</b>	<b>Share type</b>
XS Home Entertainment Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
V3L Nashville Inc* Corporation Services, 251 Little Falls Drive, Wilmington, DE 19808, USA	USA	100.0%	Ordinary
Zickner 5000 SLU* Pau Claris 97, 4° 1ª, 08009, Barcelona, Spain	Spain	100.0%	Ordinary
550 Baronne Street Hotel JV LLC* Corporation Services, 251 Little Falls Drive, Wilmington, DE 19808, US	USA	88.9%	Membership interest
VLE Limited** The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
<b>Joint ventures and associates</b>	<b>Country of incorporation</b>	<b>% Holding</b>	<b>Share type</b>
VGF Advisers (UK) LLP The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	50.0%	Ordinary
Assura Reading LLP* Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	49.5%	Partnership interest
Peninsula Health LLP* Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	49.5%	Partnership interest
VHNA Acquisition LP* Corporation Services, 251 Little Falls Drive, Wilmington, DE 19808, US	USA	30.9%	Partnership interest
VH Properties LLLP* Corporation Trust Center, 1209 Orange St, Wilmington. New Castle, USA	USA	34.3%	Partnership interest
VHB Properties LLC* Corporation Trust Center, 1209 Orange St, Wilmington. New Castle, USA	USA	34.3%	Membership interest
Virgin Produced, LLC* Corporation Services, 251 Little Falls Drive, Wilmington, DE 19808, USA	USA	48.0%	A Units B Units

30 Group entities (continued)

Joint ventures and associates	Country of incorporation	% Holding	Share type
VP Development, LLC United States Corporation Agents, Inc. 300 Delaware Ave STE 210-A, Wilmington, New Castle, DE 19801, USA	USA	48.0%	Membership interest
Running Bulls LLC Corporation Services, 251 Little Falls Drive, Wilmington, DE 19808, USA	USA	72.9%	Membership interest
VHNA Acquisition, LLC Corporation Services, 251 Little Falls Drive, Wilmington, DE 19808, USA	USA	72.9%	Membership interest
Nashville Music Row Hotel JV LLC* Robert E.Buccini, 322 A Street, Suite 300, Wilmington, New Castle, DE 19801, US A	USA	50.0%	Membership interest
Nashville Music Row Hotel Mezz LLC* 322A Street Suite 300, Wilmington, DE, DE 19801, USA	USA	50.0%	Membership interest
Nashville Music Row Hotel Owner LLC 322A Street Suite 300, Wilmington, DE, DE 19801, USA	USA	50.0%	Membership interest
Nashville Music Row Hotel Holdings LLC 322A Street Suite 300, Wilmington, DE, DE 19801, USA	USA	50.00%	Membership interest

\* indirectly held investment

^ subsidiary with a different year end

Virgin Rail Group Holdings Limited and subsidiaries have a 13 period year which ends on or near 31 March in line with the UK rail industry.

Virgin Healthcare Holdings Limited and subsidiaries have a 31 March financial year end in line with the NHS with whom it holds contracts.

Virgin Hotels Group Limited, VLE Limited and subsidiaries have a 31 March financial year end so that the peak seasonal cycle of the businesses (December - January) falls in one financial year.