Virgin UK Holdings Limited and subsidiary companies

Annual Report and Financial Statements

Registered number 03160887

31 December 2018

Contents

Strategic Report
For the year ended 31 December 2018

The directors present the Strategic Report for the Company and its subsidiaries (the "Group") for the year ended 31 December 2018.

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

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 subset 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 £53million (2017: £98million).

The Group's net assets have decreased by £27million to £533million at 31 December 2018. Total assets have decreased by £173million to £909million at 31 December 2018 driven by a lower cash balance and repayment of loans owed by related undertakings. This has resulted in a corresponding decrease in amounts owed to group undertakings.

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 2018, after taxation and non-controlling interest, amounted to £44million (2017: £48million). The profit attributable to the Group was £23million (2017: £24million).

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 2018. On 5 February 2018, West Coast signed a new Direct Award Franchise Agreement with the Department for Transport ("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. On 21 December 2018, the DfT confirmed an extension through to 31 March 2020 with an option for this to be shortened, with three months notice, to a length of their choosing but not earlier than 9 November 2019.

In November 2016, the DfT announced its plans to invite bids for a new rail franchise, the West Coast Partnership, that will combine with current West Coast services with the development and introduction of High Speed 2 ("HS2") services. The West Coast Partnership franchise will include responsibility for services on both the West Coast Main Line and designing and running the initial high speed services from 2026. The DfT is currently running a procurement process for the West Coast Partnership franchise. Once the West Coast Partnership franchise commences, the current West Coast franchise will expire.

Strategic Report *(continued)*
For the year ended 31 December 2018

Rail (continued)

Following the expiry of the franchise, West Coast will cease to trade and Virgin Rail will no longer have any investments in operational companies.

Virgin Rail has seen continued passenger revenue and journey growth during the financial year and continues to make profit share payments, in addition to committed franchise premium payments, 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.

Customer satisfaction as measured by the independent National Rail Passenger Survey is positive and West Coast remains consistently at or near the top of long distance train operators in terms of overall satisfaction scores. In October 2018, West Coast retained the Best UK Domestic Train Service award at the Business Traveller Awards 2018.

Virgin Rail continues to build on its customer satisfaction levels by delivering a range of further enhancements to customer experience and is leading the rail industry in innovating for customers. West Coast has seen a significant increase in sales of digital tickets and during the financial year became the first train operator to introduce digital season tickets for use on mobile devices. As part of the Direct Award Franchise Agreement, West Coast is investing to improve onboard Wi-Fi and then extend free Wi-Fi to all Pendolino customers and is investing to improve the station and onboard environments.

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

Virgin Rail's punctuality on the West Coast Main Line is reflected in its overall Public Performance Measure ("PPM"). 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.

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.

Train punctuality is measured by PPM, being the percentage of trains that arrive at their destination within 10 minutes of their scheduled arrival time having called at all scheduled stations. West Coast has seen a slight reduction in punctuality during the financial year and Virgin Rail is engaged with Network Rail to improve the service experienced by customers. The annual average PPM was 84.0% for the financial year compared to 84.2% in the previous financial year. The operations of Virgin Rail are affected each financial year by disruption on the West Coast Main Line, mainly at weekends and on bank holidays under normal industry possession arrangements.

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 staff dedication. In the Autumn 2018 National Rail Passenger Survey, West Coast achieved an overall satisfaction score of 90% (Autumn 2017: 91%).

Strategic Report *(continued)*
For the year ended 31 December 2018

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, GPs, 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. Subsequent to year end the contract in Devon ended on 31 March 2019. However Virgin Care won two new contracts starting on 1 April 2019, in Lancashire for services aimed at ages 0-19 and Cheshire West and Chester Sexual health. Virgin Care's loss for the year ended 31 December 2018, after taxation, amounted to £15million (2017: £19million). The Group's share of this is a loss of £15million (2017: £19million).

Brand licensing

VEL Holdings Limited and its subsidiaries ("Virgin Enterprises") own and license the Virgin brand name and are 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 remained constant at £103million. Virgin Enterprises' profit for the year ended 31 December 2018, after taxation, amounted to £67million (2017: £67million). The profit attributable to the shareholders of the parent is £60million (2017: £60million).

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 San Francisco, with others due to open in the future.

For the year ended 31 December 2018, in aggregate the Hotels businesses' loss amounted to £8million (2017: £9million). This comprised of a loss of £2million (2017: £3million) in Virgin Limited Edition and a loss of £6million (2017: £6million) in Virgin Hotels.

On 10 May 2018, Virgin Hotels bought out the minority shareholding in Virgin Hotels for a cash consideration of US$35m.

Strategic Report *(continued)*
For the year ended 31 December 2018

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 2018, in aggregate the management services businesses' loss amounted to £9million (2017: profit £4million).

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 and Brexit

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.

The ongoing negotiation of the terms of the UK leaving the European Union may lead to uncertainty in the economy and a reduction in consumer spending. Key risks for the Group include the adverse effects on the demand for rail services and the recruitment and retention of healthcare professionals. The Group monitors the ongoing negotiations of the UK's exit from the EU assessing the impact this will have on the economy to ensure the risks are mitigated.

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 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 on Virgin Rail includes damage to Virgin Rail's reputation and possible claims against Virgin Rail. Virgin Rail's focus on its safety environment is detailed in the Safety section below. In addition, the Group has procedures in place to respond to any major incident that may occur.

Strategic Report *(continued)*
For the year ended 31 December 2018

Principal risks and uncertainties *(continued)*

Risks specific to Virgin Rail (continued)

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 agreements 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.

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.

Strategic Report *(continued)*
For the year ended 31 December 2018

Principal risks and uncertainties *(continued)*

Risks specific to Virgin Rail (continued)

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 Virgin Rail 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

Virgin Care ensure that the business has the resources and management processes in place to mobilise, transform or demobilise more than one large contract at a time. Virgin Care ensure that matters are properly discussed and are adequately resourced.

Government regulation

The political and commercial environment in which Virgin Care operates, including current or potential new legislation is monitored. Virgin Care has seen increasing levels of uncertainty when it comes to the frequency and outcome of future contract tenders which may result in fewer opportunities to bid for contracts than it has historically.

Investment in new contracts

The management and accurate forecasting of funding requirements is a key focus of attention of Virgin Care. New contracts require significant investment in order to transform the quality and efficiency of the service. Virgin Care is satisfied that it has realistic operational plans and resources in place to manage a balanced portfolio of mature and new contracts subject to robust investment appraisal and governance. Virgin Care has established and maintains robust cash flow forecasting models and processes to increase visibility and plan for potential cash requirements.

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.

Strategic Report *(continued)*
For the year ended 31 December 2018

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. Virgin 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 that the West Coast franchise operated by Virgin Rail is expected to cease in 2019 and this will have an impact 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 these financial statements.

This report was approved by the board on 13 June 2019 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 2018.

Results and dividends

The results of the Group for the year are set out on page 14 and are commented on within the Strategic Report.

During the year, the Company paid a dividend in specie of £365,000 (2017: £nil).

Directors

The directors who served during the year were:

I P Woods
J Bayliss
P M R Norris
E M Lovell
P C K McCall (resigned 19 March 2019)
A Stirling
L V Thomas

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.

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 the director is aware, there is no relevant audit information of which the Company and 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 Group's auditor in connection with preparing its report and to establish that the Company and 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 13 June 2019 and signed on its behalf.

A Stirling
Director

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 Annual Report, 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, relevant, reliable 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;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

KPMG

Independent Auditor's Report to the Members of Virgin 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 2018 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company 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 the parent Company's affairs as at 31 December 2018 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.

Brexit other matter

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's and Group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Company's and Group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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

Going concern *(continued)*

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 a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model, including the impact of Brexit, and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the Company will continue in operation.

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 or the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

KPMG

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

Directors' responsibilities

As explained more fully in their statement set out on page 10, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

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

Stephen Oxley

Stephen Oxley (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
13 June 2019

Consolidated Income Statement
For the year ended 31 December 2018

	Note	2018 £m	2017 £m
Revenue	3	**1,670**	1,662
Cost of sales		**(1,002)**	(947)
Gross profit		**668**	715
Administrative expenses		**(460)**	(423)
Other operating expenses	4	**(171)**	(178)
Operating profit	5	**37**	114
Net gain on disposal of trade investment	8	**31**	-
Finance and similar income		**8**	16
Finance and similar expenses		**(4)**	(15)
Net financing income	7	**4**	1
Profit before tax		**72**	115
Taxation	9	**(19)**	(17)
Profit for the year		**53**	98
Attributable to:			
Equity holders of the parent		**24**	69
Non-controlling interest		**29**	29
Profit for the year		**53**	98

The notes on pages 21 to 74 form part of these financial statements.

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2018

	2018	2017
	£m	£m
Profit for the year	**53**	98
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Remeasurements of defined benefit asset	**3**	1
	3	1
Items that are or may be reclassified to profit or loss:		
Foreign currency translation differences	**11**	(11)
Effective portion of changes in fair value cash flow hedges	**1**	1
Net change in fair value of cash flow hedges reclassified to profit or loss	**(2)**	1
Disposal of fair value of assets classified as available-for-sale	**(28)**	24
	(18)	15
Other comprehensive income for the year, net of income tax	**(15)**	16
Total comprehensive income for year	**38**	114
Attributable to:		
Equity holders of the parent	**8**	82
Non-controlling interest	**30**	32
Total comprehensive income for year	**38**	114

The notes on pages 21 to 74 form part of these financial statements.

Consolidated Balance Sheet
At 31 December 2018

	Note	2018 £m	2017 £m
Non-current assets			
Property, plant and equipment	10	**63**	62
Intangible assets	11	**254**	273
Investments in equity-accounted investees	12	**17**	24
Other investments	14	**24**	73
Deferred tax assets	16	**8**	8
Employee benefits	24	**10**	3
		376	443
Current assets			
Inventory		**2**	2
Trade and other receivables	17	**297**	380
Cash and cash equivalents	18	**234**	256
Other financial assets		**-**	1
		533	639
Total assets		**909**	1,082
Current liabilities			
Trade and other payables	20	**(305)**	(452)
Contract liabilities	21	**(19)**	(23)
Provisions	22	**(5)**	(6)
Other financial liabilities	15	**-**	(1)
		(329)	(482)
Non-current liabilities			
Loans and borrowings	19	**(16)**	(16)
Trade and other payables	20	**-**	(6)
Deferred tax liability	16	**(2)**	(3)
Contract liabilities	21	**(22)**	(11)
Provisions	22	**(7)**	(4)
		(47)	(40)
Total liabilities		**(376)**	(522)
Net assets		**533**	560
Equity attributable to equity holders of the parent			
Share capital	23	**1,086**	1,086
Share premium		**25**	25
Other reserves		**52**	95
Retained earnings		**(660)**	(686)
		503	520
Non-controlling interest		**30**	40
Total equity		**533**	560

The financial statements were approved and authorised by the board and were signed on its behalf on 13 June 2019.

A Stirling
Director

The notes on pages 21 to 74 form part of these financial statements.

Company Balance Sheet
At 31 December 2018
Registered number: 03160887

	Note	2018 £m	2018 £m	2017 £m	2017 £m
Fixed assets					
Investments	13		**1,146**		1,146
Current assets					
Debtors: amounts falling due within one year	17	**9**		8	
Creditors: amounts falling due within one year	20, 21	**(12)**		(6)	
Net current liabilities/(assets)			**(3)**		2
Net assets			**1,143**		1,148
Capital and reserves					
Share capital	23		**1,086**		1,086
Share premium			**25**		25
Retained earnings			**32**		37
Shareholders' funds			**1,143**		1,148

The financial statements were approved and authorised by the board and were signed on its behalf on 13 June 2019.

A Stirling
Director

The notes on pages 21 to 74 form part of these financial statements.

Consolidated Statement of Changes in Equity

	Share capital £m	Share premium £m	Translation reserve £m	Fair value reserve £m	Cash flow hedging reserve £m	Other reserves £m	Retained earnings £m	Non-controlling interest £m	Total £m
Balance at 1 January 2018	1,086	25	22	28	6	39	(686)	40	560
Total comprehensive income for the year:									
Profit for the year	-	-	-	-	-	-	24	29	53
Other comprehensive income	-	-	11	(28)	(1)	-	2	1	(15)
Minority buy-out	-	-	-	-	-	(25)	-	(3)	(28)
Total comprehensive income for the year	-	-	11	(28)	(1)	(25)	26	27	10
Transactions with owners, recorded directly in equity:									
Dividend to non-controlling interests	-	-	-	-	-	-	-	(37)	(37)
Total transactions with owners	-	-	-	-	-	-	-	(37)	(37)
Balance at 31 December 2018	1,086	25	33	-	5	14	(660)	30	533
Balance at 1 January 2017	1,086	25	33	7	4	39	(756)	33	471
Total comprehensive income for the year:									
Profit for the year	-	-	-	-	-	-	69	29	98
Other comprehensive income	-	-	(11)	21	2	-	1	3	16
Total comprehensive income for the year	-	-	(11)	21	2	-	70	32	114
Transactions with owners, recorded directly in equity:									
Dividend to non-controlling interests	-	-	-	-	-	-	-	(25)	(25)
Total transactions with owners	-	-	-	-	-	-	-	(25)	(25)
Balance at 31 December 2017	1,086	25	22	28	6	39	(686)	40	560

The 'Other Reserves' balance disclosed on the Consolidated Balance Sheet includes the translation reserve, fair value reserve, cash flow hedging reserve and other reserves.

On 10 May 2018 and 8 June 2018, Virgin Hotels bought out the minority shareholdings in Virgin Hotels for a cash consideration of US$35m. The consideration and fair value of the previously held non controlling interest in excess of the net assets of Virgin Hotels at the date of acquisition was taken to Other Reserves.

The notes on pages 21 to 74 form part of these financial statements.

Company Statement of Changes in Equity

	Share capital £m	Share premium £m	Retained earnings £m	Total £m
Balance at 1 January 2018	**1,086**	**25**	**37**	**1,148**
Total comprehensive income for the year:				
Loss for the year	-	-	(5)	(5)
Total comprehensive loss for the year	-	-	(5)	(5)
Total transactions with owners				
Balance at 31 December 2018	**1,086**	**25**	**32**	**1,143**
Balance at 1 January 2017	1,086	25	32	1,143
Total comprehensive income for the year:				
Profit for the year	-	-	5	5
Total comprehensive income for the year	-	-	5	5
Balance at 31 December 2017	1,086	25	37	1,148

The notes on pages 21 to 74 form part of these financial statements.

Consolidated Cash Flow Statement
For the year ended 31 December 2018

	Note	2018 £m	2017 £m
Cash flows from operating activities			
Profit for the year		53	100
Adjustments for:			
Depreciation, amortisation and impairment		42	9
Foreign exchange loss		1	18
Gain on the sale of investments		(31)	-
Loss on sale of fixed assets		2	-
Finance income		(8)	(16)
Finance expense		4	15
Taxation		19	18
		82	144
Decrease/(increase) in trade and other receivables		39	(10)
Increase in trade and other payables		27	3
Increase in provisions and employee benefits		5	10
		71	3
Interest paid		-	(14)
Tax paid		(14)	(22)
Net cash generated from operating activities		139	111
Cash flows from investing activities			
Acquisition of property, plant and equipment		(8)	(17)
Acquisition of intangible fixed assets		(2)	-
Interest received		2	5
Proceeds from the sale of trade investments		71	-
Acquisition of equity accounted investees		(9)	-
Acquisition of investments		(29)	
Acquisition of available-for-sale financial assets		(21)	-
Net cash flow generated from/(used in) investing activities		4	(12)
Cash flow from financing activities			
Repayment of borrowings		-	(81)
Repayment of interest rate swap		-	(19)
Funding provided to related parties		(161)	(362)
Repayments from related parties		33	13
Realised losses on derivatives		-	1
Dividends paid		(37)	(25)
Net cash used in financing activities		(165)	(473)
Net decrease in cash and cash equivalents		(22)	(374)
Cash and cash equivalents at 1 January		256	650
Effect of exchange rate fluctuations on cash held		-	(20)
Cash and cash equivalents at 31 December	18	234	256

The notes on pages 21 to 74 form part of these financial statements.

1 Accounting policies

Virgin UK Holdings Limited (the "Company") is a private company incorporated in England and Wales, 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 interests 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 that the West Coast franchise operated by Virgin Rail is expected to cease in 2019 and this will have an impact 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 these 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 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 presentational currency of the Group. Certain subsidiaries have operations that are primarily influenced by a currency other than pound sterling.

1 Accounting policies *(continued)*

1.3 Foreign currency *(continued)*

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.

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 foreign currency translation reserve, 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 IFRS 9, 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.

1 Accounting policies *(continued)*

1.4 Financial instruments *(continued)*

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 IFRS 9 transition date or upon initial recognition if later are stated at fair value, with any resultant gain or loss recognised in profit or loss.

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

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

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.

1.6 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.

1 **Accounting policies** *(continued)*

1.6 Intangible assets *(continued)*

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 (policy applicable after 1 January 2018)

The Group recognises loss allowances for expected credit losses ("ECL") on financial assets measured at amortised cost and contract assets (as defined in IFRS 15).

The Group measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12-month ECL.

ELCs are a profitability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between cash flows due to the entity in accordance with the contract and cash flows that the Group expects to receive.) ELCs are discounted at the effective interest rate of the financial asset.

1 Accounting policies *(continued)*

1.7 Impairment of assets (policy applicable after 1 January 2018) *(continued)*

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

Impairment of assets (policy applicable before 1 January 2018)

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 (policy applicable before 1 January 2018) *(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 repayable 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 Group 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.

1 Accounting policies *(continued)*

1.9 Employee benefits *(continued)*

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.

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 **Accounting policies** *(continued)*

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.

1.11 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 income statement 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 obligations associated with the revenue have been met.

Virgin Care

Revenue comprises amounts recognised in respect of the NHS and other services contracts, excluding VAT. Revenue is recognised in the period the services are delivered and performance obligations in the contract are met.

1 Accounting policies *(continued)*

1.11 Revenue *(continued)*

Brand Licensing

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.

Finance income and expenses

Finance expenses comprises 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.

Finance income comprises 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.

1 Accounting policies *(continued)*

1.13 Taxation *(continued)*

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.

1.14 Adoption of new and revised standards

The Group has applied IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' for the first time for its annual reporting period commencing 1 January 2018. Applying these new accounting standards has not had a material impact on the Group's financial statements for the year ended 31 December 2018.

There were no amendments to other accounting standards or IFRIC interpretations that are effective for the year ended 31 December 2018 which have had a material impact on the Group's financial statements. Further details in relation to IFRS 9 and IFRS 15 are noted below:

Financial instruments - IFRS 9

IFRS 9 replaces IAS 39 'Financial Instruments' and the major changes in accounting policies arising from the adoption of IFRS 9 can be summarised as follows:

- The impairment of financial assets has been significantly amended with the main impact being that IFRS 9 introduces an expected credit loss model when assessing the impairment of financial assets.

- The classification of financial instruments from IAS 39 to IFRS 9 categories. This has had no impact on the Group's opening earnings or carrying values of the financial instruments.

The Group has elected to adopt IFRS 9 without restating comparative information.

1 **Accounting policies** *(continued)*

1.14 Adoption of new and revised standards (continued)

Revenue from contracts with customers - IFRS 15

IFRS 15 replaces IAS 18 'Revenue' and introduces a single, principles based five-step model to be applied to all contracts with customers.

The Group has considered the impact of significant component Virgin Care as the revenue mainly comprises of contracts with the NHS. IFRS 15 includes a practical expedient which allows Virgin Care to apply the requirements under IFRS 15 to a portfolio of contracts.

Under IFRS 15, revenue is recognised when customers obtain control of goods or services and so are able to direct the use, and obtain the benefits, of those goods or services. This is described further in the revenue accounting policy.

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

Leases - IFRS 16 (effective for periods ending 31 December 2019)

IFRS 16 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 plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach, therefore the comparative information for year ended 31 December 2018 shall not require restating in accordance with IAS 8.

The Group has considered the impact from significant component Virgin Rail, as the end date of the leases relating to the trains is tied to the end of the franchise as per industry practice, Virgin Rail and hence the Group is exempt from disclosures under the short lease exemption.

In assessing the impact, the Group has applied the practical expedient use of a single discount rate for the portfolio of leases as they are deemed to be reasonably similar in nature. Additionally, where an onerous lease assessment has been performed in a previous period the Group has applied the practical expedient use of adjusting the carrying amount of the right of use asset by the previous carrying amount of its onerous lease provision. 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 Group's financial statements.

IFRIC 23 Uncertainty over tax treatments – effective for the year ending 31 December 2019

The IASB's Interpretations Committee has issued IFRIC Interpretation 23 which clarifies the application of recognition and measurement requirements in IAS 12 'Income Taxes' when there is uncertainty over income tax treatments.

The Group has assessed the impact of the interpretation and it is not expected to have a material impact on the Group's financial statements.

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

Accounting for participation in Railways Pension Scheme ("RPS")

As disclosed in note 24, Virgin Rail applies a "franchise adjustment" to the amounts recorded in the balance sheet for the RPS. This represents the remaining element of the franchisee's 60% share of the IAS 19 deficit or surplus after determining the amount of any deficits Virgin Rail is required to fund (or surplus it is entitled to recover) over the remaining franchise period. This adjustment can give rise to a net pension asset, representing the expected excess of the income statement expense under IAS 10 for service cost and net interest over the contributions payable over the remainder of the franchise. The economic benefit of the asset is expected to be realised through the lower cash contributions over the remaining period of the franchise and therefore upon expiry of the Virgin Rail's rail franchise, there will be no pension asset (or liability) remaining. This judgement is consistent with the industry-wide accounting treatment for the RPS and there will not be any reduction in the future contributions to the RPS. Adopting this alternative assessment would result in such an asset being restricted to £nil under the asset ceiling under IFRIC 14. This would have an impact on the amounts recognised in the Group's consolidated balance sheet, with £10million (2017: £3million).

Pensions

The determination of Virgin Rail's pension benefit obligation and expense for defined benefit schemes is dependent on the selection by Virgin Rail's directors of certain assumptions used by 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. Further details and sensitivities are set out in note 24 (e).

In calculation of the franchise adjustment, Virgin Rail has determined to apply the IAS 19R discount rate. This adopted policy is considered appropriate as it reflects the best underlying nature of the arrangements in that it focuses on the difference between the expected service costs and the agreed cash contributions over the franchise period.

Rail contractual positions

The UK rail industry is subject to a complex matrix of contractual relationships. West Coast 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 estimates 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

	2018	2017
	£m	£m
Rail	**1,222**	1,159
Health and wellness	**293**	308
Brand licencing	**103**	105
Hotels	**24**	42
Other trading	**28**	48
	1,670	1,662

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

By geographical market	**Revenue by source**	Revenue by source	**Revenue by destination**	Revenue by destination
	2018	2017	**2018**	2017
	£m	£m	**£m**	£m
UK	**1,614**	1,572	**1,608**	1,602
The Americas	**21**	51	**9**	26
Asia	**-**	3	**-**	-
Europe	**9**	14	**8**	3
Africa	**4**	2	**17**	12
Rest of the world	**22**	20	**28**	19
	1,670	1,662	**1,670**	1,662

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 (expense)/income

	2018	2017
	£m	£m
Other operating income	**15**	12
Rail franchise expense	**(260)**	(242)
Network change compensation and performance regime	**74**	52
	(171)	(178)

5 Expenses and auditor's remuneration

Included in operating profit are the following:

	2018	2017
	£m	£m
Depreciation of property, plant and equipment	**5**	3
Amortisation of intangible assets	**5**	6
Rentals under operating leases:		
- property, plant and equipment	**87**	72

Auditor's remuneration:

	2018	2017
	£m	£m
Fees payable to the Company's auditor for the audit of the Company's financial statements	**0.1**	0.1
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	**0.5**	0.5
Other services pursuant to legislation	**0.9**	1.1

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:

	2018	2017
Administration and management	**1,204**	1,170
Healthcare operations	**5,295**	5,256
Rail operations	**2,730**	2,716
Other operations	**607**	618
	9,836	9,760

The Company had no employees in the year (2017: nil).

6 Staff numbers and costs *(continued)*

The aggregate payroll costs of these persons were as follows:

	2018	2017
	£m	£m
Wages and salaries	340	384
Social security costs	36	39
Other pension costs	41	42
Other costs	6	6
	423	471

Aggregate directors' remuneration

During the year of their service, the emoluments of the directors of the Group and Company were as follows:

	2018	2017
	£m	£m
Total emoluments		
Aggregate emoluments	3	2
Highest paid director		
Aggregate emoluments and other benefits	1	1

Aggregate emoluments include employer contributions paid to 4 (2017: 4) 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 expenses

	2018 £m	2017 £m
Finance and similar income		
Finance income receivable from related undertakings	4	5
Bank interest receivable	2	1
Other finance income	2	7
Net interest on net defined benefit pension plan assets	-	1
Net foreign exchange gain	-	2
	8	16
Finance and similar expense		
Borrowings and overdrafts	-	4
On loans from related undertakings	-	1
Other finance expense	3	10
Net foreign exchange loss	1	-
	4	15

8 Gain or loss on disposal of investments

	2018 £m	2017 £m
Net gain on disposal of trade investment	31	-
	31	-

The gain on disposal of investments in 2018 arose from:

On 22 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 £71million ($95million). The fair value reserve relating to their investments was recycled to the profit and loss account on disposal of the trade investment.

9 Taxation

Recognised in the income statement

	2018 £m	2017 £m
Current tax expense		
UK corporation tax		
Current tax on income for the year	19	22
Adjustments in respect of prior periods	1	(6)
	20	16
Double tax relief	(2)	(2)
Total UK corporation tax	18	14
Foreign tax		
Current tax on income for the year	2	1
Total foreign tax	2	1
Total current tax expense	20	15
Deferred tax expense		
Origination and reversal of timing differences	1	2
Adjustments in respect of prior periods	(2)	-
Total deferred tax income	(1)	2
Total tax expense	19	17

Reconciliation of effective tax rate

	2018 £m	2017 £m
Profit before tax	72	115
Tax using UK corporation tax rate of 19.00% (2017: 19.25%)	14	22
Non-deductible expenses	10	3
Tax exempt income	(5)	(3)
Current year losses for which no deferred tax asset is recognised	2	1
Change in other unrecognised temporary differences	-	1
Recognition of tax effect of previously unrecognised tax losses	-	(1)
Over provision in prior years	(2)	(6)
Total tax expense	19	17

10 Property, plant and equipment

	Land and buildings £m	Plant and machinery, fixtures and fittings £m	Assets under construction £m	Total £m
Cost				
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
Depreciation and impairment				
At 1 January 2017	1	9	-	10
Depreciation for the year	2	1	-	3
At 31 December 2017	3	10	-	13
Carrying amount				
At 31 December 2017	46	12	4	62
Cost				
At 1 January 2018	**49**	**22**	**4**	**75**
Exchange differences	**-**	**(1)**	**-**	**(1)**
Additions	**5**	**2**	**1**	**8**
Disposals	**(4)**	**(8)**	**-**	**(12)**
At 31 December 2018	**50**	**15**	**5**	**70**
Depreciation and impairment				
At 1 January 2018	**3**	**10**	**-**	**13**
Depreciation for the year	**1**	**4**	**-**	**5**
Disposals	**(4)**	**(7)**	**-**	**(11)**
At 31 December 2018	**-**	**7**	**-**	**7**
Carrying amount				
At 31 December 2018	**50**	**8**	**5**	**63**

11 Intangible assets

	Goodwill £m	Software £m	Intellectual property £m	Total £m
Cost				
At 1 January 2017	226	3	70	299
At 31 December 2017	226	3	70	299
Amortisation				
At 1 January 2017	-	1	22	23
Amortisation	-	1	2	3
At 31 December 2017	-	2	24	26
Carrying amount				
At 31 December 2017	226	1	46	273
Cost				
At 1 January 2018	**226**	**3**	**70**	**299**
Additions	**-**	**2**	**-**	**2**
Impairment	**(16)**	**-**	**-**	**(16)**
At 31 December 2018	**210**	**5**	**70**	**285**
Amortisation				
At 1 January 2018	**-**	**2**	**24**	**26**
Amortisation	**-**	**-**	**5**	**5**
At 31 December 2018	**-**	**2**	**29**	**31**
Carrying amount				
At 31 December 2018	**210**	**3**	**41**	**254**

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 CGU to the recoverable amount, determined on the basis of the CGU's value in use. The value in use is based on the net present value of future cash flow projections discounted at post-tax rates appropriate for each CGU.

The Group recognised a goodwill impairment of £16million relating to Barfair Limited, VHP Holdings LP and Virgin Care during the year (2017: £nil).

Intellectual property

Intellectual property principally comprises Virgin Enterprises Limited's intellectual property licences amounting to £55million (2017: £58million). 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 (2017: £nil).

12 Equity accounted investees

	Other associates £m
Carrying amount	
At 1 January 2017	15
Additions	9
At 31 December 2017	24
Carrying amount	
At 1 January 2018	**24**
Additions	**9**
Impairment	**(16)**
At 31 December 2018	**17**

During 2018, VHP Holdings LP increased its investment in VH Properties LLP ("Chicago Hotel") for a cash consideration of £8million (US$10million) and VHRE New Orleans LLC increased its investment in New Orleans Baronne Street JV LLC for a cash consideration of £1million (US$1million).

The Group impaired its investment in VH Properties LLP by £16million.

The Group's interest in other associates contributed £nil (2017: £nil) to the Group's share of total comprehensive income.

13 Investments *(company only)*

	Investments in subsidiary £m
Cost	
At 1 January 2018	**1,146**
At 31 December 2018	**1,146**
Net book value	
At 31 December 2018	**1,146**
At 31 December 2017	1,146

14 Other investments

Other investments comprise available-for-sale financial assets.

	Group	
	2018	2017
	£m	£m
At 1 January	**73**	52
Additions	**21**	-
Disposals	**(70)**	(2)
Impairment	**-**	(1)
Fair value adjustments	**-**	24
At 31 December	**24**	73

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

On 22 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 a cash consideration of £71million ($95million).

During the year, the Group made an investment as a limited partner in the Hard Rock Hotel in Las Vegas for a cash consideration of £20million (US$25million).

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.

	Group		Company	
	2018	2017	**2018**	2017
	£m	£m	**£m**	£m
Current liabilities				
Fuel (designated for hedge accounting)	**-**	(1)	**-**	-
	-	(1)	**-**	-

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 2017	5
Changes in fair value during the year taken to cash flow hedging reserve	1
Transfer from cash flow hedge reserve to profit and loss	1
At 31 December 2017	7
At 1 January 2018	**7**
Changes in fair value during the year taken to cash flow hedging reserve	**1**
Transfer from cash flow hedge reserve to profit and loss	**(2)**
At 31 December 2018	**6**

There have been no instances during the year (2017: 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 £494million (2017: £461million) because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom. £108million of these amounts relates to tax losses which will expire at various dates between 2019 and 2038.

At 31 December 2018 there was unrecognised deferred tax on gross temporary differences of £7million (2017: £2million), 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:

	2018	2017
	£m	£m
Fixed assets	**(6)**	(6)
Other timing differences	**-**	1
	(6)	(5)
Deferred tax asset	**(8)**	(8)
Deferred tax liability	**2**	3
	(6)	(5)

The net deferred tax movement in the balance sheet is as follows:

	£m
Balance at 1 January 2017	(7)
Charged to statement of comprehensive income	2
Balance at 1 January 2018	(5)
Charged to statement of comprehensive income	(1)
Balance as 31 December 2018	(6)

The Company did not have any deferred tax (2017: £nil).

Reductions in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) were substantively enacted before 31 December 2018. These reductions will reduce the Group's future current tax charge accordingly. The deferred tax asset for UK companies as at 31 December 2018 has been calculated based on these rates. Deferred tax for non-UK companies as at 31 December 2018 has been calculated using the applicable statutory tax rate for the individual country.

17 Trade and other receivables

	Group		Company	
	2018	2017	**2018**	2017
	£m	£m	**£m**	£m
Current				
Trade receivables	**86**	81	**-**	-
Provision for doubtful debts	**(14)**	(2)	**-**	-
Net trade receivables	**72**	79	**-**	-
Amounts owed by group undertakings	**131**	174	**9**	8
Other receivables	**26**	45	**-**	-
Prepayments and contract assets	**64**	76	**-**	-
Corporation tax	**4**	6	**-**	-
	297	380	**9**	8

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

The provisions for doubtful debts are largely related to contracts in Virgin Care.

	2018	2017
Ageing of past due but not impaired receivables	**£m**	£m
1-30 days	**4**	7
31-60 days	**2**	1
61-90 days	**1**	-
90+ days	**6**	10
Total	**13**	18

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.

	2018	2017
Analysis of trade receivables by currency:	**£m**	£m
Sterling	**69**	76
US dollar	**3**	2
Other	**-**	1
	72	79
Analysis of amounts due by group undertakings and undertakings in which the Group has a participating interest by currency:		
Sterling	**32**	24
US dollar	**91**	143
Swiss franc	**8**	15
	131	182
Analysis of other receivables by currency:		
Sterling	**26**	44
	26	44

18 Cash and cash equivalents

	Group		Company	
	2018	2017	**2018**	2017
	£m	£m	**£m**	£m
Cash at bank and in hand	**234**	256	**-**	-
	234	256	**-**	-

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.

Analysis of cash and cash equivalents by currency:

	2018	2017
	£m	£m
Sterling	**162**	117
US dollar	**57**	126
Other	**15**	13
	234	256

19 Borrowings

	Group		Company	
	2018	2017	**2018**	2017
	£m	£m	**£m**	£m
Non-current				
Secured bank loans	**13**	13	**-**	-
Other shareholder loans	**3**	3	**-**	-
	16	16	**-**	-

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.

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 31 August 2017, the VELH facility was reduced to £50million.

As at 31 December 2018, £11million (2017: £nil) was drawn down under the VELH Facility. As at 31 December 2018, there are Letters of Credit drawn under the VELH facility of £3million (2017: £6million).

On 24 January 2019, the VELH Facility was cancelled.

On 24 January 2019 Virgin Holdings Limited, VEL Holdings Limited and Virgin Enterprises Limited, as borrowers and guarantors entered into a new £250million multi-currency revolving credit facility with Lloyds Bank plc, Barclays Bank plc and Royal Bank of Canada, comprising "RCF A", a one-year £100million facility, and "RCF B", a three-year £150million facility. The letters of credit of £3million were transferred to this facility.

RCF A and RCF B are guaranteed by Virgin Holdings Limited, Virgin Enterprises Limited, VEL Holdings Limited, Virgin Group Holdings Limited and Virgin Aviation TM Limited.

19 Borrowings *(continued)*

Other secured loans

Verbier Lodge SA has a secured bank loan of £13million (2017: £13million) secured on the land and buildings of Verbier Lodge.

	Sterling	**Australian dollar**	**Swiss franc**	**Total**
	£m	**£m**	**£m**	**£m**
Analysis of borrowings by currency at 31 December 2018:				
Secured bank loans	**-**	**-**	**13**	**13**
Other shareholder loans	**3**	**-**	**-**	**3**
	3	**-**	**13**	**16**
Analysis of borrowings by currency at 31 December 2017:				
Secured bank loans	-	-	13	13
Other shareholder loans	3	-	-	3
	3	-	13	16

The maturity profile of borrowings is disclosed in note 28.

20 Trade and other payables

	Group		Company	
	2018	2017	**2018**	2017
	£m	£m	**£m**	£m
Non-current				
Other financial liabilities	**-**	6	**-**	-
	-	6	**-**	-
Current				
Trade payables	**103**	101	**-**	-
Amount owed to group undertakings	**45**	243	**12**	6
Corporation tax	**6**	4	**-**	-
Other taxation and social security	**27**	25	**-**	-
Other payables	**43**	29	**-**	-
Accrued expenses	**80**	57	**-**	-
Other financial liabilities	**1**	-	**-**	-
	305	459	**12**	6

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

	2018	2017
Analysis of trade payables:	**£m**	£m
Sterling	**102**	98
US dollar	**1**	3
	103	101
Analysis of amount owed to group undertakings by currency:		
Sterling	**36**	236
Other	**9**	7
	45	243

21 Contract liabilities

	Group		Company	
	2018	2017	**2018**	2017
	£m	£m	**£m**	£m
Current				
Other revenue received in advance	**9**	23	**-**	-
Other deferred income	**10**	-		
	19	23	**-**	-
Non-current				
Other revenue received in advance	**22**	11	**-**	-
	22	11	**-**	-

22 Provisions

	2018 £m	2017 £m
Non-current		
Onerous leases	**6**	4
Other	**1**	-
	7	4
Current		
Onerous leases	**1**	2
Other	**4**	4
	5	6

	Onerous leases £m	Other £m	Total £m
At 1 January 2017	9	3	12
Amounts utilised during the year	(3)	-	(3)
Amount provided during the year	-	1	1
At 31 December 2017	6	4	10
At 1 January 2018	**6**	**4**	**10**
Amounts utilised during the year	**(1)**	**-**	**(1)**
Amount provided during the year	**2**	**1**	**3**
At 31 December 2018	7	5	12

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.

The Company did not have any provisions (2017: £nil).

23 Capital and reserves

Share capital

	2018	2017
	£m	£m
Allotted, called up and fully paid		
1,085,779,995 (2017: 1,085,779,995) ordinary share of £1 each	**1,086**	1,086

Share premium

Allotted, called up and fully paid		
1,085,779,995 (2017: 1,085,779,995) ordinary share of £1 each	**25**	25

Translation reserve

The translation reserve comprises all foreign exchange differences arising 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 £22million (2017: £18million). There were no outstanding or prepaid contributions at year end (2017: £nil).

Defined benefit plans

(a) Description of retirement benefit arrangements

Virgin Rail 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 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 2018 by a qualified independent actuary, using revised assumptions that are consistent with the requirements of IAS 19.

A draft actuarial valuation at 31 December 2016 has been completed but due to ongoing discussions with the Pensions Regulator, and other stakeholders, in relation to the Pensions Act valuation for all Railway Pension Schemes for the Train Operating Companies, the Pensions Regulator has asked that the Pensions Act valuation is not completed until matters are all agreed. Until the valuation is complete, it will not be possible to determine future investment strategy and cash contributions.

(b) Principal actuarial assumptions

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

	2018	2017
Discount rate	**3.0%**	2.6%
RPI inflation assumption	**3.2%**	3.2%
CPI inflation assumption	**2.1%**	2.0%
Rate of increase in pensionable salaries	**2.6%**	2.5%
Rate of increase of pensions in payment	**2.1%**	2.0%
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:

	2018	2017
	£m	£m
Equities	**304**	287
Bonds	**75**	79
Property	**63**	66
Other	**209**	219
Fair value of section assets	**651**	651
Present value of defined benefit obligations	**(958)**	(978)
Deficit in section	**(307)**	(327)
Members share of section	**123**	131
Franchise adjustment	**194**	199
Surplus recognised by the Group	**10**	3

(d) Movement in surplus recognised by the Group

	2018	2017
	£m	£m
At 1 January	**3**	14
Employer contributions	**11**	10
Expense charged to income statement	**(25)**	(22)
Recognised in the statement of comprehensive income	**3**	1
Surplus at start of new franchise agreement	**18**	-
At 31 December	**10**	3

(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:

	2018	2017
	£m	£m
Discount rate increase by 0.1%	**11**	3
Price inflation increase by 0.1%	**12**	3
Rate of increase in pensionable salaries by 0.1%	**12**	3
Rate of increase of pensions in payment by 0.1%	**12**	3
Increase in life expectancy of pensioners or non-pensioners by 1 year	**12**	3

(f) Pension amounts recognised in income statement

	2018	2017
	£m	£m
Current service cost	**23**	21
Administration costs	**1**	1
Past service cost	**1**	-
Included in operating profit	**25**	22
Net interest income	**5**	6
Unwinding of franchise adjustment	**(5)**	(6)
	25	22

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

	2018	2017
	£m	£m
Actuarial (loss)/gain	(9)	54
Changes in financial assumptions	40	(13)
Experience on benefit obligations	-	(38)
Change in franchise adjustment	(28)	(2)
Total pension credit recognised in other comprehensive income	3	1

(h) Benefit obligations

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

	2018	2017
	£m	£m
At 1 January	647	572
Current service cost	23	21
Past service cost	1	-
Rail franchise change	(18)	-
Interest on benefit obligations	15	16
Unwinding of franchise adjustment	(5)	(6)
Contributions by employees	7	7
Benefits paid	(18)	(15)
Actuarial (gains)/losses due to:		
- Changes in financial assumptions	(40)	12
- Experience on benefit obligations	-	38
- Change in franchise adjustment	28	2
At 31 December	641	647

(i) Scheme assets

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

	2018	2017
	£m	£m
At 1 January	651	586
Administration costs	(1)	(1)
Interest income	10	10
Employer contributions	11	9
Contributions by employees	7	7
Benefits paid	(18)	(15)
Remeasurement (loss)/gain	(9)	55
At 31 December	651	651

25 Commitments

(i) Commitments under operating leases

As at 31 December 2018, the Group had annual commitments under non-cancellable operating leases as set out below:

	2018		2017	
	Land and buildings	**Plant and machinery**	Land and buildings	Plant and machinery
Expiry date:	**£m**	**£m**	£m	£m
Not later than one year	**17**	**123**	14	119
Later than one year and not later than five years	**20**	**29**	7	28
Later than five years	**5**	**-**	1	-
	42	**152**	22	147

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 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.

The Group has given guarantees to a number of third party beneficiaries in respect of certain Group obligations. The likelihood that these obligations would fall due is considered to be remote and are therefore not disclosed as contingent liabilities.

27 Related parties

At 31 December 2018 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:

	2018	2017
	£m	£m
Companies related by virtue of common control or ownership		
Revenue	**24**	26
Purchases	**(3)**	(5)
Other income	**1**	3
Interest receivable	**4**	4
Receivables outstanding	**126**	181
Payables outstanding	**(45)**	(230)
Companies related by virtue of being associates of the Group		
Revenue	**8**	6
Receivables outstanding	**3**	-
Companies related by virtue of being investors in the Group		
Revenue	**2**	2
Payables outstanding	**-**	(3)
Receivables outstanding	**3**	-
Key management personnel*	**3**	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
31 December 2018					
Available-for-sale financial assets					
Available-for-sale investments	**24**	**24**	-	-	**24**
Loans and receivables					
Cash and cash equivalents	**234**	-	-	-	-
Trade and other receivables	**297**	-	-	-	-
Total financial assets	**554**	**24**	-	-	**24**
Financial liabilities measured at amortised cost					
Borrowings	**(16)**	-	-	-	-
Trade and other payables (excl. accruals)	**(225)**	-	-	-	-
Total financial liabilities	**(241)**	-	-	-	-
31 December 2017					
Available-for-sale financial assets					
Available-for-sale investments	73	73	-	-	73
Loans and receivables					
Cash and cash equivalents	256	-	-	-	-
Trade and other receivables	380	-	-	-	-
Total financial assets	709	73	-	-	73
Financial liabilities designated as fair value through profit and loss					
Derivative financial instruments	(1)	(1)	-	-	(1)
Financial liabilities measured at amortised cost					
Borrowings	(16)	-	-	-	-
Trade and other payables (excl. accruals)	(408)	-	-	-	-
Total financial liabilities	(425)	(1)	-	-	(1)

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:

Financial instruments measured at fair value	**Valuation technique**
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 2018, the Group's available for sale financial assets are classified at Level 3 of the fair value hierarchy (2017: £73million).

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.

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.

28 Financial instruments *(continued)*

(b) Financial risk management *(continued)*

(i) Price risk

Virgin Rail is exposed to commodity price risk as Virgin Rail's operations consume diesel fuel. As a result, Virgin Rail 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 dollar) and they also hedge the currency risk due to the commodity being priced in US dollar and the functional currency of Virgin Rail being pound 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 (2017: £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 (2017: £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 pound sterling (GBP). The currencies in which these transactions are primarily denominated in are US dollar (USD), Australian dollar (AUD), Euro (EUR), South African Rand (ZAR) and Swiss franc (CHF).

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.

A strengthening/(weakening) of GBP, as indicated below, against the USD, EUR and CHF at 31 December 2018 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.

28 Financial instruments *(continued)*

(b) Financial risk management *(continued)*

(ii) Foreign currency risk *(continued)*

	2018	2017
	£m	£m
Strengthening in US dollar exchange rate by a fixed percentage	**10%**	10%
Decrease in profit before tax	**(14)**	(24)
Weakening in US dollar exchange rate by a fixed percentage	**(10%)**	(10%)
Increase in profit before tax	**17**	31
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	**1**	-

(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 as follows:

	Carrying amount	
	2018	2017
Fixed rate instruments	**£m**	£m
Financial assets	**16**	103
Financial liabilities	**(13)**	(13)
Derivative financial liabilities	**-**	(1)
	3	89

The above table shows the principal amounts for financial instruments other than derivatives.

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 minimise 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:

	2018			
	Within 1 year £m	**1-2 years £m**	**2-5 years £m**	**Over 5 years £m**
Non-derivative financial liabilities				
Trade and other payables (excl. accruals)	**(225)**	**-**	**-**	**-**
Borrowings:				
Secured bank loans	**-**	**-**	**-**	**(13)**
Shareholders loans	**-**	**-**	**-**	**(3)**
	(225)	**-**	**-**	**(16)**

	2017			
	Within 1 year £m	1-2 years £m	2-5 years £m	Over 5 years £m
Non-derivative financial liabilities				
Trade and other payables (excl. accruals)	(408)	-	-	-
Borrowings:				
Secured bank loans	-	-	-	(13)
Shareholders loans	-	-	-	(3)
	(408)	-	-	(16)
Derivative financial liabilities				
Fuel swap	(1)	-	-	-
	(1)	-	-	-

(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

There were no material post balance sheet events arising after the reporting date.

30 Group entities

The Group consists of a parent company, Virgin UK Holdings Limited, incorporated in the UK and a number of subsidiaries which operate and are incorporated around the world.

The subsidiaries of the Group as at 31 December 2018 were as follows:

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
Bluebottle UK Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	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* *(placed into liquidation on 6 March 2019)* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Victory Acquisitions Limited* *(placed into liquidation on 6 March 2019)* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Property Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Dragonfly SA* Avenue d'Ouchy 14, c/o Etude Pétremand & Rappo, avocats, 1006, Lausanne, Switzerland	Switzerland	100.0%	Ordinary
Tarrango Holdings Limited* Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands	British Virgin Islands	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

30 Group entities *(continued)*

Subsidiaries	Country of incorporation	% Holding	Share type
Virgin Money South Africa (Pty) Limited* 31 West Street, Houghton Estate, Houghton, Gauteng, 2198, South Africa	South Africa	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 Group Limited*^ The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
VLE Limited*^ The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Life Care Investments 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 Petremend & Rappo, avocats, 1006, Lausann, Switzerland	Switzerland	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.Com Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
VM Advisory Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Hotels Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Vexair Limited* *(placed into liquidation on 26 September 2018)* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
The Virgin Drinks Group Limited*^ *(placed into liquidation on 6 March 2019)* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary redeemable preference Ordinary
V Secretarial Services Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary

30 Group entities *(continued)*

Subsidiaries	**Country of**	**%**	**Share type**
Virgin Developments Limited* *(dissolved on 5 February 2019)* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Group Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Models Limited* *(placed into liquidation on 6 March 2019)* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Management USA Inc* Corporation Services, 251 Little Falls Drive, Wilmington, DE 19808, USA	USA	100.0%	Ordinary
Running Bulls LLC* Corporation Services, 251 Little Falls Drive, Wilmington, DE 19808, USA	USA	73.0%	Membership interest
Voyager Group Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary Redeemable preference
Virgin Corporate Services Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Management Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Entertainment Holdings Inc* Corporation Services, 251 Little Falls Drive, Wilmington, DE 19808, USA	USA	100.0%	Ordinary
VHP Holdings, LP* Corporation Services, 251 Little Falls Drive, Wilmington, DE 19808, USA	USA	98.1%	Class A units
Virgin Summit Eden House, LLC* Corporation Services, 251 Little Falls Drive, Wilmington, DE 19808, USA	USA	100.0%	Membership interest
VHRE Las Vegas, LLC* Corporation Services, 251 Little Falls Drive, Wilmington, DE 19808, USA	USA	100.0%	Membership interest
Village Development, LLC* (previously Virgin Rail Texas LLC) Corporation Services, 251 Little Falls Drive, Wilmington, DE 19808, USA	USA	100.0%	Membership interest

30 Group entities *(continued)*

Subsidiaries	Country of incorporation	% Holding	Share type
V3L Nashville Inc* Corporation Services, 251 Little Falls Drive, Wilmington, DE 19808, USA	USA	100.0%	Ordinary
VHRE New Orleans LLC* Corporation Services, 251 Little Falls Drive, Wilmington, DE 19808, USA	USA	100.0%	Membership interest
Virgin Hotels Holdings, LLC* Corporation Services, 251 Little Falls Drive, Wilmington, DE 19808, USA	USA	96.4%	Class A units
Virgin Hotels, LLC* Incorp Services, 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, USA	USA	95.8%	Membership interest
Virgin Hotels North America, LLC* Incorp Services, 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, USA	USA	87.7%	Membership interest
Virgin Hotels Dallas LLC* Incorp Services, 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, USA	USA	87.7%	Membership interest
Virgin Hotels San Francisco LLC* Incorp Services, 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, USA	USA	87.7%	Membership interest
VH San Fran, LLC* 65 Bleecker Street, 6th Floor, New York 10012, USA	USA	87.7%	Membership interest
Virgin Hotels New York LLC* Incorp Services, 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, USA	USA	87.7%	Membership interest
Virgin Hotels Nashville, LLC* Incorp Services, 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, USA	USA	87.7%	Membership interest
Virgin Hotels New Orleans, LLC* Incorp Services, 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, USA	USA	87.7%	Membership interest
Virgin Hotels Silicon Valley, LLC* Incorp Services, 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, USA	USA	87.7%	Membership interest
Virgin Hotels Edinburgh, LLC* Incorp Services, 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, USA	USA	87.7%	Membership interest

30 Group entities *(continued)*

Subsidiaries	Country of incorporation	% Holding	Share type
Virgin Hotels Chicago LLC* Incorp Services, 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, USA	USA	87.7%	Membership interest
VHC Upper, LLC* 65 Bleecker Street, 6th Floor, New York 10012, USA	USA	87.7%	Membership interest
VHC Middle LLC* 65 Bleecker Street, 6th Floor, New York 10012, USA	USA	87.7%	Membership interest
VHC Lower LLC* 65 Bleecker Street, 6th Floor, New York 10012, USA	USA	87.7%	Membership interest
Virgin Hotels Palm Springs, LLC* Incorp Services, 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, USA	USA	87.7%	Membership interest
Virgin Hotels DC Union Market, LLC* Incorp Services, 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, USA	USA	87.7%	Membership interest
Virgin Hotels Las Vegas, LLC* Incorp Services, 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, USA	USA	87.7%	Membership interest
Virgin Care Tech Limited*^ Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	99.0%	Ordinary
Virgin Care Private Limited*^ Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	99.0%	Ordinary
Virgin Care Limited*^ Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	99.0%	Ordinary
Virgin Care Corporate Services Limited*^ Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	99.0%	Ordinary
Virgin Care Services Limited*^ Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	99.0%	Ordinary
VH Community Services Limited*^ Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	99.0%	Ordinary
VH Doctors Limited*^ Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	**	**

30 Group entities *(continued)*

Subsidiaries	Country of incorporation	% Holding	Share type
The Randolph Partnership*^	England & Wales	99.0%	N/A
Virgin Care Provider Services Limited*^ Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	99.0%	Ordinary
Virgin Care Blackpool LLP*^ Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	99.0%	Partnership interest
Virgin Care Chelmsford LLP*^ Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	99.0%	Partnership interest
Virgin Care Coventry LLP*^ Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	99.0%	Partnership interest
Virgin Care Darlington LLP*^ Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	99.0%	Partnership interest
Virgin Care East Riding LLP*^ Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	99.0%	Partnership interest
Virgin Care Hampshire Health LLP*^ Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	99.0%	Partnership interest
Virgin Care Hartlepool LLP*^ Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	99.0%	Partnership interest
Virgin Care Leeds LLP*^ Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	99.0%	Partnership interest
Assura Reading LLP* Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	99.0%	Partnership interest
Virgin Care Stockton LLP*^ Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	99.0%	Partnership interest
Virgin Care Vertis LLP*^ Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	99.0%	Partnership interest
Virgin Care Wandle LLP*^ Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	99.0%	Partnership interest

30 Group entities *(continued)*

Subsidiaries	Country of incorporation	% Holding	Share type
VLE (BVI) Limited*^ Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands	British Virgin	100.0%	Ordinary
Virgin Sky Investments 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
Ultraway Limited*^ The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
LB Yacht Charter LLP*^ The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	97.0%	Ordinary
VH (Spain) Limited*^ The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Arenal & Dunas Resort SLU* Pau Claris 97, 4° 1ª, 08009, Barcelona, Spain	Spain	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
Dinicero SLU* Pau Claris 97, 4° 1ª, 08009, Barcelona, Spain	Spain	100.0%	Ordinary
Ganson SLU* Pau Claris 97, 4° 1ª, 08009, Barcelona, Spain	Spain	100.0%	Ordinary
Zickner 5000 SLU* Pau Claris 97, 4° 1ª, 08009, Barcelona, Spain	Spain	100.0%	Ordinary
Rimdrax 5000 SLU* Pau Claris 97, 4° 1ª, 08009, 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, South Africa	South Africa	100.0%	Ordinary

30 Group entities *(continued)*

Subsidiaries	Country of incorporation	% Holding	Share type
Ulusaba Game Farm (Pty) Limited*^ *(in deregistration)* Unit 1, Ground Floor Building 6, Albury Office Park, CNR Jan Smuts and Albury Road, Gauteng, 2196, South Africa	South Africa	100.0%	Ordinary
Ulusaba Rock Lodge (Pty) Limited*^ Unit 1, Ground Floor Building 6, Albury Office Park, CNR Jan Smuts and Albury Road, Gauteng, 2196, South Africa	South Africa	100.0%	Ordinary
Verbier Lodge SA* ^ Chemin de Plendazeu 3, 1936 Verbier, Switzerland	Switzerland	100.0%	Ordinary
Virgin Clubs Limited*^ The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Hotels Maroc SA*^ Kasbah Tamadot, Route D'Imlil, ASNI, Morocco	Morocco	100.0%	Ordinary
Virgin Start Up Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
VEL Holdings 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 Aviation TM Holdings 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
VAL Trademark Two Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
VAL Trademark Three Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
VAL TM (Holdings) Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	51.0%	Ordinary

30 Group entities *(continued)*

Subsidiaries	Country of incorporation	% Holding	Share type
VAL TM Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	51.0%	Ordinary
Virgin Management Asia Pacific Pty Limited* Virgin Active Health Clubs, Level 5, East Village, 2A Defries Avenue, Zetland NSW 2017, Australia	Australia	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 Trustee Services Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Management South Africa (Pty) Limited* Unit G5 Century Gate Office Park, CNR Century Way and Bosmansdam Road, Century City,7441,South Africa	South Africa	100.0%	Ordinary
XS Home Entertainment Limited* *(placed in liquidation on 26 September 2018)* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Rail Projects Limited*^ *(strike off applied for on 14 May 2019)* 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 Trains 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
West Coast Trains Limited*^ The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	51.0%	Ordinary

30 Group entities *(continued)*

Joint ventures and associates	Country of incorporation	% Holding	Share type
VH Properties LLLP* Corporation Trust Center,1209 Orange St, Wilmington. New Castle, USA	USA	35.0%	Partnership interest
VHB Properties LLC* Corporation Trust Center,1209 Orange St, Wilmington. New Castle, USA	USA	34.3%	Membership interest
VH NA Acquisitions LP* Corporation Services, 251 Little Falls Drive, Wilmington, DE 19808, USA	USA	30.9%	Partnership interest
VHNA Acquisition, LLC* Corporation Services, 251 Little Falls Drive, Wilmington, DE 19808, USA	USA	30.9%	Membership interest
Nashville Music Row Hotel JV LLC* Robert E Buccini, 322 A Street, Suite 300, Wilmington DE 19801, USA	USA	50.0%	Ordinary
Nashville Music Row Hotel Holdings LLC* Robert E Buccini, 322 A Street, Suite 300, Wilmington DE 19801, USA	USA	50.0%	Ordinary
Nashville Music Row Hotel Mezz LLC* Robert E Buccini, 322 A Street, Suite 300, Wilmington DE 19801, USA	USA	50.0%	Ordinary
Nashville Music Row Hotel Owner LLC* Robert E Buccini, 322 A Street, Suite 300, Wilmington DE 19801, USA	USA	50.0%	Ordinary
New Orleans Baronne Street Hotel JV LLC* Robert E Buccini, 322 A Street, Suite 300, Wilmington DE 19801, USA	USA	81.8%	Ordinary
New Orleans Baronne Street Hotel Holdings LLC* Robert E Buccini, 322 A Street, Suite 300, Wilmington DE 19801, USA	USA	81.8%	Ordinary
New Orleans Baronne Street Hotel Mezz LLC* Robert E Buccini, 322 A Street, Suite 300, Wilmington DE 19801, USA	USA	81.8%	Ordinary
New Orleans Baronne Street Hotel Owner LLC* Robert E Buccini, 322 A Street, Suite 300, Wilmington DE 19801, USA	USA	81.8%	Ordinary

30 Group entities *(continued)*

Joint ventures and associates	Country of	%	Share type
Exeter Property Holdings (Pty) Limited*^ 3 Solitaire, 73A Pretoria Avenue, Atholl, 2196, South Africa	South Africa	50.0%	Ordinary
Peninsula Health LLP* Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom	England & Wales	49.5%	Partnership interest
Streetubez, LLC* 140 Avenida Del Reposo, San Clemente, CA 92672, USA	USA	20.0%	Ordinary

* indirectly held investment
** subsidiary by virtue of significant influence
^ 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 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.