Virgin UK Holdings Limited and subsidiary companies

Annual Report and Financial Statements

Registered number 03160887

31 December 2019

Contents

Strategic Report
For the year ended 31 December 2019

The directors present the Strategic Report for Virgin UK Holdings Limited (the "Company" or "VUKH") and its subsidiaries (the "Group") for the year ended 31 December 2019.

The Group is part of a larger group (the "Virgin Group") which comprises Virgin Group Holdings Limited ("VGHL") and its subsidiaries (the ultimate parent of the Group) and certain assets owned directly by VGHL's sole shareholder, Sir Richard Branson.

The Virgin Group is a global, growth investor and its investment portfolio is diversified across multiple asset classes and geographies with majority and minority investments in listed companies, private companies, venture capital and real estate in both Virgin branded and non-branded companies. The Virgin branded businesses span multiple sectors: Travel & Leisure, Health & Wellness, Telecoms & Media, Financial Services and Space. The strength and diversification of the portfolio has enabled the Virgin Group to realise and make significant investments across these sectors with profits and realisation proceeds reinvested to support and grow new and existing businesses.

The principal activities of the Group comprise i) investment management and ii) brand licensing, both of these activities are undertaken for the entire Virgin Group (described together as "Virgin Management"), and iii) the operations of certain subsidiaries within the Virgin Group Investment Portfolio.

Financial Performance

The Group's profit for the financial year, after taxation, amounted to £60million (2018: £53million).

The Group's net assets have decreased by £284million to £249million at 31 December 2019. This has been driven by dividends of £198million paid during the year, the assumption of net liabilities as part of the establishment of Virgin Red during the year, offset by consolidated profits for the year. Dividends paid reflect profits earned and accumulated over the prior 3 years and comprise cash to be reinvested in other businesses within the Virgin Group, including Virgin Galactic, Virgin Orbit and Virgin Voyages.

Investment Management

In order to provide support to the Virgin Group on a global basis, Virgin Management has operations in the UK, the US, Switzerland, Australia and South Africa. This diversified operating model allows for the effective management and coordination of the Virgin Group's portfolio of investments. Virgin Management provides shared administrative functions across Investment Management and Brand Licensing (see below) and also provides the services of a head office and central support for the Virgin Group and Virgin Unite. Virgin Unite is the independent entrepreneurial foundation of the Virgin Group and the Branson family. Virgin Management's services comprise management of all directly-managed resources including people, property and financial.

The Board of the Company comprises the senior management of the Virgin Group who manage day to day operations, provide advice on strategic, financial and other material matters to the VGHL board and, with VM Advisory Limited, to Sir Richard Branson and act as Virgin Group representative on the boards of certain investments.

For the year ended 31 December 2019, the aggregate net cost of providing these services was a loss of £3million (2018: loss £9million). The loss reflects the net cost of managing the Group Investment Portfolio as well as providing services to Virgin Unite.

Brand Licensing

VEL Holdings Limited and its subsidiaries, principally Virgin Enterprises Limited, license the Virgin brand through trademark licence agreements with companies to use the Virgin brand ("Licensees"). Licensees include both companies which form part of the Virgin Group, as well as companies in which the Virgin Group holds no ownership interest.

Royalty income for the year ended 31 December 2019 was £93million (2018: £103million). The decrease in revenues was largely attributable to the termination of the Virgin Mobile Australia licence in the prior year. Brand licensing profits for the year ended 31 December 2019, after taxation, amounted to £59million (2018 £67million). The profit attributable to the shareholders of the parent is £52million (2018: £60million).

The Group also includes Virgin.com Limited which operates the Virgin Group's website and Virgin Start Up Limited, an organisation which delivers government-backed loans, mentoring and other support to entrepreneurs in the UK.

Investment Portfolio

Travel and Leisure

Virgin Limited Edition

VLE Limited ("Virgin Limited Edition") operates a number of luxury hotels, resorts and villas under the Virgin Limited Edition brand. These include a Moroccan Kasbah, a Swiss ski lodge, villas in Mallorca, and a game reserve in South Africa, all of which are owned within the Group, as well as further properties including Necker Island resort in the British Virgin Islands and a vineyard and hotel in South Africa which are owned elsewhere within the Virgin Group.

For the year ended 31 December 2019, Virgin Limited Edition and the properties owned within the Group made a profit of £3million (2018: loss of £4million).

Virgin Hotels

Virgin Hotels Holdings LLC and its subsidiaries ("Virgin Hotels") is a hotel operating business trading under the Virgin Hotels brand, currently operating in the US and expected to expand outside of the US in future. During the year it operated hotels in Chicago, San Francisco and Dallas. The business has a schedule of further hotel openings in the coming years, including Nashville, New York, Las Vegas, New Orleans, Miami, Palm Springs and Edinburgh.

For the year ended 31 December 2019, Virgin Hotels made a loss of £8million (2018: loss of £6million). The loss reflects the early stage of the business.

Virgin Rail

During the year Virgin Rail Group Holdings Limited and its subsidiary companies ("Virgin Rail") operated 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.

Virgin Rail operated these services under the terms of the 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, which was subsequently extended.

In November 2016, the DfT announced its plans to invite bids for a new rail franchise, the West Coast Partnership, to combine current West Coast services with the development and introduction of High Speed 2 ("HS2") services. In August 2019, the DfT announced that the West Coast Partnership franchise had been awarded to First Trenitalia, with a commencement date of 8 December 2019. As a result, Virgin Rail ceased to operate the existing West Coast franchise on 8 December 2019. Following the expiry of the franchise, West Coast ceased to trade and Virgin Rail ceased operations.

Virgin Rail saw continued passenger revenue and journey growth during the financial year and continued to make profit share payments to the DfT in addition to committed franchise premium payments, thus benefitting taxpayers. Since the start of the franchise in April 2018, Virgin Rail paid a total of £504million to the taxpayer, through a combination of franchise, revenue share and profit share payments.

Virgin Rail's profit for the year ended 31 December 2019, after taxation, amounted to £39million (2018: £44million). The profit attributable to the shareholders of the parent was £20million (2018: £23million).

Virgin Red

On 31 December 2019, Virgin Holdings Limited acquired its shareholding in Virgin Red Limited from Virgin Investments Limited, a parent company outside of the Group.

Virgin Red was formed in 2019 as a combination of the business and assets of certain elements of the Virgin Atlantic loyalty programme and the business and assets of VRL Limited (previously Virgin Red Limited).

Virgin Red's strategy is to create a Virgin branded loyalty programme that all Virgin branded companies have the opportunity to participate in and which will encourage Virgin customers to engage across multiple Virgin branded companies. Additionally, the ambition is to further extend the reach of the programme to third party businesses and allow the customers of those businesses to connect more closely. KPIs and other measures will be developed in 2020 as Virgin Red progresses.

Health and Wellness

Virgin Care

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. The contract providing children's services in Devon ended on 31 March 2019 and the commissioning of non-elective services in East Staffordshire ended on 14 June 2019, however Virgin Care won two new contracts starting on 1 April 2019, in Lancashire for public health children's services aimed at ages 0-19 and Cheshire West and Chester sexual health.

Virgin Care's loss for the year ended 31 December 2019, after taxation, amounted to £18million (2018: £15million). Virgin Care did not make an operating profit in the year ending 31 December 2019 mainly due to specific onerous contracts which are now exited. The business continues to target to make a small surplus in line with other NHS trusts to reinvest in high quality provision of services.

Principal risks and uncertainties

The Group faces a range of risks and uncertainties. The analysis below sets out the key risks facing the Group which could have the most significant impact, across the principal activities of Investment Management, Brand Licensing and the Investment Portfolio.

Investment Management

Market risk, Brexit

The Group invests across different asset classes and geographies. The Group is therefore exposed to a risk that the fair value of its investments may change as a result of changes in market prices. The diversified nature of the Group reduces the exposure to fluctuations in market prices and investment valuations are prepared and reviewed regularly to inform investment decisions. Investments may be denominated in currencies other than sterling which creates currency exposure. Currency exposure is managed through the use of an appropriate range of instruments including currency forwards, where it is not possible to match currency flows.

The ongoing negotiations surrounding the UK's future relationship with the European Union may lead to uncertainty in the economy and a reduction in consumer spending. The Group monitors the ongoing negotiations and assesses the impact this will have to ensure that risks are mitigated where possible.

Liquidity risk

There is a risk that the Group will have insufficient liquidity to meet its obligations as they fall due, including funding commitments and operational costs. The Group manages liquidity risk by ensuring there is sufficient cash available in the short and longer term to cover expected outflows, after taking into account potential sensitivities. More broadly, an appropriate level of flexibility is achieved by access to debt facilities and liquid investments. Covenant requirements attached to existing banking facilities are monitored regularly for compliance.

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.

Retaining talent

Investment advice is directed by a relatively small number of people and the quality of the advice reflects the level of talent in the organisation. The loss of key persons and wider talent in the organisation is therefore a risk which could have a large impact on the business. This risk is monitored by the Board who ensure that appropriate people policies and incentive schemes are in place to attract and retain the best talent.

Brand Licensing

Economic downturn

The Group 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. The Group takes steps to mitigate this risk through a wide distribution of Licensees across different geographies and industries, and through actively monitoring its Licensee relationships.

An economic downturn may adversely affect discretionary spending, particularly for leisure activities and travel, which would result in a reduction of revenues and profits for many licensee businesses, resulting in lower brand licensing revenues. To minimise this risk, there is a focus on cost control and efficient operation across all brand licensing activities.

Brand reputation

The strong reputation and loyalty engendered by the Virgin brand is a core part of the value of the Licensee businesses. Significant damage to the brand 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 Group and its Licensees 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 the strength of the Virgin brand.

Investment Portfolio

The following sets out the critical risks and uncertainties for the significant operating businesses in the Group's investment portfolio, more detailed analysis may be found in the financial statements of the individual UK companies.

Virgin Care

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.

Business growth and Investment in new contracts

New contracts require significant investment in order to transform the quality and efficiency of the service, both in terms of funding and operational resource. 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. In this way the business has the resources and management processes in place to mobilise, transform or demobilise more than one large contract at a time.

Virgin Limited Edition and Virgin Hotels

Termination and performance of hotel management agreements

The hotels businesses enter into management agreements with property owners. The principal risk is under-performance of the hotels, that this has an adverse impact on revenues receivable by the hotel operator, or even leads to termination of the hotel management agreement.

This risk is partly mitigated by thoroughly evaluating each hotel project, entering hotel management agreements with appropriate downside protection, employing a comprehensive management team and engaging appropriate industry consultants.

Virgin Red

Loyalty programme

Virgin Red is planning to launch a new loyalty programme across a variety of business sectors. The business is dependent upon its partners continuing to pursue loyalty participation and providing a compelling offer level to their customers as part of their marketing and customer retention strategy, and currently receives the majority of its income from a small number of key partners. This means that its revenue streams are directly affected by market conditions within the industries of these partners (for example the travel industry and retail). Virgin Red has no direct control over this risk, although activities are proactively being undertaken to manage this risk. Virgin Red has and continues to develop and diversify its partner portfolio in order to mitigate the risk of dependency upon any one sector. The use of the Virgin brand differentiates it within the loyalty industry.

Data protection and security

Virgin Red could face business interruption, substantial reputational damage and financial loss (including fines) due to a breach of the General Data Protection Regulation (GDPR) as a result of a cyber or similar attack on its systems, or if it otherwise fails to protect personal data. Data protection and data security are a top priority for Virgin Red, with a high level of senior engagement. The business has internal resources dedicated to ensuring the protection of personal data and security of its systems and has undertaken an external cyber security audit to prepare for certification under ISO 27001.

Section 172 Companies Act 2006

The Directors have acted in a way that they consider, in good faith, is most likely to promote the success of the Company for the benefits of its members as a whole, and in doing so have regard to the stakeholders and matters set out in s172(1) of the Companies Act 2006 in the decisions taken during the year as set out below.

a) The likely consequence of any decision in the long term

Virgin Group is a long-term purpose-led investor and brand owner. As such, key recommendations and advice given by the Directors on investment, brand and strategic decisions, take into consideration the long-term consequences and outcomes of:

- expected investment returns and growth in shareholder value;
- impact on the Virgin Group's medium to long-term liquidity;
- impact on the Virgin brand.

The Board of the Company annually agrees a 5 year plan with the VGHL board in respect of the Virgin Group and reviews performance against that plan throughout the year as measured by a series of in-year and longer term strategic objectives and key performance indicators, both financial and non-financial. The plan considers financial measures including liquidity, planned investments, realisations and asset allocation, along with forecast income and expenditure as well as non-financial measures such as brand sentiment, employee engagement and progress towards net zero carbon emissions. The plan also encompasses a review of all Investments held by the Virgin Group, considers their performance and outlook and recommends specific shareholder objectives for each Investment.

This overall planning framework then informs decision making and target setting for the Virgin Group.

Key recommendations and advice given by the Board on investment, brand and strategic decisions during the year included:

- the continued investment in Virgin Galactic and subsequent IPO of Virgin Galactic on NYSE by means of a reverse merger into Special Purpose Acquisition Company, Social Capital Hedosophia;
- Entering into new financing arrangements including a new multicurrency revolving facility;
- Entering into new or amended trademark licence agreements with licensees including Virgin Red

b) The interest of the company's employees

At the Virgin Group, we believe that all our people should feel they can be 100 per cent themselves at work. That can only occur when we achieve a truly diverse work force which we are striving for and working together to achieve across the Virgin Group.

Diversity & Inclusion: All companies within the Group aim to make an inclusive workplace for everyone, regardless of age, gender, race, sexual orientation, disability, religion and belief or non-belief.

Communication & Engagement: we seek to operate a framework of employee communication and engagement initiatives which helps our people feel a sense of shared purpose and connection with our business strategy, and to facilitate a two-way dialogue between our people and the board.

This is achieved through company intranet, newsletters, employee forums and use of engagement surveys.

Learning & Development: we commit to equipping our people with the expertise and knowledge they need to be successful in their current role and supporting them in continuing to grow and develop their career.

As an employer, Virgin Management, the main employing entity in the Virgin Group (outside the customer facing investee businesses), is committed to achieving real diversity through policies, engagement and empowerment of its people as demonstrated by:

- the adoption of progressive and innovative employee policies, including flexible working, unlimited holiday and enhanced shared parental leave;
- the establishment of D&I working groups in 2018 for key protected characteristics with each group being led by a Director or member of the Branson family;
- being a signature to the Race at Work Charter, established by Business in the Community;
- weekly updates, live Q&As and quarterly meetings for all Virgin Management employees led by the Chief Executive Officer to update on activity across the Virgin Group; and
- a comprehensive training programme on diverse areas such as resilience, wellbeing, project management and objective setting are open to all employees of Virgin Management.

c) The need to foster the company's business relationships with suppliers, customers and others

Virgin Management's main suppliers are service providers such as legal firms, consultancies, marketing agencies, IT support, HR services, facilities and travel. Close working relationships are maintained with key suppliers and we work constructively with many of them to share best practices on matters such as environmental and labour standards.

Virgin Management fosters particularly close relationships with Brand Licensees given their use of the Virgin brand and through engagement as a brand licensor where standards/principles are mandated, and metrics such as customer and people experience (including Net Promoter Score), ethical procurement and purpose are tracked and discussed at regular Brand engagement forums.

The Company influences and guides strategy in connection with suppliers and customers through the Virgin Group's role as a shareholder (including through its representative Directors on the boards of certain investments).

d) The impact of the company's operations on the community and environment

The Board regularly assesses the Virgin Group's social and environmental impacts and considers how it can influence positive and systemic change.

The Board understands that the Virgin Group's environmental impact including climate change and the response to it will have a critical impact on the sustainability, performance and value of its investments as well as the reputation of the Virgin brand. The Virgin Group has committed to net-zero greenhouse gas emissions by

2050. The Board regularly reviews progress on carbon reduction across the Virgin Group, providing advice and recommendations that enable progress towards its achievement.

As part of the Group's awareness of its social responsibility, we engage in a comprehensive range of activities:

- financial and operational support for Virgin Unite, the independent entrepreneurial foundation of the Virgin Group and the Branson family (the value of donations and support in the financial year 2019 were approximately £5million);
- a proactive advocacy agenda which supports and campaigns for social change, such as the integration of refugees in the UK;
- the promotion of progressive policies across the Virgin Group, such as recruiting ex-offenders in the UK

In the community, Virgin Management supports specific local initiatives which in 2019 included the North Paddington Foodbank and Christmas gifts for children in-patients at St Mary's Hospital Paddington.

e) The desirability of the company maintaining a reputation for high standards of business conduct

Virgin Management has specific policies on modern slavery, anti-bribery and corruption and undertakes due diligence on potential investments, partners, suppliers and other third parties, to ensure high ethical standards are applied. These policies are regularly reviewed and all employees are required to complete interactive training to embed their understanding.

The Virgin Group also understands that business has a wider responsibility to promote good and should not exist purely for commercial profit. We understand that the tax we pay is an important part of our wider economic and social impact and plays a key role in development, both inside and outside the UK. The Virgin Group pays tax on business profits in the jurisdiction in which those profits are generated. For example, Virgin Enterprises Limited is tax resident in the UK and pays UK tax on the royalties it receives from its global Licensees. The Virgin Group's approach to tax is explained in its Tax Strategy Statement which is available on www.virgin.com.

f) The need to act fairly as between members of the company

The Virgin Group has been in operation for 50 years having been founded by Sir Richard Branson in 1970. He remains the sole shareholder of Virgin Group Holdings Limited, the ultimate parent of the Company.

Corporate Governance Statement

The Virgin Group's core principles of business management and purpose are broadly shared across Investments within the Group. Investee companies operate as distinct and separate businesses with their own boards and independent management and governance arrangements commensurate with their stage of business maturity and scale as set out in their respective annual reports.

For the year ended 31 December 2019, under The Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles for Large Private Companies as a framework for disclosure of our corporate governance arrangements.

Principle 1 – Purpose and Leadership

The purpose of Virgin Management is "Changing Business for Good" which continuously prompts us to consider the long-term impact of business decisions that we make today. The Board sets the company objectives with clear correlation to our purpose. These company objectives are then embedded into each employee's individual objectives, forming a key element of performance management at all levels.

Empowering our people to make purpose-driven decisions helps drive innovation and creates a culture of continuous improvement and helps identify, mitigate and manage emergent risks.

Virgin Management has a dedicated Purpose team who work with businesses across the Virgin Group and with Virgin Branded businesses to develop their purpose strategies and impact in order to drive their decisions and success, with positive results for employees, customers, partners, communities and the environment.

Principle 2 – Board Composition

The Board comprises the Virgin Group's senior management team: Non-Executive Chairman, Chief Executive Officer, Chief Brand Officer, Chief Finance Officer, Chief Investment Officer, and Chief Operating Officer. A third of the Board are women.

The Company's Board has considerable investment and operational experience providing a broad combination of skills to manage the investment portfolio and brand activities, to provide advice on strategic, financial and other material matters to the VGHL board and to Sir Richard Branson and to act as shareholder representative on the boards of certain investments.

A biography for each Board Director can be found on the Virgin Group's website: www.virgin.com/virgingroup/content/our-senior-team.

Principle 3 – Director Responsibilities

The Board meets every month with a full agenda to consider all aspects of the Virgin Group's activities. Additional days are set aside during the year for the Board to consider longer term strategic planning. The Company, VGHL and Sir Richard Branson have established detailed governance processes which provide for clear lines of accountability and responsibility to support robust and efficient decision making.

The Board receives regular information about the performance and operations of the Virgin Group's investee businesses, the financial performance and liquidity of the Virgin Group, risks and opportunities, and material non- financial performance indicators.

The Board operates an on-going training programme to ensure it is up to date on relevant regulatory, governance and compliance matters.

Principle 4 – Opportunity & Risk

As an entrepreneurially led Company, the Board is focused on identifying and capitalising on a broad range of opportunities for the Virgin Group whilst having the responsibility to mitigate risk.

The principal risks of the Group and relevant mitigating actions are set out on pages 4-6.

The Board considers risks and opportunities for the Virgin Group in the medium and longer term as part of its annual five-year planning process and receives regular updates as part of its monthly reporting on progress against those considerations. These updates also form the basis of the Board's regular reporting to the VGHL board.

Principle 5 – Remuneration

The remuneration policy for the Board is set by VGHL, its parent company, and is designed to clearly align with the long-term nature of the shareholder and to retain executive talent through a combination of short and longer term incentives. Objectives are set at the beginning of each year encompassing People and Culture, Brand and Purpose, Investment Portfolio and Financial Strength, and are shared across Virgin Management to form the basis of target setting and performance management for all employees, including the Board.

Principle 6 – Stakeholder relationships and engagement

Please see the Section 172 Statement on pages 6-8 for a description of how the Board has regard for its broader stakeholders.

Within the Group, Virgin Care and Virgin Rail have also applied the Wates Corporate Governance Principles for Large Private Companies. Please refer to the relevant Annual Reports.

This report was approved by the board on 26 June 2020 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 2019.

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 cash dividends of £198,000,000 (2018: dividend in specie of £365,000).

Directors

The directors who served during the year were:

I P Woods
A Stirling
L V Thomas
P M R Norris
E M Lovell
J Bayliss

Corporate Governance

The Corporate Governance Statement is set out in the Strategic Report.

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.

Donations

During the year the Group made charitable donations amounting to £2million and donations in kind of £3m to Virgin Unite (2018: donations of £2million and donations in kind of £3million). Virgin Unite is the independent entrepreneurial foundation of the Virgin Group and the Branson family.

No political donations were made in 2019 or 2018.

Going Concern

As set out in note 1 to the Financial Statements, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Covid-19

Covid-19 has had a significant impact on the Group's travel and leisure investee businesses, which have been required to suspend operations as a result of necessary decisions taken by Governments in multiple jurisdictions following the Covid outbreak. The adverse impact on the Group's forecast financial results, in particular brand licensing revenues, is difficult to quantify given the constantly evolving situation and unknown duration of current measures.

The Virgin Group is focused on supporting its people and investee businesses through the Covid outbreak. Primarily this is through additional funding and royalty deferrals to businesses which are facing revenue constraints due to suspended operations. Existing cash and access to undrawn borrowing facilities of £150 million will provide additional liquidity where it may be required in the Group.

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 information 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 26 June 2020 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.

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

Opinion

We have audited the financial statements of Virgin UK Holdings Limited ("the company") for the year ended 31 December 2019 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 of the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis of opinion

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

Going concern

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").

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 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.

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

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 13, 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.

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

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

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

Stephen Oxley

Stephen Oxley (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
26 June 2020

Consolidated Income Statement
For the year ended 31 December 2019

	Note	2019 £m	2018 £m Restated
Revenue	4	**406**	448
Cost of sales		**(257)**	(290)
Gross profit		**149**	158
Administrative expenses		**(120)**	(185)
Other operating income	5	**3**	11
Operating profit / (loss)	6	**32**	(16)
Net gain on disposal of trade investment	9	**-**	31
Finance and similar income		**7**	7
Finance and similar expenses		**(9)**	(4)
Net financing income	8	**(2)**	3
Profit before tax		**30**	18
Taxation	10	**(9)**	(9)
Profit from continuing operations		**21**	9
Profit from discontinued operation, net of tax	11	39	44
Profit for the year		**60**	53
Equity holders of the parent		**34**	24
Non-controlling interest		**26**	29
Profit for the year		**60**	53

On 8 December 2019 the Virgin Rail West Coast franchise ceased to operate. In accordance with IFRS 5 the consolidated Income Statement and Statement of Other Comprehensive Income show the discontinued operation seperately from continued operations. When an operation is classified as discontinued, the comparative income statement is restated as if the operation has been discontinued from the start of the comparative period.

The notes on pages 24 to 72 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	2019	2018
	£m	£m
Profit for the year	**60**	53
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Remeasurements of defined benefit asset	**1**	3
	1	3
Items that are or may be reclassified to profit or loss:		
Foreign currency translation differences	**(1)**	11
Effective portion of changes in fair value cash flow hedges	**-**	1
Net change in fair value of cash flow hedges reclassified to profit or loss	**(5)**	(2)
Disposal fair value of assets classified as available-for-sale	**-**	(28)
	(6)	(18)
Other comprehensive income for the year, net of income tax	**(5)**	(15)
Total comprehensive income for year	**55**	38
Attributable to:		
Equity holders of the parent	**29**	8
Non-controlling interest	**26**	30
Total comprehensive income for year	**55**	38

The notes on pages 24 to 72 form part of these financial statements.

Consolidated Balance Sheet
At 31 December 2019

	Note	2019 £m	2018 £m
Non-current assets			
Property, plant and equipment	12	**74**	63
Intangible assets	13	**253**	254
Investments in equity-accounted investees	15	**17**	17
Other investments	17	**29**	24
Deferred tax assets	18	**2**	8
Employee benefits	26	**-**	10
		375	376
Current assets			
Inventory		**1**	2
Trade and other receivables	19	**214**	297
Cash and cash equivalents	20	**170**	234
		385	533
Total assets		**760**	909
Current liabilities			
Trade and other payables	22	**(307)**	(305)
Contract liabilities	23	**(119)**	(19)
Provisions	24	**(28)**	(5)
		(454)	(329)
Non-current liabilities			
Loans and borrowings	21	**(16)**	(16)
Trade and other payables	22	**(14)**	-
Deferred tax liability	18	**(2)**	(2)
Contract liabilities	23	**(23)**	(22)
Provisions	24	**(2)**	(7)
		(57)	(47)
Total liabilities		**(511)**	(376)
Net assets		**249**	533
Equity attributable to equity holders of the parent			
Share capital	25	**1,086**	1,086
Share premium	25	**25**	25
Other reserves	14, 25	**(4)**	52
Retained earnings		**(823)**	(660)
		284	503
Non-controlling interest		**(35)**	30
Total equity		**249**	533

The financial statements were approved and authorised by the board and were signed on its behalf on 26 June 2020.

A Stirling
Director

The notes on pages 24 to 72 form part of these financial statements.

Company Balance Sheet
At 31 December 2019
Registered number: 03160887

	Note	**£m**	**2019 £m**	£m	2018 £m
Fixed assets					
Investments	16		**1,146**		1,146
Current assets					
Debtors: amounts falling due within one year	19	**1**		9	
Creditors: amounts falling due within one year	22	**(8)**		(12)	
Net current (liabilities) / assets			**(7)**		(3)
Total assets less current liabilities			**1,139**		1,143
Net assets			**1,139**		1,143
Capital and reserves					
Share capital	25		**1,086**		1,086
Share premium			**25**		25
Retained earnings			**28**		32
Shareholders' funds			**1,139**		1,143

The financial statements were approved and authorised by the board and were signed on its behalf on 26 June 2020.

A Stirling
Director

The notes on pages 24 to 72 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 2019	**1,086**	**25**	**33**	**-**	**5**	**14**	**(660)**	**30**	**533**
Total comprehensive income for the year:									
Profit for the year	-	-	-	-	-	-	**34**	**26**	**60**
Other comprehensive income	-	-	**(1)**		**(5)**	-	**1**	-	**(5)**
Total comprehensive income for the year	-	-	(1)	-	(5)	-	35	26	55
Transactions with owners, recorded directly in equity:									
Dividends paid	-	-	-	-	-	-	**(198)**	-	**(198)**
Dividend to non-controlling interests	-	-	-	-	-	-	-	**(48)**	**(48)**
Acquisition of subsidiary	-	-	-	-	-	**(50)**	-	**(43)**	**(93)**
Total transactions with owners	-	-	-	-	-	**(50)**	**(198)**	**(91)**	**(339)**
Balance at 31 December 2019	**1,086**	**25**	**32**	**-**	**-**	**(36)**	**(823)**	**(35)**	**249**
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 buyout	-	-	-	-	-	(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

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

The notes on pages 24 to 72 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 2019	1,086	25	32	1,143
Total comprehensive income for the year:				
Profit for the year	-	-	194	194
Fair value adjustments	-	-	-	-
Total comprehensive income for the year	-	-	194	194
Transactions with owners, recorded directly in equity:				
Dividends paid	-	-	(198)	(198)
Total transactions with owners	-	-	(198)	(198)
Balance at 31 December 2019	1,086	25	28	1,139
Balance at 1 January 2018	1,086	25	37	1,148
Total comprehensive income for the year:				
Loss for the year	-	-	(5)	(5)
Fair value adjustments	-	-	-	-
Total comprehensive loss for the year	-	-	(5)	(5)
Total transactions with owners				
Balance at 31 December 2018	1,086	25	32	1,143

The notes on pages 24 to 72 form part of these financial statements.

Consolidated Cash Flow Statement
For the year ended 31 December 2019

	Note	2019 £m	2018 £m Restated
Cash flows from operating activities			
Profit for the year		**60**	53
Adjustments for:			
Depreciation, amortisation and impairment		**13**	42
Foreign exchange loss		**(1)**	1
Gain on the sale of investments		**-**	(31)
Loss on disposal of fixed assets		**-**	2
Finance income		**(8)**	(7)
Finance expense		**9**	4
Taxation		**9**	9
		82	73
Decrease/(increase) in trade and other receivables		**98**	39
Increase in trade and other payables		**(143)**	27
Increase in provisions		**18**	5
		(27)	71
Interest paid		**(2)**	-
Tax paid		**(6)**	(5)
Net cash generated from operating activities		**47**	**139**
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(9)**	(8)
Acquisition of intangible fixed assets		**-**	(2)
Interest received		**1**	2
Proceeds from the sale of trade investments		**-**	71
Acquisition of equity accounted investees		**-**	(9)
Acquisition of investments		**(5)**	(29)
Acquisition of financial assets		**(5)**	(21)
Acquisition of subsidiaries		**19**	-
Net cash flow generated/(used in) from investing activities		**1**	**4**
Cash flow from financing activities			
Proceeds from loans		**125**	-
Repayment of borrowings		**(125)**	-
Funding provided to related parties		**(262)**	(161)
Repayments from related parties		**395**	32
Principal portion of lease liabilities		**(4)**	-
Dividends paid		**(206)**	(8)
Disposal of discontinued operations, net of cash disposed		**(38)**	(29)
Net cash used in financing activities		**(115)**	**(165)**
Net decrease in cash and cash equivalents		**(67)**	**(22)**
Cash and cash equivalents at 1 January		**234**	256
Effect of exchange rate fluctuations on cash held		**3**	-
Cash and cash equivalents at 31 December	20	**170**	234

The notes on pages 24 to 72 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 office 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.

Going Concern

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

In making this assessment, the Directors have considered the cessation of the Virgin Rail West Coast franchise and the impact of the Covid-19 pandemic on the Group's travel and leisure businesses which have been required to suspend operations as a result of necessary decisions taken by Governments in multiple jurisdictions. In particular, the Directors have considered:

Royalties: The impact of travel restrictions, reduced consumer demand, royalty deferrals and recoverability of royalties receivable from licensees.

Liquidity: Access to undrawn credit facilities, compliance with borrowing requirements, and access to other sources of liquidity.

1 Accounting policies *(continued)*

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 fair value through other comprehensive income.

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.

1.2 Basis of consolidation

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.

1 Accounting policies *(continued)*

1.2 Basis of consolidation *(continued)*

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.

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 Accounting policies *(continued)*

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.

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 fair value through other comprehensive income 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.

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

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.

1.5 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.

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.

Leased assets

Previously the Group classified property leases as operating leases under IAS 17. On transition to IFRS 16, the Group recognised right-of-use assets in respect of these leases which were measured amounts equal to the corresponding lease liabilities recognised. The lease liabilities were measured at the present value of the remaining lease payments, discounted at the appropriate incremental borrowing rate at 1 January 2019.

On initial recognition, the Group tested its right-of-use assets for impairment. The IFRS 16 practical expedient was applied and right-of-use assets for leases where an onerous lease assessment had previously been performed were adjusted to reflect the carrying amount of onerous lease provision.

Right-of-use assets are depreciated on a straight line basis over the term of the lease.

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)*

Goodwill (continued)

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.

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

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.

1.8 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.

1 Accounting policies *(continued)*

1.9 Employee benefits *(continued)*

Defined benefit plans

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

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

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. Therefore the liability (or asset) recognised for the relevant section of the RPS reflects a nil value following the expiry of the franchise.

Short-term employee benefits

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

Termination benefits

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

1.10 Provisions and contingent liabilities

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

1 Accounting policies *(continued)*

1.10 Provisions and contingent liabilities *(continued)*

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

On initial application of IFRS 16, lease liabilities were recognised for the present value of lease payments due on operating leases, discounted at the appropriate incremental borrowing rate at 1 January 2019. Corresponding right-of-use assets were recognised as described in note 1.5.

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.

At 1 January 2019 a number of leases were held by Virgin Rail relating to trains which had less than 12 months remaining due to the expiry of the franchise on 8 December 2019. The Group applied the IFRS 16 practical expedient and continued to account for these under IAS 17.

Prior to 1 January 2019, Payments made under operating leases were recognised in accordance with IAS 17. Payments made under operating leases were recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are were recognised in the income statement as an integral part of the total lease expense.

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.

1 Accounting policies *(continued)*

1.13 Taxation *(continued)*

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

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

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

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

1.14 Discontinued operations

A discontinued operation is a component of the Group's business that is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation has been discontinued from the start of the comparative period.

1.15 Adoption of new and revised standards

Leases - IFRS 16

IFRS 16 Leases became mandatorily effective on 1 January 2019. The Group has applied this for the first time in this accounting period and has resulted in changes to the accounting policies.

The Group transitioned to IFRS 16 using the modified retrospective approach and as a result the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. The prior period figures were not adjusted.

On adoption of IFRS 16, the Group elected to apply the relief provisions available and has not reviewed contracts under the definition of a lease per IFRS 16, which had previously not been classified as leases under the principles of IAS 17. Therefore, only contracts entered into or modified on or after 1 January 2019 have the definition of a lease as per IFRS 16 applied.

1 Accounting policies *(continued)*

1.15 Adoption of new and revised standards *(continued)*

In addition, the Group decided to apply recognition exemptions to leases with a term not exceeding 12 months and leases where the underlying asset of low value. No adjustments are required on transition to IFRS 16 for leases where the Group acts as a lessor, except for a sub lease. A reassessment of the classification of a sub-lease is required under IFRS 16.

For leases classified as operating leases under IAS 17, these lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 January 2019. The Group has used the following practical expedients permitted by IFRS 16 when applying this for the first time to leases previously classified as operating leases:

- Applied a single discount rate to a portfolio of leases with similar characteristics
- Applied the exemption not to recognise liabilities for leases with less than 12 months of lease term remaining
- Excluded initial direct costs for the measurement of right-of-use assets at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The Group recognised lease liabilities in relation to leases that were classified as 'operating leases' under the principles of IAS 17- Leases. On transition, an additional £10 million of right-of-use assets and £13 million of lease liabilities were recognised with the differences allocated to retained earnings.

	As originally reported 31 December 2018
	£'m
Operating lease commitments at 31 December 2018	**194**
Operating leases exempt from IFRS 16 under short term lease exemption	(167)
Included in onerous lease amounts	(7)
	20
Operating lease commitments discounted at incremental borrowing rate	19
Service charge adjustment	(1)
Lease liabilities recognised at 1 January 2019	18

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 has had no impact on the Group's financial statements.

There were no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2019 which have had any impact on the Group.

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.

3 Subsequent Events

The Covid-19 outbreak developed rapidly in 2020. The measures taken by Governments around the world to contain the virus have had a significant impact on business activity and will have a significant impact on the Group's brand licensing and hotels revenues.

It is not possible to estimate reliably the exact impact on the Group's revenue due to the current uncertainties which exist around the duration of travel restrictions and social distancing measures; consumer demand; access to government support; and the recovery of the global economy.

4 Revenue

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

By activity

	2019	2018
	£m	£m
		Restated
Health and wellness	**261**	293
Brand licensing	**93**	103
Hotels	**25**	24
Other trading	**27**	28
	406	448

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
	2019	2018	**2019**	2018
	£m	£m	**£m**	£m
		Restated		*Restated*
UK	**365**	392	**311**	386
The Americas	**12**	21	**14**	9
Asia	**-**	-	**2**	-
Europe	**7**	9	**11**	8
Africa	**17**	4	**25**	17
Rest of the world	**5**	22	**43**	28
	406	448	**406**	448

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.

5 Other operating income

	2019	2018
	£m	£m
		Restated
Other operating income	**3**	11
	3	11

6 Expenses and auditor's remuneration

Included in operating profit are the following:

	2019	2018
	£m	£m
		Restated
Depreciation of property, plant and equipment	8	5
Amortisation of intangible assets	5	5

Auditor's remuneration:

	2019	2018
	£m	£m
Fees payable to the Company's auditor for the audit of the Company's financial statements	0.2	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	1.2	0.9

7 Staff numbers and costs

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

	2019	2018
		Restated
Administration and management	809	1,204
Healthcare operations	3,821	5,295

The Company had no employees in the year (2018: nil).

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£m	£m
		Restated
Wages and salaries	172	184
Social security costs	17	18
Other pension costs	16	27
Other costs	11	6
	216	235

7 Staff numbers and costs *(continued)*

Aggregate directors' remuneration

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

	2019	2018
	£m	£m
Total emoluments		
Aggregate emoluments	**2**	2
Highest paid director		
Aggregate emoluments and other benefits	**1**	1

Aggregate emoluments include employer contributions paid to 4 (2018: 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.

8 Finance income and expenses

	2019	2018
	£m	£m
		Restated
Finance and similar income		
Finance income receivable from related undertakings	**3**	4
Bank interest receivable	**-**	1
Other finance income	**4**	2
	7	7
Finance and similar expense		
Borrowings and overdrafts	**1**	-
Other finance expense	**6**	3
Net foreign exchange loss	**2**	1
	9	4

9 Gain or loss on disposal of investments

	2019	2018
	£m	£m
Net gain on disposal of trade investment	**-**	31
	-	31

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.

10 Taxation

Recognised in the income statement

	2019 £m	2018 £m *Restated*
Current tax expense		
UK corporation tax		
Current tax on income for the year	9	9
Adjustments in respect of prior periods	-	1
	9	10
Double tax relief	(1)	(2)
Total UK corporation tax	8	8
Foreign tax		
Current tax on income for the year	1	2
Total foreign tax	1	2
Total current tax expense	9	10
Deferred tax expense		
Origination and reversal of timing differences	-	1
Adjustments in respect of prior periods	-	(2)
Total deferred tax income	-	(1)
Total tax expense	9	9

Reconciliation of effective tax rate

	2019	2018
Profit before tax	30	18
Tax using UK corporation tax rate of 19.00% (2018: 19.00%)	5	4
Non-deductible expenses	2	10
Adjustments in respect of prior periods	(2)	-
Tax exempt income	-	(5)
Current year losses for which no deferred tax asset is recognised	4	2
Change in other unrecognised temporary differences	-	-
Recognition of tax effect of previously unrecognised tax losses	-	-
Over provision in prior years	-	(2)
Total tax expense	9	9

11 Discontinued Operations

The West Coast franchise operated by Virgin Rail ceased operation on 8 December 2019.

In accordance with IFRS 5, the consolidated Income Statement and Statement of Other Comprehensive Income show the discontinued operation separately from continued operations. Comparative amounts for 2018 have been restated to remove the impact of Virgin Rail.

Results of Virgin Rail

	2019 £m	2018 £m
Revenue	**1,190**	**1,222**
Cost of sales	(651)	(712)
Gross profit	**539**	**510**
Administrative expenses	(279)	(275)
Other operating expenses	(213)	(182)
Operating profit	**47**	**53**
Finance and similar income	2	1
Net financing income	**2**	**1**
Profit before tax	**49**	**54**
Taxation	(10)	(10)
Profit from discontinued operations	**39**	**44**
Net cash generated from operating activities	1	43
Net cash used in financing activities	(38)	(29)
Net cash flow for the year	**(37)**	**14**

12 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 2019	**50**	**15**	**5**	**70**
Recognition of right of use asset on initial application of IFRS 16 (on 1 January 2019)	**18**	**-**	**-**	**18**
Exchange differences	**(1)**	**-**	**-**	**(1)**
Additions	**3**	**5**	**1**	**9**
Acquisition of subsidaries	**-**	**1**	**-**	**1**
Disposals	**(8)**	**-**	**(3)**	**(11)**
At 31 December 2019	**62**	**21**	**3**	**86**
Depreciation and impairment				
At 1 January 2019	**-**	**7**	**-**	**7**
Depreciation for the year	**4**	**4**	**-**	**8**
Disposals	**(3)**	**(1)**	**-**	**(4)**
Exchange differences	**-**	**1**	**-**	**1**
At 31 December 2019	**1**	**11**	**-**	**12**
Carrying amount				
At 31 December 2019	**61**	**10**	**3**	**74**
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

13 Intangible assets

	Goodwill £m	Software £m	Intellectual property £m	Total £m
Cost				
At 1 January 2019	**210**	**5**	**70**	**285**
Additions	-	-	-	-
Impairment	-	-	-	-
Acquisition of subsidiary	-	**4**	-	**4**
At 31 December 2019	**210**	**9**	**70**	**289**
Amortisation				
At 1 January 2019	-	**2**	**29**	**31**
Amortisation	-	**2**	**3**	**5**
Reclassification	-	**2**	**(2)**	-
At 31 December 2019	-	**6**	**30**	**36**
Carrying amount				
At 31 December 2019	**210**	**3**	**40**	**253**
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

Intellectual property

Group intellectual property
Intellectual property principally comprises Virgin Enterprises Limited's intellectual property licences amounting to £52million (2018: £53million). 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.

Company intellectual proprerty
The Company did not have any intangible assets (2018: £nil).

16 Investments *(company only)*

	Investments in subsidiary companies
	£m
Cost	
At 1 January 2019	**1,146**
At 31 December 2019	**1,146**
Net book value	
At 31 December 2019	**1,146**
At 31 December 2018	1,146

17 Other investments

Other investments comprise fair value through other comprehensive income financial assets.

	Group	
	2019	2018
	£m	£m
At 1 January	**24**	73
Additions	**5**	21
Disposals	**-**	(70)
Impairment	**-**	-
Fair value adjustments	**-**	-
At 31 December	**29**	24

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

During the year, the Group made an investment as a limited partner in JCLPF Vegas, LLC for a cash consideration of £5million (US$7million).

14 Acquisitions

On 31 December 2019, Virgin Holdings Limited acquired Virgin Red Limited from Virgin Investments Limited for £nil consideration in a common control transaction.

The assets and liabilities of Virgin Red have been consolidated at 31 December 2019. These have had an impact of £(93)million on the Group's net asset position due to the £111million deferred revenue liability held by the Company in relation to loyalty programme redemptions.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition

	£'m
Intangible assets	2
Trade and other receivables	32
Cash and cash equivalents	19
Trade and other payables	(35)
Contract liabilities	(111)
Net assets acquired	**(93)**
Attributable to Parent undertaking	**(50)**
Attributable to Non-Controlling interest	**(43)**

15 Equity accounted investees

	Other associates £m
Carrying amount	
At 1 January 2019	17
At 31 December 2019	17
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 LLLP (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 LLLP by £16million.

The Group's interest in other associates contributed £nil (2018: £nil) to the Group's share of total comprehensive income.

18 Deferred tax assets and liabilities

Deferred tax assets have not been recognised in respect of deductible temporary differences and tax losses of £499m (2018: £494m) because it is not probable that future taxable profit will be available against which the Group can use the benefits there from. £39m of these amounts relates to tax losses which will expire at various dates between 2019 and 2038.

At 31 December 2019 there was unrecognised deferred tax on gross temporary differences of £2m (2018: £7m), 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:

	2019	2018
	£m	£m
Fixed assets	**(2)**	(6)
Other timing differences	**1**	-
	(1)	(6)
Deferred tax asset	**(2)**	(8)
Deferred tax liability	**2**	2
	-	(6)

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

	£m
Balance at 1 January 2018	(6)
Charged to statement of comprehensive income	-
Balance at 1 January 2019	(6)
Charged to statement of comprehensive income	**6**
Balance as 31 December 2019	-

The Company did not have any deferred tax (2018: £nil).

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was enacted before 31 December 2019. The government pledged in November 2019 that the rate will be held at 19%, and this change was included in the March 2020 Budget. However, this is not yet substantially enacted and accordingly, the deferred tax for UK companies as at 31 December 2019 has been calculated based on the 17% rate. Deferred tax for non-UK companies as at 31 December 2019 has been calculated using the applicable statutory tax rate for the individual country.

19 Trade and other receivables

	Group		Company	
	2019	2018	**2019**	2018
	£m	£m	**£m**	£m
Current				
Trade receivables	**40**	86	**-**	-
Provision for doubtful debts	**(11)**	(14)	**-**	-
Net trade receivables	**29**	72	**-**	-
Amounts owed by group undertakings	**112**	131	**1**	9
Other receivables	**10**	26	**-**	-
Prepayments and contract asset	**63**	64	**-**	-
Corporation tax	**-**	4	**-**	-
	214	297	**1**	9

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.

	2019	2018
Ageing of past due but not impaired receivables	**£m**	£m
1-30 days	**9**	4
31-60 days	**1**	2
61-90 days	**2**	1
90+ days	**8**	6
Total	**20**	13

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.

20 Cash and cash equivalents

	Group		Company	
	2019	2018	**2019**	2018
	£m	£m	**£m**	£m
Cash at bank and in hand	**170**	234	**-**	
	170	234	**-**	-

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.

21 Borrowings

	Group		Company	
	2019	2018	**2019**	2018
	£m	£m	**£m**	£m
Non-current				
Secured bank loans	**13**	13	**-**	-
Other shareholder loans	**3**	3	**-**	-
	16	16	**-**	-

Financing - VEL Holdings facility

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

RCF A was cancelled on 13 December 2019.

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

As at 31 December 2019, £nil was drawn down under RCF B.

Other secured loans

Verbier Lodge SA has a secured bank loan of £13million (2018: £13million) secured on the land and buildings of Verbier Lodge.

The maturity profile of borrowings is disclosed in note 28.

22 Trade and other payables

	Group		Company	
	2019	2018	**2019**	2018
	£m	£m	**£m**	£m
Non-current				
Other financial liabilities	-	-	-	-
Lease Liability	**14**	-	-	-
	14	-	-	-
Current				
Trade payables	**33**	103	-	-
Amount owed to group undertakings	**174**	45	**8**	12
Corporation tax	**2**	6	-	-
Other taxation and social security	**16**	27	-	-
Other payables	**27**	43	-	-
Accrued expenses	**53**	80	-	-
Other financial liabilities	-	1	-	-
Lease Liability	**2**	-	-	
	307	305	**8**	12

On 1 January 2019 a lease liability was recognised in respect of operating leases held by the Group on initial application of IFRS 16. Refer to note 1.15 for more detail.

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

23 Contract liabilities

	Group		Company	
	2019	2018	**2019**	2018
	£m	£m	**£m**	£m
Non-current				
Other revenue received in advance	**23**	22	-	-
	23	22	-	-
Current				
Other revenue received in advance	**119**	9	-	-
Other deferred income	-	10		
	119	19	-	-

Other revenue received in advance is primarily held by Virgin Red Limited (£111m) in relation to revenue allocated to performance obligations associated with loyalty programmes points.

The acquisition of Virgin Red Limited is explained in more detail in Note 14.

24 Provisions

	2019 £m	2018 £m
Non-current		
Onerous leases	**2**	6
Other	**-**	1
	2	7
Current		
Onerous leases	**-**	1
Other	**28**	4
	28	5

	Onerous leases £m	Other £m	Total £m
At 1 January 2019	**7**	**5**	**12**
Amounts utilised during the year	**(1)**	**-**	**(1)**
Amounts released during the year	**(2)**	**-**	**(2)**
Reclassification to IFRS 16 lease liability	**(2)**	**-**	**(2)**
Amount provided during the year	**-**	**23**	**23**
At 31 December 2019	**2**	**28**	**30**
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.

Additions to provisions in the year are related to the winding down of Virgin Rail following the end of the franchise. They mainly relate to obligations in respect of dilapidations on properties where the leases have transferred and discount cards that were sold in advance of the transfer.

The Company did not have any provisions (2018: £nil).

25 Capital and reserves

Share capital

	2019 £m	2018 £m
Allotted, called up and fully paid		
1,085,779,995(2018: 1,085,779,995) ordinary shares of £1 each	**1,086**	1,086

Share premium

Allotted, called up and fully paid		
1,085,779,995(2018: 1,085,779,995) ordinary shares 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.

Virgin Red holds a merger reserve of £(93)million that represents the transfer of the trade and assets of the loyalty scheme from Virgin Atlantic Limited. This was recognised by the Group on acquisition of the entity.

On acquisition of Virgin Red the Group also recognised an adjustment of £43million to represent the portion of Virgin Red's net liabilities attributable to the Non-Controlling Interest.

26 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 £17 million (2018: £22million). There were no outstanding or prepaid contributions at year end (2018: £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 a £nil value following expiry of the francise.

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 2019 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.

(b) Principal actuarial assumptions

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

	2019	2018
Discount rate	**2.1%**	3.0%
RPI inflation assumption	**2.8%**	3.2%
CPI inflation assumption	**2.0%**	2.1%
Rate of increase in pensionable salaries	**2.5%**	2.6%
Rate of increase of pensions in payment	**0.0%**	2.1%
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.

West Coast Trains Limited's franchise agreement ended on 8 December 2019. As such, the Company's obligations to the RPS ceased at this date. This is reflected in the balance sheet position at 31 December 2019 (i.e. a nil balance sheet is shown). The assumptions above were used to determine the franchise adjustment at the end point of the contract.

26 Employee benefits *(continued)*

(c) Pension amounts recognised in the balance sheet

The amounts recognised in the balance sheet were as follows:

	2019	2018
	£m	£m
Equities	-	304
Bonds	-	75
Property	-	63
Other	-	209
Fair value of section assets	-	651
Present value of defined benefit obligations	-	(958)
Deficit in section	-	(307)
Members share of section	-	123
Franchise adjustment	-	194
Surplus recognised by the Group	-	10

(d) Movement in surplus recognised by the Group

	2019	2018
	£m	£m
At 1 January	**10**	3
Employer contributions	**10**	11
Expense charged to income statement	**(21)**	(25)
Recognised in the statement of comprehensive income	**1**	3
Surplus at start of new franchise agreement	-	18
At 31 December	-	10

(e) Sensitivity analysis

West Coast Trains Limited's franchise agreement ended on 8 December 2019. As such, the Company's obligations to the RPS ceased at this date. As the balance sheet position at 31 December 2019 was £Nil there is no impact from sensitivity analysis at this date.

(f) Pension amounts recognised in income statement

	2019	2018
	£m	£m
Current service cost	**21**	23
Administration costs	**1**	1
Past service cost	-	1
Included in operating profit	**22**	25
Net interest income	**5**	5
Unwinding of franchise adjustment	**(6)**	(5)
	21	25

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

26 Employee benefits *(continued)*

(g) Pension amounts recognised in statement of comprehensive income

	2019	2018
	£m	£m
Actuarial (loss)/gain	**92**	(9)
Changes in financial assumptions	**(123)**	40
Experience on benefit obligations	**(40)**	-
Change in franchise adjustment	**72**	(28)
Total pension credit recognised in other comprehensive income	**1**	3

(h) Benefit obligations

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

	2019	2018
	£m	£m
At 1 January	**640**	647
Current service cost	**21**	23
Past service cost	**-**	1
Rail franchise change	**-**	(18)
Interest on benefit obligations	**17**	15
Unwinding of franchise adjustment	**(6)**	(5)
Contributions by employees	**6**	7
Benefits paid	**(20)**	(18)
Actuarial (gains)/losses due to:		
- Changes in financial assumptions	**123**	(40)
- Experience on benefit obligations	**40**	-
- Change in franchise adjustment	**(72)**	28
End of franchise	**(749)**	-
At 31 December	**-**	640

(i) Scheme assets

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

	2019	2018
	£m	£m
At 1 January	**651**	651
Administration costs	**(1)**	(1)
Interest income	**11**	10
Employer contributions	**10**	11
Contributions by employees	**6**	7
Benefits paid	**(20)**	(18)
Remeasurement (loss)/gain	**92**	-
End of franchise	**(749)**	(9)
At 31 December	**-**	651

27 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 £10.5million.

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.

28 Related parties

At 31 December 2019 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:

	2019	2018
	£m	£m
Companies related by virtue of common control or ownership		
Revenue	**41**	24
Purchases	**(4)**	(3)
Other income	**2**	1
Interest receivable	**3**	4
Receivables outstanding	**102**	126
Payables outstanding	**(165)**	(45)
Companies related by virtue of being associates of the Group		
Revenue	**(12)**	8
Receivables outstanding	**3**	3
Companies related by virtue of being investors in the Group		
Revenue	**3**	2
Payables outstanding	**-**	-
Receivables outstanding	**3**	**3**
Key management personnel*	**3**	3

* This represents costs incurred by the Group in relation to key management personnel who are not directors of the Company. Refer to note 7, directors' remuneration, for costs in relation to the directors.

The increase in the related parties payable balance is driven by an increase in the loan balance payable to Virgin Investments Limited from Virgin Holdings Limited.

29 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 2019					
FVTOCI financial assets					
FVTOCI investments	**29**	**29**	-	-	**29**
Loans and receivables					
Cash and cash equivalents	**170**	-	-	-	-
Trade and other receivables	**214**	-	-	-	-
Total financial assets	**413**	**29**	-	-	**29**
Financial liabilities measured at amortised cost					
Borrowings	**(16)**	-	-	-	-
Trade and other payables (excl. accruals)	**(268)**	-	-	-	-
Total financial liabilities	**(284)**	-	-	-	-
31 December 2018					
FVTOCI financial assets					
FVTOCI investments	24	24	-	-	24
Loans and receivables					
Cash and cash equivalents	234	-	-	-	-
Trade and other receivables	309	-	-	-	-
Total financial assets	567	24	-	-	24
Financial liabilities measured at amortised cost					
Borrowings	(16)	-	-	-	-
Trade and other payables (excl. accruals)	(408)	-	-	-	-
Total financial liabilities	(424)	-	-	-	-

(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).

At 31 December 2019, the Group's fair value through other comprehensive income financial assets are classified at Level 3 of the fair value hierarchy (2018: £24million).

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.

(i) Price risk (applicable to 8 December 2019)

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.

29 Financial instruments *(continued)*

(b) Financial risk management *(continued)*

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.

(ii) Foreign currency risk

A strengthening/(weakening) of GBP, as indicated below, against the USD, EUR and CHF at 31 December 2019 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.

	2019	2018
	£m	£m
Strengthening in US dollar exchange rate by a fixed percentage	**10%**	10%
Decrease in profit before tax	**(4)**	(14)
Weakening in US dollar exchange rate by a fixed percentage	**(10%)**	(10%)
Increase in profit before tax	**5**	17

29 Financial instruments *(continued)*

(b) Financial risk management *(continued)*

(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	
	2019	2018
Fixed rate instruments	**£m**	£m
Financial assets	**52**	16
Financial liabilities	**(13)**	(13)
	39	3

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

(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.

29 Financial instruments *(continued)*

(b) Financial risk management *(continued)*

(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.

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

	2019			
	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)	**(254)**	**(14)**	**-**	**-**
Borrowings:				
Secured bank loans	**-**	**-**	**-**	**(13)**
Shareholders loans	**-**	**-**	**-**	**(3)**
	(254)	**(14)**	**-**	**(16)**

	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)	(232)	-	-	-
Borrowings:				
Secured bank loans	-	-	-	(13)
Shareholders loans	-	-	-	(3)
	(232)	-	-	(16)

(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 and ensures that any restructuring does not impact its ability to achieve these objectives.

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 2019 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 *(liquidated on 11 June 2020)* 9th Floor, 25 Farringdon Street, London, EC4A 4AB, United Kingdom	England & Wales	100.0%	Ordinary
Victory Acquisitions Limited *(liquidated on 11 June 2020)* 9th Floor, 25 Farringdon Street, London, EC4A 4AB, 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, Road Town, VG1110, 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
Virgin Holdings Limited The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	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^ The Heath Business And Technical Park, Runcorn, Cheshire, WA7 4QX, United Kingdom	England & Wales	99.3%	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 *(placed into liquidation on 12 December 2019)* 9th Floor, 25 Farringdon Street, London, EC4A 4AB, 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
The Virgin Drinks Group Limited^ *(dissolved on 11 June 2020)* 9th Floor, 25 Farringdon Street, London, EC4A 4AB, 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	incorporation	Holding	Share type
Virgin Group Limited The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Models Limited *(dissolved on 11 June 2020)* 9th Floor, 25 Farringdon Street, London, EC4A 4AB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Management USA, Inc Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, United States	USA	100.0%	Ordinary
Running Bulls, LLC Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, United States	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 Service Company, 251 Little Falls Drive, Wilmington, DE 19808, United States	USA	100.0%	Ordinary
VHP Holdings, LP Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, United States	USA	98.1%	Class A units
Virgin Summit Eden House, LLC Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, United States	USA	100.0%	Membership interest
VHRE Las Vegas, LLC Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, United States	USA	100.0%	Membership interest
Village Development, LLC Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, United States	USA	100.0%	Membership interest

30 Group entities *(continued)*

Subsidiaries	Country of incorporation	% Holding	Share type
V3L Nashville, Inc Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, United States	USA	100.0%	Membership interest
VHRE New Orleans, LLC Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, United States	USA	100.0%	Membership interest
Virgin Hotels Holdings, LLC Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, United States	USA	96.4%	Class A units
Virgin Hotels, LLC Incorp Services, Inc., 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, United States	USA	99.5%	Membership interest
Virgin Hotels North America, LLC Incorp Services, Inc., 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, United States	USA	86.3%	Membership interest
Virgin Hotels Dallas, LLC Incorp Services, Inc., 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, United States	USA	86.3%	Membership interest
Virgin Hotels San Francisco, LLC Incorp Services Inc., 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, United States	USA	86.3%	Membership interest
VH San Fran, LLC Incorp Services, Inc., 5716 Corsa Avenue, Suite 110, Westlake Village, CA 91362-7354, United States	USA	86.3%	Membership interest
Virgin Hotels New York, LLC Incorp Services, Inc., 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, United States	USA	86.3%	Membership interest
Virgin Hotels Nashville, LLC Incorp Services, Inc., 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, United States	USA	86.3%	Membership interest
Virgin Hotels New Orleans, LLC Incorp Services, Inc., 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, United States	USA	86.3%	Membership interest
Virgin Hotels Philadelphia, LLC Incorp Services, Inc., 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, United States	USA	86.3%	Membership interest

30 Group entities *(continued)*

Subsidiaries	Country of incorporation	% Holding	Share type
Virgin Hotels Edinburgh, LLC Incorp Services, Inc., 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, United States	USA	86.3%	Membership interest
Virgin Hotels Chicago, LLC Incorp Services, Inc., 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, United States	USA	86.3%	Membership interest
VHC Upper, LLC Incorp Services, Inc., 901 S 2nd Street, Suite 201, Springfield, IL 62704	USA	86.3%	Membership interest
VHC Middle, LLC Incorp Services, Inc., 901 S 2nd Street, Suite 201, Springfield, IL 62704	USA	86.3%	Membership interest
VHC Lower, LLC Incorp Services, Inc., 901 S 2nd Street, Suite 201, Springfield, IL 62704	USA	86.3%	Membership interest
Virgin Hotels Palm Springs, LLC Incorp Services, Inc., 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, United States	USA	86.3%	Membership interest
Virgin Hotels Miami Brickell, LLC Incorp Services, Inc., 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, United States	USA	86.3%	Membership interest
Virgin Hotels Las Vegas, LLC Incorp Services, Inc., 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, United States	USA	86.3%	Membership interest
VHD Concessions Holdings, LLC Incorp Services, Inc., 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, United States	USA	86.3%	Membership interest
VHD Concessions Middle, LLC Incorp Services, Inc., 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, United States	USA	86.3%	Membership interest
VH Dallas Concessions, LLC Incorp Services, Inc., 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, United States	USA	86.3%	Membership interest
Virgin Hotels Central Services, LLC Incorp Services, Inc., 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, United States	USA	86.3%	Membership interest

30 Group entities *(continued)*

Subsidiaries	Country of incorporation	% Holding	Share type
Baronne Street Hotel Sponsor Parent LLC Robert E Buccini, 1000 N West Street Suite 900, Wilmington DE 19801, United States	USA	69.2%	Ordinary
Baronne Street Hotel Sponsor LLC Robert E Buccini, 1000 N West Street Suite 900, Wilmington DE 19801, United States	USA	69.2%	Ordinary
Virgin Care Tech Limited^ *(dissolved 10 March 2020)* The Heath Business And Technical Park, Runcorn, Cheshire, WA7 4QX, United Kingdom	England & Wales	99.3%	Ordinary
Virgin Care Private Limited^ The Heath Business And Technical Park, Runcorn, Cheshire, WA7 4QX, United Kingdom	England & Wales	99.3%	Ordinary
Virgin Care Limited^ The Heath Business And Technical Park, Runcorn, Cheshire, WA7 4QX, United Kingdom	England & Wales	99.3%	Ordinary
Virgin Care Corporate Services Limited^ The Heath Business And Technical Park, Runcorn, Cheshire, WA7 4QX, United Kingdom	England & Wales	99.3%	Ordinary
Virgin Care Services Limited^ The Heath Business And Technical Park, Runcorn, Cheshire, WA7 4QX, United Kingdom	England & Wales	99.3%	Ordinary
VH Community Services Limited^ The Heath Business And Technical Park, Runcorn, Cheshire, WA7 4QX, United Kingdom	England & Wales	99.3%	Ordinary
VH Doctors Limited^ The Heath Business And Technical Park, Runcorn, Cheshire, WA7 4QX, United Kingdom	England & Wales	**	**
The Randolph Partnership^	England & Wales	99.3%	N/A
Virgin Care Provider Services Limited^ The Heath Business And Technical Park, Runcorn, Cheshire, WA7 4QX, United Kingdom	England & Wales	99.3%	Ordinary
Virgin Care Blackpool LLP^ *(application for voluntary strike off 15 January 2020)* The Heath Business And Technical Park, Runcorn, Cheshire, WA7 4QX, United Kingdom	England & Wales	99.3%	Partnership interest
Virgin Care Chelmsford LLP^ The Heath Business And Technical Park, Runcorn, Cheshire, WA7 4QX, United Kingdom	England & Wales	99.3%	Partnership interest

30 Group entities *(continued)*

Subsidiaries	Country of incorporation	% Holding	Share type
Virgin Care Coventry LLP^ The Heath Business And Technical Park, Runcorn, Cheshire, WA7 4QX, United Kingdom	England & Wales	99.3%	Partnership interest
Virgin Care Darlington LLP^ *(application for voluntary strike off 15 January 2020)* The Heath Business And Technical Park, Runcorn, Cheshire, WA7 4QX, United Kingdom	England & Wales	99.3%	Partnership interest
Virgin Care East Riding LLP^ The Heath Business And Technical Park, Runcorn, Cheshire, WA7 4QX, United Kingdom	England & Wales	99.3%	Partnership interest
Virgin Care Hampshire Health LLP^ The Heath Business And Technical Park, Runcorn, Cheshire, WA7 4QX, United Kingdom	England & Wales	99.3%	Partnership interest
Virgin Care Hartlepool LLP^ *(application for voluntary strike off 15 January 2020)* The Heath Business And Technical Park, Runcorn, Cheshire, WA7 4QX, United Kingdom	England & Wales	99.3%	Partnership interest
Virgin Care Leeds LLP^ The Heath Business And Technical Park, Runcorn, Cheshire, WA7 4QX, United Kingdom	England & Wales	99.3%	Partnership interest
Assura Reading LLP^ The Heath Business And Technical Park, Runcorn, Cheshire, WA7 4QX, United Kingdom	England & Wales	99.3%	Partnership interest
Virgin Care Stockton LLP^ *(application for voluntary strike off 15 January 2020)* The Heath Business And Technical Park, Runcorn, Cheshire, WA7 4QX, United Kingdom	England & Wales	99.3%	Partnership interest
Virgin Care Vertis LLP^ The Heath Business And Technical Park, Runcorn, Cheshire, WA7 4QX, United Kingdom	England & Wales	99.3%	Partnership interest
Virgin Care Wandle LLP^ *(application for voluntary strike off 15 January 2020)* The Heath Business And Technical Park, Runcorn, Cheshire, WA7 4QX, United Kingdom	England & Wales	99.3%	Partnership interest
VLE (BVI) Limited Craigmuir Chambers, Road Town, VG1110, Tortola, British Virgin Islands	British Virgin Islands	100.0%	Ordinary
Virgin Sky Investments Limited The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary

30 Group entities *(continued)*

Subsidiaries	Country of incorporation	% Holding	Share type
Cairnline Limited The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	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
Ulusaba Game Farm (Pty) Limited *(dissolved 14 February 2020)* 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

30 Group entities *(continued)*

Subsidiaries	**incorporation**	**Holding**	**Share type**
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
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

30 Group entities *(continued)*

Subsidiaries	Country of incorporation	% Holding	Share type
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	South Africa	100.0%	Ordinary
Virgin Rail Projects Limited^ *(dissolved 6 August 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
West Coast Trains Limited^ The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	51.0%	Ordinary
VRL Limited The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Red Limited 66 Porchester Road, London, W2 6ET, United Kingdom	England & Wales	54.2%	Ordinary
VGF Advisers (UK) LLP *(dissolved 18 February 2020)* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	50.0%	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, United States	USA	35.0%	Partnership interest
VHB Properties LLC Corporation Trust Center,1209 Orange St, Wilmington, New Castle, United States	USA	35.0%	Membership interest
VHNA Acquisitions LP Corporation Services, 251 Little Falls Drive, Wilmington, DE 19808, United States	USA	31.5%	Partnership interest
VHNA Acquisition, LLC Corporation Services, 251 Little Falls Drive, Wilmington, DE 19808, United States	USA	35.0%	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, United States	USA	50.0%	Ordinary
Nashville Music Row Hotel Owner, LLC Robert E Buccini, 322 A Street, Suite 300, Wilmington DE 19801, United States	USA	50.0%	Ordinary
Exeter Property Holdings (Pty) Limited^ 3 Solitaire, 73A Pretoria Avenue, Atholl, 2196, South Africa	South Africa	50.0%	Ordinary
Peninsula Health LLP The Heath Business And Technical Park, Runcorn, Cheshire, United Kingdom, WA7 4QX	England & Wales	50.0%	Partnership interest
Streetubez, LLC 140 Avenida Del Reposo, San Clemente, CA 92672, United States	USA	20.0%	Ordinary

30 Group entities *(continued)*

* directly 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.