

Virgin UK Holdings Limited and subsidiary companies

Annual Report and Financial Statements

Registered number 03160887

31 December 2020



Contents

	Page
Strategic Report	1-13
Directors' Report	14-15
Statement of Directors' Responsibilities	16
Independent Auditor's Report	17-21
Consolidated Income Statement	22
Consolidated Statement of Comprehensive Income	23
Consolidated Balance Sheet	24
Company Balance Sheet	25
Consolidated Statement of Changes in Equity	26
Company Statement of Changes in Equity	27
Consolidated Cash Flow Statement	28
Notes	29-70

Strategic Report
For the year ended 31 December 2020

The directors present the Strategic Report for the Company and its subsidiaries (the "Group") for the year ended 31 December 2020.

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

The Virgin Group operates as a growth capital investor with a globally recognised and respected brand, which actively invests in opportunities across both developed and developing markets in different market segments and geographies. The Group has a wide-ranging investment portfolio including majority owned and minority shareholdings.

The Virgin Group owns the Virgin brand and licenses the brand under trademark licence agreements it has entered into with companies using the Virgin brand ("Licensees"). Licensees include both companies which form part of the Group, as well as companies in which the Group holds a minority or no ownership interest.

The Virgin Group's investment portfolio focuses on the core sectors of Travel & Leisure, Telecoms & Media, Music & Entertainment, Financial Services and Health & Wellness. The Group is also an active technology-focused venture investor with a portfolio of around 40 companies spanning the consumer internet, fintech and sharing economy sectors. The Group's aim is to deliver long-term capital appreciation through investment in these and other sectors, and to partner with like-minded investors.

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

Financial performance

The Group made a loss of £78 million for the financial year (2019: profit of £60 million). The decrease in profit is attributable to:

- i) the reduction in brand profit before tax primarily as a result of the impact of Covid-19 on various licensee businesses.
- ii) an impairment of £75 million in the year which is attributable to goodwill held by the Group due to the impact of Covid-19 on royalties from licensee businesses.

The Group's net assets have decreased by £76 million as at 31 December 2020 due to the total comprehensive loss in the year. No dividends were paid out of the Group in 2020.

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

Strategic Report (continued)
For the year ended 31 December 2020

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.

Brand licensing

VEL Holdings Limited and its subsidiaries, principally Virgin Enterprises Limited ("Virgin Enterprises"), 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 2020 was £59 million (2019: £93 million) and brand licensing profits, after taxation, for the year amounted to £32 million (2019: £59 million). The decrease in revenue and profit was attributable to the decrease in royalties from the Group's travel and leisure licensee businesses due to the impact of Covid-19 on their operations. The key licenses impacted were Virgin Atlantic, Virgin Australia and Virgin Active which the Virgin Group has supported through royalty deferral agreements and shareholder funding.

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 2020, Virgin Limited Edition and the properties owned within the Group made a profit of £1 million (2019: £3 million) due to the impact of property closures during the year due to the Covid-19 pandemic.

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, Dallas, Nashville and New Orleans. The business has a schedule of further hotel openings in the coming years, including New York, Las Vegas, Miami, Edinburgh and Glasgow.

For the year ended 31 December 2020, Virgin Hotels made a loss of £11 million (2019: loss of £8 million). The loss reflects the early stage of the business and delays to the opening schedule resulting from Covid-19.

Strategic Report (continued)
For the year ended 31 December 2020

Virgin Red

Virgin Red is a Virgin Group wide loyalty programme which 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 operate 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. In the year, Virgin Red launched Virgin points which can be earned and spent across a range of Virgin businesses and third party partners.

In the year Virgin Red made a loss of £8 million (2019: £nil) as result of Covid-19 and its continued investment in technology and people as part of its ambitious growth plans for its loyalty programme (launched in 2021). The Company's revenue has been negatively impacted, during the year, by the Government's restrictions on air travel, but the Company is in a strong position to deliver its future plans when restrictions are lifted, resuming to normalised levels.

Health and Wellness

Virgin Care

Virgin Healthcare Holdings Limited and its subsidiary companies ("Virgin Care") is a provider of health and social care services funded by the NHS and Local Authorities across England. Virgin Care holds more than 35 contracts that deliver a wide range of services in many different settings including: adult community services; children's and public health services; primary care and specialist services; musculoskeletal and physiotherapy services; sexual health and dermatology services; and prison services.

Throughout the Covid-19 pandemic Virgin Care has worked in collaboration with local NHS systems to keep services running. Staff were re-deployed to assist with critical NHS services and the national vaccination programme and additional capacity was created in community and district nursing services to enable people to be discharged from hospitals and be cared for at home.

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 made a small profit of £3 million in 2020 (2019: loss of £18 million), which will be used to reinvest in high quality provision of services, in line with NHS trusts that provide similar services.

Strategic Report (continued)
For the year ended 31 December 2020

Principal risks and uncertainties

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

Economic conditions, including Covid-19

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

Continuing lockdowns and restrictions put in place by global governments could result in revenue and profit reduction for all impacted businesses. Key risks for the Group include prolonged travel restrictions in the UK and the US, which would restrict consumers spending ability and the relevant businesses ability to operate. The Group monitors current government and World Health Organisation guidance to assess the impact on its businesses and to mitigate the risks where possible.

Brand reputation

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

Cyber risk

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

Risks specific to brand licensing

In addition to the risk to brand reputation, Virgin Enterprises is reliant on royalty income generated by its trademark licence agreements and any material adverse change in the business or market in which any of the Licensees operate could affect the level of royalty income received. Key risks include continued travel restrictions and further lockdowns as a result of Covid-19, which would impact licensees ability to operate and consumers ability to spend, which subsequently results in a reduction of royalty income and profits.

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

Strategic Report (continued)
For the year ended 31 December 2020

Principal risks and uncertainties (continued)

Risks specific to Hotels

Termination of management agreements

The hotels businesses enter into management agreements with property owners. The principal risk is deemed to be the termination of these management agreements by such owners. This is managed through diversification of the portfolio of properties as the portfolio expands through engaging with different property owners.

Virgin Limited Edition mitigates this risk by thoroughly evaluating each hotel project, obtaining indemnification protections and customary insurance coverages, employing an experienced management team and engaging appropriate industry consultants as well as through owner diversification.

Risks specific to Virgin Care

Business growth

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

Government regulation, including safety and quality of services

Recent changes within the healthcare sector continue to create opportunities and additional risks to which Virgin Care must adapt. The political and commercial environment in which Virgin Care operates is monitored. This monitoring includes new legislation which may affect the business.

Virgin Care is regulated by the Care Quality Commission and Ofsted. In 2020, Virgin Care achieved a 97% 'good' or 'outstanding' rating from its inspections. Virgin Care continues to invest in new clinical and patient management systems to monitor user satisfaction. Patient feedback is also obtained through the NHS England Friends and Family Test, local feedback programmes, service user experience reports and citizens' panels.

Investment in new contracts

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

Retention and recruitment of Healthcare professionals

Following the end of the transition period with the European Union, a risk to the sector is the retention and recruitment of health and care professionals. Virgin Care management remain in dialogue with the UK Government alongside other NHS providers to ensure necessary steps are taken to mitigate any impact on the business.

Strategic Report (continued)
For the year ended 31 December 2020

Energy & Carbon Report

The Virgin Group is committed to responding to the risk of climate change and the role its companies need to play to reduce those risks. This statement has been prepared to report the Group's greenhouse gas (GHG) emissions for the year ending 31 December 2020.

Scope

Virgin UK Holdings Limited is not required to report for Streamlined Energy and Carbon Reporting (SECR) based on its own limited energy consumption, but these accounts consolidate a number of entities which are required to report. This report therefore incorporates energy consumption for the following consolidated entities:

- Virgin Enterprises Limited
- Virgin Healthcare Holdings Limited ('Virgin Care') and qualifying subsidiaries
- Virgin Red Limited

Consumption from Virgin Management Limited is included on a voluntary basis.

The figures expressed in this report are aggregate figures for the above-named entities.

Greenhouse Gas Emissions

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, considering actions that enable progress towards its achievement, and has appointed a dedicated team whose remit is to work with its Virgin-branded investments (including Virgin Care and Virgin Red) and licensees and support their net zero strategy and help them to reduce other environmental impacts and social risks.

Additionally, Virgin Management Limited and Virgin Enterprises Limited have committed to reaching net zero greenhouse gas emissions by 2023, in respect of its operations and supply chain, under its net zero strategy. This includes reduction in travel, reduction of supply chain carbon footprint, and engagement with employees. The strategy targets a reduction in greenhouse gas emissions from operations and supply chain of 50% by 2030, over a 2018 baseline.

During the reporting period 1 January 2020 to 31 December 2020, the measured Scope 1 and 2 emissions (location-based) totalled 1,534 tCO₂e. This comprised:

Scope	tCO ₂ e
Scope 1	1,417
Scope 2 (market-based)	82
Scope 2 (location-based)	116
Total Scope 1&2 (location-based)	1,534

Total Scope 1&2 (location-based) emissions per FTE is 0.35 tCO₂e and total Scope 1 & 2 emissions (location-based) per £m revenue equate to 4.39 tCO₂e.

Energy efficiency actions

This is the first year reporting under SECR for the Virgin Group. Over the course of 2020 we have taken various actions to reduce energy consumption, including replacing pendant lighting with LEDs, adding a timeclock to appliances, initiating auto-turnoff for photocopiers, and moving to a 100% renewable electricity tariff at Virgin Red's UK office. Virgin Management Limited and Virgin Enterprises Limited already source 100% renewable electricity for their UK office.

During the year, the total fuel and electricity consumption totalled 35,688 MWh. The split between fuel and electricity consumption is displayed below.

Activity	Consumption
Electricity	498
Fuel*	35,190
Total	35,688

*Fuel consists of natural gas, aviation fuel and fuel for transport (petrol & diesel)

Strategic Report (continued)
For the year ended 31 December 2020

Energy & Carbon Report (continued)

Methodology

We quantify and report our organisational GHG emissions in alignment with the World Resources Institute's Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and in alignment with the Scope 2 Guidance. We consolidate our organisational boundary according to the operational control approach and have adopted a materiality threshold of 5% for GHG reporting purposes.

The GHG sources that constituted our operational boundary for the year are:

- Scope 1: Natural gas, aviation fuel, petrol and diesel
- Scope 2: Electricity

In some cases, where data is missing, values have been estimated using either extrapolation of available data or data from the previous year as a proxy. The Scope 2 Guidance requires that we quantify and report Scope 2 emissions according to two different methodologies ("dual reporting"): (i) the location-based method, using average emissions factors for the country in which the reported operations take place; and (ii) the market-based method, which uses the actual emissions factors of the energy procured.

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 and reputation; and
- impact on the community, wider society and the environment.

The Board of the Company annually agrees a five-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.

Strategic Report (continued)
For the year ended 31 December 2020

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:

- Closely monitoring the Covid-19 pandemic and providing strategic support to investments held by the Virgin Group and Virgin branded companies.
- Providing investment and liquidity totalling approximately £286m / \$390m to support investments which have been negatively impacted by the Covid-19 pandemic, for example, through:
 - providing additional shareholder funding and brand licence royalty relief and support to Virgin Atlantic;
 - providing additional funding and brand licence royalty relief and support to Virgin Active;
 - providing shareholder funding to support Virgin Limited Edition's and Virgin Hotel's property portfolios; and
 - supporting Virgin Australia through its voluntary administration process that resulted in an acquisition and recapitalisation led by Bain Capital, including additional investment by Virgin Group.
- Managing the Virgin Group's own financial and liquidity position to facilitate the support provided to investee companies impacted by the Covid-19 pandemic, including the sale of some liquid investments in the Virgin Group's investment portfolio, such as a portion of the Virgin Group's holding in Virgin Galactic.
- The continued investment in Virgin Orbit in its preparation for a successful launch in January 2021.
- Raising capital through and listing a Special Purpose Acquisition Company on the New York Stock Exchange with the aim of identifying and merging with, and providing capital to, a target business.
- Amending or entering into new trademark licence agreements in respect of the Virgin brand with licensees.

b) The interest of the company's employees

Virgin Management is the main employing entity in the Virgin Group (outside of the customer facing investee businesses). During the year, Virgin Management took various actions to support its employees, including:

- Enhancing the existing framework of flexible working and employee support programmes to support employees during the pandemic. For example a renewed focus was placed on employee wellbeing (whether physical, mental or financial) through providing expert training. Additional investments were also made to ensure all employees were optimally set up to work from home.
- Providing regular updates through newsletters and virtual CEO townhalls on matters concerning the Virgin Group including the support being provided to its investee businesses and its people throughout the pandemic.
- Helping employees with children through establishing parent forums and curating information to help parents support children.
- Support to Virgin investee business' management teams, in their negotiations and consultations with partners, regulators, suppliers, lenders and employee groups.

Strategic Report (continued)
For the year ended 31 December 2020

More generally, 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, belief or non-belief, marital status and family circumstances.

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 the use of engagement surveys and corresponding action plans.

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 is committed to achieving diversity, engagement and development, as demonstrated by:

- the appointment of Holly Branson as Chief Purpose and Vision Officer whose focus is on ensuring the Virgin Group is a purposeful business and is committed to helping to create an inclusive, diverse and innovative 21st Century culture;
- the board having individual and collective objectives based on employee culture and development and regular board discussion of employee matters;
- the adoption of progressive and innovative employee policies, including unlimited holiday and enhanced shared parental leave;
- the high level of engagement in D&I working groups, each led by a director, leading to an output of recommended actions and education materials, newsletters and talks on D&I themes;
- 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 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.

Strategic Report (continued)
For the year ended 31 December 2020

Virgin Management fosters particularly close relationships with Brand Licensees, given their use of the Virgin brand, 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, social and environmental impact, governance approaches and purpose are tracked and discussed at regular Brand engagement forums. The board has appointed dedicated teams whose remit is to work with its Virgin-branded investments and Licensees in support of these areas.

The Company influences and guides strategy in connection with suppliers and customers of Virgin businesses 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 the Virgin Group's environmental impact and is committed to responding to the risk of climate change for the benefit of the planet and its communities. More details on the Group's net zero targets is included in the Carbon and Energy Report.

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 2020 totalled £4 million (2019: £3 million));
- financial and operational support for Virgin Start Up Limited, which was founded by the Group to help founders in the UK to start and scale early stage businesses including through access to loans from the Government's Start Up Loans company (total value of financial support in the financial year 2020 was approximately £2 million (2019: £1 million));
- a proactive advocacy agenda which supports and campaigns for social change on a broad range of issues, such as:
 - integration of refugees in the UK;
 - drug policy reform;
 - criminal justice reform and the reduction of reoffending rates; and
 - greater awareness of support and neurodiversity, particularly dyslexia;
- the promotion of progressive policies across the Virgin Group, such as recruiting ex-offenders in the UK or the integration of refugee-led businesses in supply chains.

In the community, Virgin Management supports specific local initiatives which in 2020 included the North Paddington Foodbank. We have also worked with the Skill Mill, a UK-based social enterprise employing ex-offenders and people from disadvantaged backgrounds to source face masks for Virgin Management.

Strategic Report (continued)
For the year ended 31 December 2020

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.

In particular, 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 over 50 years having been founded by Sir Richard Branson in 1970. He remains the sole shareholder of VGHL, the ultimate parent of the Company.

Strategic Report (continued)
For the year ended 31 December 2020

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 2020, 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.

Holly Branson was appointed the Virgin Group's Chief Purpose and Vision Officer during the course of the financial year. This is part of the Group's drive to ensure that purpose is at the heart of decision-making and to further empower our people to make purpose-driven decisions, which 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 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 Commercial Officer, Chief Finance Officer, Chief Purpose and Vision Officer, Chief Investment Officer, and Chief Operating Officer. Two of the seven Directors 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, purpose 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.

Strategic Report (continued)
For the year ended 31 December 2020

Principle 3 – Director Responsibilities (continued)

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.

During the course of 2020, the Board met more frequently and received increased reporting in order to provide visibility of the potential impact of various pandemic scenarios on the Virgin Group, its investee and Virgin Branded businesses accordingly.

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 Group, 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 4-5.

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 ultimate parent company, and is designed to clearly align with the long-term objectives of the shareholder and to retain executive talent through a combination of short and longer term incentives. The Company's 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 members of the Board.

Principle 6 – Stakeholder relationships and engagement

Please see the Section 172 Statement on pages 7-11 for a description of how the Board has regard for its broader stakeholders.

Within the Group, Virgin Care has 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 25 June 2021 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 2020.

Results and dividends

The results of the Group for the year are set out on page 22 and are commented on within the Strategic Report.

The Group did not pay any dividends in the year (2019: £198 million).

Directors

The directors who served during the year were:

J Bayliss

H Branson (Appointed on 3 November 2020)

E Lovell

P Norris

A Stirling

A Swaffield (Appointed on 3 November 2020)

I Woods

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 employees 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 employees 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.

Energy and Carbon Reporting

The directors have included their reporting on greenhouse gas emissions as required by the streamlined energy and carbon reporting regulation on pages 5-6 of the Strategic Report.

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 these financial statements. Refer to Note 1 to the Financial Statements for further detail.

Directors' Report *(continued)*

Provision of information to auditor

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

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

Auditor

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

This report was approved by the Board on 25 June 2021 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, 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 accounting standards in conformity with the requirements of the Companies Act 2006 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 international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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 Companies

Opinion

We have audited the financial statements of Virgin UK Holdings Limited ("the company") for the year ended 31 December 2020 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 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis 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 used our knowledge of the Group, its industries, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were:

- the impact of Covid-19 on the underlying royalty income generated by the Group, due to the adverse impact of the pandemic on some of the underlying business who use the Virgin Brand; and
- access to sufficient levels of financing in the event of any cashflow shortfalls

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by comparing severe, but plausible, downside scenarios that could arise from these risks individually and collectively against the level of available financial resources and covenants indicated by the Group's financial forecasts.

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

Our procedures also included

- Critically assessing assumptions in the Directors' base and downside scenarios, particularly in relation to forecasted revenues and costs as well as factors noted above, and their impact on forecast liquidity and covenant compliance, by reference to our understanding of the entity's plans based on approved budgets, as well as our knowledge of the entity and the sector in which it operates; and
- Considering whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks, and related sensitivities.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group or the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the group or the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes;
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the group to full scope component audit teams of relevant fraud risks identified at the Group level and request to full scope component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at group.

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

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements. On this audit we do not believe there is a fraud risk related to revenue recognition because the accounting for the revenue is non-complex, and subject to limited levels of judgment with limited opportunities to fraudulently manipulate revenue.

We did not identify any additional fraud risks.

We performed procedures including:

- identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts, posted and approved by the same user and journals with the description containing specific high risk words.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations.

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

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

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

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

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

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.

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 15, 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.

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

Auditor's responsibilities

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

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

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

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



Jeremy Hall (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
29 June 2021

Consolidated Income Statement
For the year ended 31 December 2020

	<i>Note</i>	2020 £m	2019 £m
Revenue	3	352	406
Cost of sales		<u>(216)</u>	<u>(257)</u>
Gross profit		136	149
Administrative expenses		(225)	(120)
Other operating profit	4	<u>2</u>	<u>3</u>
Operating (loss) / profit	5	(87)	32
Net gain on disposal of subsidiary	8	11	-
Finance and similar income		3	7
Finance and similar expenses		(8)	(9)
Net financing expense	7	<u>(5)</u>	<u>(2)</u>
(Loss) / profit before tax		(81)	30
Taxation	9	-	(9)
(Loss) / profit from continuing operations		<u>(81)</u>	<u>21</u>
Profit from discontinued operation, net of tax	10	<u>3</u>	<u>39</u>
(Loss) / profit for the year		<u>(78)</u>	<u>60</u>
Equity holders of the parent		(78)	34
Non-controlling interest		-	26
(Loss) / profit for the year		<u>(78)</u>	<u>60</u>

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 separately from continued operations.

The notes on pages 29 to 70 form part of these financial statements.

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2020

	2020	2019
	£m	£m
(Loss) / profit for the year	(78)	60
Other comprehensive income		
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurements of defined benefit asset	-	1
	-	1
<i>Items that are or may be reclassified to profit or loss:</i>		
Foreign currency translation differences	(4)	(1)
Net change in fair value of financial instruments reclassified to profit or loss	6	(5)
	2	(6)
	-	-
Other comprehensive income / (loss) for the year, net of income tax	2	(5)
Total comprehensive (loss) / income for year		
From continuing operations	(79)	16
From discontinued operations	3	39
	(76)	55
Attributable to:		
Equity holders of the parent	(76)	29
Non-controlling interest	-	26
Total comprehensive (loss) / income for year	(76)	55

The notes on pages 29 to 70 form part of these financial statements.

Consolidated Balance Sheet
At 31 December 2020

	<i>Note</i>	2020 £m	2019 £m
Non-current assets			
Property, plant and equipment	11	92	74
Intangible assets	12	180	253
Investments in equity-accounted investees	14	15	17
Other investments	16	29	29
Deferred tax assets	17	5	2
Other receivables		3	-
		324	375
Current assets			
Inventory		1	1
Trade and other receivables	18	179	214
Cash and cash equivalents	19	245	170
		425	385
Total assets		749	760
Current liabilities			
Trade and other payables	21	(383)	(307)
Contract liabilities	22	(129)	(119)
Provisions	23	(9)	(28)
Deferred tax liability	17	(2)	-
		(523)	(454)
Non-current liabilities			
Loans and borrowings	20	(18)	(16)
Trade and other payables	21	(14)	(14)
Deferred tax liability	17	-	(2)
Contract liabilities	22	(21)	(23)
Provisions	23	-	(2)
		(53)	(57)
Total liabilities		(576)	(511)
Net assets		173	249
Equity attributable to equity holders of the parent			
Share capital	24	200	1,086
Share premium	24	-	25
Other reserves	14, 24	(2)	(4)
Retained earnings		10	(823)
		208	284
Non-controlling interest		(35)	(35)
Total equity		173	249

The financial statements were approved and authorised by the Board and were signed on its behalf on 25 June 2021.



A Stirling
Director

The notes on pages 29 to 70 form part of these financial statements.

Company Balance Sheet*At 31 December 2020*

Registered number: 03160887

	<i>Note</i>	£m	2020 £m	£m	2019 £m
Fixed assets					
Investments	15		1,136		1,146
Current assets					
Debtors: amounts falling due within one year	18	4		1	
Cash at bank and in hand	19	-		-	
		4		1	
Creditors: amounts falling due within one year	21	(15)		(8)	
Net current (liabilities) / assets			(11)		(7)
Total assets less current liabilities			1,125		1,139
Net assets			1,125		1,139
Capital and reserves					
Share capital	24		200		1,086
Share premium			-		25
Other reserves			-		
Retained earnings			925		28
Shareholders' funds			1,125		1,139

The financial statements were approved and authorised by the Board and were signed on its behalf on 25 June 2021.



A Stirling
Director

The notes on pages 29 to 70 form part of these financial statements.

Consolidated Statement of Changes in Equity

	Share capital £m	Share premium £m	Trans- lation reserve £m	Other reserves £m	Retained earnings £m	Non-con- trolling interest £m	Total £m
Balance at 1 January 2020	1,086	25	32	(36)	(823)	(35)	249
Total comprehensive income for the year:							
Loss for the year	-	-	-	-	(78)	-	(78)
Other comprehensive income	-	-	(4)	6	-	-	2
Total comprehensive income for the year	-	-	(4)	6	(78)	-	(76)
Transactions with owners, recorded directly in equity:							
Dividends paid	-	-	-	-	-	-	-
Dividend to non-controlling interests	-	-	-	-	-	-	-
Capital reduction	(886)	(25)	-	-	911	-	-
Total transactions with owners	(886)	(25)	-	-	911	-	-
Balance at 31 December 2020	200	-	28	(30)	10	(35)	173
Balance at 1 January 2019	1,086	25	33	19	(660)	30	533
Total comprehensive income for the year:							
Profit for the year	-	-	-	-	34	26	60
Other comprehensive income	-	-	(1)	(5)	1	-	(5)
Dividends paid	-	-	-	-	-	-	-
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

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

The notes on pages 29 to 70 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 2020	1,086	25	28	1,139
Total comprehensive income for the year:				
Loss for the year	-	-	(14)	(14)
Total comprehensive income for the year	-	-	(14)	(14)
Transactions with owners, recorded directly in equity:				
Dividends paid	-	-	-	-
Capital reduction	(886)	(25)	911	-
Total transactions with owners	(886)	(25)	911	-
Balance at 31 December 2020	200	-	925	1,125
Balance at 1 January 2019	1,086	25	32	1,143
Total comprehensive income for the year:				
Profit for the year	-	-	194	194
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

The notes on pages 29 to 70 form part of these financial statements.

Consolidated Cash Flow Statement
For the year ended 31 December 2020

	Note	2020 £m	2019 £m
Cash flows from operating activities			
(Loss)/profit for the year		(78)	60
Adjustments for:			
Depreciation, amortisation and impairment		21	13
Goodwill impairment		75	-
Foreign exchange loss		(2)	(1)
Gain on the sale of investments		(11)	-
Other non-cash items of income and expense		2	-
Finance income		(3)	(8)
Finance expense		8	9
Taxation		-	9
		<u>12</u>	<u>82</u>
Decrease in trade and other receivables		43	98
Increase in trade and other payables		(19)	(143)
Increase in provisions and employee benefits		1	18
		<u>25</u>	<u>(27)</u>
Interest paid		-	(2)
Tax paid		(3)	(6)
Net cash generated from operating activities		<u>34</u>	<u>47</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment		(2)	(9)
Acquisition of intangible fixed assets		(10)	-
Interest received		1	1
Acquisition of investments		-	(5)
Acquisition of financial assets		(2)	(5)
Acquisition of subsidiaries		-	19
Net cash (used in)/generated from investing activities		<u>(13)</u>	<u>1</u>
Cash flow from financing activities			
Proceeds from loans		-	125
Repayment of borrowings		-	(125)
Funding provided to related parties		(272)	(262)
Repayments from related parties		406	395
Principal portion of lease liabilities		(3)	(4)
Cashflows from discontinued operations	10	(56)	(38)
Dividends paid		-	(206)
Net cash generated from/(used in) financing activities		<u>75</u>	<u>(115)</u>
Net increase/(decrease) in cash and cash equivalents		<u>96</u>	<u>(67)</u>
Cash and cash equivalents at 1 January		170	234
Effect of exchange rate fluctuations on cash held		(21)	3
Cash and cash equivalents at 31 December	19	<u>245</u>	<u>170</u>

The notes on pages 26 to 70 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.

These Group financial statements were prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The parent company financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. 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.

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 cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which consider the ongoing impact of the Covid-19 pandemic on the Group's Companies and licensee businesses. The assessment modelled both a base case and a downside scenario.

The base case scenario specifically considers:

Royalties: The impact of Covid-19 on licensee performance, royalty deferrals and the risks surrounding recoverability of royalties receivable from licensees.

Liquidity: Existing cash balances, access to available credit facilities (detailed in note 20) and ongoing compliance with covenant and borrowing requirements.

The downside scenario applies further sensitivities to the forecast royalties which include the impact of potential further lockdowns (lasting at least 2 months) and a prolonged period of recovery from the impact of Covid-19. It also considered mitigating actions which could be taken to limit or delay discretionary expenditure to optimise cash flows alongside access to other sources of liquidity including undrawn borrowing facilities.

The directors, after reviewing financial forecasts and financing arrangements, consider that the Group and Company has adequate resources to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements. Accordingly, the directors are satisfied that it is appropriate to adopt the going concern basis in preparing its financial statements.

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.

1.4 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.

1 Accounting policies (continued)

1.4 Financial instruments (continued)

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.

Derivative financial instruments and hedging

Cash flow hedges

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

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

1 Accounting policies (continued)

1.5 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	3 - 10 years
Fixtures and fittings	4 - 5 years

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.

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. The estimated useful lives are:

Computer software	Up to 8 years
Intellectual property assets	Up to 27 years

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 Accounting policies (continued)

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.

ECLs 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.) ECLs 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.

Short-term employee benefits

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

Termination benefits

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

1 Accounting policies (continued)

1.10 Provisions and contingent liabilities

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

Onerous contracts

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

Contingent liabilities

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

1.11 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, gross of commission, but net of discounts, VAT and other sales-related taxes.

Virgin 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.

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.

1 Accounting policies (continued)

1.12 Expenses (continued)

Finance income and expenses

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

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

1.13 Taxation

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

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

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

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

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

1 Accounting policies *(continued)*

1.14 Non-current assets held for sale and 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

There were no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2020 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 Revenue

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

By activity

	2020 £m	2019 £m
Health and wellness	247	261
Brand licensing	59	93
Hotels	10	25
Other trading	36	27
	352	406

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

	Revenue by source	Revenue by source	Revenue by destination	Revenue by destination
By geographical market	2020 £m	2019 £m	2020 £m	2019 £m
UK	338	365	297	311
The Americas	8	12	15	14
Asia	-	-	2	2
Europe	4	7	13	11
Africa	2	17	6	25
Rest of the world	-	5	19	43
	352	406	352	406

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

4 Other operating income

	2020 £m	2019 £m
Other operating income	2	3
	2	3

5 Expenses and auditor's remuneration

Included in operating loss are the following:

	2020	2019
	£m	£m
Depreciation of property, plant and equipment	16	8
Amortisation of intangible assets	4	5

Auditor's remuneration:

	2020	2019
	£m	£m
Fees payable to the Company's auditor for the audit of the Company's financial statements	0.3	0.2
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	0.7	0.5
Other services	0.7	1.2

6 Staff numbers and costs

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

	2020	2019
Administration and management	977	809
Healthcare operations	3,805	3,821

The Company had no employees in the year (2019: nil).

6 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2020	2019
	£m	£m
Wages and salaries	168	172
Social security costs	16	17
Other pension costs	16	16
Other costs	5	11
	<u>205</u>	<u>216</u>

Aggregate directors' remuneration

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

	2020	2019
	£m	£m
Total emoluments		
Aggregate emoluments	<u>2</u>	<u>2</u>

Highest paid director

Aggregate emoluments and other benefits	<u>1</u>	<u>1</u>
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Aggregate emoluments include employer contributions paid to 5 (2019: 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.

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

7 Finance income and expenses

	2020 £m	2019 £m
Finance and similar income		
Finance income receivable from related undertakings	1	3
Other finance income	2	4
	<u>3</u>	<u>7</u>
Finance and similar expense		
Borrowings and overdrafts	-	1
Other finance expense	4	6
Net foreign exchange loss	3	2
Finance costs payable to related undertakings	1	-
	<u>8</u>	<u>9</u>

8 Gain or loss on disposal of investments

	2020 £m	2019 £m
Net gain on disposal of subsidiary	11	-
	<u>11</u>	<u>-</u>

In 2020, Virgin Holdings Limited disposed of its investment in SA Mauritius Limited and its subsidiaries.

The assets and liabilities of SA Mauritius Limited and its subsidiaries have been de-consolidated at 31 December 2020. This has had a positive impact of £11.1 million on the Group's net asset position due to the disposal of the £11.1 million loan payable held by SA Mauritius Limited to Virgin Investments Limited. Further information is disclosed in note 13.

9 Taxation

Income tax expense

	2020 £m	2019 £m
Current tax expense		
<i>UK corporation tax</i>		
Current tax on income for the period	5	9
Adjustments in respect of prior periods	(2)	-
	<u>3</u>	<u>9</u>
Double tax relief	(1)	(1)
Total UK corporation tax	<u>2</u>	<u>8</u>
<i>Foreign tax</i>		
Current tax on income for the period	1	1
Total foreign tax	<u>1</u>	<u>1</u>
Total current tax expense	<u>3</u>	<u>9</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	(2)	-
Adjustments in respect of prior periods	(1)	-
Total deferred tax income	<u>(3)</u>	<u>-</u>
Total tax expense	<u>-</u>	<u>9</u>

Reconciliation of effective tax rate

	2020 £m	2019 £m
Loss/(profit) before taxation on continued operations	(81)	30
Loss/(profit) before taxation on continued operations multiplied by standard rate of corporation tax in the UK of 19.00% (2019 - 19.00%)	(16)	5
Expenses not deductible for tax purposes	20	2
Non-taxable income	(4)	-
Recognition of deferred tax asset previously unrecognised	(1)	-
Temporary differences not recognised for deferred tax	4	4
Adjustments in respect of prior years	(3)	(2)
Total tax charge for the period	<u>-</u>	<u>9</u>

10 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.

The business recognised a small portion of revenue in 2020 which was realised as part of its wind up of operations.

Results of Virgin Rail

	2020 £m	2019 £m
Revenue	8	1,190
Cost of sales	<u>1</u>	<u>(651)</u>
Gross profit	9	539
Administrative expenses	-	(279)
Other operating expenses	-	(213)
Operating profit	9	47
Finance and similar income	-	2
Finance and similar expenses	-	-
Net financing income	<u>-</u>	<u>2</u>
Profit before tax	<u>9</u>	<u>49</u>
Taxation	<u>(6)</u>	<u>(10)</u>
Profit from discontinued operations	<u>3</u>	<u>39</u>
Net cash generated from operating activities	3	1
Net cash used in financing activities	<u>(56)</u>	<u>(38)</u>
Net cash flow for the year	<u>(53)</u>	<u>(37)</u>

11 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 2020	62	21	3	86
Additions	31	3	4	38
Revaluations	-	1	-	1
Disposals	(1)	(5)	-	(6)
At 31 December 2020	92	20	7	119
Depreciation and impairment				
At 1 January 2020	1	11	-	12
Depreciation for the year	15	1	-	16
Disposals	(1)	(1)	-	(2)
Exchange differences	1	-	-	1
At 31 December 2020	16	11	-	27
Carrying amount				
At 31 December 2020	76	9	7	92
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 subsidiaries	-	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

12 Intangible assets

	Goodwill £m	Software £m	Intellectual property £m	Development costs £m	Total £m
Cost					
At 1 January 2020	210	9	70	-	289
Additions	-	-	-	10	10
Impairment	(75)	-	(1)	-	(76)
Reclassification	-	-	(5)	-	(5)
Disposals	-	(7)	-	-	(7)
At 31 December 2020	135	2	64	10	211
Amortisation					
At 1 January 2020	-	6	30	-	36
Amortisation	-	-	4	-	4
Disposals	-	(5)	-	-	(5)
Reclassification	-	-	(4)	-	(4)
At 31 December 2020	-	1	30	-	31
Carrying amount					
At 31 December 2020	135	1	34	10	180
Cost					
At 1 January 2019	210	5	70	-	285
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

Goodwill

The Group's goodwill was created in 2006 when Virgin UK Holdings Limited acquired the brand licensing businesses from another entity in the Virgin Group.

The main Cash Generating Unit ("CGU") that supports the Goodwill comprises of the Group's aviation licensing businesses which generate royalties from Virgin Atlantic, Virgin Holidays and Virgin Australia. It has been impaired by £75m during the year to reflect the impact of the Covid 19 pandemic on the future forecast cash flows from these businesses.

Group intellectual property

The intellectual property intangible asset principally comprises a licence agreement which Virgin Enterprises Limited has with Virgin Active IPCO Limited. The licence required an upfront payment in 2011 of £60million, which is being amortised over 27 years, representing the period of the head licence.

Development costs

Development costs relate to software in development by Virgin Red as part of the launch of the loyalty program. When development of an asset is complete, it is re-classified to software and amortised over its expected useful life.

12 Intangible assets (continued)

Impairment

Impairment testing for the period ended 31 December 2020 has identified that the carrying amount of the Group's goodwill for the Cash Generating Unit ("CGU") supported by expected future royalties from the Group's aviation licensing businesses which generate royalties from Virgin Atlantic, Virgin Holidays and Virgin Australia, exceeded its recoverable amount.

The carrying value for the goodwill associated with the CGU at 31 December 2019 was £191 million, and an impairment loss of £75 million has been recognised in the year, which has been recorded in the statement of comprehensive income.

The key assumptions used in the impairment test included cash flows, long term growth rates and discount rate.

Cash flow assumptions

The cash flows used in the value in use calculation are pre-tax cash flows based on the forecast royalty cash flows. The cash flows are forecast to 2026 and then extrapolated to the expiry of the relevant trademark licence agreement.

The key assumption is revenue growth which is forecast based on known or forecast royalty inflows based on plans or agreements for future periods. External factors, including the consumer environment, are also taken into account in the more short-term forecasts.

Long term growth rate assumptions

For the purposes of impairment testing, the cash flows are extrapolated until expiry of the trademark licence agreement. The growth rate applied of 1% - 3% is based on the long term growth from 2026 until expiry of the licence.

Discount rate assumptions

The discount rate applied to the cash flows is calculated using a pre-tax rate based on the weighted average cost of capital ("WACC") which is calculated in reference to the market in which the licensee's are based.

In the current period, the pre-tax rate used to discount the forecast cash flows range between 7.57% and 9.5%.

Sensitivities

An illustration of the sensitivity to reasonably possible changes in key assumptions in the impairment test is as follows:

Assumption	Reasonably possible changes in assumptions	Impact on headroom
Long term growth rates	0.5% decrease / 0.5% increase	£3 million / -£3 million
WACC rate	0.5% decrease / 0.5% increase	£7 million / -£7 million
Cash Flows	5% decrease / 5% increase	-£6 million / £6 million

13 Disposal of subsidiary

In 2020, Virgin Holdings Limited disposed of its investment in SA Mauritius Limited and its subsidiaries.

The assets and liabilities of SA Mauritius Limited and its subsidiaries have been de-consolidated at 31 December 2020. This has had a positive impact of £11.1 million on the Group's net asset position due to the disposal of the £11.1 million loan payable held by SA Mauritius Limited to Virgin Investments Limited.

The following table summarises the effect of the disposal on the Group:

	£'m
Cash and cash equivalents	1
Trade and other payables	(1)
Non-current payables	(11)
Net liabilities disposed	(11)
Attributable to Parent undertaking	(11)
Attributable to Non-Controlling Interest	-

14 Equity accounted investees

	Other associates £m
Carrying amount	
At 1 January 2020	15
At 31 December 2020	15
Carrying amount	
At 1 January 2019	17
At 31 December 2019	17

The carrying amount of the investments decreased by £2 million in 2020 due to the impact of foreign exchange on USD investments.

The Group's interest in other associates contributed £nil (2019: £nil) to the Group's share of total comprehensive income.

15 Investments (company only)

	Investments in subsidiary companies £m
Cost	
At 1 January 2020	<u>1,146</u>
At 31 December 2020	<u>1,146</u>
Impairment	
At 1 January 2020	-
Impairment	<u>(10)</u>
At 31 December 2020	<u>(10)</u>
Net book value	
At 31 December 2020	<u>1,136</u>
At 31 December 2019	<u>1,146</u>

During 2020, the Company recognised a £10 million impairment on its investment in Classboss Limited which is an intermediate holding company in the Group.

16 Other investments

	Group	
	2020	2019
	£m	£m
At 1 January	29	24
Additions	2	5
Impairment	(2)	-
At 31 December	<u>29</u>	<u>29</u>

Further disclosures relating to financial assets are set out in note 27.

17 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2020	2019
	£m	£m
Fixed assets	(2)	(2)
Other timing differences	(1)	1
	<u>(3)</u>	<u>(1)</u>
Deferred tax asset	(5)	(2)
Deferred tax liability	2	2
	<u>(3)</u>	<u>-</u>

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

	£m
Balance at 1 January 2020	-
Charged to statement of comprehensive income	(3)
Balance as 31 December 2020	<u>(3)</u>

The Company had recognised a deferred tax asset of nil (2019: £nil).

Deferred tax assets have not been recognised in respect of deductible temporary differences and tax losses of £357m (2019: £477m) because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom. £48m of these amounts relates to tax losses which will expire at various dates between 2020 and 2039.

At 31 December 2020, there was an unrecognised deferred tax on gross temporary differences of £2m (2019: £2m) 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.

A change to the main UK corporation tax rate announced in the budget on 11 March 2020, was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%. Accordingly the deferred (tax asset)/liability as at 31 December 2020 for UK companies has been calculated at the rate of 19% (2019:17%). Following the announcement made in the 2021 budget, it was announced that there will be an increase in the rate of UK corporation tax to 25% on 1 April 2023. This was substantively enacted on 24 May 2021. The increase of the UK corporation tax rate would increase the deferred tax asset by £1.1m. Deferred tax for non-UK companies as at 31 December 2020 has been calculated using the applicable statutory tax rate for the individual country.

18 Trade and other receivables

	Group		Company	
	2020	2019	2020	2019
	£m	£m	£m	£m
Current				
Trade receivables	41	40	-	-
Provision for doubtful debts	(23)	(11)	-	-
Net trade receivables	18	29	-	-
Amounts owed by group undertakings	118	112	-	1
Other receivables	4	10	3	-
Prepayments and contract asset	38	63	-	-
Corporation tax	1	-	1	-
	179	214	4	1

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 the license portfolio of which the largest is Virgin Mobile Latam (£11m).

	2020	2019
	£m	£m
Ageing of past due but not impaired receivables		
1-30 days	-	9
31-60 days	2	1
61-90 days	-	2
90+ days	2	8
Total	4	20

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.

19 Cash and cash equivalents

	Group		Company	
	2020	2019	2020	2019
	£m	£m	£m	£m
Cash at bank and in hand	245	170	-	-
	245	170	-	-

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.

20 Borrowings

	Group		Company	
	2020	2019	2020	2019
	£m	£m	£m	£m
Non-current				
Secured bank loans	14	13	-	-
Other shareholder loans	4	3	-	-
	18	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 £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 2020, £nil was drawn down under RCF B.

Other secured loans

Verbier Lodge SA has a secured bank loan of £14 million (2019: £13million) secured on the land and buildings of Verbier Lodge.

The maturity profile of borrowings is disclosed in note 27.

21 Trade and other payables

	Group		Company	
	2020	2019	2020	2019
	£m	£m	£m	£m
Non-current				
Lease liability	14	14	-	-
	14	14	-	-
Current				
Trade payables	18	33	-	-
Amount owed to group undertakings	275	174	15	8
Corporation tax	3	2	-	-
Other taxation and social security	11	16	-	-
Other payables	19	27	-	-
Accrued expenses	43	53	-	-
Lease liability	14	2	-	-
	383	307	15	8

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

22 Contract liabilities

	Group		Company	
	2020	2019	2020	2019
	£m	£m	£m	£m
Non-current				
Other revenue received in advance	21	23	-	-
	21	23	-	-
Current				
Other revenue received in advance	129	119	-	-
	129	119	-	-

Other revenue received in advance is primarily held by Virgin Red Limited (£123m) in relation to revenue allocated to performance obligations associated with loyalty programmes points.

23 Provisions

	2020 £m	2019 £m
Non-current		
Onerous leases	-	2
Other	-	-
	<u>-</u>	<u>2</u>
Current		
Onerous leases	3	-
Other	6	28
	<u>9</u>	<u>28</u>

	Onerous leases £m	Other £m	Total £m
At 1 January 2020	2	28	30
Amounts utilised during the year	-	(24)	(24)
Amounts released during the year	-	2	2
Amount provided during the year	1	-	1
At 31 December 2020	<u>3</u>	<u>6</u>	<u>9</u>
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	<u>2</u>	<u>28</u>	<u>30</u>

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

24 Capital and reserves

Share capital

	2020 £m	2019 £m
Allotted, called up and fully paid		
200,000,000 (2019: 1,085,779,995) ordinary shares of £1 each	<u>200</u>	<u>1,086</u>

In the year the Company undertook a capital reduction, cancelling 885,779,995 £1 ordinary shares and creating £886 million of distributable reserves.

Share premium

	2020 £m	2019 £m
Allotted, called up and fully paid		
200,000,000 (2019: 1,085,779,995) ordinary shares of £1 each	<u>-</u>	<u>25</u>

In the year the Company undertook a share capital reduction and cancelled its entire share premium account.

Other reserves

Other reserves comprise:

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.

Merger reserve

The merger reserve comprises the adjustment between consideration paid and the capital of entities acquired that are under the common control of the ultimate parent entity. The main component is a merger reserve held by Virgin Red that represents the transfer of the trade and assets of the loyalty scheme from Virgin Atlantic Limited.

25 Contingent liabilities

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.

26 Related parties

At 31 December 2020 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:

	2020 £m	2019 £m
Companies related by virtue of common control or ownership		
Revenue	15	41
Purchases	(2)	(4)
Other income	-	2
Interest receivable	2	3
Receivables outstanding	62	102
Payables outstanding	(268)	(165)
 Companies related by virtue of being associates of the Group		
Revenue	13	12
Receivables outstanding	3	3
 Companies related by virtue of being investors in the Group		
Revenue	2	3
Payables outstanding	-	-
Receivables outstanding	3	3
 Key management personnel*	2	3

- * This represents costs incurred by the Group in relation to key management personnel who are not directors of the Company.

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.

27 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 2020					
FVTOCI financial assets					
FVTOCI investments	29	29	-	-	29
Loans and receivables					
Cash and cash equivalents	245	-	-	-	-
Trade and other receivables	182	-	-	-	-
Total financial assets	456	29	-	-	29
Financial liabilities measured at amortised cost					
Borrowings	(18)	-	-	-	-
Trade and other payables (excl. accruals)	(354)	-	-	-	-
Total financial liabilities	(372)	-	-	-	-
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)	-	-	-	-

27 Financial instruments (continued)

(a) Fair values of financial instruments (continued)

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 31 December 2020, the Group's fair value through other comprehensive income financial assets are classified at Level 3 of the fair value hierarchy (2019: £29 million).

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) 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.

27 Financial instruments (continued)

(ii) Foreign currency risk

A strengthening/(weakening) of GBP, as indicated below, against the USD, EUR and CHF at 31 December 2020 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.

	2020	2019
	£m	£m
Strengthening in US dollar exchange rate by a fixed percentage	10%	10%
Decrease in profit before tax	(24)	(14)
Weakening in US dollar exchange rate by a fixed percentage	(10%)	(10%)
Increase in profit before tax	29	17

(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	
	2020	2019
	£m	£m
Fixed rate instruments		
Financial assets	168	52
Financial liabilities	(14)	(13)
	<u>154</u>	<u>39</u>

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, as defined above, 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 specifically mitigate this exposure.

27 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:

	2020			
	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)	(340)	(14)	-	-
Borrowings:				
Secured bank loans	-	-	-	(14)
Shareholders loans	-	-	-	(4)
	(340)	(14)	-	(18)
	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)

(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.

28 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 2020 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
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
VLE Limited The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Management SA Avenue D'Ouchy 14, c/o Etude Petremend & Rappo, avocats, 1006, Lausanne, Switzerland	Switzerland	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
Cairnline Limited (dissolved 16 March 2021) The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
WCT Group Holdings Limited The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	51.0%	Ordinary

28 Group entities (continued)

Subsidiaries	Country of incorporation	% Holding	Share type
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
V Secretarial Services Limited The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Group Limited The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Management USA, Inc Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, United States	USA	100.0%	Ordinary
Voyager Group Limited The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Corporate Services Limited The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin 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

28 Group entities (continued)

Subsidiaries	Country of incorporation	% Holding	Share type
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
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 North America, LLC Incorp Services, Inc., 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, United States	USA	87.7%	Membership interest
Virgin Hotels Dallas, LLC Incorp Services, Inc., 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, United States	USA	87.7%	Membership interest
Virgin Hotels San Francisco, LLC Incorp Services Inc., 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, United States	USA	87.7%	Membership interest
VH San Fran, LLC Incorp Services, Inc., 5716 Corsa Avenue, Suite 110, Westlake Village, CA 91362-7354, United States	USA	87.7%	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	95.8%	Membership interest
Virgin Hotels Nashville, LLC Incorp Services, Inc., 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, United States	USA	87.7%	Membership interest

28 Group entities (continued)

Subsidiaries	Country of incorporation	% Holding	Share type
Virgin Hotels New York, LLC Incorp Services, Inc., 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, United States	USA	87.7%	Membership interest
Virgin Hotels New Orleans, LLC Incorp Services, Inc., 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, United States	USA	87.7%	Membership interest
Virgin Hotels Philadelphia, LLC Incorp Services, Inc., 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, United States	USA	87.7%	Membership interest
Virgin Hotels Edinburgh, LLC Incorp Services, Inc., 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, United States	USA	87.7%	Membership interest
Virgin Hotels Chicago, LLC Incorp Services, Inc., 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, United States	USA	87.7%	Membership interest
VHC Upper, LLC Incorp Services, Inc., 901 S 2nd Street, Suite 201, Springfield, IL 62704	USA	87.7%	Membership interest
VHC Middle, LLC Incorp Services, Inc., 901 S 2nd Street, Suite 201, Springfield, IL 62704	USA	87.7%	Membership interest
VHC Lower, LLC Incorp Services, Inc., 901 S 2nd Street, Suite 201, Springfield, IL 62704	USA	87.7%	Membership interest
Virgin Hotels Palm Springs, LLC Incorp Services, Inc., 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, United States	USA	87.7%	Membership interest
Virgin Hotels Miami Brickell, LLC Incorp Services, Inc., 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, United States	USA	87.7%	Membership interest

28 Group entities (continued)

Subsidiaries	Country of incorporation	% Holding	Share type
Virgin Hotels Las Vegas, LLC Incorp Services, Inc., 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, United States	USA	87.7%	Membership interest
Virgin Hotels Glasgow LLC Incorp Services, Inc., 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, United States	USA	87.8%	Membership interest
VHD Concessions Holdings, LLC Incorp Services, Inc., 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, United States	USA	87.8%	Membership interest
VHD Concessions Middle, LLC Incorp Services, Inc., 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, United States	USA	87.8%	Membership interest
VH Dallas Concessions, LLC Incorp Services, Inc., 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, United States	USA	87.7%	Membership interest
Virgin Hotels Central Services, LLC Incorp Services, Inc., 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, United States	USA	87.7%	Membership interest
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 Private Limited^ The Heath Business And Technical Park, Runcorn, Cheshire, WA7 4QX, United Kingdom	England & Wales	99.3%	Ordinary
Virgin Management Consulting (Shanghai) Co Limited Room 27, 23rd Floor, 33 Hua Yuan Shi Qiao Road, Pu Dong District, Shanghai, China	China	100.0%	Ordinary
Virgin Holdings Limited The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary

28 Group entities (continued)

Subsidiaries	Country of incorporation	% Holding	Share type
Virgin Care 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
The Randolph Partnership^ 45 Beaufort Court Admirals Way, London, England, E14	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 Coventry LLP^ 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
Assura Reading LLP^ 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
VLE (BVI) Limited Craigmuir Chambers, Road Town, VG1110, Tortola, British Virgin Islands	British Virgin Islands	100.0%	Ordinary
West Coast Trains Limited The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	51.0%	Ordinary

28 Group entities (continued)

Subsidiaries	Country of incorporation	% Holding	Share type
Virgin Sky Investments 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	England & Wales	100.0%	Ordinary
Arenal & Dunas Resort SLU Pau Claris 97, 4º 1ª, 08009, Barcelona, Spain	Spain	100.0%	Ordinary
Son Bunyola SLU Pau Claris 97, 4º 1ª, 08009, Barcelona, Spain	Spain	100.0%	Ordinary
Son Creus SLU Pau Claris 97, 4º 1ª, 08009, Barcelona, Spain	Spain	100.0%	Ordinary
Dinicero SLU Pau Claris 97, 4º 1ª, 08009, Barcelona, Spain	Spain	100.0%	Ordinary
Ganson SLU Pau Claris 97, 4º 1ª, 08009, Barcelona, Spain	Spain	100.0%	Ordinary
Zickner 5000 SLU Pau Claris 97, 4º 1ª, 08009, Barcelona, Spain	Spain	100.0%	Ordinary
Rimdrax 5000 SLU Pau Claris 97, 4º 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 Rock Lodge (Pty) Limited^ Unit 1, Ground Floor Building 6, Albury Office Park, CNR Jan Smuts and Albury Road, Gauteng, 2196, South Africa	South Africa	100.0%	Ordinary
Verbier Lodge SA Chemin de Plendazeu 3, 1936 Verbier, Switzerland	Switzerland	100.0%	Ordinary
Virgin Clubs Limited The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Hotels Maroc SA Kasbah Tamadot, Route D'Imlil, ASNI, Morocco	Morocco	100.0%	Ordinary

28 Group entities (continued)

Subsidiaries	Country of incorporation	% Holding	Share type
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 (liquidated) Level 5, East Village, 2A Defries Avenue, Zetland NSW 2017, Australia	Australia	100.0%	Ordinary
Virgin Unite Nominees Pty Limited East Village Level 5, 2A Defries Avenue, Zetland NSW 2017, Australia	Australia	100.0%	Ordinary
Virgin Trustee Services Limited The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary
Virgin Limited The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	100.0%	Ordinary

28 Group entities (continued)

Subsidiaries	Country of incorporation	% Holding	Share type
Virgin Management South Africa (Pty) Limited Unit G5 Century Gate Office Park, CNR Century Way and Bosmansdam Road, Century City, 7441, South Africa	South Africa	100.0%	Ordinary
WCT Sales Limited The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	51.0%	Ordinary
Redstar Ticketing Limited The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	51.0%	Ordinary
WCT Group Limited The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom	England & Wales	51.0%	Ordinary
Virgin Red Limited 66 Porchester Road, London, W2 6ET, United Kingdom	England & Wales	54.2%	Ordinary
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

28 Group entities (continued)

Joint ventures and associates	Country of incorporation	% Holding	Share type
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

* directly held investment

** subsidiary by virtue of significant influence

^ subsidiary with a different year end

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