Virgin Galactic Limited

Annual Report and Financial Statements
Registered Number 05802809
For the year ended
31 December 2020

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Strategic report

Principal activities

The principal activity of Virgin Galactic Limited (the "Company") is the provision of worldwide sales, marketing and other services for the Company's US affiliate company Virgin Galactic LLC (a subsidiary of the US parent Virgin Galactic Holdings Inc.) , which has been set up to operate the world's first commercial spaceline. The activities of the Company are charged to Virgin Galactic LLC on a cost plus basis.

Virgin Galactic LLC will offer commercial sub-orbital space tourism flights. The test flight program has continued in 2020 and conducted one safe test flight in December 2020 with previous powered flight to space in February 2019. Construction of Spaceport America in New Mexico by the New Mexico Spaceport Authority was also completed, with its interior undergoing operational fit out.

The Company is not responsible for the development and construction of commercial vehicles or Spaceport America and these financial statements do not include any costs associated with those activities. However, the Company's London base affords ideal opportunities for its global sales activities and the hosting of international marketing events.

Objectives and strategic priorities

Our objectives are to deliver and maintain a worldwide marketing presence for the Virgin Galactic brand and continue to grow and maintain the customer base of our nascent venture.

Market overview and future outlook

Our mandate is to maintain exceptional customer relations prior to their respective flights. Our focus is media presence, marketing activities and maintaining a strong pipeline of prospective customers. We work closely to control our operating costs and regularly review our spend against our approved budgets. We have a management agreement with Virgin Galactic LLC and work closely with them to ensure our spend is in alignment with their managements expectations.

Principal risk and uncertainties

We have generated only limited revenue from spaceflight, and we expect that our success will be highly dependent, especially in the foreseeable future, on our ability to effectively market and sell human spaceflight experiences. We have limited experience in marketing and selling human spaceflights, which we refer to as our astronaut experience. If we are unable to utilize our current sales organization effectively, or to expand our sales organization as needed, to adequately target and engage our potential future astronauts, our business may be adversely affected.

By order of the board

S R Attenborough
Director
72-74 Dean Street
London W1D 3SG

Director's Report

The directors present this report and the audited financial statements for the year ended 31 December 2020.

Business Review

The results for the year ended 31 December 2020 are set out on page 8 of the financial statements and the profit for the year of £480,489 (2019: £223,570) has been transferred to reserves.

Proposed dividend

The directors report a £0 dividend in specie in 2020 (2019 £925k).

Subsequent Events

On 14 April 2021 Vieco 10 sold 5.6 million shares of common stock in Virgin Galactic Holdings, Inc. which resulted in reducing Sir Richard Branson's direct ownership share to 23.6%.

Going Concern

As set out in the basis of preparation, the Directors have a reasonable expectation that the Company 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.

Director's

The directors of the Company during the year under audit and up to the date of signing the financial statement was as follows:
S R Attenborough
Michael Moses (appointed on 25 August 2020)
George Whitesides (resigned on 25 August 2020)

Political and charitable contributions

The Company made £0 donations to charitable purposes (2019: £270) and no political donations during the year (2019: nil).

Provision of information to auditors

The directors who held office at the date of approval of this director's report confirm that:

So far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and that directors have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

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 27th September 2021 and signed on its behalf.

By order of the board

S R Attenborough
Director
72-74 Dean Street
London W1D 3SG

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the 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 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the 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 company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIRGIN GALACTIC LIMITED

Opinion

We have audited the financial statements of Virgin Galactic Limited ("the company") for the year ended 31 December 2020 which comprise Statement of Profit and Loss, Balance Sheet, Statement of Changes in Equity, 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 company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company 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 company or to cease its operations, and as they have concluded that 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 its 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").

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

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 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 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 finance management as to the Company'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; and
- 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.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that 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 and approved by the same user and those posted to unusual accounts.
- Evaluated the business purpose of significant unusual transactions

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

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

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

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

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, 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 Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

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

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.
In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and Directors' report

The directors are responsible for the Strategic report and the Directors' report. Our opinion on the financial statements does not cover these 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 report for the financial year is consistent with the financial statements; and
- in our opinion those report 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 5, 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIRGIN GALACTIC LIMITED (continued)

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.

Kevin Rose (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

27 September 2021

Statement of Profit and Loss

For the year ended 31 December 2020

	Note	**Year ended 31 December 2020 £000**	Year ended 31 December 2019 £000
Revenue	*2*	**6,191**	4,471
Cost of Sales		**(5,609)**	(4,092)
Gross Profit		**582**	379
Administrative Expenses		**(14)**	(17)
Profit on ordinary activities		**568**	362
Financial income	*6*	**30**	1
Financial expense	*7*	**-**	(77)
Profit before taxation		**598**	286
Taxation	*8*	**(117)**	(62)
Profit after taxation		**481**	224

The accounting policies on pages 13 to 16 and the notes on pages 17 to 32 form part of these financial statements.

There has been no other comprehensive income during either 2020 or 2019 other than as disclosed in the profit and loss account and therefore no separate statement of comprehensive income has been presented.

Balance Sheet

at 31 December 2020

	Note	31 December 2020 £000	31 December 2019 £000
Non-Current Assets			
Property, plant and equipment	*9*	35	19
		35	19
Current Assets			
Cash and cash equivalents		**461**	746
Trade and other receivables	*10*	**6,961**	4,108
Deferred tax asset	*8*	**35**	87
		7,457	4,941
Total Assets		**7,492**	4,960
Current Liabilities			
Trade and other payables	11	**(3,920)**	(1,869)
Total Liabilities		**(3,920)**	(1,869)
Net Assets		**3,572**	3,091
Equity attributable to equity holders of the parent			
Share Capital	*13*	**0**	-
Share Premium		**1,020**	1,020
Retained earnings		**2,552**	2,071
Total Equity		**3,572**	3,091

The accounting policies on pages 13 to 16 and the notes on pages 17 to 32 form part of these financial statements.

These financial statements were approved and authorized for issue by the board on 27th September 2021 and were signed on its behalf by:

S R Attenborough
Director

Statement of changes in equity
at 31 December 2020

	Share capital	Share Premium	Retained earnings	Total equity
	£000	**£000**	**£000**	**£000**
At 1 January 2019	-	1,020	2,772	**3,792**
Dividends in specie	-	-	(925)	**(925)**
Total profit for the year	-	-	224	**224**
At 31 December 2019	-	1,020	2,071	**3,091**
Total profit for the year	-	-	481	**481**
At 31 December 2020	-	1,020	2,552	**3,572**

The accounting policies on pages 13 to 16 and the notes on pages 17 to 32 form part of these financial statements.

In 2019 the intercompany receivable balance from Vieco 10 of £925k was released and deemed a dividend in specie through the direct parent Galactic Ventures LLC.

Statement of changes in equity
at 31 December 2020

	Share capital	Share Premium	Retained earnings	Total equity
	£000	£000	£000	£000
At 1 January 2019	-	1,020	2,772	**3,792**
Dividends in specie	-	-	(925)	**(925)**
Total profit for the year	-	-	224	**224**
At 31 December 2019	-	1,020	2,071	**3,091**
Total profit for the year	-	-	481	**481**
At 31 December 2020	-	1,020	2,552	**3,572**

The accounting policies on pages 13 to 16 and the notes on pages 17 to 32 form part of these financial statements.

In 2019 the intercompany receivable balance from Vieco 10 of £925k was released and deemed a dividend in specie through the direct parent Galactic Ventures LLC.

1. Basis of preparation

Virgin Galactic Limited (the "Company") is a company incorporated and domiciled in the UK. The registered office address is 72-74 Dean Street, London W1D 3SG. The company is subject to the small companies regime.

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101") and the Companies Act 2006.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006, but makes amendments where necessary in order to comply with Companies Act 2006.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these 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 17.

Going concern

The Directors are confident, on the basis the Company is in a net asset position and has significant financial resources available to it. The Covid-19 pandemic has not significantly impact the Company's income streams nor the recoverability of the amounts it has due from related parties. All current income is attributable to the cost plus management agreement with Virgin Galactic LLC, which remains strong and in full force. The Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of these financial statements. Thus the Directors continue to adopt the going concern basis in preparing the annual financial statements.

Revenue

Revenue represents recharges on a cost plus basis to the Company's affiliate Virgin Galactic LLC. Revenue is recognised when the related costs are incurred.

Revenue also includes speaking income as the Company's director provides speaking engagement services. This revenue represents the fair value of consideration receivable on the provision of speaking engagement services, and is recognised in the period in which the service is provided.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, bank deposits repayable on demand and other short-term highly liquid investments with original maturities of three months or less.

Plant, property and equipment

Plant, property and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Computer equipment 2-3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Statement of Comprehensive Income.

Trade and other receivables

Short term receivables are measured at transaction price, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the terms of the receivables. The amount of the provision is the difference between the asset's carrying value and the present value of the estimated future cash flows discounted at the original effective interest rate. This provision is recognised in the income statement.

Trade and other payables

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Share-based payment transactions

Virgin Galactic Holdings, Inc. the parent of Virgin Galactic Ltd. established a share based payment program and as part of that program Virgin Galactic Holdings, Inc. grants rights to its equity instruments to Virgin Galactic Ltd.'s employees, which are accounted for as equity-settled in the consolidated accounts of Virgin Galactic Holdings.

We estimate the fair value of stock-based payment awards on the date of grant. The value of the portion of the award that is ultimately expected to vest is recognized as an expense during the requisite service periods.

We have estimated the fair value for each option award as of the date of grant using the Black-Scholes option pricing model. The Black-Scholes option pricing model considers, among other factors, the expected life of the award and the expected volatility of our stock price. We recognize the stock-based compensation expense over the requisite service period using the straight-line method for service condition only awards, which is generally a vesting term of four years. Stock options typically have a contractual term of 10 years. The stock options granted have an exercise price equal to the closing stock price of our common stock on the grant date. Compensation expense for restricted stock units are based on the market price of the shares underlying the awards on the grant date. Compensation expense for performance-based awards reflects the estimated probability that the performance condition will be met. Compensation expense for awards with total stockholder return performance metrics reflects the fair value calculated using the Monte Carlo simulation model, which incorporates stock price correlation and other variables over the time horizons matching the performance periods.

Financial instruments

Financial assets and financial liabilities are recognised when the Company 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 Company determines the classification at initial recognition and re-evaluates this designation at each reporting date.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the company 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.

Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income. Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Expenses

Financial income and financial expense

Financial income includes interest receivable on funds invested and net foreign exchange gains. Financial expense includes 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 profit and loss account. 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.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling as the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the profit and loss account.

Pensions

The Company operates a defined contribution pension scheme for all staff. The cost of the scheme is equal to the contribution payable to the scheme for the accounting period and is recognised within the staff costs as a component of cost of sales in the profit and loss account. The Company has no further obligation once the contribution has been paid.

Accounting estimates and judgement

The preparation of the financial statements in conformity with FRS101 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 the estimates calculated.

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.

There are no accounting policies that are considered to be critical, because they either require a significant amount of management judgement or the results are material to the financial statements.

2. Revenue

An analysis of revenue by class of business is as follows:

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Transfer pricing charge to Virgin Galactic LLC	**6,170**	4,471
Speaking income	**21**	0
	6,191	4,471

Analysis of revenue by country of origin:	**Year ended 31 December 2020 £000**	Year ended 31 December 2019 £000
United States	6,170	4,471
China (Hong Kong)	13	0
Spain	**8**	0
	6,191	4,471

3. Expenses and auditor's remuneration

Included in cost of sales and general and administrative expenses are the following:

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Professional fees	**425**	310
Staff costs	**4.051**	2.436
Office costs	**340**	389
Other costs	**777**	949
Depreciation	**15**	7
Admin expenses	**14**	17

Auditors' remuneration

Fees for the audit of the Company for 31 December 2020 was £31.4k, which were incurred in 2021.
Fees for the audit of the Company for 31 December 2019 was £20k, which were incurred and accrued in 2019.

There were no non-audit services provided.

4. Staff numbers and costs

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

	Year ended 31 December 2020	Year ended 31 December 2019
Administration and management	**17**	16

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Wages and salaries	**1,572**	1,292
Bonus	**167**	622
Social security costs	**493**	245
Contributions to defined contributions plans	**78**	76
Share based payments	**1,649**	172
	3,959	2,407

5. Remuneration of director

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Director emoluments	**602**	809
Share based payments	**1,030**	0
Company contributions to money purchase pension schemes	**0**	8
	1,632	817

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £602,332 (2019: £808,717) and Company pension contributions of £0 (2019: £7,811) were made to a money purchase scheme on his behalf.

Retirement benefits for money purchase schemes accrued for one director in 2019. The lifetime threshold on pension was met in August 2019, resulting in nil for 2020.

6. Financial Income

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Bank interest	**1**	1
Net exchange gain	**29**	-
	30	1

7. Financial Expense

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Net exchange losses	-	(77)
	-	(77)

8. Taxation

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Current tax:		
Current tax on profits for the year	**65**	40
Total current tax	**65**	40
Deferred tax:		
Origination and reversal of temporary differences	**62**	22
Effect of change in tax rate on deferred tax	**(10)**	-
Total deferred tax	**52**	22
Tax on profit on ordinary activities	**117**	62

Factors affecting total tax charge for the year/ period

The charge can be reconciled to the profit per the income statement as follows:

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Profit on ordinary activities before taxation	**598**	286
Tax on Profit at standard UK tax rate of 19.00% (2019: 19.00%)	**114**	54
Effects of:		
Non-deductible expenses	**13**	43
Timing differences not recognised in the computation	-	(32)
Adjust closing deferred tax to average rate of 19.00%	-	10
Adjust opening deferred tax to average rate of 19.00%	-	(13)
Remeasurement of deferred tax for changes in tax rates	**(10)**	-
Tax charge for the year	**117**	**62**

Deferred taxation	**Year ended 31 December 2020 £000**	Year ended 31 December 2019 £000
Opening balance	**(87)**	(109)
Fixed asset timing differences	**4**	3
Short term timing differences	**48**	19
Closing balance	**(35)**	(87)

An analysis of the fully potential deferred tax asset, is as follows:

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Tax effect of timing difference because of:		
Decelerated capital allowances	**0**	(4)
Other short term timing differences	**(35)**	(83)
Total deferred tax asset	**(35)**	(87)

The deferred tax asset is expected to be utilised provided the Company makes sufficient taxable profits in the 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 assets as at 31 December 2020 has been calculated at the rate of 19% (2019: 17%). Following the announcement made in the 2021 budget, it is expected 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.

9. Property, plant and equipment

	Computer Equipment £000	Total £000
Cost		
At 1 January	28	28
Additions	15	15
At 31 December 2019	43	43
Depreciation		
At 1 January	17	17
Charge for the year	7	7
At 31 December	24	24
Net book value		
At 31 December	19	19
Cost		
At 1 January 2020	43	43
Additions	31	31
Disposal	(15)	(15)
At 31 December 2020	59	59
Depreciation		
At 1 January 2020	24	24
Charge for the year	15	15
Disposal	(15)	(15)
	24	24
Net book value		
At 31 December 2020	35	35

No capitalised finance costs were included in the cost of tangible fixed assets.

10. Trade and other receivables

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Other receivables	**151**	145
Amounts owed by related undertakings	**6,737**	3,910
Prepayments and accrued income	**73**	53
	6,961	4,108

11. Trade and other payables

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Amounts owed to related undertakings	**2,846**	1,169
Trade creditors	**88**	153
Corporation taxes payable	**2**	(23)
Accruals and deferred income	**984**	572
	3,920	1,871

12. Financial instruments

a. Fair values of financial instruments

All financial assets and financial liabilities with their carrying amounts as shown in the balance sheet are as follows:

	Carrying amount Year ended 31 December 2020 £000	Carrying amount Year ended 31 December 2019 £000
Financial assets measured at amortised cost		
Cash and cash equivalents	**461**	746
Trade and other receivables (note 10)	**6,888**	4,055
Financial liabilities measured at amortised cost		
Amounts owed to group undertakings (note 11)	**2,846**	1,169
Trade and other payables (note 11)	**90**	130

The carrying amounts of financial assets and liabilities approximate their fair values.

Financial risk factors

The Company's activities expose it to a variety of financial risks, including the effects of changes in credit risk.

b. Credit risk

The Company adopts the policy of dealing only with counterparties with appropriate credit history.

(i) Financial assets that are neither past due nor impaired

Bank balances that are neither past, due nor impaired are deposits with banks which have high credit-ratings as determined by international credit-rating agencies. Other debtors that are neither past due nor impaired are substantially companies with a good collection track record with the Company.

13. Share capital

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Allotted, called up and fully paid		
100 Ordinary shares of £1 (2019: 100 shares of £1 each)	**100**	100

As part of restructuring of the Galactic Group, direct ownership of Virgin Galactic LTD, and ownership of the corresponding 100 Ordinary shares of capital of Virgin Galactic LTD was transferred from Galactic Ventures, LLC to Virgin Galactic Holdings, LLC.

14. Share-based payments & Pension scheme

Virgin Galactic Holdings, Inc. (VGH Inc.), the direct parent of Virgin Galactic Ltd., established a share-based payment program. As part of that program, Virgin Galactic Holdings, Inc. grants rights to its equity instruments to Virgin Galactic Ltd. employees, which are accounted for as equity-settled in the consolidated accounts of Virgin

Share Options

VGH, Inc. made a grant of share options to certain employees in connection with the consummation of the Virgin Galactic Business Combination. Twenty five percent of such share options cliff vest at the grant date first anniversary and will ratably vest monthly over the next three years, subject to continued employment on each vesting date. Vested share options will be exercisable at any time until ten years from the grant date, subject to earlier expiration under certain terminations of service and other conditions. The share options granted have an exercise price equal to the closing stock price of our common stock on the grant date. As of 31 December 2020 there were 152,781 shares granted, with a weighted average exercise price of $19.14, and a weighted average remaining contractual life (in years) of 8.44. As of 31 December 2019 there were 535,912 shares granted, with a weighted average exercise price of $11.79, and a weighted average remaining contractual life (in years) of 9.82.

For the years ended 31 December 2020 and 31 December 2019, we recorded £829,345 and £134,788, respectively, of stock-based compensation options expense. At 31 December 2020, the unrecognized share-based compensation related to these share options is £3.5 million and is expected to be recognized over a weighted-average period of 3.1 years. At 31 December 2019, the unrecognized share-based compensation related to these share options was £3.2 million and was expected to be recognized over a weighted-average period of 3.8 years.

Restricted Stock Units (RSU)

For the years ended 31 December 2020 and 31 December 2019, VGH, Inc. granted 383,359 shares and 162,725 shares, respectively, to employees at a weighted average fair value of $19.16 and $7.11, respectively. The RSUs vest over four years with 25% cliff vest at the first year anniversary of the grant date and ratably over the next three years and granted that Virgin Galactic Holdings Inc.'s share price value is greater than $10 per share at the time RSUs vest. Effective March 2020, the $10 per share floor trading requirement was removed. Stock-based compensation expense for the RSUs is recognized on a straight-line basis using the Monte Carlo valuation method for the RSUs granted to employees.

For the years ended 31 December 2020 and 31 December 2019, we recorded £819,961 and £37,411 of RSU expense. At 31 December 31 2020, the unrecognized share-based compensation related to RSUs was £5.7 million and is expected to be recognized over a weighted-average period of 3.6 years. At 31 December 2019, the unrecognized stock-based compensation related to RSUs was £0.9 million and is expected to be recognized over a weighted-average period of 3.8 years.

Pension scheme

The Company pays contributions to a defined contribution scheme administered by Virgin Management Limited, a fellow Group company. At 31 December 2020 and 31 December 2019, the pension cost charged to the profit and loss for the year represents contributions payable by the Company to the scheme and amounted to £77,507 and £75,971.

15. Related party disclosures

The Company's immediate parent was Virgin Galactic Holdings LLC, a US company incorporated in Delaware which is a direct subsidiary of Virgin Galactic Holdings, Inc., a US public company traded on the NYSE. The Company's ultimate parent undertaking was Virgin Group Holdings Limited. whose principal shareholders are certain trusts, whose principal beneficiaries are Sir Richard Branson and/or his immediate family as well as shares held by the general public. The shareholders of Virgin Group Holdings Limited have interests directly or indirectly in certain other companies which are considered to give rise to related party disclosures.

The following is a summary of those transactions and balances between the Company and the related parties which are required to be disclosed under IAS 24.

	Related undertakings	
	Year ended 31 December	Year ended 31 December
	2020	2019
	£000	£000
Debtors	**6,737**	3,910
Creditors	**2,846**	1,169
Revenue	**6,170**	4,471
Purchases	**71**	0

The related undertakings with which the Company transacted during the year were Virgin Galactic Holdings Inc. ,Virgin Group Investments Limited, Virgin Enterprises Limited, Virgin Management Limited, Virgin Holdings Limited, Vieco 10 Limited, Virgin Galactic LLC, Virgin Orbit LLC and TSC LLC.

16. Ultimate parent company

Prior to the merger transaction on 25 October 2019, the company's immediate parent was Galactic Ventures LLC a US company incorporated in Delaware. Following the merger transaction the company's new immediate parent is Virgin Galactic Holdings LLC a US company incorporated in Delaware. The company's immediate parent Virgin Galactic Holdings LLC, is a direct subsidiary of Virgin Galactic Holdings, Inc., a US public company traded on the NYSE.

As at 31 December 2020, the directors consider the Group's ultimate holding company to be Virgin Group Holdings Limited, a company incorporated in the British Virgin Islands, who has a controlling interest based on its share ownership in Virgin Galactic Holdings Inc. The directors consider Sir Richard Branson to be the ultimate controlling party of the Group. The ultimate parent company does not produce financial statements which are available for public use, the next most senior parent that has publicly available financial statements is Virgin Galactic Holdings Inc. whose financial statements are publicly available through the US Securities and Exchange Commission.

17. Subsequent events

On 14 April 2021 Vieco 10 sold 5.6 million shares of common stock in VGH Inc. which resulted in reducing Sir Richard Branson's direct ownership share to 23.6%.