

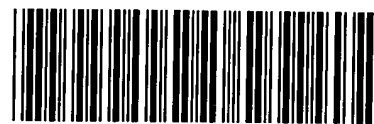
virgin atlantic



See the world differently

2021 Annual Report & Financial Statements

WEDNESDAY



ABDØFØXN

A07

21/09/2022

#160

COMPANIES HOUSE

Purpose and vision

Our Purpose is to ensure everyone can take on the world. Our Vision is to be the *most loved* travel company

By harnessing the power of our people, our purpose and our brand, we will deliver *most loved* journeys for our customers, through thoughtful experiences that feel brilliantly different at every opportunity.



Contents

Purpose and vision	03
Chairperson's statement	06
CEO review	08
CFO statement	16
Our Key Performance Indicators	22
Creating value for our stakeholders	24
Sustainability	28
Risk management	56
Corporate governance	72
Directors' report	76
Directors' responsibilities statement	79
Corporate structure	80
Independent Auditor's report	82
Financial statements	
Consolidated statement of comprehensive income	86
Consolidated statement of financial position	87
Consolidated statement of changes in equity	89
Consolidated statement of cash flows	91
Notes	92
Glossary	145

Chairperson's Statement

At the start of the year, I had hoped to write this report with unbounded optimism, reflecting on great difficulties overcome and much better prospects to come. In a narrow sense, I can still tell that history, but only against the wider background of the global crisis triggered by Russia's invasion of the Ukraine. This has caused significant dislocations in commodity markets, which are bad enough, but also threatens globally the peace and stability, on which commercial aviation depends.

The history of our 2021 was of another year of "full Covid", wreaking havoc on lives and livelihoods around the world. Long haul aviation was a sector particularly badly affected. But it was also the year of the vaccines. The UK vaccine rollout programme was a policy success for the UK government and towards the end of the year, we could finally see the way clear to the resumption of full network operations.

In 2020, we had completed a profound restructuring of our operations alongside a £1.2bn solvent recapitalisation. At the beginning of 2021 we looked forward eagerly to the mass rollout of vaccines. Inevitably, in hindsight, we were over optimistic about the virus. The Delta variant case count shot up. On 6 January, the UK went into lockdown for a third time and for the longest period to date. Restrictions of one sort or another persisted throughout the year. Operating conditions for much of this period were as tough as in 2020 and it generally felt worse, as expectations of a significant improvement based on vaccine rollout were dashed in the short term.

While coping with this, we remained focused on planning ahead for a resumption of more normal operations. Our Leadership Team committed itself to working with our joint venture partners, our competitors, the aviation industry generally and governments in the UK and USA to frame the conditions which would allow an exit from pandemic measures in our key transatlantic market.

Our focus was to demonstrate that the health and safety requirements of our customers would not be compromised if travel resumed, provided that verifiable data on vaccination status could be securely obtained.

Cross-industry collaboration was vital to our efforts in order to provide the momentum and evidence base to enable the UK Government to remove restrictions. Our integrated **FlyReady** digital health tool was launched in June, supported by our partner Delta Air Lines and TrustAssure, alongside a testing partnership with Prenetics, to help customers to navigate the complex regulations and requirements then in place.

In the summer, we united with CEOs from Delta, American Airlines, British Airways, Heathrow Airport, JetBlue and United Airlines to urge UK and US Governments to lift travel restrictions and reopen the vital transatlantic corridor. We launched a proof-of-concept trial, demonstrating that internationally recognised vaccination statuses could be checked easily and effectively and that this would allow safe entry to the UK. This effort directly influenced a crucial policy change which exempted fully vaccinated UK, US and EU citizens from self-isolation. As domestic restrictions eased in the autumn, we continued to lead the way in ensuring the end of the 'traffic light system' as new international travel rules for England came into effect from 4 October.

On 8 November, after 602 days of closure to UK nationals, the US border reopened to vaccinated UK nationals and we were able to reunite families, friends and business colleagues across the Atlantic. To celebrate, we joined forces with our competitor British Airways on an historic dual take-off of the first flights to head to New York as the border opened. Customers responded enthusiastically to the market reopening: demand rose very sharply as passengers were able to book ahead with confidence for the first time in nearly two years.

After the arrival of the Omicron variant in the peak winter booking period (accompanied by the reinstatement of the "red list" for South Africa and Nigeria), cross-industry collaboration was again essential to ensure that the policy response was based on data, proportionate, and short-lived. This was backed by commissioned research showing that, once Omicron had become the dominant strain in the UK, there was no case for travel restrictions at all.

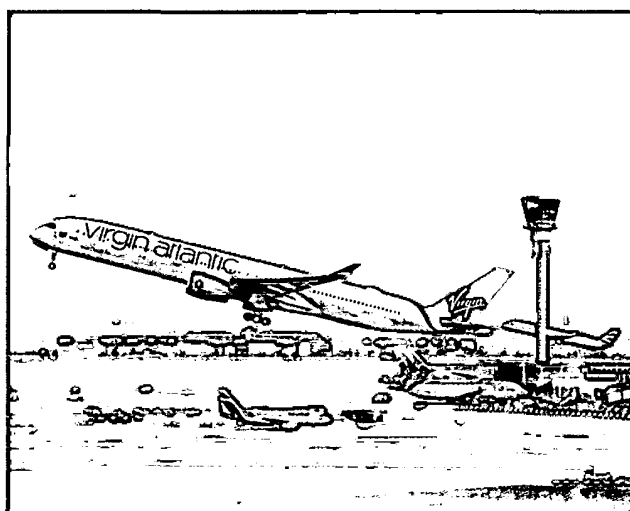
Chairperson's statement *continued*

The long hiatus in operations from January through to the last quarter meant that we once again had to restructure financially in order to absorb significant cash losses. In December, 2021, we completed a £400m new investment from shareholders, Virgin Group and Delta Air Lines. Throughout, our shareholders and creditors have been a source of unwavering support to the airline. The new shareholder investment and creditor support positioned Virgin Atlantic to emerge from the pandemic in a strong financial position, ready to capitalise on market opportunities, bolstered by the re-opening of US borders and strong bookings for Easter and Summer 2022.

The restructuring comprised:

- £400m new investment from Virgin Group (51%) and Delta Air Lines (49%);
- Creditors continuing to support the airline with £200m reduction in cash burden through 2024;
- Full support of credit card acquirers (Merchant Service Providers);
- Fully financed new aircraft deliveries through Q2 2024, on track to reach a 100% next generation, fuel efficient fleet in early 2027, reinforcing our commitment to sustainable air travel.

The resumption of flying has allowed us to bring back 99 pilots and 724 cabin crew from our holding pool in 2021, something we had committed to doing as soon as possible in the reorganisation of 2020, when we sadly had to reduce headcount so drastically. Overall, the very low level of flying for most of the year meant that our 2021 financial result was a second year of significant loss, albeit much reduced in comparison to 2020. Passenger numbers and revenue compared to the first Covid year in 2020 fell by 7% and 1% respectively. We carried 1.1m passengers in 2021 compared to nearly 6m in 2019. Passenger revenue was £410m compared to more than £2bn in 2019. Crucially, however, our cargo operation continued to break records amid global supply chain issues, exacerbated by Brexit, growing revenue by nearly 40% to £448m, and our losses for the year were £378m lower than in 2020.



Chairperson's statement

Chairperson's Statement

continued

Operating in a pandemic can never be straightforward, as Omicron demonstrated, and now we have also to confront the multiple uncertainties engendered by the Russian war on Ukraine. Nevertheless, we remain optimistic for ourselves and the world as a whole, given much-needed goodwill and cooperation among nations. We plan to return to be *sustainably profitable* in 2023, driven by a recovery in air travel demand and more than £300m of cost savings, already delivered in the 2020 restructuring. Currently, pent up demand for business and leisure travel is delivering significant growth in customer bookings. It is too early to forecast the duration of this trend. Quite apart from the political uncertainties of the situation, there will be a very challenging economic environment for consumers in 2022. Inflation generally has been high and the recent hike in oil prices caused by the Russian war can only add to this in the overall economy and in particular in the cost of air travel.

Now that Britain is open for business, I am delighted that our Chief Executive, Shai Weiss is joining the Prime Minister and Chancellor of the Exchequer's Business Council for 2022. He will ably represent the aviation sector, which has so much to contribute to the UK's economic recovery.

It is testament to the commitment and support of our people, our customers, our partners and our shareholders that Virgin Atlantic ended 2021 in a position to make a full recovery from the pandemic. The support they have shown and their unequivocal confidence in our survival has been fantastic. We cannot thank you all enough.

On behalf of Board and shareholders, I give our most profound thanks and appreciation to every single employee of Virgin Atlantic under Shai Weiss' inspiring leadership. They have shown resolute commitment to ensuring survival and preparation for recovery. 2021 delivered very many challenges, in the air, on the ground and at home. Your belief in our future is humbling. Now, with recovery within reach, we look forward to a speedy resolution of the international political crisis, the meaningful return of international travel at scale and better times ahead for all at work and at home.

Peter Norris





CEO Review of 2021

The Covid-19 pandemic presented the biggest crisis since the Second World War, impacting lives, economies and communities globally. Aviation was one of the first industries to be affected and will be one of the last to fully recover. As a long-haul carrier focused on the Atlantic, arguably Virgin Atlantic faced the greatest challenge of all.

2021 started with hopes for recovery, following the successful privately funded £1.2bn solvent recapitalisation of the airline in September 2020, underpinned by more than £300m fully delivered annual and structural cost savings. However, on 6 January, England entered a third national lockdown, following the rapid spread of the Delta variant. With restrictions in place and customer demand impacted, the year became even more challenging than previous, despite the vaccine rollout.

Subsequently, we had to do more to shore up our balance sheet, with the completion of £300m of financing in the first quarter of 2021, including the financing of two Boeing 787s. We reset our plans, knowing that recovery had been delayed and continued to be guided by the mission of ensuring Virgin Atlantic's survival. We dared to think ahead by expanding our focus to include *love* and *profitability*.

Persistent volatility in international travel throughout the year, fuelled by ever changing travel restrictions and testing requirements, resulted in statutory losses of £486m, a 7% decline in passenger numbers and small decline in passenger revenue - against 2020 to £410m from £415m, with an improvement in November as our heartland destinations in the US opened up to UK travellers.

Despite travel restrictions, flying to India, Pakistan, Nigeria and leisure markets such as the Caribbean, performed well. Demonstrating our agility, we expanded across the Caribbean, launching new routes from London Heathrow to St Vincent and the Grenadines, The Bahamas and restarted our St Lucia route. We relocated our home in Scotland from Glasgow to Edinburgh and connected it directly with Barbados and Orlando. With a strong heritage in premium leisure, we enter 2022 positioned to capitalise on leisure demand as travel at scale returns. Meanwhile, we will continue expansion in our US heartland, starting with the launch of a direct route from London Heathrow to Austin, Texas in May 2022. The first new US destination to be added to our network since 2015.



CEO Review *continued*

For the second year in a row, our cargo team delivered a record performance. They operated 1,633 cargo only sectors, delivering £448m in revenue, representing a 40% increase on 2020 performance and 209% increase on 2019 performance. Cargo continued to play a vital role in ensuring Personal Protective Equipment and testing kits were transported from China into the UK, and we were able to send oxygen concentrators to India. Seizing the opportunity, cargo-only flying expanded from London to Brussels and Frankfurt, and to Evanes for the first time in February, carrying seafood and salmon from Norway.

Much of the year was spent campaigning with our industry partners to open the skies, specifically the transatlantic corridor, which underpinned trade worth \$273bn in 2019¹. Frameworks for easing of travel restrictions were developed, data to evidence how international travel could restart safely was commissioned and presented to US and UK governments. In parallel, many of our people volunteered as vaccinators to assist the rollout of the UK's world-leading vaccination programme.

For our customers and people taking to the skies, their health and safety, as ever, remains our number one priority. Our Fly Safe, Fly Well programme encompassed a comprehensive set of multi-layered measures in place across the customer journey, offering the highest standards of health protection and peace of mind at the airport and onboard. Recognising our efforts to ensure customers remained in safe hands, we were awarded Diamond Status by APEX/ SimpliFlying in January 2021. As Covid-19 becomes endemic, we maintain an unwavering commitment to health and safety.

We galvanised leaders in aviation and travel ahead of the G7 conference to push for the reopening of the UK - US travel corridor, urging both governments to take a data-driven and risk-based approach to re-opening borders to travel. Finally, on 20 September, US government announced that borders would be opening to vaccinated UK passengers from 8 November, resulting in a surge in customer demand for US flights and a 600% increase in bookings week on week.

¹ Office of the US Trade Representative



2021 Airline of the Year

Recent awards

Virgin Atlantic was voted **Britain's only Global Five Star Airline by APEX** – Airline Passenger Experience Association for the fifth year running in the Official Airline Ratings. We also received **Diamond status**, the highest possible standard by APEX and SimpliFlying, for delivering the highest standards of cleanliness and demonstrating an unwavering commitment to keeping our customers and teams safe.

We were awarded **2021 Airline of the Year at the Travel Industry Awards**, rated by sponsor TTG Media's travel agent audience.

CEO Review *continued*

CEO Review of 2021

continued

On November 8, we celebrated the momentous reopening of the US border with an historic dual take-off with British Airways at Heathrow, waving off the first passenger flights carrying customers to New York City, witnessed by film crews and news outlets. The event reached 160m globally and achieved the highest brand love score on record.

In November, world leaders congregated in Glasgow at COP26, the UN Climate Change Conference. Global warming and the imperative to decarbonise represents the greatest challenge of our lifetime. It is multi-generational, multi-faceted and will require the collective drive and continuous action of governments, businesses and consumers if we are to act with the urgency and impact that is needed in the next decade. Aviation is one of the seven hardest to abate sectors and sustainability leadership is mission critical.

Reinforcing our commitment to sustainability through innovation, transparency and accountability, we announced our sustainability manifesto and with it, carbon targets to achieve net zero by 2050:

By 2026: 15% gross reduction in CO₂/RTK achieved through continued fleet transformation and operational efficiency

By 2030: 15% net reduction in total CO₂ emissions, including 10% of fuel sourced from sustainable aviation fuel

By 2040: 40% net reduction in total CO₂ emissions

In addition, Virgin Atlantic is partnering to support commercialisation of technology solutions across the energy and aviation value chain including Sustainable Aviation Fuels (SAF) producer LanzaTech, direct air capture and storage innovator Carbon Engineering and eVTOL OEM Vertical Aerospace. These actions are already underway as part of our four year strategic plan which will help to accelerate commercialisation of technologies and help to reduce the airline's CO₂ footprint.

For airlines, the single biggest action we can take is investing in fleet transformation. The imperative to decarbonise will re-shape us and we will go further than anyone else to seek out and support innovation at the edges of today's horizons. Removing carbon from air. Electric aircraft that take off vertically. Fuel from waste. We will not stop.

The year ended with shareholder investment of £400m in December, setting us up for recovery in 2022 and positioning us to withstand further downside scenarios. The belief our shareholders have shown in our future has been a constant source of support and we owe them deep gratitude. Our survival was realised through commitment and dedication, drive and camaraderie. Individually and as a unit. Our people and our partners made the impossible possible and I am proud to lead this team.

Velocity_x

2022 marks the beginning of our four-year plan, Velocity_x, powered by the twin engines of our vision to become the *most loved* travel company and *sustainably profitable*. Building on the structural transformation of Virgin Atlantic, combined with a laser sharp focus on our mission to get back to our very best for our people and customers.

At Virgin Atlantic, we are driven by the belief that everyone can take on the world. It's more than just a mindset, it's our unifying purpose and our North Star, recognising the role that we play in connecting countries, families, businesses and loved ones. Creating meaningful journeys for both our people and customers because we do it differently. Bold in our ambition, uncompromising in our service and grounded in the responsibility we must do better for our planet.

Our people continue to be our greatest strength, creating the journeys our customers love. For our customers, we know that the touchpoints that matter most and the experiences that differentiate Virgin Atlantic, are driven by our people. In Velocity_x, we will empower our people to bring their true selves to work, elevating individual and collective belonging and rewarding for performance.



CEO Review of 2021 *continued*

Making a difference in our people journeys is what drives the customer journeys that set us apart. In December, we were awarded the APEX 5* Global airline rating for the fifth year in a row, making us the only British airline to achieve the milestone. Maintaining this rating during the most challenging period in our history is testament to the efforts of our teams on the ground and in the air, to delight our customers every single day.

We are on a mission to invest in the Virgin Atlantic brand and expand its reach; Virgin Atlantic Airways, Virgin Holidays and Virgin Cargo will sit as hero products under the single unified master brand, Virgin Atlantic. Defining Virgin Atlantic for the next generation, winning new customers and driving revenue growth. That journey starts with putting purpose and personalisation at the heart of everything we do.

Many customers are now choosing to fly for the first time in two years and we know we have an opportunity to reward their loyalty. Once customers try us, they fly with us again. Velocity_x expands and improves our loyalty proposition, offering more tailored, rewarding and relevant ways to engage with Virgin Atlantic, with other Virgin Group companies and with a growing number of other exciting partners through Virgin Red. We will continue to lead the way with innovative rewards for customers across their journey.

From thinking, searching and booking Virgin Atlantic for the first time to creating greater value for those customers that return to us, we will extend our award-winning experience across the end-to-end journey. We will measure, monitor and act across the touchpoints that matter most, supported by a focus on digital, data and innovation, offering a seamless digital journey.

During the last two years of pandemic, Virgin Atlantic has delivered the transformation of its cost base, setting the foundation for sustainable profitability. Delivering structural, recurring annual cost savings of more than £300m, equivalent to 16% of addressable costs. Velocity_x requires continued focus on cost discipline, ensuring that we hold ourselves to account on the productivity and efficiency improvements we have made.

With a consolidated operation at London Heathrow and increased utilisation across our fleet, we have not only improved the efficiency of our global network but have set the foundations for profitable growth. In 2022 we will operate the same number of sectors as in 2019 with six fewer aircraft. Rebuilding our core network with our transatlantic Joint Venture with Delta Air Lines and Air France and KLM at its core, offering seamless connectivity across the transatlantic to global cities.

Following the early retirement of our four-engine aircraft at the outset of the pandemic, Virgin Atlantic has operated a twin engine fleet since April 2020. It remains one of the youngest fleets across the Atlantic with an average age of 7 years and 68% next generation. In Velocity_x, we will go further, welcoming a further five A350-1000s and introducing the A330-900 from Winter 2022. By 2027 100% of our fleet will be next generation. Not just one of the youngest but, vitally, one of the most fuel-efficient fleets in the skies.

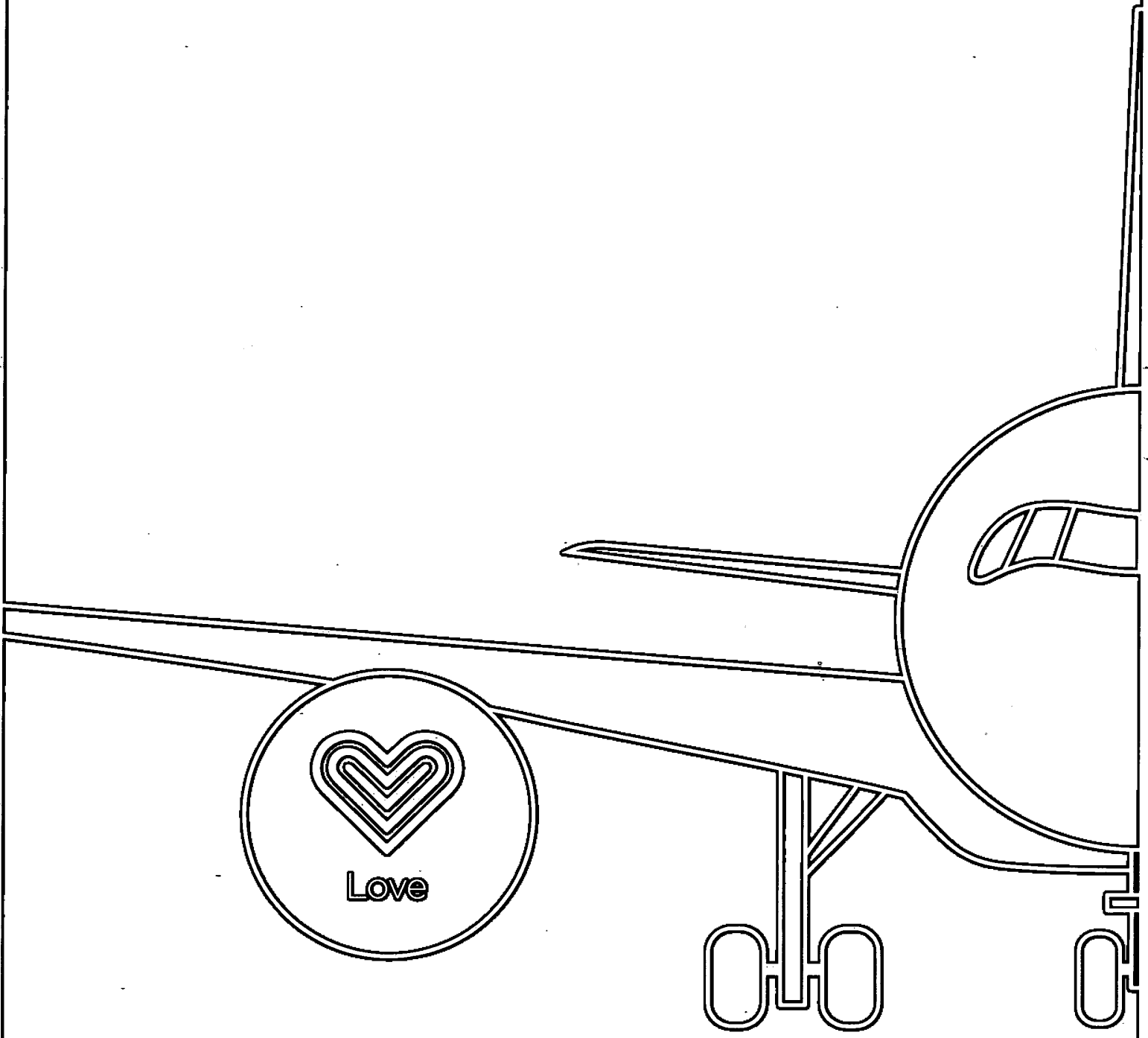
Now we turn our focus to the opportunity ahead and look forward to 2022 as a year of transition, from survival to recovery and on to profitability by 2023. A pivotal year when we prove The Plan works. While we have learned we can't predict the future and there will be significant challenges ahead, the outlook is full of promise. 2022 will be the year we get back to our very best for our people and our customers, with the continued support of our shareholders, Delta Air Lines and Virgin Group, to whom we owe sincere gratitude.

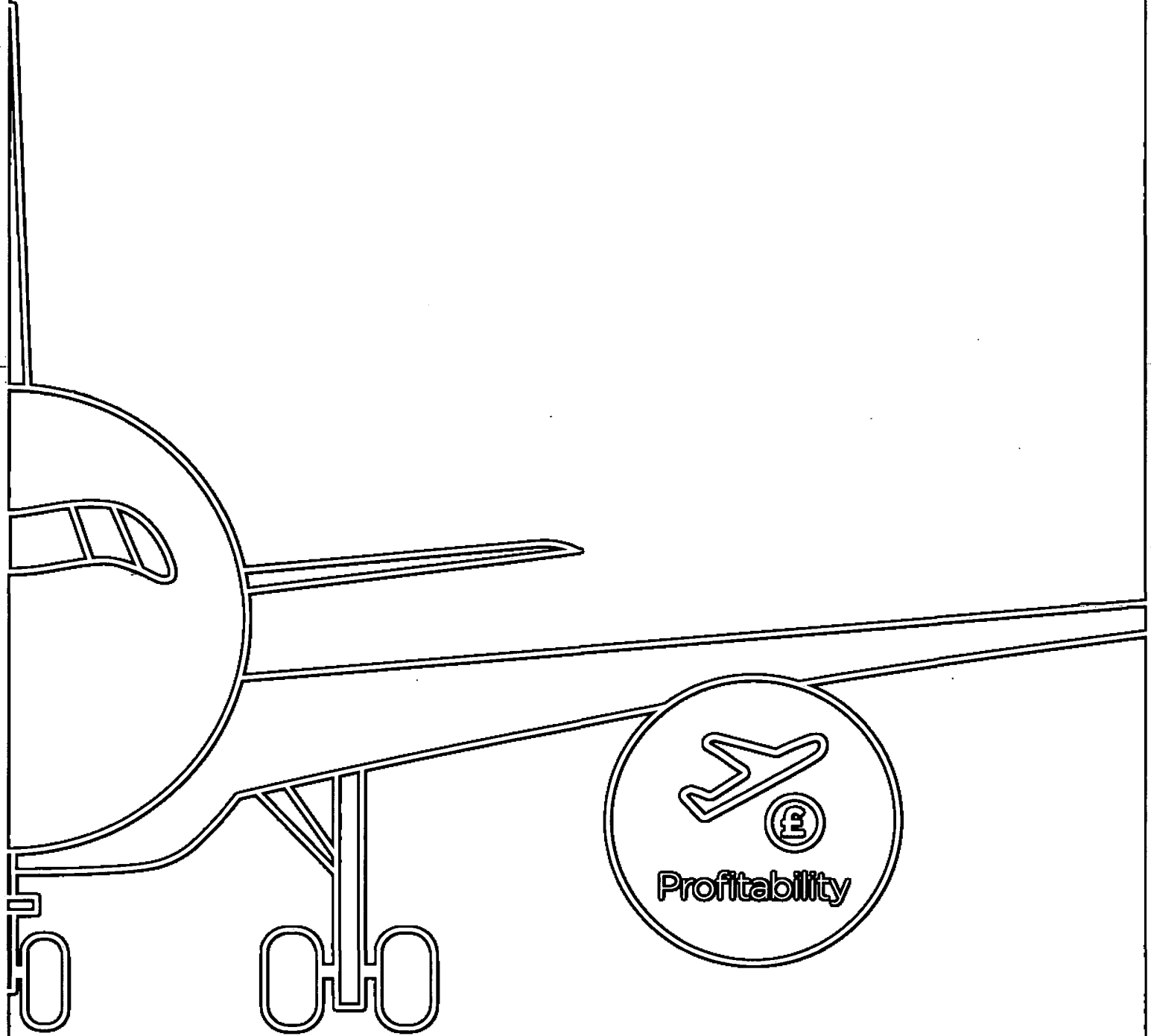
The most important words of heartfelt thanks go to each of my colleagues. It is to them I want to say a special thank you for standing tall and demonstrating the most impressive team spirit I have seen. With the unwavering commitment and belief of our people, our customers, our partners and our stakeholders, together we have ensured Virgin Atlantic will continue to play a vital role in the recovery of the UK economy, proudly flying and reuniting families, friends and colleagues around the globe for decades to come.

Shai Weiss

Our promise

To create thoughtful experiences
that feel brilliantly different,
at every opportunity.





CFO Statement

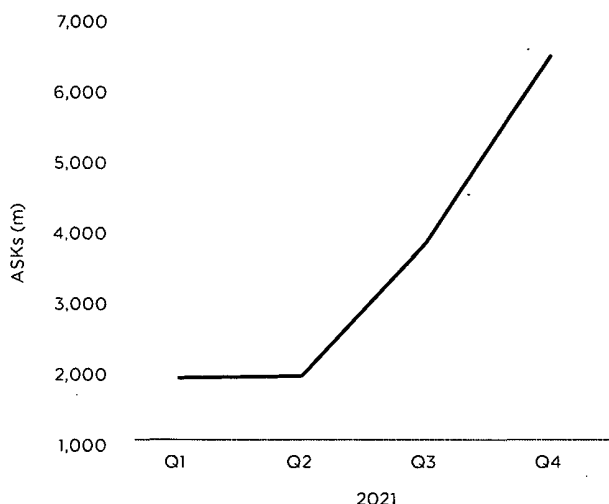
Our financial results for 2021 once again reflect the immense challenges that the airline industry has faced from the Covid-19 pandemic. The year was more challenging both operationally and financially than anticipated, with the emergence of new Covid variants and continuation of international travel restrictions severely impacting the demand for air travel.

Throughout 2021, we continued to campaign for the gradual and safe reopening of the skies, remained disciplined in our capacity management and kept a laser sharp focus on our cash flow, reducing fixed costs and capital expenditure. In total, £673m of new capital was raised during the year with the support of our Shareholders and partners.

Financial performance

Our financial results remain significantly down on 2019, yet the green shoots of recovery are beginning to show, with our full year revenue 7% up on 2020, and underlying EBITDA improved by £94m.

ASKs by Quarter 2021



The first three quarters of the year were characterized by planning and awaiting our ramp up to full operations. As travel restrictions continually evolved, we acted dynamically, iterating our operational and financial plans to ensure costs were appropriately managed. Throughout, our cargo operation remained consistent, comprising over 70% of revenue in Q1-Q2.

The fourth quarter marked a clear turning point with the announcement on 20 September of the reopening of the US borders from November leading to a surge in bookings. We celebrated the return to the US after twenty months of closure on 8 November with our passengers, people and partners on board and in our airports.

For 2021 we recorded an operating loss before exceptional items of £417m, a £94m improvement on 2020 yet £491m worse than 2019, and a statutory loss before tax of £487m.

New capital raised

Throughout the year, we remained focussed on ensuring the continued success of the Group and on managing our cash flows to ensure we are best poised for recovery and growth. Following the successful privately funded, solvent recapitalisation in September 2020 we closed several financings in 2021:

- In January, completing a transaction relating to two of our Boeing-787 aircraft raising \$230m of proceeds, bolstering our balance sheet at the low point of the crisis and repaying debt;
- In March, an additional package of support, comprising of £97m from our Shareholders and £63m from our creditor groups was realised;
- On 13 December, we completed a £400m investment from our Shareholders, bringing total capital raised in 2021 to £673m.

Our creditors continued to show their full support with a £200m reduction in cash burden through 2024.

CFO statement *continued*

Cash management

Throughout the pandemic, preserving liquidity has been of primary importance to the Group, and has been achieved through:

- **disciplined capacity management** ensuring only flights contributing positively to cash were flown;
- **minimised cash burn**, through reducing fixed costs and capital expenditure;
- **maintaining sufficient liquidity**, through raising new capital.

Our closing cash balance for the year stands at over £580m, a net increase of almost £400m on our 2020 closing balance. The strengthened cash balance positions the Group for recovery in 2022 and to take on growth opportunities as they arise.

Cost control

Significant action was taken throughout 2020 to reduce our cost base, delivering a £300m recurring reduction to operating costs.

These actions comprised:

- consolidating our network at Heathrow and Manchester, whilst maintaining the option to restart at Gatwick once demand recovers;
- simplifying our fleet, retiring all our four-engine aircraft and planning for an all "next generation" fleet by 2027;
- Reducing our headcount by over 40% but retaining a holding pool for over 1,800 crew. To date we have bought back over 1,100 from the holding pool;
- Unifying the Virgin Atlantic and Virgin Holidays brands under one master brand; Virgin Atlantic Holidays¹ offers an aligned brand to customers with efficiencies across marketing and operations.

Throughout 2021 we have monitored the performance of these cost savings and expect the full value to be realised once capacity returns to a pre-pandemic level.

Capital Investment

Whilst we have deferred significant amount of capital investment, the entry into service of our Airbus 350-1000s continues, with eight now flying, and we will take delivery of our first three Airbus 330-900s in the second half of 2022. We remain committed to flying one of the youngest and most fuel-efficient, long-haul fleets in the sky; our fleet plan sees 100% next generation aircraft by 2027.

With innovation and sustainability leadership firmly in our DNA, we also announced a partnership with Vertical Aerospace to pioneer sustainable and zero emissions air travel in the UK. Our partnership includes an option to acquire up to 150 electric Vertical Take-Off and Landing (eVTOL) aircraft and exploration of a joint venture to bring short haul, electric vehicle connectivity to cities and our UK airport hubs.

¹ Virgin Holidays Limited shall be trading as Virgin Atlantic Holidays under our unified brand.

CFO statement *continued*

CFO Statement

continued

Financial results and key metrics¹

£m	2021	2020	2019
Revenue	928	868	2,927
Statutory loss	(486)	(864)	(55)
PBTEI	(594)	(655)	(22)
Underlying EBITDA	(166)	(260)	340
Underlying EBIT	(417)	(511)	74
Underlying EBIT Margin (%)	(45)	(59)	3
Total sectors	13,593	10,601	23,551
Cargo only sectors	1,633	3,897	0
ASK (km bn)	14.18	13.04	48.83
Passengers (000)	1,104	1,192	5,877
Load factor (%)	49.3	61.1	81.1
PRASK (p)	2.89	3.18	4.27

Passenger revenue

Passenger revenue declined slightly against 2020 to £410m from £415m, driven by the ongoing travel restrictions throughout 2021 and reflecting a full 12 months of Covid-19 impact. Total passenger numbers were down 7% on 2020 and average load factors down 12% points.

With restrictions easing in to the summer months, passenger demand increased, mainly driven by improving Caribbean traffic and strengthening US point of sale, with the announcement that vaccinated US travellers were no longer required to quarantine upon arrival into the UK.

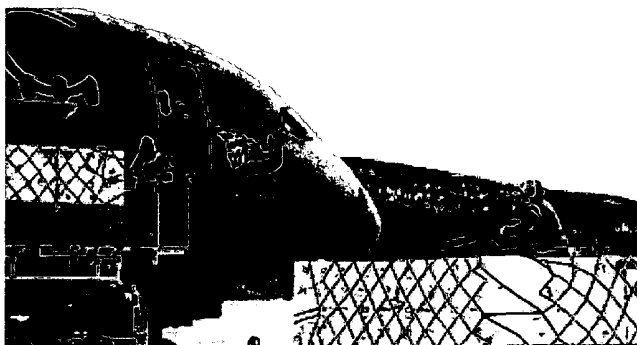
The announcement of US borders opening on 8 November caused the most significant increase in passenger booking volumes, with load factors of over 90% on outbound US routes in the first week post opening. Passenger numbers increased 95% between Q3 and Q4, with performance holding strong throughout December, despite a slight dampening of demand with concerns over the Omicron variant.

Cargo revenue

Our Cargo operations were the standout performer again in 2021, with revenues up 40% on 2020 to £448m and 209% up on 2019, finishing ahead of passenger revenues for the first time in Virgin Atlantic's history. This performance was driven by our agile business model in a market constrained by capacity, increasing demand and supply chain congestion which pushed prices and load factors to historically high levels.

Cargo-only flights remained key to the airline in 2021, accounting for 46% of the flying programme, with new routes being launched throughout the year from both our bases at London Heathrow and Frankfurt and Brussels.

Despite a sharp drop in sectors flown and reduced capacity - down 42% and 28% on 2020 respectively, traffic increased 4% on 2019, reflecting better utilisation of our inventory, with load factors improving by 28% on 2019.



¹ Refer to Alternative Performance Measures on pages 138 to 143 for definitions and reconciliations of these metrics

CFO statement *continued*

The gradual return of passenger belly capacity in the market, wasn't enough to overturn the price trend, with unit prices strengthening throughout the year and reaching new highs during Q4 peak season. Overall prices finished 4% ahead of 2020 and 139% up on 2019.

Virgin Atlantic Holidays¹

Virgin Atlantic Holidays revenue was down 34% at £63m for the year, just 10% of 2019 revenue as the majority of our destinations were on either red or amber UK travel lists, with tight inbound passenger and in-resort restrictions. Overhead and distribution costs were reduced by 26% on 2020, as a result of the streamlined operations under the unified brand programme as well as reduced store operating costs due to the closure six of our standalone stores and two V-Room lounges, leaving thirteen stores remaining, as well as our Next retail concessions.

Fuel costs

Physical fuel costs of £270m were up 46% on 2020 as a result of increased oil prices following the price collapse during the height of the pandemic in 2020. Gains of £19m were made on maturing fuel price protection hedges, against losses of £105m in the prior year. As we look ahead, we are gradually increasing our hedging cover to return to our pre-pandemic hedging policy. Our fuel hedging gains, coupled with foreign exchange gains are presented as fair value gains on derivative contracts within our income statement.

Aircraft costs

Aircraft and engineering costs together totalled £253m, flat on 2020. Aircraft costs of £156m were down on the £183m recorded in 2020, which included £25m of costs relating to the Boeing-747 fleet exit. On an underlying basis aircraft operating costs remain flat year on year. These remain significantly below 2019 levels of £351m. Engineering costs have remained flat year on year: £97m (2020: £100m), largely driven by a reduction in engine maintenance provisions for aircraft that left the fleet in 2020, offset by higher total care costs arising from the increased sectors flown.

Other non-fuel costs

Non-fuel, non-aircraft costs of £749m were almost 30% lower (£305m) than 2020 which included £100m of costs relating to the restructuring and write downs taken as a direct result of the pandemic. The restructuring unlocked ongoing savings which are reflected in this performance; a streamlined fleet and the exit of Gatwick, retail and back-office efficiencies, as well as employee costs. The full impact of these savings is masked by the impact of the Coronavirus Job Retention Scheme (CJRS), which resulted in credits of £22m vs £70m in 2020.

Finance costs

Finance costs of £200m were £52m higher than 2020, reflecting a full year of the external and shareholder debts that were taken on in 2020. Lease interest was 14% up on 2020 reflecting a full year of interest on the aircraft acquired in the last part of 2020, as well as the sale and leasebacks of two previously owned B787s completed in January 2021.



¹ Virgin Holidays Limited shall be trading as Virgin Atlantic Holidays under our unified brand.

CFO statement *continued*

CFO Statement

continued

Balance sheet, cash flow and financing

£m	2021	2020	2019
Cash from operating activities from/(used in)	32	(713)	217
Cash used in investing activities from/(used in)	74	(32)	(558)
Cash from financing activities	282	492	317
Cash increase/(decrease)	388	(253)	(25)
Effects of exchange rate	(1)	15	(15)
Unrestricted cash	502	115	353
Total cash	589	191	449
Debt	(2,902)	(2,479)	(2,215)
Net debt	(2,314)	(2,288)	(1,766)
Net (liabilities)	(896)	(576)	(190)

Adjusted balance sheet metrics

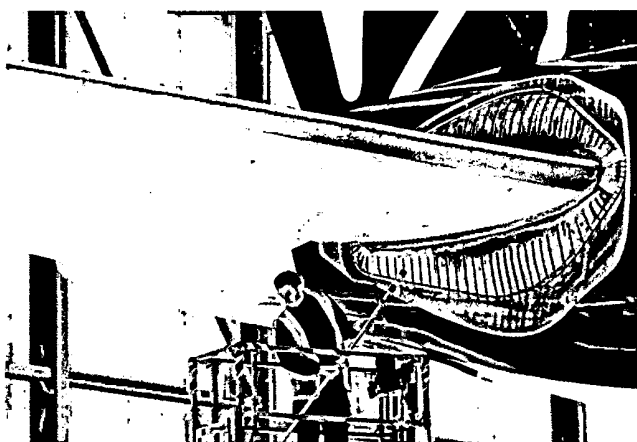
£m	2021	2020	2019
Reported net (liabilities)	(896)	(576)	(190)
Slot portfolio valuation (fair value, less cost)	407	437	350
Adjusted net (liabilities)/assets	(489)	(139)	160
Adjusted free cash	588	128	423

Results for the year

The statutory loss after tax for the year was £486m, an improvement of £378m on the losses recorded in 2020. EBITDA loss for the year was £166m, again up on the £260m recorded in the prior year and EBIT loss for the year was £417m versus the £511m seen in 2020. The improvements seen in 2021 are testament to the decisive action taken in 2020, resulting in a resized, reshaped Virgin Atlantic, poised for recovery and growth.

Cash at the end of the year totalled £589m vs £191m in 2020, including £87m (2020: £77m) of restricted cash, but excluding £86m (2020: £13m) of unremitted cash which is recognised within our receivables balances. The increase reflects the £400m investment from our shareholders, as well as net positive operating cashflows driven by an improvement in underlying EBITDA of £94m.

Net cash from investing activities of £74m (2020: £32m outflows) reflects the sale and leasebacks of the B-787s in Q1 as well as a strong focus on cash control measures and deferral of capital expenditure employed throughout the year.



¹Refer to Alternative Performance Measures on pages 138 to 143 for definitions and reconciliations of these metrics

CFO statement *continued*



Cash inflows from actions taken during the year totalling £282m related principally to the shareholder investment, offset by repayment of leases of £171m and repayment of other borrowings of £95m.

Long term borrowings rose as a result of the financing activities and further deferrals agreed with our creditors. Deferred revenue is up 82% on 2020 as travel restrictions have lifted and customers regain confidence in booking for their 2022 holidays. A portion of our long-term borrowings are secured against our UK slot portfolio which had a year-end market value of circa £500m.

Outlook

In the first quarter of 2022, the positive signs of recovery are certainly beginning to show with the abandonment of UK inbound travel testing requirements announced from 11 February which should boost customer demand.

Our Shareholders' investment of £400m in December 2021 has bolstered our cash reserves providing further protection against macro-economic shocks.

However, the ongoing impact of Covid-19, rising inflationary and fuel costs and the increasing geo-political instability create significant uncertainties and Virgin Atlantic is not able to provide certainty that there will not be a more severe downside scenario.

If such a scenario was to occur, Virgin Atlantic would need to take further actions to ensure sufficient liquidity and protect our balance sheet beyond what has been achieved to date. Please see note 3 'Basis of Preparation' for more information.

We are closely monitoring the situation in Russia and Ukraine and at time of writing, continue to operate to the majority of flights to Asia, taking account of the airspace restrictions and disciplined focus on operating cash positive contribution flights.

Our discipline and focus on cost and liquidity management will continue throughout 2022 and beyond, to ensure we deliver and capitalise on our Velocity_x plan, as we enter a new chapter in our story, and fulfil our vision of becoming the *most loved* travel company, as well as *sustainably profitable*.

Oliver Byers
Chief Financial Officer
25 March 2022

Key Performance Indicators

Our Key Performance Indicators

Key Performance Indicators

The directors have outlined below the key performance indicators that they rely on to manage the business. These key metrics focus on volume, efficiency and cost performance within our business operations. The financial indicators are stated at constant currency.

Virgin Atlantic

	2019	2020	2021	YoY
Passenger numbers (m)	5.9	1.2	1.1	-9%

A key volume measure used to assess volume growth and relative market share. Calculated as the total number of passengers who flew on Virgin Atlantic aircraft.

	2019	2020	2021	YoY
ASK (km m)	48,832	13,043	13,985	+7%

An industry standard measure of passenger carrying capacity. Calculated as the number of available seats in each flown sector multiplied by the sector distance in km.

	2019	2020	2021	YoY
Sectors	23,551	10,601	13,593	28%

An industry standard measure of capacity. Calculated as the number of one-way revenue flights flown between two points.

	2019	2020	2021	YoY
PRASK (p)	4.2	3.2	2.9	-9%

An industry measure of operational efficiency that encompasses both passenger yield and load factor performance. Calculated as the total passenger revenue divided by total ASKs.

	2019	-2020	-2021	YoY
Load factor (%)	81	61	49	-12pts

An industry standard capacity utilisation measure that assesses how efficiently we fill our aircraft seats. Calculated as the total number of passengers divided by total available seats.

	2019	2020	2021	YoY
Fuel CASK (p)	1.4	2.2	1.9	-14%

A key fuel metric. Fuel CASK (p) measures our unit fuel spend and assesses our aircraft fuel efficiency and fuel hedging effectiveness. Calculated as the total fuel spend divided by total ASKs.

	2019	2020	2021	YoY
Non-fuel CASK (p)	3.3	7.7	7.0	-9%

Our key volume-adjusted operational cost metric that indicates our cost control performance excluding fuel. Calculated as the total operational costs and overheads (ex-financing costs) divided by total ASKs.

Virgin Atlantic Holidays

	2019	2020	2021	YoY
Total customers ('000)	390	59	33	-44%

A key measure of volume and activity which drives holiday revenues. Calculated as the total number of customers served in the year, across all holiday types.

Key Performance Indicators *continued*

	2019	2020	2021	YoY
Contribution (£m)	5.5	(39.2)	(35.9)	-8%

This represents the operating margin achieved by the Holiday business from its travel and package holiday operations. Calculated as the profit before tax and exceptional items (PBTEI) contribution.

Virgin Atlantic Cargo

	2019	2020	2021	YoY
Tonnage (m)	227	156	207	+33%

Utilisation of bellyhold cargo capacity helps drive overall profitability of the airline. Calculated as the revenue generating chargeable weight carried on VA Cargo's network measured in kg.

	2019	2020	2021	YoY
Yield (£/kg)	0.94	2.05	2.16	+5%

Used to measure revenue performance (£) per kilogram carried on VA Cargo's network. It's a measure of pricing execution that has a direct impact on the overall profitability of the business.

Our business

Virgin Atlantic Limited comprises three principal lines of business: Virgin Atlantic Airways, Virgin Atlantic Cargo and Virgin Holidays.

Virgin Atlantic Airways uses a mixed fleet of Airbus and Boeing aircraft to carry passengers to destinations across North America, the Caribbean, Africa, the Middle East and Asia from its main bases in London and Manchester, with award winning clubhouses at six airports worldwide.

Virgin Atlantic Cargo trades and retails the bellyhold capacity of Virgin Atlantic's cargo-friendly fleet, connecting manufacturers, growers, retailers and consumers across the globe. It has the ability to transport specialist and time-critical cargo such as the most temperature-sensitive pharmaceuticals, fresh food and flowers.

Virgin Holidays offers predominantly package holidays to destinations worldwide for customers principally in the UK. It has significant market positions in holidays to major US destinations including Florida and to the Eastern Caribbean. The business offers holidays through online, call centres and retail stores across the UK. Over 91% of Virgin Holidays customers also fly on Virgin Atlantic planes. As part of our unified brand ambition Virgin Holidays will be trading as Virgin Atlantic Holidays.

Creating value for our stakeholders

Our people

At 31 December 2021 we had over 6,500 people based in the UK and in key destinations around the world. Of this, 10% were pilots and 46% cabin crew.

How we engage: We promote a transparent, two-way multimedia communication approach with our people, utilising an enterprise social media platform; Workplace from Facebook. Workplace provides an open forum where our people regularly contribute, keep up to date on the newsflow of the company, and can engage in discussions with their colleagues and leaders. This includes a highly active 'Ask Shai' CEO Q&A group, a weekly CEO blog and regular 'in conversation' sessions with senior leaders. We engage in formal communications with our people through trade union and employee committee representation.

In 2021: Effective communication with our people has been critical given the uncertainty of the pandemic and the impact it has had on all our working and personal lives. We have provided a wide range of support for employees' (Covid-safety in particular), and their physical and mental well-being, regardless of work location. We have been very conscious of the challenges of homeworking and periods where many of our team were on furlough, while others were working intensively to respond to the rapidly changing environment. To support those returning from furlough we launched our 'reConnect' programme, recognising that the company has changed significantly through Covid, supporting colleagues to settle back into work in a positive way.

Customers

Our customers are at the heart of everything we do. We served over 1.1 million airline passengers and over thirty three thousand holiday makers.

How we engage: Virgin Atlantic has built its reputation on unique and individual customer experience and engagement. As well as our people's direct personal engagement every day, we listen to our customers through a range of satisfaction and market research surveys, with NPS being a key measure of success used across the company.

In 2021: Covid-19 safety and the impact of changing Government travel guidance has been of huge concern to our customers. We put in place a range of measures to address these. Our 'Fly Safe, Fly Well' programme ensured a highly bio-secure on-board environment; we provided flexible booking policies and greatly increased the resources in our call centres and programmes to respond to requests for flight changes and refunds. We worked closely with our corporate and travel trade partners to ensure close dialogue as we navigated the changing landscape.

As travel resumed, we recognised the changing expectations of our customers and sought to protect the experience by returning our onboard offering towards pre-pandemic levels, where safe and appropriate to do so. We also protected our loyal Flying Club customers as the first UK airline to extend and protect tier status and Flying Club vouchers.

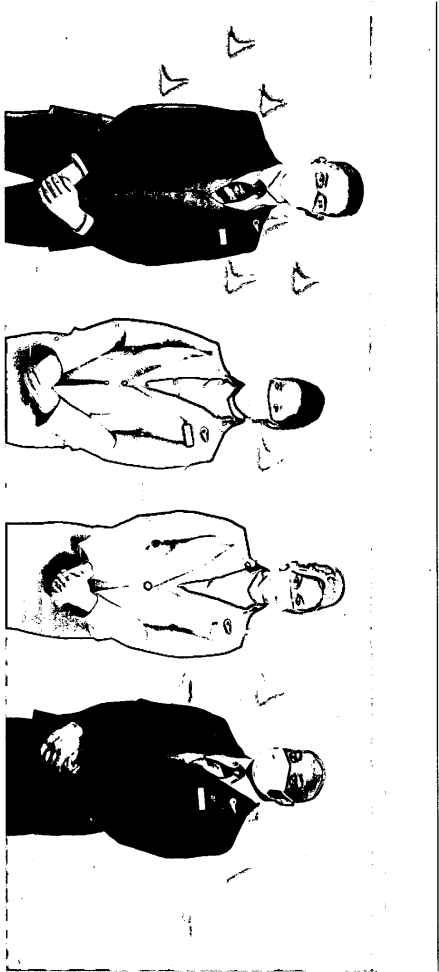
Our focus has consistently been on ensuring our customers have the confidence to book and travel with us. This is reflected in our NPS, which exceeded the prior year. We also received industry recognition, being awarded the Apex 'diamond' status in health & safety and being the only UK airline to maintain a 5 star airline rating for overall experience.

Joint Venture partners and other airline partners

Our airline partners include the expanded Joint Venture with Delta, Air France and KLM, together with 70 codeshare and interline partners.

How we engage: Our partnership with Delta is in its 8th year, and in 2020 we formed a new expanded joint venture with Delta, Air France and KLM. Whilst Covid-19 prevented us from starting this new partnership in full force we have focused on ensuring strong engagement throughout the organisation.

In 2021: We were able to collaborate effectively with our partners Delta, Air France and KLM on commercial, operational and strategic matters. We focused on ensuring that our collective customers were and continue to be able to experience



aligned customer journeys despite the rapidly changing travel environment. We were able to learn from each other as our respective home countries recovered at different rates. We have also continued to work closely on our network plans and are now excited to be working together to welcome our customers back at scale across the transatlantic.

Suppliers

Our key suppliers make it possible to serve our customers with the flair and high standards that are akin to our brand. They include airframe and engine manufacturers, airports and specialist airside support and critical technology suppliers, together with thousands of suppliers worldwide.

How we engage: We seek to maintain open and constructive relationships across our supplier network, recognising that the performance of our suppliers is integral to everything we do.

We have a structured supplier relationship framework, which is brought to life by relationship managers who oversee our engagement with key suppliers. Policies and standards, including our Responsible Supplier Policy, are regularly reviewed to ensure they align with our supply chain sustainability criteria.

In 2021: The Covid-19 pandemic has placed even greater emphasis on the strength of our supplier relationships. In the face of uncertainty this has included measures to adapt our requirements, to temporarily defer and reduce spend and to jointly develop quick and effective solutions to new challenges. The importance of our strong supplier relationships has been critical as passenger operations, and the broader industry, ramp up safely and effectively against a backdrop of macro-economic challenges.

Stakeholder engagement *continued*

Creating value for our stakeholders *continued*

Communities

We engage with the local communities in each major location we have a presence, including local schools, business groups and community organisations.

How we engage: Our Passport to Change programme focuses on outreach into schools near our main operations centres to help inspire the next generation, particularly on STEM skills. We supplement these actions with charitable and business network activities in many of our locations and holiday destinations.

In 2021: We adapted our Passport to Change programme to incorporate a new virtual dynamic enabling us to continue working with young people through the Covid restrictions. We were therefore able to reach and inspire over 380 children across schools in the UK and US.

Shareholders and other financial stakeholders

Our mission is to be the *most loved* travel company. Our shareholders, Virgin Group and Delta, are represented on the Group Board and play a critical role in helping us achieve this mission. Whilst shareholders are core providers of capital to support and invest in the company, we work with a number of capital providers and counterparties who are key to supporting the short and longer term objectives of the Group.

How we engage: In addition to regular meetings of the Board and its sub-committees, there are frequent meetings with shareholder representatives as well as their Board representatives. These include in person meetings, where possible, in addition to both routine and ad hoc conference calls. We maintain active, open and frequent communications with our financial stakeholders to ensure they are well informed in respect of our financial and operational performance, plus any specific or emerging topics. This includes a monthly call with the CFO, where financial stakeholders can engage and interact with senior management.

In 2021: We have undertaken regular and significant engagement with our shareholders and financial stakeholders who have provided very substantial support throughout the pandemic.

We also continue to welcome and actively engage with an independent Board Observer, who represents our creditor groups and provides regular updates to all our financial stakeholders.

Governments and Regulators

We are regulated by the Civil Aviation Authority and engage with governments, policy makers, airline associations and tourism bodies.

How we engage: Our government affairs and operations teams are in regular and close contact with relevant regulatory bodies and UK Government departments. We are highly active in engaging with governments, policy makers, regulators and political stakeholders on issues which impact our ability to operate, our reputation, and are important to our customers.

In 2021: Our primary focus was working with the UK Government and political stakeholders to secure the full reopening of international travel, which included removing restrictions on 'non-essential' travel, reducing self-isolation requirements, streamlining and removing pre-departure and post-arrival testing, and simplification of other border restrictions that affected travellers and airline operations. The full reopening of international travel between the United States and the UK was a significant priority. We also engaged the CAA on its approach to the restart of the aviation sector, its compliance regime for Covid-19 border restrictions, and the H7 Heathrow regulatory process.



Sustainability

Overview

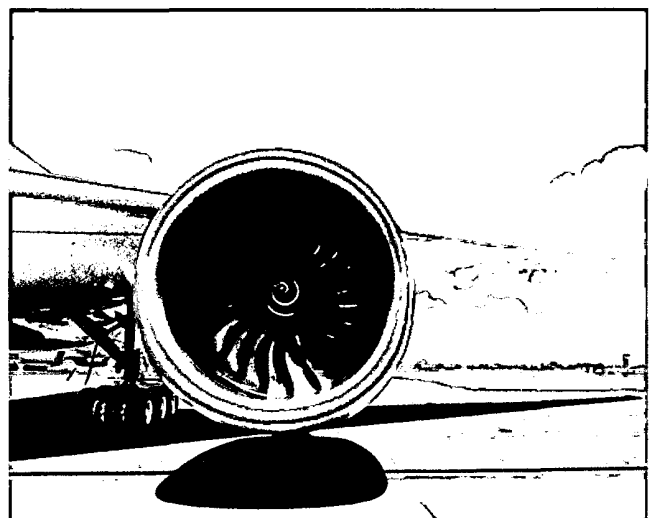
Becoming the most loved travel company comes with an unwavering responsibility to our people, planet and communities. We ended 2021 confident in our survival but recognising the impact the pandemic has had on those who work, partner or travel with Virgin Atlantic. As we enter 2022 we are focused on getting back to our best and using business as a force for good.

At Virgin Atlantic, we believe that everyone can take on the world. A purpose based on an uncompromising belief in the human spirit and a mindset of ambition, inclusivity and the courage to challenge the status quo. As we emerge from the Covid-19 pandemic we have a unique opportunity to be a catalyst for change. Bringing the power of our brand and innovation of our people to make a difference. No quick wins and a commitment to drive long term change, one day at a time.

In 2021 we set out new manifestos across the three pillars of our sustainability strategy – protecting our planet, empowering our people and supporting our communities. Across each pillar we're committed to pioneering change and being transparent on our progress along the way.

Supporting the UN Sustainable Development Goals

We are committed to supporting the UN Sustainable Development Goals (SDGs), which call for the universal end to poverty, protection of the planet and improvement in the lives and prospects of everyone by 2030. The 17 SDGs were adopted by UN Member States in 2015 and set out a 15-year action plan to achieve them. Our strategic pillars are mapped against the SDGs, with 10 goals aligned to our purpose and representing the areas where we can have a meaningful impact.



Sustainability *continued*

most loved

velocity_{xx}

Our People

Our people are at the heart of everything we do. We're committed to bringing together a workforce that reflects the society we live in, creating an environment that supports diversity, equity and inclusion, and allowing all our people to bring their whole selves to work.

Community

We're passionate about empowering the next generation in our communities to reach their potential. Working closely with our new charity partners, our community programme aims to inspire and empower young people from all corners of society.

Planet

We have a pivotal role to play in protecting the planet for future generations. We have been pioneering sustainability leadership for over a decade and continue to invest in new research, technologies and innovation to reduce our impact in the air and on the ground.

Pillars

Manifesto

Be yourself

Passport to change

Line in the sand

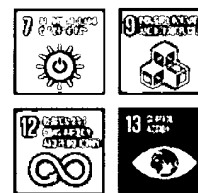
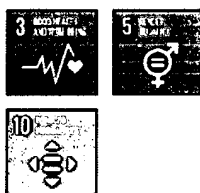
Key focus areas

- Diversity, Equity and Inclusion
- Happiness
- Learning

- Social mobility
- Supporting lower income countries affected by Covid-19

- Carbon emission reduction
- Waste and plastics
- Supply chain sustainability

SDG alignment



2021 targets and activity

- Recruitment 50% D+ females / 20% ethnic diversity
- Established 4 internal colleague networks: 25% YoY growth in membership targeted
- 98% capture of workforce diversity data in the next four years
- LGBT+ Open for Business study in the Caribbean on economic impact of discrimination

- £2.5m investment to support STEM education initiatives
- By 2025, we aim to have reached 20,000 children across 10 schools
- Support to the Go Give One campaign through customer donations

- Interim carbon reduction targets on pathway to Net Zero 2050
- 90% onboard reduction in raw (virgin) single use plastic by weight by the end of 2022
- Carbon Disclosure Project Carbon score: B-

Our People

At Virgin Atlantic, we pride ourselves on creating amazing experiences that feel brilliantly different. That starts with our people who come to work every day with a passion to go above and beyond the status quo. Whether that's onboard, in our hangar, at our airports or across our offices.

Over the past two years, it is our people who have made the impossible possible. Facing into the most challenging time in our history with unrivalled commitment, camaraderie and, for many, sacrifice to keep our airline flying.

Two years into the Covid-19 crisis and even as we enter recovery in 2022, we recognise that for many of our people at Virgin Atlantic, the way we work has had to change. A smaller Company in number with a bold ambition to lead from the front in everything we do. That doesn't change the value we place on the people who make Virgin Atlantic fly. It supercharges it. We recognise the impact of change, but we still see our people outperform every single day. Continuing to create the touchpoints that differentiate us and deliver an operation that is increasingly efficient, focused on productivity and anchored on the customer journey.

We continue to believe our people do more than a job and we ask them to do more than just turn up to work. We encourage them to bring their full selves to everything they do. Fostering inclusion at Virgin Atlantic, is built on respect and understanding, based on the brilliance of difference and creating belonging for all. We know that diversity of thought, gender, race and lifestyle make us better in everything we do.

Recovery from Covid-19

Throughout 2020, we took difficult decisions to ensure the survival of Virgin Atlantic and to protect as many jobs as possible. Unfortunately, we could not save every job and we announced redundancies affecting 4,300 roles across every area of the Company. The loss of livelihoods affected our cabin crew and pilots, our engineers, our airport team, our back office and our leaders at every level. At the time and despite our fight for survival, we believed recovery would come. As a result, we were



Sustainability *continued*

the first UK airline to introduce a holding pool for our crew and pilots, offering our people the opportunity to return to Virgin Atlantic in the future, with the same benefits and seniority. As our flying programme increased in 2021, we started to see our people return and, by the end of 2021, we were able to welcome back 99 pilots and 724 cabin crew, which meant so much to our people and to our customers.

Safety and wellbeing

Throughout the crisis and as we return to more normalised operations, we have continued to champion safety in all our working environments. Launching our "Be safe, be well" campaign in 2021, we ensured that we took all possible measures to keep our people safe at work, as well as providing practical and expert advice on wellbeing.

We were the first UK airline to introduce rapid pre-flight Covid-19 testing for our crew and pilots in 2020 which continued throughout 2021 and remains in place into 2022. Ensuring, as a minimum, full alignment with the UK and destination testing requirements and putting in place additional measures to protect our people onboard and down route. For those in our back-office locations we implemented regular employee testing, increased cleaning, hand sanitisation stations, one-way systems, restricted occupancy in enclosed areas and social distancing measures in all our workplaces.

We recognise that many of our teams have worked relentlessly throughout the crisis, and consequently, we initiated a resilience programme for our senior leaders as well as a series of company-wide webinars to recognise and address the impact of fatigue, anxiety and working in high stress environments for our front line and office based teams. Alongside this, we worked hard with our 183 internal team of qualified Mental Health First Aiders to provide crucial wellbeing support to colleagues and friends across the Company.

Diversity, equity and belonging

Our heritage is one of inclusivity, celebrated diversity and embracing difference. It's what drives our challenger mindset and our ambition for change. Our people represent difference in so many aspects, including gender, race, physical ability, sexual orientation and lifestyle. We hire the best, the boldest and they bring true representation to Virgin Atlantic. But we know there is so much more that we can do and never want to stand still. In the early part of 2021, we relaunched our "Be Yourself" initiative which focusses on curiosity, awareness, inclusion of all and recognising the value of difference and diversity to create a true sense of belonging. Building cultural awareness and appreciation for every individual, not just within our places of work but beyond them. We've signed the Race at Work charter, sponsored LGBTQ+ events in the UK and celebrated three of our female leaders being featured in the Women to Watch & Role Models of Inclusion in Hospitality, Travel & Leisure Index.

Aviation remains an exciting and dynamic sector to work in, but gender imbalances remain. Whilst there are legacy drivers of this imbalance that remains an industry wide issue, we simply must do more. We continue to see gender imbalance in engineering, pilots and cabin crew and in October 2021, we published our gender pay gap reporting for the year ending 5 April 2021. Given the impact of Covid-19 on our workforce, the reporting framework required us to exclude any of our people who were on furlough during the reporting period, meaning our results were based on just 37% of our people across all work groups in the Company. The median hourly pay gap was 41.5% for the period, which emphasises the challenge ahead of us to improve gender balance at a Company, industry and societal level. Our 2020 results were split between Virgin Atlantic Airways and Virgin Holidays¹ with the medium hourly gap reported as 51.6% and 44.6% respectively.

We are committed to creating more balance in the workplace and are targeting 50% female leadership by 2025. In our Leadership Team comprising direct reports to our CEO, we have already have a balance of 43% female leaders but our target is broader, covering female leadership from mid to senior levels; where female representation is also 43%.

¹ In accordance with unified brand ambitions, Virgin Holidays Limited shall be trading as Virgin Atlantic Holidays.

Sustainability *continued*

Our People *continued*

Together with Scarlet, our women's network, we have relaunched our Springboard programme in 2022, engaging with women in all roles to develop career pathways. We champion mentoring and reverse mentoring programmes to ensure that different perspectives and experiences of our organisation are understood and recognised across all levels of our teams.

In total we have four colleague networks: Pride (LGBTQ+), Disability Engagement Network, Valued (ethnicity network) and Scarlet. These give us an opportunity build greater awareness and appreciation of the rich and diverse communities we all work in, and the things that really matter to different individuals and groups. In doing so, we seek to build a sense of belonging at Virgin Atlantic for all. Through their work, we enrich and better understand our communities, demonstrate diverse representation across the Company and create progressive policies to support.

Our networks provide a platform for minority voices to be heard and respected, where everyone's views are shared, and their ideas result in meaningful actions across Virgin Atlantic, that benefit everyone. All our networks have an executive sponsor and we have 'hands on' senior leaders working with them, supporting, guiding and championing them throughout the year.

Passport to Change

We want future careers, whether at Virgin Atlantic or not, to be inclusive to all, regardless of gender, race, or socio-economic background. Through Passport to Change, we set out to inspire, coach and support young people in the communities we operate. Working in partnership with local schools and our people to deliver workshops, innovative learning and mentoring.

We are focussing on engagement and encouragement of young people in our communities in science, technology, engineering, and maths (STEM). We have engaged with three charity partners and are working with almost four hundred young people across our base locations of





Our Values



When we think red we connect to the true spirit of Virgin. Innovation, passion, positivity. From day one we've hunted new ways to champion our customers, changing the game with style and a smile. We don't just push boundaries, we break through them. We are our future and we think about that in every decision we take. Red is us at our blazing best.



Virgin loves people. It's how we treat one another that makes us special. We embrace our team-mates, customers and partners. We celebrate everyone's individuality and look for the good in everyone - while following through on what we say we'll do. And we never forget what makes us special.



When you're a Virgin brand, people expect more from you. So we expect more from ourselves. The small details are as important to us as the grand gestures. We act with the greater good of the business in mind. We're here to be amazing. Because life's too short to be anything less.

Sustainability *continued*

Our People *continued*

Crawley and Swansea in the UK, together with Atlanta in the US. Alongside our partners, we are delivering a year-long programme of initiatives, investing in the hearts and minds of the young people who will define our future.

Learning, development and retention

At Virgin Atlantic we champion and measure people happiness. In partnership with Humu, we conducted an annual survey for all our people to ensure that everyone has the opportunity to give us feedback on their experience of working with our company. Based on the results, we deploy regular digital nudges that support our leaders to think about daily habits that create an environment where everyone can be at their best. Results are shared company-wide to encourage transparency and engagement, with a focus on open conversation leading to change that has maximum impact and value for the way we work and how our people feel.

We embrace curiosity and take a digital approach to learning, allowing our people to learn where and when is best for them. We've seen the impact of this in our training satisfaction scores which have increased from 42% to 56% since 2019. In February 2022, we won the Silver award for 'Learning Team of the Year' and were a finalist for the 'Digital Learning Transformation' award at the Learning and Performance Institute. We continue to innovate in the use of digital tools and flexibility for our people, to ensure they have access to the resources that support them in their roles, at a time that works for them.

The impact of Covid-19 has not only changed how we learn, but also how we work. We believe that work is an activity, not always tied to a place, and look to improve the way we work across all teams to focus on outcomes and performance. An approach underpinned by trust, flexibility and empowerment, recognising that our people work in different ways, at different times and with different work-life considerations.

Despite the challenges of the last two years, our focus remains on attracting and retaining the best people for every role. In 2021, we recruited for 848 roles including 34 roles at our most

senior level beneath the leadership team of which 84% were promoted or recruited internally.

Through another year of crisis, the dedication, passion and support of our people has been nothing but remarkable. Each person's relentless belief in our Company's purpose and their commitment to playing an extraordinary role in our team has been inspiring. It is the unique team spirit of our people that has ensured our survival and because of this, we are now poised for recovery. Our ambitions to create a truly inclusive people experience, where each of us can thrive and be at our best, allows us to ensure our people are happy and understand the role they play in our future. This, in turn, allows us to delight each of our customers, in a way that only we can. Our purpose remains clear – to take on the world, for our people, our customers, our communities, and our planet. And in this quest, we are united and never stand still.

Our people make us who we are and for that we are very proud.



Be Yourself

At Virgin Atlantic our purpose is to empower everyone to take on the world. Our vision is to be the most loved travel company.

To achieve both, we need to focus on creating an inclusive environment where everyone feels a sense of belonging. An environment which values and respects people's unique identities, and fosters pride in being part of Virgin Atlantic. Where our people, our customers, our partners and our communities are united, and minority groups are represented.

We have a rich history and strong culture of embracing the human spirit without prejudice or boundaries. We want people to proudly be themselves, regardless of gender, background, beliefs, race, physical ability or who they choose to love. At the heart of it all, we uphold an inclusive environment in which everyone can thrive.

But we know we can and must go further. We start by defining what we mean by Diversity, Equity and Inclusion.

Diversity is about recognising difference. Better decision-making can be achieved when you realise the benefit of having a range of perspectives. Equity bridges the gap between minority and majority groups. If we identify the specific needs of different demographic groups, then everyone starts on a more even playing field. And Inclusion creates an environment where people feel they belong without needing to conform, and that their contribution matters.

At Virgin Atlantic our 'Be Yourself' manifesto is at the heart of everything we do. It filters through from our amazing people maintaining our planes, operating our flights and right into the journey of our loyal customers. It's vital that we continue to live and breathe it every day.

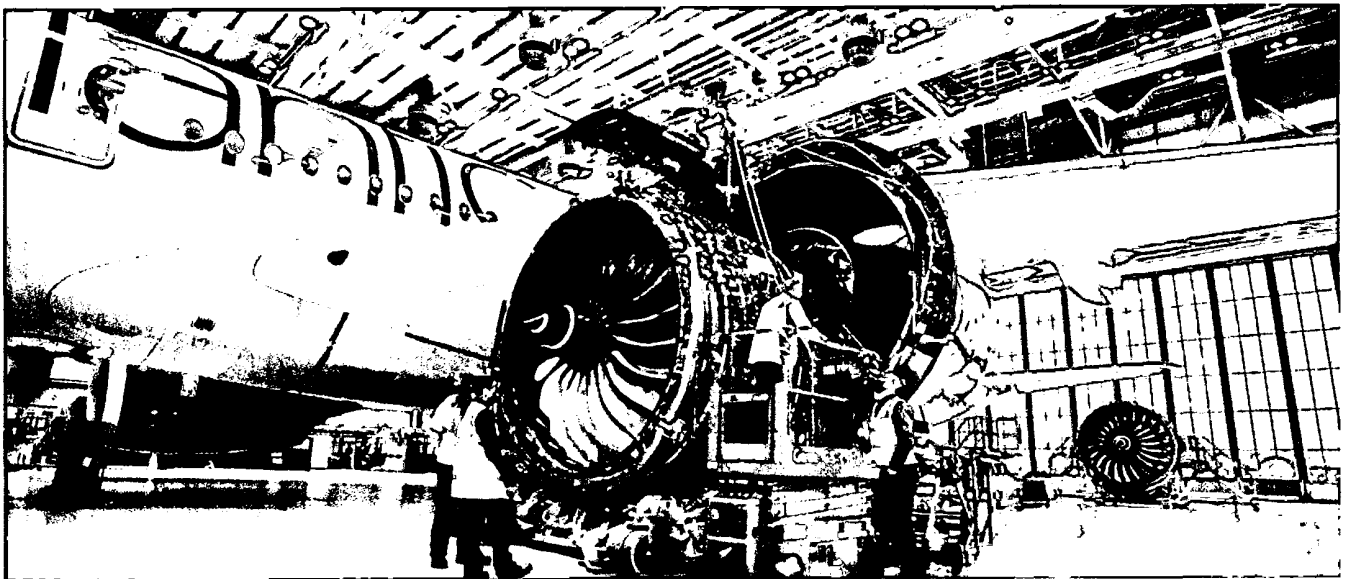
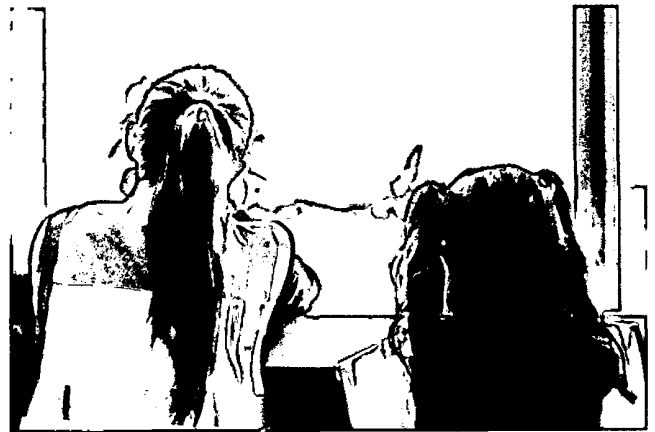
Because love, for us, means embracing, celebrating and supporting uniqueness. It's treating each other with respect, kindness, trust and integrity. It's about being amazing and, equally, about being amazed. It's the purpose you gain when you know you belong.

Sustainability *continued*

Planet

In October 2021 we issued our line in the sand manifesto and set ambitious interim targets on our way to net zero 2050. We know that as an airline we have a pivotal role to play in protecting the planet, while connecting people across the globe and strengthening crucial trade connections. For more than a decade we've been leading the way in the decarbonisation of the aviation industry. We're now on a mission to be net zero carbon by 2050 through our aircraft operations and have a number of important interim milestones along the way.

The scale of the challenge cannot be understated but at the same time targets are not a substitute for action. We are committed to moving faster, to building a coalition of the willing and to working with partners across the energy value chain to make a difference. Our stakeholders, people and customers will rightly judge us on the progress we make, not the aspirations we set.



Line in the Sand

In 1984 we set up to challenge the status quo. We wanted to change the aviation industry and create an airline that put customers first. It's that desire for change that's got us to where we are today. And it's what continues to push us to do things better.

The climate crisis is the single greatest challenge of our lifetime. So, this is our line in the sand. A commitment to double down on efforts made.

The way we travel must evolve faster than ever before to ensure the next generation also get to experience the very best the world has to offer. The sights and sounds of the unfamiliar and beautiful. A hug from the loved one you haven't seen in years. Or the handshake that speaks volumes. We know what travel really means, and it's why we're ready to roll up our sleeves and challenge everything we do.

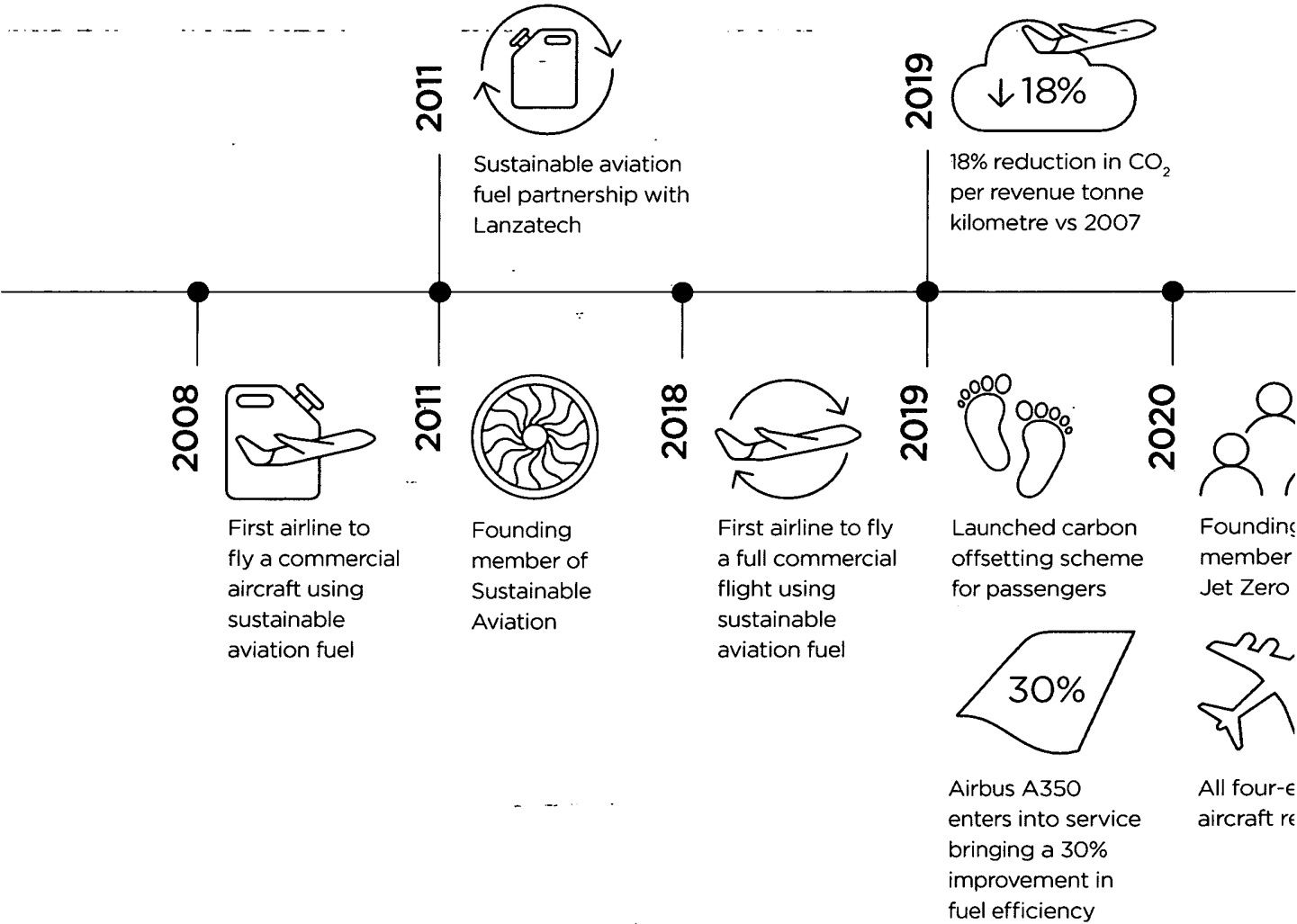
We've already made bold strides by accelerating the development of sustainable fuels, investing billions into one of the cleanest and youngest fleets in the sky and becoming a founding member of the UK's Jet Zero council.

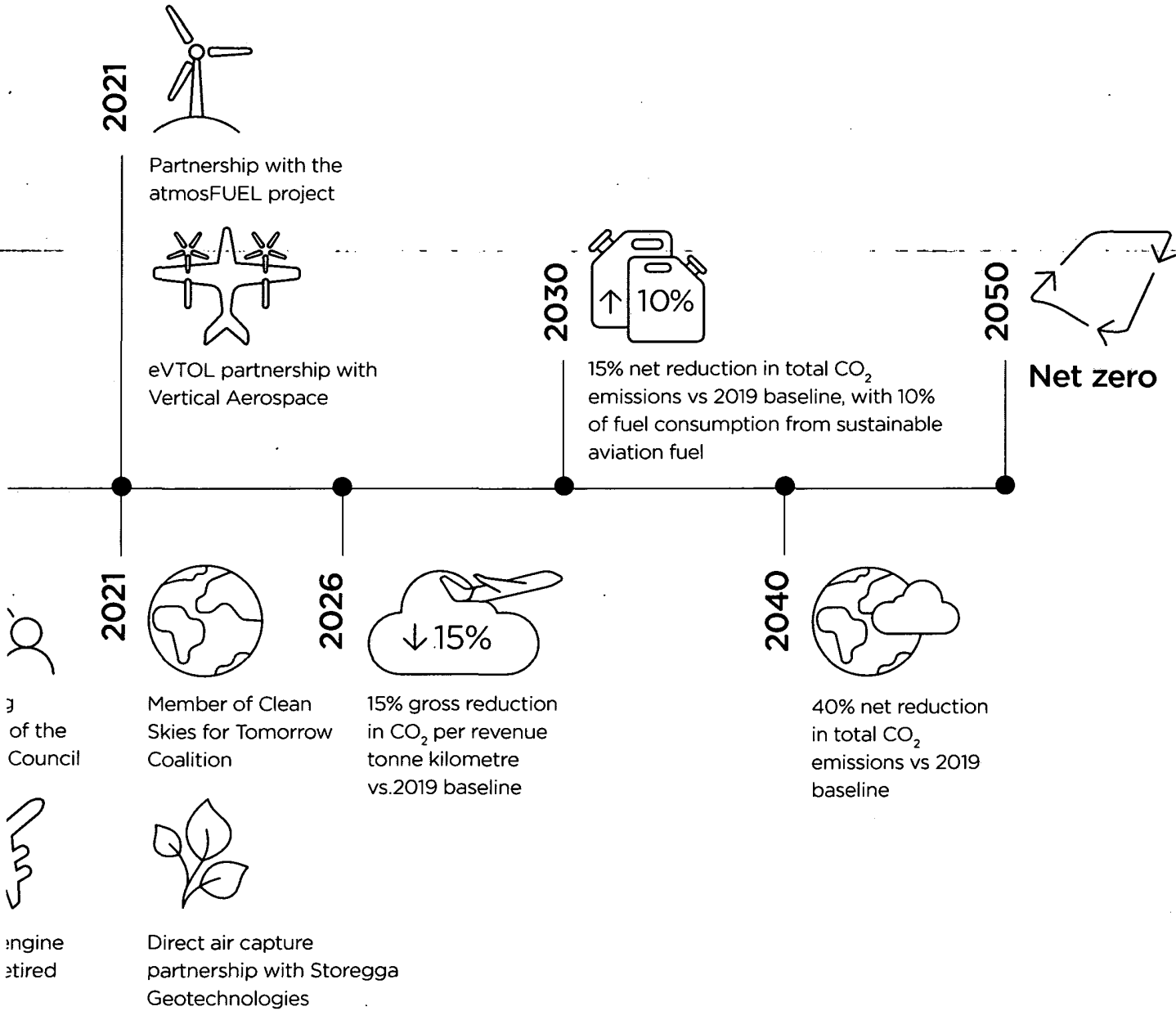
But we must now find even better, greener ways to fly by treading lighter and being more sustainable in everything we do. To be part of the solution, rather than the problem.

This is a crossroad for aviation. It's a time to work together so that we can move forward faster. We will share our research, our innovations, and our progress. Because we can't do this alone.

We know it can't be fixed overnight. But we'll give it all we've got. We're on a mission to achieve net-zero, and we've set ambitious targets on our journey to get there. Because we're in it for the long haul. And we're just getting started.

Virgin Atlantic's mission to net zero





Planet Continued

For airlines, there are three core pillars to decarbonisation:

Fleet renewal and fuel efficiency

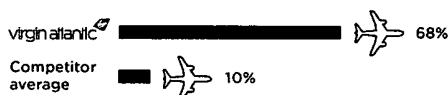
The aircraft we fly and the fuel we burn has the biggest impact today on the carbon we emit. We are already one of the most carbon efficient long-haul airlines. Operating one of the youngest and cleanest twin-engine fleets in the skies. At the end of 2021 our average aircraft age across the fleet was just under seven years and 68% next generation. This increases to 100% next generation by the beginning of 2027. This means our aircraft are equipped with the most efficient engines and state-of-the-art technology designed to save fuel and reduce emissions.

Since 2019 we have welcomed eight new Airbus A350s and retired all four-engine aircraft. In 2022 we welcome a further A350 and the first three A330-900s. Our fleet transformation has already delivered an 17% reduction in CO₂/RTK¹ and this is expected to increase to 30% by end of year 2026 as our re-fleeting program completes and we continue to drive efficiency in our network operations to optimise passenger load factors and cargo carried.

Average fleet age²



% of next generation (fleet)³

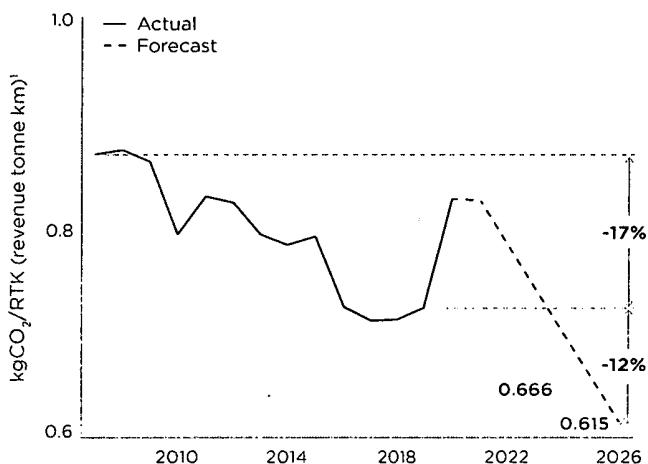


¹ Reduction between 2007 and 2019 (the last year of full operation pre-Covid 19). CO₂ per Revenue Tonne Kilometre (RTK) is an efficiency measure accounting for the amount of CO₂ emitted in relation to the people, luggage and cargo we carry.

² Source: Citi benchmarking completed in August 2021.

³ Source: Citi benchmarking completed in August 2021.

Fleet transformation delivering carbon efficiency⁴



Investment in Sustainable Aviation Fuel (SAF):

SAF is not the single solution to decarbonisation, but it represents the single biggest opportunity to deliver breakthrough reductions in carbon emissions from long haul flying in the next 20 years.

SAF includes alternative next generation fuels produced from sustainable feedstocks (ranging from waste fatty acids and oils, to recycled biomass, recycled plastic and captured carbon) that can be processed into fuel and "dropped in" to existing airport and airline infrastructure. Creating the opportunity to reduce lifecycle carbon emissions by more than 70% compared to traditional jet fuel.

A concerted global, industry and UK effort is now needed to commercialise SAF at scale. Requiring collaboration across the energy value chain – between governments, producers, oil majors, airlines and corporate customers to support commercialisation. The challenge is multifaceted and multiparty, requiring alignment of policy incentives, offtake commitments and investment in technology to scale production at pace. In the UK there are no plants in production and, at a global scale,

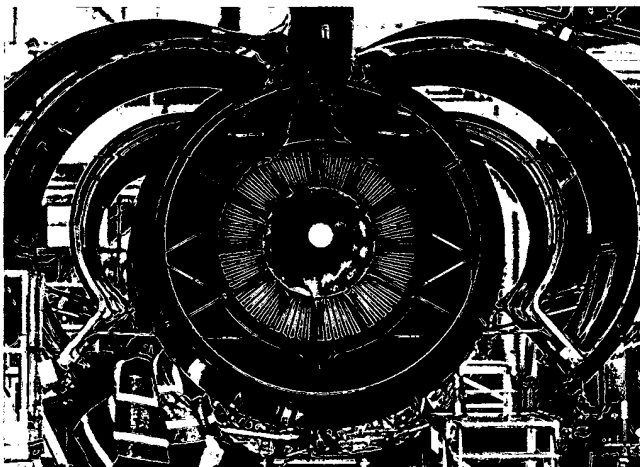
⁴ Assumes fleet efficiencies only, excludes SAF and/or offsets. Incremental improvement shown relative to 2007

Sustainability *continued*

production volumes in 2021 represented less than 0.01% of global jet fuel supply⁵. By 2030 jet fuel demand is forecast to be 400 million tonnes⁶ requiring a significant increase in current production.

As a founding member of the Jet Zero Council we are working with the UK Government and wider industry to accelerate the commercialisation and uptake of SAF in the UK. In 2021 we became a member of Clean Skies for Tomorrow and a founding member of the Aviation Climate Taskforce. Global cross industry forums focused on overcoming the technology, innovation and commercialisation challenges to deliver SAF at scale.

We also partnered to innovate and to support new technology development that can play a future role in decarbonising aviation. Building on our cornerstone partnership with LanzaTech in 2011 to support development projects including Carbon Engineering and Storegga (a specialist carbon reduction and removal company) to explore ways in which Direct Air Capture can be captured and sequestered as well as becoming a future feedstock for SAF.



In 2022, our focus is on accelerating a portfolio of offtake agreements working with suppliers in the UK, US and other destinations we serve. In January 2022 we announced a supply agreement with Neste Oyi for 2,000 metric tonnes of SAF to be delivered into London Heathrow⁷, supported by our largest fuel supplier at Heathrow, Exxon Mobil. Whilst this represents the first commercial supply of SAF for Virgin Atlantic, it is only enough fuel to operate 140 flights between London Heathrow and New York JFK⁸. To hit our 10% SAF target in 2030 requires us to deliver this volume more than 70 times over.

Carbon offsets and removals

As a hard to abate sector and with high dependency on technology innovation (particularly for SAF at scale, as well as breakthrough flight technologies) carbon offsets and removals have a key role to play in achieving our net zero ambition. Whilst our priority will always be to reduce in sector carbon emissions, we know current innovation, deployment and cost curves will require us to invest in high quality and fully verified carbon offsets.

Our net carbon emissions will be reduced by investing in carbon offset and removal projects and funding emissions reductions through the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) and applicable Emission Trading Schemes (ETS). Under the UK and EU ETS, airlines are required to report, verify and offset their emissions by submitting carbon allowances to the relevant Environment Agencies. In 2021, we paid €429,886⁹ to meet our obligations under the EU ETS scheme. We did not incur a liability under CORSIA (which remains in its pilot phase) or UK ETS.

We also continue to offer our customers the ability to offset their carbon emissions through our third-party provider, ClimateCare, financing renewable energy and natural resource conservation projects around the world. Our partnership with Storegga includes a Memorandum of Understanding to purchase permanent and verifiable removal of CO₂ from the atmosphere. Storegga plans to build a first of its kind Direct Air Capture (DAC) facility in northeast Scotland.

⁵ Calculated using 2021 US Renewable Identification Number (RIN) count of SAF and estimates of additional SAF volumes.

⁶ World Economic Forum, Clean Skies for Tomorrow Report November 2020

⁷ Neat SAF, delivered on a mass-balance basis

⁸ Based on Virgin Atlantic analysis with a 35% / 65% blend rate of SAF to traditional jet.

⁹ Offset obligation for 2020 emissions paid in April 2021

Sustainability *continued*

Planet *Continued*

eVTOL Vertical partnership

In June 2021 we announced a partnership with Vertical Aerospace to launch a Virgin Atlantic-branded short haul network in the UK. Pioneering sustainable, zero emissions air travel for the first and last 100 miles of the customer journey using Vertical's electric vertical take-off and landing (eVTOL) aircraft. Embracing new ways to travel more sustainably and more seamlessly across the UK and accelerating the introduction of lower-carbon ways to fly, starting with our airport hubs in London and Manchester.

On the ground

Although emissions from energy use in our buildings and vehicles in our ground fleet make up just 0.1% of our overall carbon footprint, we are committed to taking action on all direct emissions to reduce them as fast as possible. In 2021, 93% of our car fleet and 11% of our non-specialist airport fleet were petrol hybrid¹⁰. We've also installed electric charging points at our Heathrow hangar and our VHQ to support our transition. By the end of 2023, are targeting 100% mix of electric or electric hybrid for our cars and light commercial vehicles.

Alongside our vehicle fleet, we continue to invest in electrification of our ground service equipment (GSE), which includes machinery such as tugs, access platforms and scissor lifts. Currently over 30% of our GSE is petrol hybrid or electric and as technology and infrastructure improves, we will continue to pursue electrification where possible.

Reducing onboard waste and plastics

Through innovative product design, investing in reusable and smarter loading of products we are constantly finding ways to reduce the weight and waste on board. We work with suppliers to trial and test replacement products onboard, using alternative materials, increasing the recycled content and moving to light-weighting packaging where possible.

In 2022, we are targeting the removal or replacement of 90% of raw (virgin) single use plastic inflight service items by weight compared to 2019. The equivalent of c.60m flown items per year. We're already making good progress against the target having achieved a 43% reduction.



¹⁰ Non-specialist airport vehicles include cars and vans permitted for airside use

Sustainability *continued*

In 2021 we:

- Removed all individual plastic water bottles onboard, helping to reduce our plastic use by 11m bottles a year.
- Began working with canned water brand CanO Water to provide an alternative solution to plastic bottles in Upper Class, using packaging made from more than 50% recycled content.
- Started a trial of canned wine as part of our complementary wine service in Premium and Economy cabins, replacing single serve inflight plastic bottles and saving 5.9m bottles per year.

In 2022, we will continue to work with our catering suppliers to further identify waste saving opportunities across the customer journey. We will also look to improve the functionality of our pre-order and pre-select food options to drive down food waste onboard.

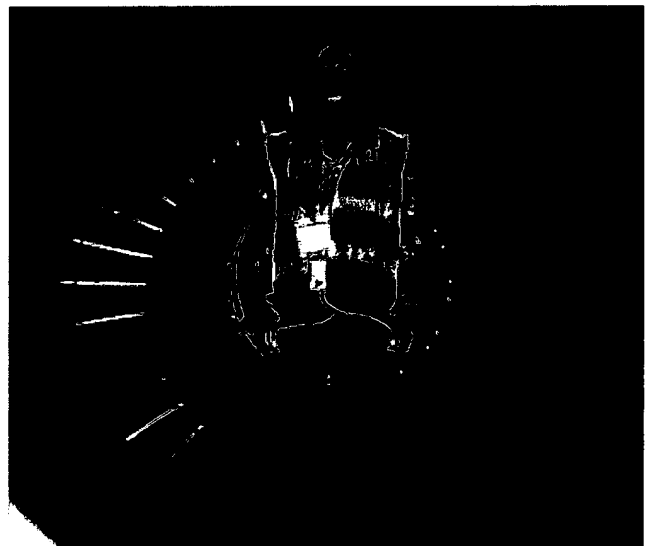
Sustainable supply chains

Across our supply chain we continue to work with partners and suppliers to ensure we operate efficiently and source responsibly. Investing in new solutions to improve collaboration and visibility at every step.

Our supply chain is generally the most difficult part of our footprint to measure, monitor and improve performance as it sits out of our control. Effective supply chain engagement is fundamental to ensure we're making meaningful improvements, finding mutual opportunities to share knowledge and best practice and increasing transparency.

Since 2018, we have been working with EcoVadis, a platform that assesses supply chain sustainability performance. Across our supplier base, we ask companies to complete annual questionnaires on policies and activities relating to sustainability, together with supporting evidence. The analysis by EcoVadis creates a scorecard that allows us to understand each supplier's performance. The approach aligns with our Responsible Supplier Policy which all suppliers and subcontractors are asked to adhere to and supports our efforts to tackle social and environmental risks in our supply chain.

In 2022, we will work with our partners to review our full supply chain sustainability strategy. Ensuring it is aligned to our purpose and goals to collectively set measurable targets and take action on the issues that matter most.



Governance and stakeholder engagement

Reporting and governance

As set out in the CEO review, sustainability is a core element of our four-year Velocity_x plan, meaning we measure, monitor and report monthly to our Leadership Team and Board on carbon emissions KPIs. Our focus in 2022 is on expanding the accuracy and granularity of our measurement across all sustainability KPIs, alongside improved reporting and governance and starting with our carbon footprint across the operation.

In 2021, our sustainability team moved into the Corporate Development team at Virgin Atlantic. Reporting directly into the CEO and emphasising the importance of sustainability to the airline. Whilst our Chief People Officer continues to be responsible for our people and communities' pillars, the teams operate cross functionally to ensure alignment in priorities and action.

Our Audit Committee is the highest level of risk governance within our business. It meets twice a year to consider operational, environmental, social and governance risks. The committee is made up of four non-executive directors as well as executive directors of the board. Principal risks, which include a number of sustainability issues, are assessed for likelihood of occurrence at the committee as well as impact on corporate objectives and strategy. Further information can be found on page 74.

We are committed to adhering to internationally accepted recommendations on disclosures – such as the Task Force on Climate-related Financial Disclosures (TCFD) – to investigate and report our climate-related financial risks and opportunities. Our position statement can be found on page 48. We also continue to participate in the Carbon Disclosure Project's Climate Change programme and received a score of B- for our 2020 disclosure.

In 2022, we will be working to strengthen our oversight, reporting and delivery of sustainability priorities across the airline. This will include an independent maturity assessment of existing sustainability governance, further TCFD review and establishing an external advisory board made up of experts in

climate change and transport decarbonisation together with leveraging best practice, expertise, and external perspectives to embed prioritisation and delivery against the SDGs.

Materiality Assessment

At the end of 2021 / early 2022, we undertook our first sustainability materiality assessment. Working with an external expert in sustainability reporting, we identified and assessed the environmental, social and governance priorities for the airline with our people, partners, suppliers, customers and investors. Adopting a double materiality framework that supports the identification and mapping of areas and action that matter most to the business value of Virgin Atlantic and the external social and environmental impact of our operations.

Identifying what matters

Our materiality assessment focused on the top 18 environmental, social and governance topics to Virgin Atlantic, identified by reference to responsible business practices, peer benchmarking and best practice materiality frameworks. Across our stakeholders, and through surveys, interviews and workshops, we collated qualitative and quantitative data on the relative importance and impact of the actions we take. Applying a weighted scoring model to prioritise issues through a double matrix, categorising topics as: material, meaningful, modest.

As a long-haul airline, reducing our carbon emissions as well as resilience and action to address climate change were the two most material issues for every one of our stakeholder groups. Other material issues include investment in innovation, sustainability advocacy and purpose-led leadership. They represent the impact and value of our core business activities and are areas where we can and do take direct action.

Topics that were categorised as meaningful are largely areas that are less directly in our control and require collaborative action with partners. Covering sustainable tourism and holidays, noise and air pollution, waste and recycling and sustainable sourcing. Wellbeing, diversity and development of our people was identified as meaningful in this assessment, it continues

Sustainability *continued*

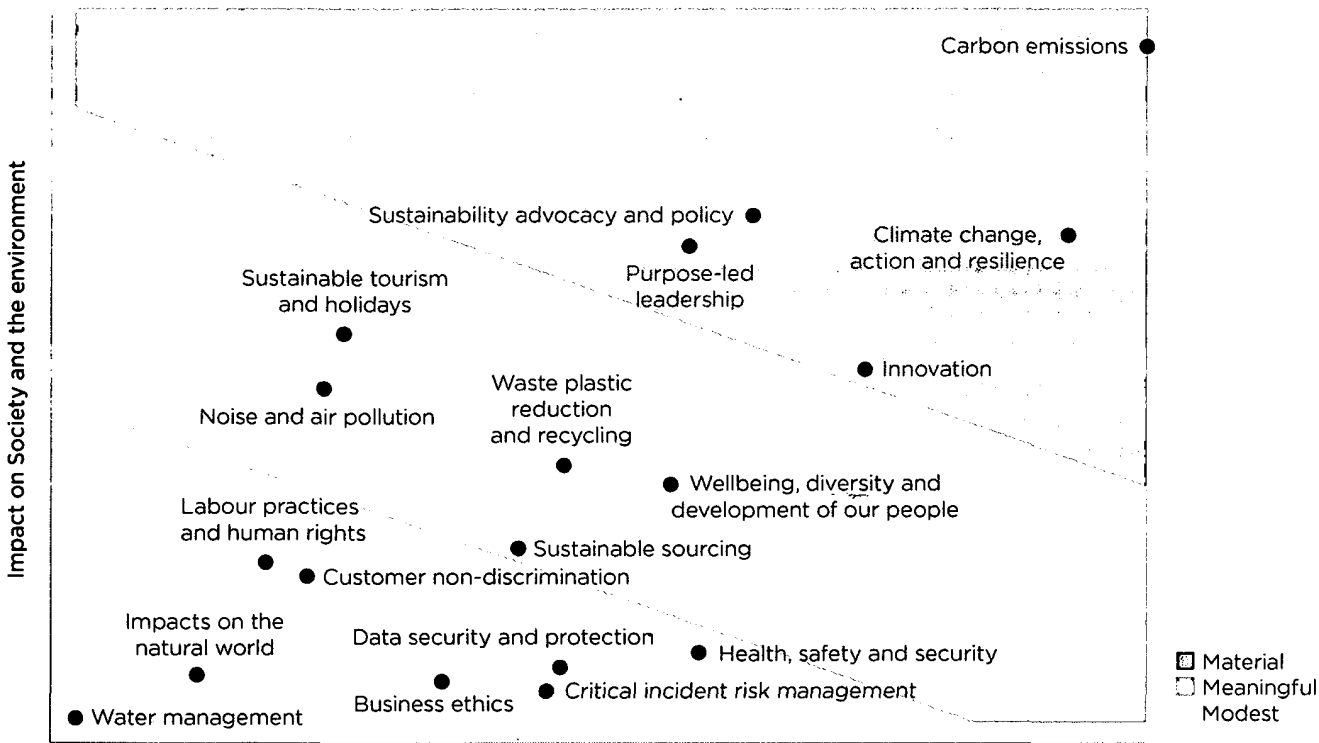
to be the primary focus of the airline. This brings together our purpose led leadership to ensure we deliver the best people journey possible across our workforces.

We already have measurable KPIs, targets or clear governance structures in place for several issues identified. In 2022, we will use the results of the materiality assessment to help evolve our sustainability strategy to help inform our priorities and how we

report and communicate progress. This will ensure we focus our activities where we have an impact whilst strengthening enterprise visibility and controls.

We recognise that materiality is both dynamic and subjective and will continue to monitor global issues, stakeholder expectations and any significant changes within Virgin Atlantic.













Overview of results








Governance and stakeholder engagement

continued

Material (Prioritise action)

Issue	Description	Management approach
1. Carbon emissions	Mitigating climate change risks; adaption and resilience to climate change; creating new opportunities and products; reducing greenhouse gas emissions.	   
2. Climate change action and resilience	Fuel efficient and greener fleet; operational efficiencies; investment in sustainable aviation fuel; carbon offsetting; carbon capture and removal; energy management; renewable energy.	   
3. Innovation	Finding sustainable solutions; new products and services to reduce our environmental impact; new ways of thinking; digital transformation	
4. Sustainable policy and advocacy	Public policy practices; advocacy; lobbying activities; stakeholder engagement.	
5. Purpose-led leadership	Leading by example; ESG business objectives and remuneration; board composition; governance frameworks and committees; leadership accountability.	 








Meaningful (Continue efforts and communicate)

Issue	Description	Management approach
6. Sustainable tourism and holidays	Economic, social and environmental impacts to destinations as a result of travel; promoting responsible and respectful tourism; reducing over-tourism.	
7. Noise and air pollution	Fleet modernisation and maintenance; engine and route management; performance monitoring; new products and innovation.	 
8. Waste, plastic reduction and recycling	Circular economy principles; waste reduction opportunities and innovation; increasing recycling rates; reducing single use plastics; waste management data transparency.	 


















Key - measures in place

 Measurable KPIs
  Governance Board
  Policy
  Identified as principal risk
  Programme/initiatives

Sustainability *continued*

Issue	Description	Management approach
9. Development, diversity and engagement of our people	Attracting and retaining talent; Inclusive business practices; diverse colleagues within leadership and management; ensuring the right policies and procedures are in place.	    
10. Sustainable sourcing	Minimising environmental impacts within our supply chain.	 

Modest (Monitor and manage)

Issue	Description	Management approach
11. Labour practices and human rights	Fair wages, safe working conditions, and freedom of association, human trafficking and modern slavery within VAA and our supply chain.	 
12. Customer non-discrimination	Inclusive products and services; customer accessibility; ensuring the safety and security of our customers; providing great customer service to all.	
13. Data security and protection	Protecting colleagues and customers; cyber security and information security; data privacy.	  
14. Health, safety and security	Customer and colleague health and safety; guidance and training for our people; setting the highest standards; mitigating safety risks.	    
15. Critical incident risk management	Robust operational procedures to mitigate critical risks when flying; minimising the likelihood of high-impact incidents.	   
16. Business ethics	Anti-competition; corporate culture; Anti-bribery and corruption; corporate criminal liability.	
17. Impacts on the natural world	Improving or protecting all forms of biodiversity that make up the natural world; protecting wild animals and their habitats through responsible tourism.	
18. Water management	Operational efficiency, intensity and recycling; mitigating risks in destinations of water stress.	

Task Force on Climate-Related Financial Disclosures

At Virgin Atlantic, we have been pioneering sustainability leadership in our sector for over a decade. In October 2021 we announced interim targets on our pathway to net zero by 2050. Doubling down on our commitment to embed sustainability through innovation, transparency, and accountability. Ensuring we tackle greenhouse gas emissions related to our operations and drive radical collaboration across the energy value chain to support industry decarbonisation. This is Virgin Atlantic's first Taskforce on Climate-Related Financial Disclosure (TCFD). An important step in our continued transparency on climate issues.

Having completed our phase 1 TCFD review, the below overview provides a summary of what we achieved to date and our priorities in 2022 with respect to the TCFD disclosure framework. This includes the first iteration of climate-related scenario analysis, focussing on exploring our preparedness for physical risks, and transition risks and opportunities under a range of climate scenarios including the IEA's Net Zero by 2050, and the IPCC's SSP5-8.5 and SSP2-4.5.

Governance

Our progress so far:

Climate-related responsibilities of key leadership roles are delegated according to our governance model. Key roles and responsibilities are summarised below:

- **Board of Directors:** Review and approves Enterprise Risk Management (ERM) strategies and overall risk appetite, including those related to sustainability and climate.
- **Audit Committee:** Reviews key risks of the business including climate-related risks and mitigation actions and determines principal risks. Ensures internal reporting and control systems provide oversight to Board.
- **CEO:** Holds ultimate responsibility for sustainability and climate-related strategy, management of risks and opportunities, and commitments and targets. Updates Board in relation to material sustainability and climate issues and decisions.
- **Leadership Team:** Led by the CEO, is responsible for setting company targets, including climate-related targets, coordinating across the business to achieve targets, and reporting on progress.
- **VP Corporate Development:** Sets strategic direction for

sustainability team and holds line management responsibility for delivery. Sponsors climate-related proposals at Leadership Team and Board meetings.

- **Sustainability Team:** Execute sustainability strategy, advise the business on sustainability issues, manage day to day delivery of priorities.

Incentivising and rewarding for carbon reduction targets:

Since 2020, and following approval by the Leadership Team, Board and Remuneration Committee, our senior leaders have been incentivised and rewarded for achieving absolute carbon emission reductions.

Priorities and plans in 2022

Use the outcomes of climate scenario analysis conducted as part of phase 2 TCFD review to incorporate more sophisticated consideration of specific physical climate risks and transition risks and opportunities into our governance model, management structure and decision making, including consideration of risk time horizons.

Strategy

Our progress so far:

Climate issues influence many elements of our business, operation and financial planning and, as a result, are embedded across our business strategy.

- Sustainability commitments, decision making and investments are driven by identified and assessed climate-related risks and opportunities. From our multi-billion-dollar fleet investment, commercial partnerships supporting breakthrough technologies such as Sustainable Aviation Fuel (SAF) and carbon removals.
- Membership of cross industry and governmental forums such as Sustainable Aviation, the UK's Jet Zero Council, the Clean Skies for Tomorrow coalition and the Aviation Climate Taskforce are indicative of the extent to which we expect climate issues to shape our decisions and operations in the near, medium and longer term.

We conduct detailed forward-looking analysis of climate related risks, exposures and mitigations including emissions forecasting, SAF uptake and CORSIA compliance costs. Most recently, we have developed our approach to climate-related scenario analysis involving specific temperature-aligned global outcomes.

- Our risk and sustainability teams have reviewed a range of climate-risk scenarios based on specific drivers – defining a range of risks through our Corporate Risk Management and ERM processes. Risks have been assessed for probability and size of impact on the business, mapped against time horizons where possible.

Of the range of climate risks identified, the most material include delays in commercial availability and/or increased market costs of Sustainable Aviation Fuel supply; the costs of CORSIA and carbon pricing compliance, reputational and demand impact for aviation and disconnected climate-related regulatory environments (including SAF mandates and carbon related taxes) driving overall cost increases or demand suppression.

Priorities and plans in 2022

Conduct more detailed analysis on the climate-related risks and opportunities most relevant for Virgin Atlantic, with a focus on our preparedness for a net zero by 2050 scenario.

- During Q4 2021 - Q1 2022 we conducted internal stakeholder engagement sessions on TCFD and climate-related risks and opportunities. Sessions covered all key business segments with attendees from our Senior Leaders Group (Head Of and Vice Presidents)
- As a result, we have mapped internal awareness of TCFD considerations, identified gaps in our approach, shaped the focus areas for our climate scenario analysis that will feed into our detailed TCFD disclosure and developed time horizons to capture a range of climate risks / opportunities that are aligned to our internal planning and financial cycles as well as our shareholders'
- As part of our process to date we have developed our approach to climate scenario analysis, to be completed in 2022. Applying the IEA's Net Zero by 2050 scenario to evaluate transition risks and opportunities and the IPCC's SSP5-8.5 and SSP2-4.5 to evaluate physical risks.
- The outcomes will be used to identify and consider possible business impacts and the adequacy of our existing strategy, controls and mitigations to help inform additional measures that could be developed to improve our resilience to the climate futures we could experience.

Task Force on Climate-Related Financial Disclosures *continued*

Risk Management

Our progress so far:

Climate-related risks and opportunities for Virgin Atlantic are identified and assessed on an ongoing basis (more frequently than every 6 months), as part of our sustainability strategy, Corporate Risk Management process, ERM framework and risk governance model.

- Teams from across the business are led by the risk team to identify, assess, describe and rate the risks within their division according to a five-by-five ratings matrix, which considers impact and likelihood of different risk types to the business
- Review is undertaken quarterly with the most significant or material risks mapped and reviewed by the Leadership Team. Twice a year, the Company Risk Register is presented and discussed at the Audit Committee Board Meeting.
- Annually, the most material risks are disclosed in our Annual Report, which is approved by the Leadership Team, Audit Committee and the Board of Directors.

We define Top Risks across seven categories, which consider aspects of climate-related risks – As per Risk Category 4 (Sustainability) set out on page 64, this includes risks relating to consumer expectations on sustainable aviation and risks relating to financial or other challenges to achieving carbon reduction commitments. We clearly define our main controls and mitigations for these key risks, which shape our most significant sustainability-related business, strategy and financial decisions on an ongoing basis.

Priorities and plans in 2022

On completion of our climate scenario analysis outcomes will be mapped across key risk-related roles within the Company, including members of the Audit Committee, to evaluate whether any updates to our existing corporate risk management process, ERM framework and risk governance model could be explored to enhance our processes for identifying, assessing, and managing climate-related risks.



Sustainability *continued***Metrics and Targets****Our progress so far:**

In 2020, we became a signatory of Sustainable Aviation's commitment to net zero carbon emissions by 2050 – the most significant climate-related commitment in the history of our company.

- In October 2021 we backed this commitment by announcing a set of interim targets on the pathway to achieving net zero by 2050, as described in the Planet section of the Annual Report.
- These targets clearly define long-term milestones for both absolute and intensity-based emissions reductions, as well as uptake of SAF.

The key climate-related metrics we measure and track, are summarised below and published each year in our Annual Report. Internally, we use these to ensure we're maintaining progress towards our greenhouse gas (GHG) reduction and efficiency targets both in the air and on the ground:

- Aircraft CO₂ (kg) per revenue tonne kilometre
- Total CO₂ emissions (tonnes) from aircraft operations
- Aircraft CO₂ (g) per passenger kilometre
- Aircraft CO₂ (g) per cargo tonne kilometre
- Electricity use (kWh)
- Gas use (kWh)
- Combined Electricity and Gas, (tonnes) CO₂e

We're equally passionate about providing our customers with the information they need to make well informed, climate-conscious decisions about flying. That is why alongside the GHG metrics we publish, we are currently working to improve transparency for our customers on their CO₂ footprint when travelling or transacting with Virgin Atlantic.

Priorities and plans in 2022

To enable our customers to better understand their CO₂ footprint when flying with Virgin Atlantic, we are improving our measurement, monitoring and transparency for customers on their CO₂ impact. As we make progress in areas such as SAF and carbon removals, we aim to reflect the GHG benefits in the information we share with our customers so they can clearly understand and compare the relative emissions performance of Virgin Atlantic.

We aim to use the outcome of our first iteration of climate scenario analysis to explore and develop new metrics, and where appropriate, to support the ongoing assessment of climate-related risks and opportunities in line with our strategy and risk management processes. Specifically, we will focus on developing our capabilities to measure and track metrics for the most material transition risks, physical risks and climate-related opportunities, highlighted during climate scenario analysis.

Sustainability *continued*

Greenhouse Gas Emissions Data

Type of emissions	Activity	2019 emissions (tCO ₂ e)	2020 emissions (tCO ₂ e)	2021 emissions (tCO ₂ e)	% of total footprint	YoY change (%)
Direct (Scope 1)	Aircraft fuel	4,190,727	1,597,904	1,768,189	75.6%	10.6%
	Natural gas	2,428	1,808	1,467	0.1%	-18.8%
	Ground vehicles	608	164	235	0.01%	43.2%
	Refrigerant	0	827	309	0.01%	-62.6%
	Other fuels	466	229	232	0.01%	34.9%
	Subtotal	4,194,229	1,600,933	1,770,432	75.7%	10.5%
Indirect energy (Scope 2)	Purchased electricity ¹	3,225	2,101	1,440	0.1%	-31.5%
	Subtotal	3,225	2,101	1,440	0.1%	-31.5%
Indirect other (Scope 3)	Cat. 1 - Purchased goods and services	240,503	126,511	103,818	4.4%	-17.9%
	Cat. 2 - Capital goods	211,469	39,009	10,401	0.4%	-73.3%
	Cat. 3 - Fuel and energy related, well to tank (WTT)	869,019	331,601	366,922	15.7%	10.6%
	Cat. 4 - 9 ²	158,433	39,608	60,845	1.8%	53.6%
	Cat. 11 - Use of sold products	249,844	37,676	23,744	1.7%	-36.9%
	Subtotal	1,729,268	574,495	565,7319	26.4%	-1.5%
Total emissions (tCO₂e)		5,926,722	2,177,529	2,337,603	100%	7.4%

Sustainability Metric	2019 data	2020 data	2021 data	YoY % change
Aircraft CO ₂ (kg) per revenue tonne kilometre	0.723*	0.826*	0.8250	-0.1%
Total CO ₂ emissions (tonne) from aircraft operations	4,148,970	1,581,962	1,750,537	10.7%
Aircraft CO ₂ (g) per passenger kilometre	78.9	119	137.8	15.8%
Aircraft CO ₂ (g) per cargo tonne kilometre	470	496	494	-0.4%
Electricity use, kWh	12,409,002	9,011,904	6,606,327	-26.7%
Gas use, kWh	8,524,419	8,749,654	6,415,359	-26.7%
Combined Electricity and Gas, (tonnes) CO ₂ e	4,739	3,710	2,615	-29.5%
Average aircraft noise (decibels)	95.1	93.3	92.8	-0.5%

¹2019 and 2020 CO₂ per revenue tonne kilometre have been updated to reflect improved methodology

Sustainability *continued***Carbon Footprint Methodology**

In line with the Greenhouse Gas Protocol, we compile our carbon footprint by 'Scope'. This enables us to calculate and understand the sources of our direct and indirect emissions and to identify our most important carbon impacts. In order to report greenhouse gas emissions we must convert 'activity data' such as distance travelled, litres of fuel used or tonnes of waste disposed into carbon emissions. Emission conversion factors are used for this purpose and each year we use the published DEFRA emission factors:

www.gov.uk/government/collections/government-conversion-factors-for-company-reporting

Our aircraft carbon emissions are independently verified each year for submission to EU Emissions Trading Scheme (EU ETS) and the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA).

For Scopes 1 and 2 we use actual data collated from our operations. However, given that fewer people were actively working in the business during 2021 due to the Covid-19 pandemic, there is some estimated data this year. Where categories have been estimated they have been based on a % of the 2019 consumption. Estimated activities in 2021 are electric consumption in retail stores and natural gas consumption in airport properties which represents <0.5% of our total footprint.

Category	Calculation/methodology
Categories 1, 2 and 11	Financial data and 2019 Comprehensive Environmental Data Archive emissions factors
Category 3	Actual data and the appropriate DEFRA emissions factors.
Category 4	Estimated - 66% of 2019 activity
Category 5	Actual weight data and DEFRA emission factors.
Category 6	Estimated - 14% of 2019 activity
Category 7	Estimated - 11% of 2019 ground staff activity, 23% of 2019 flying staff activity.
Category 9	Estimated - 29% of 2019 activity
Categories 8, 10, 12, 13, 14, 15	Not material /not calculated

Methodology

For our aircraft carbon metrics, we used following methodology:

- **Total CO₂ emissions:** Calculated using the aviation turbine fuel CO₂ conversion factor multiplied by the weight of fuel used from all flights, for both scope 1 (tank-to-wake) and scope 3 (well-to-tank).
- **CO₂/Revenue Tonne km:** As above, CO₂ is calculated using the

aviation turbine fuel CO₂ conversion factor (scope 1) multiplied by the weight of fuel used. RTK is calculated from all revenue (paying) passengers and freight (cargo) flown multiplied by the total number of kilometres flown.

The airport to airport distance is calculated using the Great Circle Distance (the shortest distance between two points on a sphere).

Greenhouse Gas Emissions Data

continued

This is then increased by 8% to allow for 'real world' distances flown. By way of example: including sub optimal routing and queuing to land at airports during periods of heavy congestion. Our methodology for 2019 and 2020 intensity metrics (CO₂/RTK and CO₂/PK) differs from previously published data due to a correction to our GCD calculation.

- **CO₂/Passenger km:** As above, CO₂ is calculated using the aviation turbine fuel CO₂ conversion factor (scope 1) multiplied by the amount of fuel used. PK is calculated from all passengers ("PAX") flown multiplied by the total number of kilometres flown (Great Circle Distance + 8%). A passenger to cargo weighting is also applied so that emissions can be allocated between passengers.

This takes into account luggage, seats, etc. excluding the emissions associated with transporting cargo. The passenger cargo weighting is calculated as follows:

Total PAX Weight (100kg per PAX, includes bags) + Total Seat Weight (50kg per seat) divided by the Total Weight (PAX +

seats + cargo). We have taken this formula from the ICAO [Carbon emissions calculator methodology](#).

- **CO₂/Cargo Tonne km:** As above, CO₂ is calculated using the aviation turbine fuel CO₂ conversion factor (scope 1) multiplied by the amount of fuel used. A passenger to cargo weighting is also applied as described above. CTK is calculated from the weight of cargo flown multiplied by the total number of kilometres flown (Great Circle Distance + 8%).
- **Energy use** relates to sites where we are billed directly for our energy use and is derived predominantly from our main sites which are The VHQ, Heathrow and Gatwick Hangers and the Swansea Customer Centre. Electricity also includes smaller airport properties. Gas values differ from our carbon footprint assessment, as for the footprint we also include estimated gas usage associated with our airport lounges.
- **Average aircraft noise** is modelled using the number of flights performed by each aircraft type multiplied by the aircraft noise specifications for take-off, lateral and approach respectively. We then create an average across all aircraft by dividing by the total number of flights performed in the year.

UK Ground and Cabin Waste

	Aircraft cabin waste ¹¹		Aircraft catering waste ¹²		UK ground waste ¹³	
	Tonnes 1	% of total	Tonnes	% of total	Tonnes	% of total
Total recycled	6840.9	97%	226.6	24.3%	194.6	56%
Total composted	-	-	-	-	3.1	1%
Total anaerobic digestion	-	-	-	-	-	-
Total incinerated/waste to energy	197.3	3%	690.6	74.1%	147.8	43%
Total landfill	33.8	0%	12.3	1.3%	-	0%
Total waste	7072	100%	932.2	100%	345.5	100%

¹¹ Cabin waste collected from provider MNH Cabin Services. This data relates to specific cabin waste items collected and returned to MNH for refurbishment and recycling including headsets and amenity kits, plastics, cardboard, paper, fabrics and textiles.

¹² Data is provided by UK caterer Gate Gourmet based on our services at UK airports. Data is estimated apportioning weights based on Virgin Atlantic volumes at operating units. It includes waste generated during meal preparation at Gate Gourmet's facilities, as well as catering waste returned from the aircraft. Cat 1 waste: By law, anything that touches meat or other animal products (such as dairy), which arrives in the UK from outside the European Union, is classified as Cat 1 waste and has to be completely isolated and destroyed.

¹³ Data is provided for all sites from our waste contractor based on a mixture of actual weighed bins and industry averages.

Sustainability *continued*

Sustainability Accounting Standards Board (SASB)

SASB is a not-for-profit, independent standards setting organisation to assist companies in disclosing financially material, decision-useful sustainability information to investors. We're disclosing metrics in line with their in the Airlines reporting standard, where possible.

Topic	Accounting metric	Category	Unit of measurement	Page ref or data
Greenhouse gas emissions	Gross global scope 1 emissions	Quantitative	Metric tonnes CO ₂ e	1,770,432
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Discussion and Analysis-	-n/a	-Pages 36-42, 52-53
	(1) Total fuel consumed, (2) percentage alternative, (3) percentage sustainable	Quantitative	Metric tonnes CO ₂ e, Percentage (%)	(1) 1,770,123 ¹⁴ (2) 0% (3) 0%
Labour practices	Percentage of active workforce covered under collective bargaining agreements	Quantitative	Percentage (%)	57%
	(1) Number of work stoppages and (2) total days idle	Quantitative	Number, days idle	0
Competitive Behavior	Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behavior regulations	Quantitative	Reporting currency	£Nil
Accident safety & management ¹⁶	Description of implementation and outcomes of a Safety Management System	Discussion and analysis	n/a	Page 58-61
	Number of aviation accidents	Quantitative	Number	0
	Number of governmental enforcement actions of aviation safety regulations	Quantitative	Number	0

Activity metric	Category	Unit of Measure	Page reference or data
Available seat kilometers (ASK)	Quantitative	ASK	14,506,584,453 ¹⁵
Passenger load factors	Quantitative	Rate	51% (average)
Revenue passenger kilometers (RPK)	Quantitative	RPK	7,680,440,191
Revenue ton kilometers (RTK)	Quantitative	RTK	2,122,488,263

¹⁴ All fuel consumed, including aircraft fuel (1,768,189 tCO₂e), natural gas (1,467 tCO₂e), ground vehicles (235 tCO₂e) and other fuels (232 tCO₂e)

¹⁵ Based on passenger flights and seats excluding cargo and ferry flights.

¹⁶ IATA IOSA 2021 audit passed.

Risk management

Our Risk Management Philosophy

We believe corporate risk processes create value and protect the organisation by: allowing us to be better prepared and more flexible; providing oversight of opportunities; helping us prioritise and deploy limited resources; and minimising the impacts of risks that subsequently materialise into issues.

In the second year of operating our business during an active pandemic, our risk processes have focused on two overarching objectives: (1) providing effective short term risk management in a highly fluid revenue and operating environment, with a particular focus on liquidity threats, and (2) resuming medium and longer term risk horizon scanning activity, in readiness for the resumption of business activities closer to pre-pandemic levels.

Throughout, we have ensured that the health and safety of our people, customers and suppliers remain at the heart of our decision making, and that these central objectives and values are not impaired or degraded in any way.

Risk Management Model and Risk Processes

Our risk processes are dynamic, allowing for risk escalation and de-escalation from divisional, programme and process risk registers into a central Top Risk Register. Risks are assessed for the likelihood of occurrence and impact on corporate objectives and strategy by using a number of lenses. Risk taxonomy, risk language and risk assessment scales are aligned and deployed consistently across the business. This provides a reliable and comparative method to focus management attention on the aspect of risk management that matters the most - identifying additional mitigation activity or investment needed to maintain our risk profile within our appetite.

As health, safety and security is our number one priority, underpinning everything we do, this risk category has its own reporting structure and escalation procedures. These integrate with our corporate risk processes through shared membership, aligned frameworks and a cadence of regular meetings.

A number of additional risk committees and working groups have been established where needed to provide additional governance over Top Risks, such as Information and Cyber Security and Crisis Management.



Risk management *continued*

Risk governance model

Board of Directors & Audit Committee

Sets overall risk appetite in line with strategic objectives

Assesses effectiveness of risk management systems

Approves the risk framework and policy

CEO & Leadership Team

Assesses risk landscape and identification of material risks

Defines risk appetite and individual risk tolerance

Reviews adequacy of mitigating actions and controls

Ensures appropriate resource allocation

Corporate Risk Team

Defines corporate risk policies and procedures

Co-ordinates executive/board risk discussion

Independently assesses and escalates significant risks

Risk training and support to business

Safety & Security Review Board

Independently chaired

Interfaces with regulatory agencies

Sets high level strategy and policy

Monitors effectiveness of safety supervision

Operating units

Assesses localised risks and landscape

Reports on key risk indicators

Manages risks within defined tolerances

Implements of risk response plans

Safety groups

Flight and cabin safety group

Engineering safety group

Security action group

Information Security Board

Independently chaired

Oversees data security and privacy

Monitors cyber security risks and mitigations

Other boards

Financial Risk Committee

Organisational Resilience Board

Crisis Management function

Risk management *continued*

Risk management *continued*

Principal risks and uncertainties

In 2021 we defined our Top Risks across seven categories, being (i) Health, Safety and Security, (ii) Financial and Macro-Economic, (iii) Third Party Relationships, (iv) Sustainability, (v) Technology and Cyber Security, (vi) People and Brand and (vii) Regulatory and Legislative.

In light of how rapidly the risk environment has changed over the past two years, we have not included a schedule of changes in risks year on year. The risks are so dynamic at present and the relative movement is constantly in flux, as to make such a schedule of little additional use to readers of the report.

The directors believe that the risks and uncertainties which are described below, are the ones which may have the most significant impact on our long-term performance.

Risk Category 1: Health, Safety and Security

Risk 1.1: Major safety, terrorism or security incident

Risk Context:

A major flight or ground safety event could have a significant impact on our ability to operate or attract customers. Failure to prevent or respond promptly and effectively to such an incident could have a material adverse effect on Virgin Atlantic's reputation, business, and financial condition.

Additional adverse consequences of any such events, and the threat of any such events, could include a complete or partial closure of UK airspace or other airspace affecting our routes, reduced demand for air travel, increased costs associated with security precautions, other flight restrictions and, to the extent Virgin Atlantic is or could be involved, significant liability and litigation costs.

In addition, all aviation and tour operation businesses are generally exposed to security threats, including the threat of terrorism. Aircraft crashes or other safety incidents, even if they do not directly involve Virgin Atlantic, could still impact passenger confidence and have a material adverse effect on the airline and holiday industries in general and/or lead to reduced demand for our services.

Main Controls and Mitigations:

Safety and security is our number one priority. It is the cornerstone of our corporate strategy and underpins everything that we do.

The CAA authorises us to conduct our activities following assessments of safety, ownership and control. In addition to complying with all regulatory and airworthiness directives and processes, we have an independently chaired Safety and Security Review Board comprising Executives and Senior Managers from across the business, which reports directly and regularly to our Board of Directors on our safety and security position.

To ensure the robustness of our security regime we operate a self-inspection and test programme. Joint audits and inspections are also conducted with regulators. Regulated compliance performance is monitored by way of a dedicated scorecard which is reviewed by the Safety and Security Review Board.

We adopt a holistic approach to security with the Corporate Security team having overall responsibility for security matters linked to aviation, border security, cargo, facilities, personnel and asset protection. In view of the ongoing targeting of civil aviation and the potential impacts of global geopolitical events, much focus is placed on threat monitoring and assessment to ensure that we have the most current and accurate data to make informed judgements about the security of our people and our physical assets.

Risk management *continued*

Risk 1.2: Significant health-related incident

Risk Context:

We have a critical and legal obligation to ensure we provide a safe working environment whether onboard, in our ground facilities or in the office. Equally, ensuring that our aircraft are safe, hygienic environments, and are seen as such, is critical to support ongoing customer confidence as we emerge from the Covid-19 pandemic.

During any active pandemic, there is also a risk that a major outbreak of the virus in our workforce or our third party supplied workforces, could have a significantly detrimental impact on our ability to operate and generate revenue, as well as impacting on our primary duty of care to our employees.

Main Controls and Mitigations:

The health of our employees and customers is and has always been a central consideration of our operations.

We have dedicated health and safety functions who proactively monitor risks to our people and our customers, at all our locations, considering the working environments of our staff, the services offered to our customers, and the legal and regulatory obligations and regimes we must operate within. We also have a series of regulatory inspection regimes to ensure that our operations adhere to all public health legislation and requirements.

Health and Safety reports through to our Safety and Security Review Board, meeting regularly and with key health metrics and trends tracked and reported on. In addition, any individual events are reviewed for root cause analysis and learnings. We also have specific initiatives in place to ensure that the mental health, wellbeing, and occupational health of our staff is maintained, including actively managing fatigue risks; provide additional support, resources, and other corrective actions as and when necessary.

During the Covid-19 pandemic the importance of ensuring a safe operating environment for our staff, and a safe transportation environment for our passengers, has been an immediate priority. Our Covid-19 health protection measures include state of the art HEPA standard filtration in all aircraft; cleaning and disinfecting between all aircraft rotations; provision of masks and other protective equipment as necessary. We follow all relevant guidance and regulations, and regularly update our processes when the guidance or our own risk assessments change.

Risk 1.3: Covid Variant of Concern Risk

Risk Context:

Since the start of the Covid-19 pandemic, new variants with differing properties have emerged at a regular rate, including new variants of concern. The future evolution of the SARS-COV-2 virus and any associated pathogenicity is clearly unknown, but further variants of concern could emerge.

The Covid-19 pandemic has already had a material adverse effect on Virgin Atlantic. Any extension or reintroduction of travel restrictions affecting the major routes operated by the airline as a result of a new variant of concern, would likely have a material adverse effect on the business, financial condition, results of operations and prospects.

Virgin Atlantic's passenger and holiday revenue also have a strong correlation with general economic conditions, including gross domestic product (GDP), business and consumer confidence and consumer discretionary spending, all of which may negatively change with the emergence of new variants.

Main Controls and Mitigations:

Virgin Atlantic responded effectively to the Covid-19 pandemic by undertaking a range of activities to ensure the survival of the business, the protection of staff and customers, and to continue to operate in a safe and responsible manner.

Any future variant causing a material impact or threat to our business model would be responded to in a similar fashion as we have approached in the past.

Risk management

continued

In brief, the key mitigations taken by Virgin Atlantic in response to the pandemic to date, which could be revisited and potentially re-deployed if necessary again in the future, include:

- Reshaping and resizing our business and employee structure to reduce costs;
- Securing new investment from shareholders;
- Obtaining additional liquidity through agreements to defer or reduce payments to suppliers; adjusting and reducing fleet costs, including accelerating the disposal of older fleet types;
- Through the sale and leaseback of other newer aircraft;
- Raising capital through sale of other assets;
- Rescheduling and reprioritising capital expenditure;
- Consolidating our network, expanding our cargo activity, and identifying new route opportunities;
- Restructuring existing loan agreements and credit facilities;
- Obtaining new financing from fixed-income debt investors;
- Pausing other discretionary spending.

Our going concern disclosures also model the impact of a more challenging operating environment, including the emergence of a new variant of concern in the “severe but plausible” scenario. Please refer to note 3 of this annual report for further details.

Risk 1.4: Other high impact/low likelihood adverse events

Risk Context:

Many other “Black Swan” and similar crisis management risk scenarios apply to all airline and package holiday operators, many with a health, safety and security priority, including but not limited to:

- Significant weather events which impact our ability to operate aircraft or deliver our holiday packages;
- Closure of airspace as a result of geo-political tensions, regional disputes, wars between nations, and other humanitarian disasters;
- Worldwide fleet grounding events, including as a result of rapidly emerging airworthiness concerns on an engine or aircraft type; and

- Future pandemics, or other World Health Organisation global events, which lead to widespread closure of airspace and/or territories for a short or medium-term duration.

If any of these events were to transpire, the ability of our business to respond and survive depends on having well established crisis management and business continuity processes that prioritise the health, safety and security of our staff and our customers.

There is a risk that, despite taking precautions, our preparations may not be sufficient to protect us from material damage should an actual event occur.

Main Controls and Mitigations:

Covid-19 demonstrated that despite the existence of resilience planning, it is very difficult for any entity to realistically and adequately plan for a widespread event that stops all operating and trading activity for a sustained period of time. We instead look to mitigate around short to medium term operational disruptions by ensuring we build agility and flexibility within our business model and operations, and by maximising the speed with which we are able to identify, assess and respond to any such event.

The risk management processes we have established are designed to protect us from future short and mid-term shocks associated with crisis events, and briefly are as follows:

- We have a crisis management and resilience function which constantly and consistently manages the risk of major disruption from an operational perspective. This includes a dedicated crisis management centre, with an operational readiness state 24/7/365, along with clearly established protocols for engaging, escalation and closure of potential crisis events.
We also have a team of volunteers trained in crisis management situations who can be called upon for support activity at short notice.
- We conduct company-wide business impact analysis, and have

Risk management *continued*

established Business Continuity Plans for all the critical areas of our operating and head office functions. These remain under continuous review. We test our crisis management processes regularly using a range of different and changing scenarios.

- Our Organisational Resilience Board and Safety and Security Board both meet regularly to assess the risks associated with crisis management and business continuity planning.
- We have a number of additional domain-specific controls established for other principal risks to the business which could be categorised as low likelihood / high impact, including for the failure of critical technology systems, and for health, safety and security events – as detailed in other sections of this risk disclosure.

Risk Category 2: Financial and Macro-Economic Factors

Risk 2.1: Liquidity risk

Risk Context:

The major risk to our liquidity during the pandemic in 2021 was a combination of decreasing forward sales, the need to refund customers as a result of passenger flight cancellations, and fixed costs driving cash outflows. At the time of report publication, a number of mitigations have been implemented which reduce the threat from all of these drivers. In addition, we are starting to see promising signs of recovery in global aviation and tour operations trading.

Other risks to liquidity are driven by business performance, capital investments, our financing structures and the timing of associated cash flows. We are also exposed to the risk of increased finance costs as a result of movements in interest rates on floating rate debt, and the general availability of financing options in a very challenging industry environment.

Derivative financial instruments are used selectively for financial risk management purposes. The timing difference between derivative maturity date and current mark to market value can give rise to cash margin exposure in volatile markets.

Main Controls and Mitigations:

We took a range of immediate short, mid and long term actions designed to protect our liquidity and working capital position during the ongoing Covid-19 pandemic. These included:

- Reshaping and resizing our business and employee structure to reduce costs;
- Securing new investment from shareholders;
- Obtained additional liquidity through trade creditor and card acquirer agreements;
- Adjusting and reducing fleet costs including accelerating the disposal of older fleet types, and through the sale and leaseback of other newer aircraft;
- Raising capital through sale of other assets;
- Rescheduling and reprioritising capital expenditure;
- Consolidating our network, expanding our cargo activity, and identifying new route opportunities;
- Restructuring existing loan agreements and credit facilities;
- Obtaining new financing from fixed-income debt investors;
- Pausing other discretionary spending.

Throughout 2020 and 2021 we have placed significant importance on strengthening our cash management and reporting processes, including the establishment of a cash committee to oversee day to day cash management activity and strategic cash decisions, supported by more frequent and granular cash modelling and cash forecasting activity.

The net exposure to movements in interest rates is calculated and managed with a view to reducing the impact of any potential rate increase. A mix of fixed and floating rate products are used to reduce exposure and where necessary we utilise financial instruments approved under our risk management policies.

Any hedging activities are undertaken in line with our financial risk management policies to provide a degree of certainty for future financing costs and to reduce volatility of cash flows. We had no open hedging positions as at 31 December 2021. We do not speculatively trade and use these instruments to manage the underlying physical exposures of the business.

Risk management *continued*

Risk 2.2 Financing risk

Risk Context:

Financial leverage from operating leases, finance leases, secured loan facilities and other facilities remains of consequence. In common with the rest of the airline industry, the amount of financial leverage increased in both 2020 and 2021 due to the additional debt that we took on to improve our liquidity position in response to the Covid-19 pandemic. In addition, we have substantial planned capital expenditures over the next four years to 2025, including the acquisition of new aircraft and related spare engines.

In the medium-term, our ability to finance our ongoing operations and commitments is vulnerable to various factors including continued adverse effects from the Covid-19 pandemic or any future Covid-19 outbreak or other pandemic, ongoing financial market conditions, and financial institutions' appetite for secured aircraft financing and general lending to the airline industry.

Main Controls and Mitigations:

The Board of Directors regularly review our capital structure, and approve changes and initiatives to ensure the structure remains within its risk appetite.

We continuously appraise balance sheet obligations, including our fleet commitments, and maintain short, medium and long term financial capital planning models. This ensures that we identify new financing requirements in good time and with a high degree of confidence, allowing us to proactively engage with financing parties at an early stage and achieve optimal solutions. We maintain close and strong relationships with existing financing key stakeholders, including banks, creditors and bondholders, that ensures that our arrangements with them remain well governed and risk-controlled.

We regularly review the use of our assets, including securitisation options, to ensure we maintain our costs of borrowing and capital within our capital structure targets.

We have an approved strategy and plan which is focused on ensuring our operations both resume and sustainably maintain at a healthy and cashflow positive position. This includes detailed assessments of the most efficient use of revenue from operations - including re-investment and financing repayment opportunities.

Risk 2.3: Foreign currency and jet fuel risk

Risk Context:

We have significant exposure to US Dollar denominated costs, most significantly for jet fuel and aircraft financing and interest costs, but also for fleet maintenance and other US Dollar financing arrangements. Adverse movements in the US Dollar to Pound Sterling rate can therefore significantly impact our financial position.

We have a net exposure to a number of other currencies due to local currency revenues typically exceeding costs. Repatriation may be constrained in countries where exchange controls are imposed to regulate the flow of money.

Jet fuel comprises a significant and material element of our cost base, and as such we have considerable exposure to adverse movements in the base price of oil and jet fuel, independently of the foreign exchange risk outlined above.

Main Controls and Mitigations:

Where possible we reduce our exposure through the matching of receipts and payments in individual currencies. For countries where remittance challenges and risks exist, we closely monitor our currency exposure to identify any issues at an early stage and to take remedial action, both operational and financial, to minimise the value of these funds. Where a significant exposure in foreign currency holdings remains, we utilise financial instruments approved under the financial risk management policies.

Risk management *continued*

We aim to protect the business from significant near-term adverse movements in the jet fuel price. Our fuel hedging policy allows for the use of derivatives available on the over the counter (OTC) markets with approved counterparties. We do not speculatively trade and use these instruments to manage the underlying physical exposures of the business. Any hedging activities are also undertaken in line with our approved financial risk management policies to provide a degree of certainty for future financing costs and to reduce volatility of cash flows, all with the approval of our Board of Directors.

Risk Category 3: Third Party Relationships

Risk 3.1: Key supplier failure risk

Risk Context:

We are dependent on suppliers from a wide range of business domains for several of our principal business processes. The failure of any of our key suppliers to deliver contractual obligations could have a significant impact on operational performance and customer delivery.

The ongoing Covid-19 pandemic has put additional pressure on our supply chain, leading to a generally heightened risk for many businesses we deal and transact with on a daily basis. In addition, inflationary and supply chain pressures going into 2022 may increase the risk that elements of our supply chain fail as a result of the increased stress being placed on their costs and business models.

Main Controls and Mitigations:

Our Organisational Resilience Board has oversight of this risk and meets regularly to assess the controls linked to our key suppliers' performance.

We carefully assess the adequacy and resilience of our supply chain when entering into new contractual agreements and maintain close relationships with existing key suppliers to ensure we are aware of any potential supply chain disruption.

We routinely monitor the impact of the Covid-19 pandemic and inflationary pressures on our supply chain, and ensure the actions we are taking do not place unnecessary additional stress on our valued suppliers and counter-parties.

Risk 3.2 Fleet and Engine Suppliers

Risk Context:

We are reliant on a limited number of aircraft and engine manufacturers, being Airbus, Boeing and Rolls Royce. Any issues relating to the airworthiness of the aircraft models or engine types used by us could lead to a significant part of our fleet being grounded, and any failure or non-performance of aircraft and engine manufacturers to deliver new aircraft or engines could lead to operational disruption and additional costs.

Main Controls and Mitigations:

We maintain strong strategic relationships with all our fleet and engine suppliers, which includes holding regular backward and forward looking service delivery reviews, the early identification of risks and emerging issues, reviews of supply chain planning and component delivery dates, and securing resilience and support capacity and capabilities. Where issues do impact us, we work proactively and positively with our partners to identify solutions.

Our fleet and network planning is kept under close and continuous review, and we conduct a range of scenario planning to understand the potential impact on us related to fleet and engine related changes, including scenarios where parts are not available or aircraft delivery dates change.

If issues occur, we have forums established which identify tactical solutions to minimise the impact to our operations, customers, and revenue and costs – including reviewing the flying plans, adjusting our scheduling and destinations, optimising maintenance schedules, and looking at options to secure additional short term capacity such as by dry or wet leasing.

Risk management

continued

Risk 3.3 Airport Infrastructure and Slots

Risk Context:

We depend on certain UK and overseas airport hubs and certain holiday destinations, for a significant portion of our operations and sales revenue. We can therefore be affected by infrastructure decisions or changes in infrastructure policy by governments, regulators or other entities, which are often outside of our control – such as whether to allow additional runway capacity at an airport, the construction of a new airport, and the risk that the costs of infrastructure projects could be passed on to us.

In order to utilise the various airports, we also pay various fees, including transit and landing fees, infrastructure fees, and air traffic security costs. There are extensive and varying charging structures and economic regulations which govern these charges and there can be no assurance that such costs will not increase or that regulated charges may not be increased disproportionately in favour of the airport operators.

Certain airports require airlines to hold a slot to land and depart from at a specific time. Slots can be lost if not operated under “use it or lose it” rules and/or grandfathering regulations. Any such loss of slots could prevent Virgin Atlantic from flying to key destinations in the future. Equally the operation of unprofitable flights to protect slots could have a material adverse effect.

Main Controls and Mitigations:

When changes are proposed to the infrastructure we are dependent on, or pricing changes to access and use this infrastructure, we work closely and actively with regulators, airport operators, airline communities and industry groups, to understand the impact and to make our voice heard during consultations. We lobby both to protect consumers' interests, and to balance required investment in infrastructure with pragmatic and equitable cost distribution mechanisms.

We closely monitor our usage versus the requirements of slot utilization at coordinated airports to ensure that we protect our

rights to continue to land and depart from these locations. If necessary, we identify options to lease or lend slots to other operators to ensure that low utilization does not lead to slot revocation.

In light of the Covid-19 pandemic, aviation authorities around the world have generally issued slot waivers to prevent airlines from losing slots if they do not operate flights, or to reduce the level of utilization to maintain rights to slots in the future. We work closely with decision making bodies to continue to influence the discussion and debate.

Risk Category 4: Sustainability

Risk 4.1: Consumer expectations on sustainable aviation

Risk Context:

Consumer expectations are changing, with social responsibility towards the environment playing an increasingly strong role in determining preference. As leaders in travel and aviation we have a vital role to play in addressing the climate crisis, with action on carbon and climate resilience identified as the areas that matter most across our stakeholders.

In 2020 and 2021 the Covid-19 pandemic led to a greatly reduced level of passenger flying. We expect as flying recovers that consumer expectations and travel choices will increasingly be influenced by the actual and perceived sustainability of the travel companies they transact with.

Main Controls and Mitigations:

Our actions to support technology innovation, sustainable aviation fuel (SAF) commercialisation alongside onboard initiatives to reduce our plastic used and waste are demonstrative of our ongoing commitment to sustainability leadership.

We have committed to net zero carbon emissions by 2050. To support this, we announced interim targets in October 2021. Milestones have been set against which to measure our

Risk management *continued*

progress and drive accountability on our pathway to net zero. We have developed more sophisticated measurement, metrics and reporting to give ourselves, our customers and our wider stakeholders visibility on the environmental impact we have and areas where we need to do more. As a result, we continuously work to find ways to improve the efficiency across all our operations, and regularly commission independent assessments of our environmental performance through organisations such as CDP.

We have transformed our fleet over the past decade from four-engine powered aircraft to more efficient twin-engine aircraft. Investing in a fleet transformation programme that means we fly one of the youngest and most fuel efficient fleets in the skies. Since 2007 we have reduced our CO₂/RTK by 18% (2019) and as we complete the programme expect this to increase to 30% by 2026.

We have supported the development of SAF since 2011, including through our partnership with sustainable fuel technology company LanzaTech. As the UK policy and regulatory environment develops we are looking to agree long term offtake agreements with LanzaTech to support our 10% SAF target by 2030. There remains a long way to go for SAF commercialisation to reach meaningful scale in the UK and we continue to support radical collaboration across industry and the energy value chain to finance, build and operate SAG plants.

We are active members of a number of industry groups including the Jet Zero Council, Cleaner Skies for Tomorrow, Aviation Climate Taskforce and Sustainable Aviation.

As we build on our initial TCFD disclosure in this year's Annual Report, we will report and disclose against the eleven topics in more detail, including the climate-related risks and opportunities most relevant for Virgin Atlantic, with a focus on our preparedness for a net zero by 2050 scenario.

Risk 4.2: Financial challenges to achieving carbon reduction commitments

Risk Context:

The challenges to our carbon reduction efforts include any material delay in the commercial availability, increased market costs of appropriate sustainable aviation fuel supply or carbon offset projects and/or trading schemes, as well as the risk of the proliferation of independent carbon-related taxes across the markets we serve.

New taxes and increasing price of carbon costs might impact the demand for air travel with customers choosing to reduce flying. Future legislative changes could lead to an uncoordinated set of climate policies and taxes. This has the potential to create competitive distortion and increase compliance costs without effectively reducing aviation emissions.

The timetable for development and commercial availability of sustainable aviation fuel remains uncertain, particularly in the UK, and the aviation industry recognises that market-based measures are also going to play a part in mitigating carbon emissions, particularly for long haul flights in the medium term.

There are uncertain longer term costs and financial exposures as a result of market-based measures such as CORSIA (Carbon Offset and Reduction Scheme for International Aviation) and the UK Emissions Trading Scheme. Under CORSIA, airlines from participating states will be required to buy carbon offsets to compensate for the global growth in CO₂ emissions. Equally, changes to existing carbon trading schemes, or the implementation of new schemes, have the potential to create misaligned cost, price and regulatory incentives for global airlines.

Main Controls and Mitigations:

We actively monitor policy, financing and commercial developments related to SAF in our home market (the UK) as well as the largest destination markets we serve (e.g. North America). This includes UK and EU SAF mandate proposals,

Risk management

continued

treatment of SAF in CORSIA, through IATA and at ICAO as well as regulatory incentives and emission trading schemes. Through a range of industry forums and memberships we support a broad range of industry efforts to develop the right commercial and regulatory framework for SAF production, particularly in the UK.

We keep our long term carbon model updated, taking account of our future network and fleet growth, long-term fuel requirements and actions needed to deliver on our interim carbon targets and net zero 2050 goal. This includes financial modelling of our obligations under CORSIA, SAF volumes to and beyond 2030 and offsets needed where we cannot achieve in sector carbon reductions.

We are actively engaging with offset providers to develop our purchasing and investment strategy to create a diverse portfolio and spread the financial risk. Our Leadership Team regularly review the strategy and approach to ensure visibility of expected near-term costs.

Longer term, we intend to focus on investing in robust carbon reduction projects with strong community benefits. Wherever possible we will be looking for projects in Virgin Atlantic and Virgin Atlantic Holidays destinations, seeking those that have additional benefits such as job creation, health and wellbeing, habitat protection and storm resilience.

Risk 4.3: Physical Impact of Climate Change on Operations

Risk Context:

The physical effects of global warming and climate change have the potential to both directly and indirectly affect our operations, our people, our customers and our suppliers.

Directly, climate change has resulted in more volatile weather such as a greater frequency and intensity of storms, which could disrupt operations by reducing handling capacity at airports. Changes in wind patterns and jet stream disruption as a result of climate change are also recognised as having the potential

to increase turbulence on common flight paths. More extreme winter weather events also have the capability to increase the demand on winter planning activity, and critical services such as de-icing, which could result in delays and cancellations.

Indirectly, climate change has the potential to negatively impact and influence almost all areas of our customers, partners, destinations and suppliers.

Main Controls and Mitigations:

We recognise that aviation is one of the hardest industries to decarbonise, but that climate change poses the greatest existential threat to our people, our planet and our business. We are committed to doing everything in our power to continue to push for and support global solutions.

We already conduct detailed forward-looking modelling on climate-related subjects such as projecting our future emissions according to our planned fleet improvements and SAF usage together with projecting the future costs of CORSIA compliance. Most recently, we have evolved our approach to include modelling climate-related scenario analysis involving specific temperature-aligned global outcomes.

We are in the process of using a high global emissions scenario to evaluate physical risks in more detail. The outcomes of this will be used to explore possible business impacts; the adequacy of our existing strategy, controls and mitigations to help inform additional measures that could be developed to improve our resilience. This will include any further mitigations to prevent significant operational disruption.

In our detailed TCFD disclosure which will be published in future Annual Reports, we intend to fully describe the climate-related risks and opportunities most relevant for Virgin Atlantic, with a focus on our preparedness for a net zero by 2050 scenario.

Risk management *continued*

Risk Category 5: Technology and Cyber Security

Risk 5.1: Failure or non-availability of a critical IT system, including due to cyber-security threats

Risk Context:

We are dependent on IT systems for most of our principal business processes. The failure or non-availability of a key system for a prolonged period of time, due to either internal resilience issues, or cyber attacks, would cause significant disruption to operations and/or result in loss of revenue.

Many companies and industries are reporting an increase in targeted cyber-security threats and activity from criminal gangs, such as from ransomware-as-a-service attacks, which is adding to the threat landscape within which we operate.

Main Controls and Mitigations:

We have an Information Security Board with overall governance and management of our technology and information risk landscape and oversight of the information security improvement programme.

System controls, including disaster recovery planning and business continuity arrangements, exist to mitigate the risk of a critical system failure as a result of resilience or performance issues. We have a planned programme of capital investment to continuously update and refresh our technology solutions and services. This is designed to improve performance, availability, confidentiality, integrity and resilience, and to reduce risks from obsolescence. We strategically partner and outsource with third parties to accelerate our technology transformation, increase speed of recovery and responses, and to reduce the risk of material technology systems or services failure.

From a cyber-threat perspective, we deploy a wide range of preventative and detective controls, including technical solutions, to minimise the threat to our systems and services. Ongoing investment and efforts are directed to reflect the

evolving nature of the threat landscape, including the purchase of insurance products when considered appropriate. We continuously develop playbooks for responding to events, and benchmark ourselves regularly using frameworks such as National Institute of Standards and Technology (NIST) and the CAA Civil Aviation Publication 1753 requirements to identify areas for further investment and improvement.

Our technology team works closely and diligently with key system suppliers to ensure that we are operating our critical systems in a risk appropriate manner.

Risk 5.2: Information security and compliance with data protection

Risk Context:

Unauthorised access or loss of customer or employee data could lead to significant reputational and financial damage. We have a duty and a requirement to ensure customer and employee data is only used within the legislative requirements of the Data Protection Act and for purposes to which they have consented.

The Data Protection Act 2018 became law in the UK in May 2018. This legislation works with the EU General Data Protection Regulations (GDPR) and allows for potentially significant fines to be levied for cases of serious data breach or non-compliance. Versions of the GDPR are now also being enacted in a number of destinations served by Virgin Atlantic.

Main Controls and Mitigations:

We have an Information Security Board with overall governance and management of our technology and information risk landscape and oversight of the information security improvement programme.

Our Information Security team, supported by a Security Operations Centre, conduct a range of information security measures. Such measures include, but are not limited to: network monitoring, vulnerability scanning, penetration testing and various other proactive hardening measures to keep our data safe and secure. We continuously keep our tooling,

Risk management *continued*

Risk management *continued*

partnerships, operating models and processes under review. Our Data Privacy Team and Data Protection Officer report to our General Counsel. The Data Protection Officer has a remit of oversight ensuring compliance with data protection regulations. The Privacy Team also provides support to the business in the design and operation of processes, procedures, contracts, partnerships and campaigns that use personal data, as well as managing customer and employee privacy requests and complaints. There was no enforcement action in 2021 from any Data Protection regulator.

Risk Category 6: Brand and People

Risk 6.1: Brand and Reputational Damage

Risk Context:

Any factors which have a material adverse effect on Virgin or the Virgin Atlantic brand could result in a significant loss of confidence from our customers with a consequent material adverse effect on our business, financial condition, results of operations and prospects.

The Virgin brand is used in a wide range of different economic sectors both in the United Kingdom and internationally. Virgin Atlantic is exposed to a general risk that others associated with the Virgin brand could bring the brand into disrepute. For example, as a result of litigation, employee misconduct, operational failures, accidents, the outcome of regulatory investigations, press speculation and negative publicity disclosure of confidential customer information.

Main Controls and Mitigations:

Our brand is one of our greatest assets, and we treat it with great care and consideration.

We continue to keep our people and customers at the heart of everything we do. Throughout the changes and challenges of Covid-19, we have focused on retaining one powerful brand which stands out and inspires our customers to trust and transact with us.

We constantly monitor a wide range of indicators to help us understand how our customers feel about us and our brand, updating our services and offerings to reflect this. This includes looking at Net Promoter Scores and Voice Of Customer results from customers who have transacted with us, and also by tracking external brand metrics - such as brand power - with the support of third parties.

Our advertising strategy, products and assets are kept under regular review to ensure that we are positioning and marketing ourselves to our existing and potential customers in a way which maximises their affiliation, loyalty and resonance, thereby driving continuous improvement.

We coordinate regularly with Virgin Management and other Virgin Companies to ensure we understand the positioning of the master brand and have clear escalation points established.

Risk 6.2: Industrial Relations

Risk Context:

We have a large unionised workforce represented by a number of different trade unions. Industrial action by key groups of employees or by the employees of key third party service providers could have potentially adverse operational and/or financial impacts on the Group.

Main Controls and Mitigations:

The unions we recognise are Unite the Union and BALPA. Emphasis has been placed on maintaining ongoing dialogue and resolving issues early at a departmental level in order to avoid escalation. A significant level of discussion takes place during collective bargaining with unions prior to the adoption of any new policies which may impact our people and their work environment.

We have engaged fully and properly with all unions throughout the difficult decisions we have had to take on restructuring the business during the Covid-19 pandemic, and which have resulted in a materially decreased headcount going forward. As a result of the goodwill and openness demonstrated from

Risk management *continued*

both the Group and the unions throughout these discussions, we feel confident that our working relationships with these critical groups remains one based on achieving mutual goals, underpinned by trust and respect.

Risk 6.3: Talent acquisition, management, development and retention

Risk Context:

We compete to attract the best talent globally. Without effective talent management and development processes we may have difficulty in attracting and retaining the people with the skills we need to deliver our strategy.

Failure to meet our ambitions to be an open, inclusive and representative business could also compromise our ability to attract and retain the best talent, impacting our company performance.

Main Controls and Mitigations:

The strong reputation and loyalty engendered by the Virgin Atlantic brand is a core part of the value of our business, and one which continues to stand us in good stead when we compete for talent.

We maintain a clear and equitable talent management process internally, linked to a variety of performance related pay mechanisms, which encourage and reward effective performance at both the individual and company level. We conduct succession planning to ensure that we have an effective view of our internal and external talent pipeline, to provide continuity, and to identify development opportunities for our staff.

We have ambitious BAME and gender targets, and a number of strategic initiatives are running internally to ensure we meet these. We invest in a number of local and international efforts to increase the diversity and strength of the longer-term talent pipeline.

Our initiatives include programmes designed to increase the representation of women in STEM subjects and careers; mentoring programmes to support local schools; and apprenticeships schemes which allow us to identify and attract the next generation of leaders.

Risk Category 7: Regulatory and Legislative

Risk 7.1: Compliance with competition, anti-bribery and corruption law

Risk Context:

We are exposed to the risk of unethical behaviour by individual employees or groups of employees resulting in fines or losses to our business. Legislation allows for potentially significant fines to be levied for cases of serious breach or non-compliance.

Main Controls and Mitigations:

We have comprehensive training schemes and controls in place to both prevent and detect non-compliance. Mandated training courses for all employees cover topics including competition compliance, data protection and anti-bribery policy and must be completed annually and on joining the company.

For specific areas of higher inherent risk in the area of competition law we provide additional annual specialized training courses, led by a legal compliance expert. This ensures that the relevant teams are clear on their legal requirements and remain stringently within the bounds of acceptable behaviour.

For our third-party relationships, all our suppliers and general sales agents agree in their written contracts with us that they will comply with all applicable laws and regulations, together with adherence to our anti-bribery and ethical business policy. We maintain right-to-audit clauses in all our key and critical supplier contracts, giving us the ability to inspect records and assure compliance where (or if) we have any concerns about supplier compliance with laws and regulations.

Risk management *continued*

Risk management *continued*

We have a fraud and integrity function which investigates any allegations of bribery or corruption. Our whistleblowing platform is also managed by our fraud and integrity team. Our processes allow for employees, suppliers and customers to raise concerns, without fear of recourse, to a nominated third party, and if they wish, to do so anonymously.

Risk 7.2: Compliance with other aviation regulatory authorities and governments

Risk Context:

Regulation of the aviation and tour operator industries covers many of our activities, including safety, security, route flying rights, airport slot access, data protection, environmental controls, government taxes and levies. The ability to both comply with and influence any changes in these regulations is critical to maintaining our operational and financial performance and licences.

Main Controls and Mitigations:

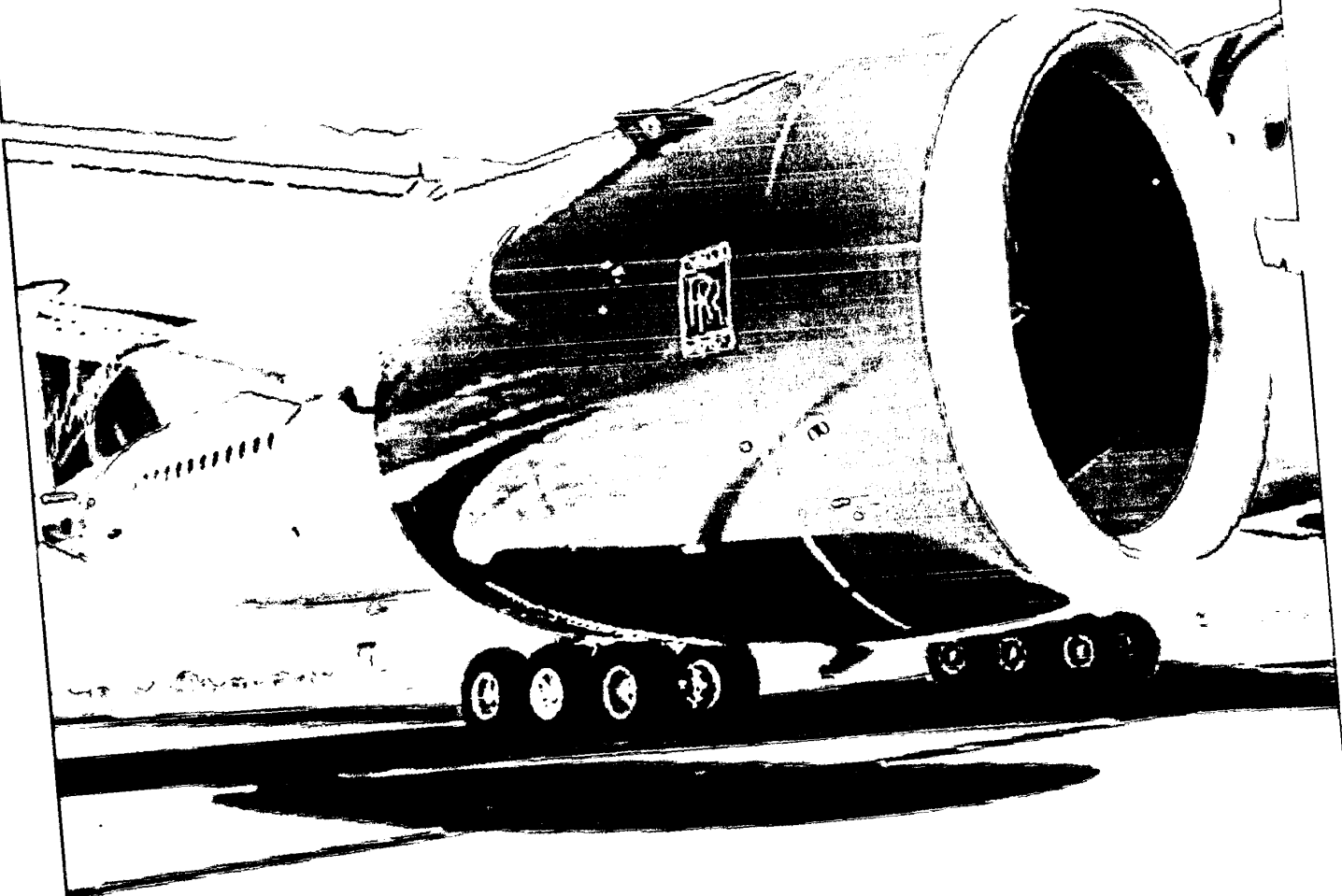
The CAA authorises us to continue our activities following assessments of safety, ownership and control as well as financial fitness criteria. The broad framework of which is available via the CAA website (www.caa.co.uk). We have a dedicated internal compliance function which both conducts and supports the significant level of internal and external audits, reviews and assessments required by the CAA and other bodies including IOSA and IASA, to ensure we remain compliant. This function reports into our Safety and Security Review Board.

We continue to engage with the UK Government to understand how its objectives are expected to impact the business and to constructively drive debate and effective policy formulation. We regularly assess the impact of UK Government policy and objectives on our business and take appropriate action as required.

Globally, we continue to assess political risk and work with governments across the world to understand any potential regulatory impact on our operations. We retain legal counsel for

all jurisdictions we operate to, and maintain close relationships with our trading partners and government departments. Through a network of trusted and professional advisors we ensure that our operations stay in compliance with all required legislation.





Corporate Governance

Overview

The Board is responsible for the long term sustainable success of the Group.

To achieve this, the Board leads and provides direction for the Leadership Team by setting our strategy. Its role includes overseeing strategic decision making, scrutinising the performance of its management in meeting the goals set by the Board and taking a proactive role in monitoring the performance of the Group as a whole.

The Board convenes regularly so that management can update the Board on the Group's performance. In addition, the

Executive Directors have regular meetings with representatives of both shareholders as well as with their Board representatives.

Governance Code

For the year ended 31 December 2021, under The Companies (Miscellaneous Reporting) Regulations 2019, we have applied the Wates Corporate Governance Principles for Large Private Companies ("Wates Principles"). We have adopted the Wates Principles as an appropriate framework for our corporate governance arrangements which are set out in more detail in various sections of this Report. Its key principles are reviewed in the table below.

Purpose and Leadership, stakeholder engagement

Purpose and Leadership

Our corporate vision, values and strategy are described throughout this Annual Report and set out in detail in the Chairperson's statement and the CEO Review.

The Group purpose is 'Everyone can take on the World' - reflecting both our business activities and our corporate culture of inclusivity, activism and challenger spirit which has defined Virgin Atlantic throughout its existence.

Stakeholders

The Board is responsible for overseeing meaningful engagement with stakeholders including the workforce, having regard to their views when taking decisions.

See page 24 for a summary of our stakeholder engagement.

Opportunities and Risks; Remuneration

Strategy

The Board has provided ongoing support to the Leadership Team throughout the year, in the response to the Covid-19 pandemic and in particular in the raising of finance for the Group.

Risk

The Board's role is to ensure the long-term sustainable success of the Group, whilst maintaining oversight for the identification and mitigation of risk.

Risk categories are aligned around central topics which include safety, security, sustainability and liquidity. These are explained fully on pages 56-70. The Board is updated twice a year on the management of existing and emerging risks.

Remuneration

The Board promotes executive remuneration structures aligned to the achievement of KPIs required to deliver the long term sustainable success of the Group. Metrics which define executive director remuneration are closely aligned to key milestones and performance targets which are linked to the Group's strategy. These do not differ significantly from those of the wider Leadership Team.

Corporate Governance *continued***Board Composition**

The Board of Directors comprises seven Non Executive Directors and two Executive Directors. Four of the Non Executive Directors are appointed by Virgin Group (51% shareholder), and three Non Executive Directors are appointed by Delta Air Lines, Inc. (49% shareholder). As set out in the company's Articles, identified Non Executive Directors can act as Alternates for certain Non Executive Directors.

As at 31 December 2021, the two Executive Directors were the Chief Executive Officer and the Chief Customer & Operating Officer. In addition, the Chief Commercial Officer and Chief Financial Officer each act as Alternate Director to the two Executive Directors. All four are full-time employees of the Group.

Our Board composition reflects the concentrated shareholding structure of the company and does not include an identified independent director. The assessed skillset of the Board (see table below) is felt to be sufficiently broad and deep, encompassing senior experience from across a wide range of industries and disciplines.

The Board believes that when combined with the Leadership team, this creates a group which has diversity, with varied and balanced experience and skills that are highly relevant to the Group's needs and challenges. This has served the Group well in the development and scrutiny of our strategic decision making and performance.

Board Composition and Skills**Composition**

The composition of the Board is set out above and its subcommittees are set out on pages 74-75.

Skills

The Board benefits from the significant experience of its members across a broad range of industries and disciplines.

The Board representation during 2021 across five selected areas of particular importance, having identified those members who have held particular positions of significant relevant responsibility is as follows:

Strategy – 100%
Financial – 75%
Airlines – 100%
Customer – 75%
Technology – 42%

Directors' Responsibilities**Responsibilities**

The Board and individual directors have a clear understanding of their accountability and responsibilities (see page 79). These are underpinned by policies and procedures.

Areas of Focus

In 2021, 16 board meetings were held (2020: 30 meetings) providing support, review and challenge in a number of areas, in particular:

- Safety and security of our people and customers through the Covid-19 pandemic
- Financing options for the Group and in particular in securing the £400m shareholder investment
- The Group's strategic and route planning response to global travel restrictions;

Corporate Governance

continued

Audit Committee

Role of the Committee

The Audit Committee is responsible for: the appropriateness of accounting policies; ongoing compliance with accounting standards; and the adequacy and effectiveness of internal reporting and control systems. It also oversees the scope of the external and internal audit plans and the role of the Auditor.

Key responsibilities

- The approval of the Group's annual consolidated financial statements, including the appropriateness of accounting policies, compliance with accounting standards and material matters such as contingent liabilities;
- The scope of work for external audit, actions required as a result of the Auditors' findings and conclusions, the Auditors' remuneration and the reappointment or replacement of the Auditors; and
- The adequacy and effectiveness of the Group's internal systems concerning reporting and control; including ensuring that the internal audit function is adequately resourced, has appropriate standing within the Company with a primary reporting line to the Chairperson of the Audit Committee, and to review and approve internal audit plans of activity.

The Committee meets a minimum of three times a year and receives regular updates on the audit programme from the Group Head of Internal Audit. It meets with the Group Head of Internal Audit and the external auditors without Management present at least once a year.

Members of the Committee

The Audit Committee comprises two Virgin appointed Non Executive Directors and two Delta appointed Non Executive Directors. As at 31 December 2021 the Committee members were Gordon McCallum (Chairperson), Peter Norris, Glen Hauenstein and Alain Bellemare.

Remuneration Committee

Role of the Committee

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration and other benefits of senior management employed by the Company. The Committee also oversees the introduction and amendment of any long or short term incentive plans.

Key responsibilities

- The setting and monitoring of a fair and appropriate remuneration policy and its application for senior management;
- To ensure that policies, plan designs and reward decisions align with business strategy, are well cost governed and support sustainable business performance; and
- To balance the needs of Executive and shareholder interests and to ensure alignment of reward policies with the Executive talent management strategy.

Members of the Remuneration Committee

The Remuneration Committee is made up of two Virgin appointed Non Executive Directors and two Delta appointed Non Executive Directors. As at 31 December 2021 the Committee members were Peter Norris (Chairperson), Luigi Brambilla, Ed Bastian and Alain Bellemare.

Safety and Security Review Board

Role of the Virgin Atlantic Safety and Security Review Board

The Safety and Security Review Board is responsible for: monitoring, improving and constantly enhancing safety and security management, including cyber security across the airline and Virgin Atlantic Holidays¹.

Key responsibilities

- Setting the strategy and dealing with high level issues in relation to policies, resource allocation and safety and security performance monitoring.
- Proactively reviewing data and encouraging continuous improvement, to ensure the highest standards of safety and security assurance is maintained for our people and customers.

¹ In accordance with unified brand ambitions, Virgin Holidays Limited shall be trading as Virgin Atlantic Holidays.

Corporate Governance *continued*

- Monitoring the effectiveness of the Group's safety supervision processes including oversight of subcontracted operations.
- Promotion of an open and honest reporting and discussion forum, to enable the airline to learn from both internal and industry incidents.
- Ensuring that the Group continues to adopt and makes use of effective industry recognised risk management principles, to evaluate safety and security risks through a transparent risk management framework.

Checking to ensure the business develops, maintains, reviews and tests its emergency response, threat management and resilience plans on a regular basis.

- Providing the Board with regular updates and reports from both the Safety and Security Review Board and the Independent Chair in relation to airworthiness, safety and security standards and operations.

Members of the Safety and Security Review Board

The Safety and Security Review Board is owned and led by Virgin Atlantic's Accountable Manager and primary Post Holder and is chaired by an independent third-party advisor to the Board. It is supported by Virgin Atlantic's Nominated Post Holders and Safety and Security specialists across the Group.

Information Security Board

Role of the Virgin Atlantic Information Security Board (ISB)

Role of the Virgin Atlantic Information Security Board (ISB)
The Information Security Board is responsible for information security oversight across the Group. As at 31 December 2021 the independent Chair was Stephen Head and the Executive Board member was Cornelis Koster.

Key responsibilities

Setting strategy and providing an oversight of the Group's practices and policies concerning confidentiality, integrity and availability of information.

- Setting strategy and providing an oversight of the Group's practices and policies concerning confidentiality, integrity and availability of information.
- Providing an oversight of the Group's practices and policies relating to the protection of the Group's technology infrastructure and applications against cyber security risks;
- Providing an oversight of the Group's practices and policies relating to data protection; and
- Providing an oversight of the Group's practices and policies relating to the protection of physical assets used to process information.

The ISB brings together key stakeholders that can provide oversight, governance and informed decision-making to ensure:

- Information security risks are effectively and strategically managed;
- Plans are in place to manage all aspects of a serious information security incident;
- Monitoring of information security regulations, such as GDPR, PCI, NISD and CAP 1753; and
- Oversight of cyber incidents or risks which may have safety implications with potential impact on Corporate or Aviation Safety

The Board receives regular updates and reports from the ISB and its Independent Chair.

Members of the Information Security Board

The Information Security Board is sponsored by the Chief Executive Officer and chaired by an independent third party advisor to the Board. Its other members comprise an Executive Board member and our Chief Digital and Marketing Officer. It is supported by representatives from the Leadership and technology teams.

Directors' report

Directors' report

Registered number: 08867781

The Directors present their annual report and the audited financial statements for Virgin Atlantic Limited ("the Company") and subsidiary companies (together with the Company, "the Group") for the year ended 31 December 2021. The comparative amounts are stated for the year ended 31 December 2020.

Pages 1 to 80 inclusive of this annual report comprise the Directors' report that has been drawn up and presented in accordance with English company law and the liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

The Company was incorporated on 29 January 2014 as Virgin Atlantic (Holdings) Limited and changed its name to Virgin Atlantic Limited on 30 May 2014. The Group was formed as part of a reorganisation in March 2014 with the Company at its head.

The consolidated financial statements have been prepared using the principles of merger accounting and present the results for the Group.

Directors and Directors' interests

The Directors who held office during the year were as follows:
Directors:

Sir Richard Branson (President)

Peter Norris (Chairperson)

Gordon McCallum

Ian Woods (resigned 20 January 2021)

Edward Bastian

Glen Hauenstein

Steve Sear (resigned 11 February 2021)

Shai Weiss

Cornelis Koster (VAA executive alternate, and then Executive Director)

Luigi Brambilla (Virgin nominated Director - appointed 20 January 2021)

Alain Bellemare (Delta nominated Director - appointed 11 February 2021)

Dwight James (Delta nominated alternate)

Juha Jarvinen (VAA executive alternate)

Oliver Byers (VAA executive alternate)

VAA Independent Board observer

Following the successful recapitalisation in September 2020, Klaus Heinemann was appointed on behalf of certain creditors as an independent board observer to Virgin Atlantic Limited's subsidiary Virgin Atlantic Airways Limited. As part of his appointment as board observer he has rights to receive all board materials and to attend and speak at Virgin Atlantic Airways Limited board meetings, but does not hold any voting rights.

Share based payments: long term incentive plan

The Group has a Long Term Incentive Scheme for Executive Directors and other invited participants to incentivise and recognise execution of the Group's strategic plan. The details of this share appreciation rights (cash settled) scheme can be found in note 7.

Results, business review and future developments

The results of the Group for the period are set out on page 86 and are commented on within the Strategic Report which is set out on pages 4-70. The Strategic Report also contains a review of the business and the future developments.

Employees

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

Within the bounds of commercial confidentiality, information is disseminated to all levels of staff about matters that affect the progress of our business and are of interest and concern to them as employees. Virgin Atlantic also encourages employees, where relevant, to meet on a regular basis to discuss matters affecting them.

Directors' report *continued*

Dividends

The Directors did not declare or pay preference dividends in respect of the year ended 31 December 2021 (2020: paid £nil). The Directors did not declare or pay interim ordinary dividends in respect of the year ended 31 December 2021 (2020: paid £nil). The Directors recommend that no final ordinary dividend be paid in respect of the year ended 31 December 2021 (2020: £nil).

Overseas branches

The Group operates services to a number of countries and to facilitate this a number of overseas branches have been established in many of these countries. Virgin Atlantic has also established branches in countries to which it does not fly.

Political contributions

No company in the Group made any political donations or incurred any political expenditure during the year (2020: £nil).

Going concern

The Directors have satisfied themselves that it is reasonable for them to conclude it is appropriate to adopt the going concern basis for preparing these financial statements. The business activities, performance, strategy, risks and financial position of the Group are set out elsewhere in these reports and financial statements. The Directors have a reasonable expectation that the Group has adequate resources to continue operating for the foreseeable future, although material uncertainties do exist that may cast significant doubt on the Group's ability to continue as a going concern as set out in Note 3 to the financial statements.

Auditors

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

Disclosure of information to Auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all the steps

that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Section 172(1) Statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a director to have regard to (amongst other matters) the:

- likely consequences of any decisions in the long-term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct, and
- need to act fairly as between members of the company.

The Directors understand that how we behave matters not only to our people but also to the many stakeholders who have an interest in our business.

We believe that productive business relationships with our suppliers, customers and other key stakeholders are key to the ongoing success of the Group and that the interests of relevant parties should be considered when making decisions that may impact them. Though engagement is carried out by those most relevant to the stakeholder or issue in question, the Directors receive updates on the engagement that has been undertaken, the reoccurring questions, concerns raised and the feedback provided by the Group's key stakeholders.

When making decisions the Directors take the course of action that they consider best leads to the success of the Group over the long-term. When doing so, they also consider the interests of the stakeholders that we interact with.

Directors' report *continued*

Directors' report *continued*

The Directors acknowledge that every decision made will not necessarily result in a positive outcome for all our stakeholders but by considering the Group's purpose and values together with its strategic priorities the Directors aim to make sure its decision is consistent and predictable.

We set out throughout the Strategic Report some examples of how the Directors have had regard to the matters set out in section 172(1) (a) to (f) when discharging their section 172 duty and the effect of that on certain of the decisions taken by them, in particular on pages 24-26.

By considering these matters the Directors have had regard to the matters set out in section 172(1) (a) to (f) of the Companies Act 2006 when performing their duty under section 172.

By order of the Board



Julian Homerstone, Company Secretary

Company Secretariat, The VHQ
Fleming Way, Crawley West Sussex, RH10 9DF

25 March 2022

Registered number: 08867781

Directors' responsibilities statement

Statement Of Directors' Responsibilities In Respect Of The Annual Report, 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 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 group and parent company financial statements in accordance with UK-adopted international accounting standards in conformity with the requirements of Companies Act 2006.

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 the Group's loss for that period. In preparing each of the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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.

Corporate structure

Virgin Atlantic Limited
(Company No. 08867781)

Virgin Atlantic Two Limited (Company No. 03553500)

Virgin Travel Group Limited (Company No. 02274332)

Connect Airways Limited (30%) In administration

Virgin Atlantic Airways Limited (Company No. 01600117)

Fit Leasing Limited (Jersey)

VA Cargo Limited (Company No. 02645535)

VAA Holdings UK Limited (Company No. 09744818)

VAA Holdings Jersey Limited

Virgin Atlantic International Limited (Company No. 09539561)

Virglease (3) Limited (Company No. 03791307)

Virglease (4) Limited (Company No. 12814173)

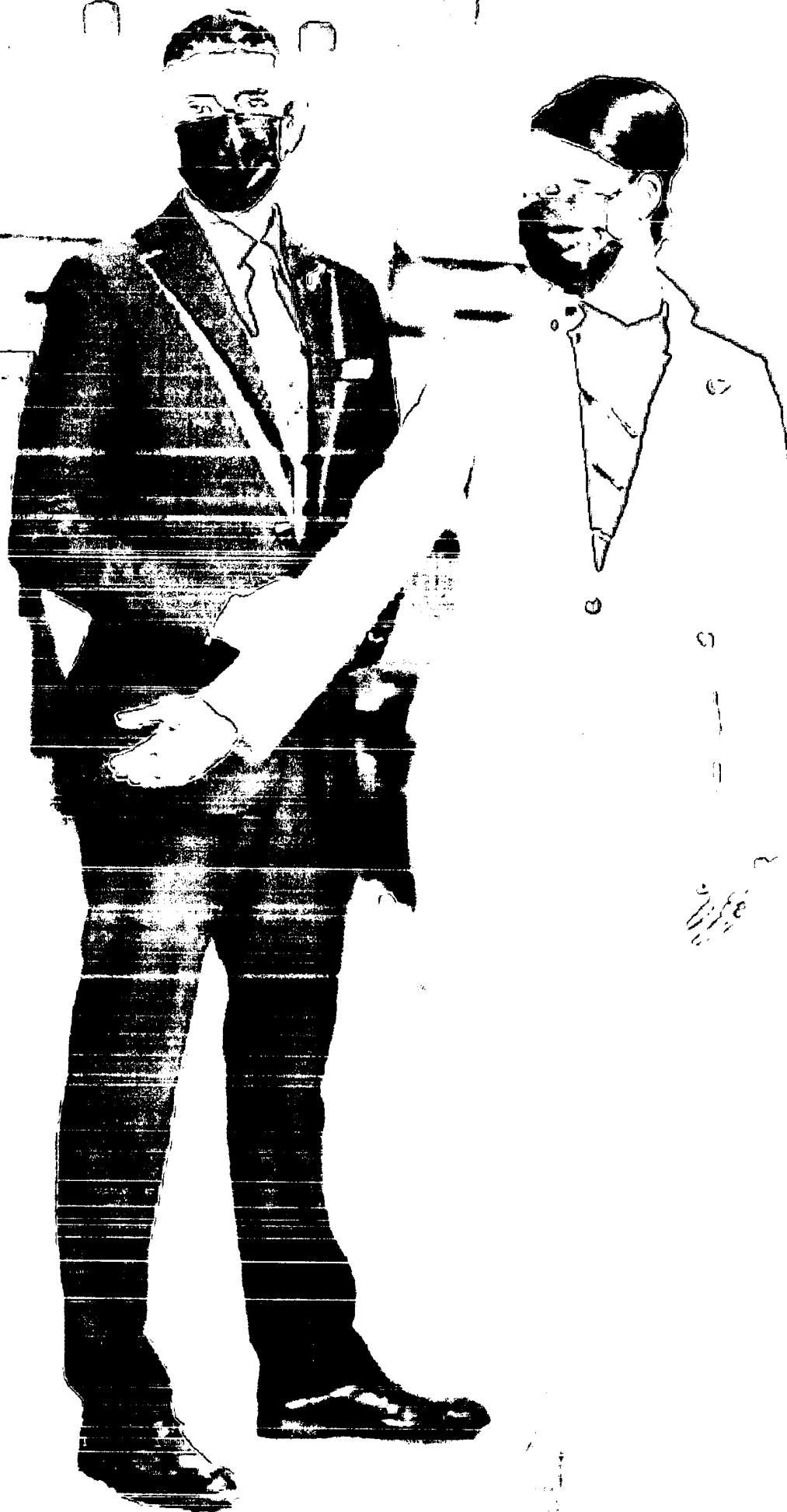
Virgin Holidays Limited¹ (Company No. 01873815)

Virgin Incoming Services Inc (USA)

Virgin Vacations Inc (USA)

¹ Virgin Holidays shall be trading as Virgin Atlantic Holidays under our unified brand.

Notes: All companies are wholly owned by Virgin Atlantic Limited and are registered in England and Wales unless otherwise indicated.



Independent Auditor's Report

Independent Auditor's Report To The Members Of Virgin Atlantic Limited

Opinion

We have audited the financial statements of Virgin Atlantic Limited ("the Company") for the year ended 31 December 2021 which comprise the Consolidated statement of comprehensive income, Consolidated statement of financial position and Company statement of financial position, Consolidated statement of changes in equity and Company statement of changes in equity, Consolidated statement of cash flows and related notes, including the accounting policies in note 3.

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 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- 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 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 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.

Material uncertainty related to going concern

We draw attention to note 3 to the financial statements which indicates that under certain severe but plausible downside scenarios, as a result of the Coronavirus pandemic, and its

associated long term impact on air travel and leisure industries, there is a risk as to whether the group and parent company are able to meet liquidity requirements, such that they can continue to operate as a going concern. These events and conditions, along with the other matters explained in note 3, constitute a material uncertainty that may cast significant doubt on the Group's and the parent company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Going concern basis of preparation

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 for at least a year from the date of approval of the financial statements ("the going concern period"). As stated above, they have also concluded that there is a material uncertainty related to going concern.

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

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 found the going concern disclosure in note 3 to be acceptable.

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, the audit committee, internal audit and inspection of policy documentation as to the company’s high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the company’s channel for “whistleblowing”, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and Audit committee minutes.
- Considering remuneration incentive schemes and performance targets for management and directors.

We communicated identified fraud risks to all members of the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, including the impact on the company of the significant business disruptions experienced as a result of the Covid-19 pandemic, we performed procedures to address the risk of management override of controls, in particular the risk that group management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because sales transactions are high volume, low value and non-complex in nature occurring in a largely automated, routine environment, thus reducing opportunities for systematic material fraudulent revenue recognition to occur.

We also identified a fraud risk related to impairment of assets in response to possible pressures to use favorable forecasts when determining the value in use of the assets, therefore avoiding a potential impairment.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the group and company-wide fraud risk management controls.

We performed procedures including:

- Identifying journal entries and other adjustments to test all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management and those posted with descriptions that could be indicative of a risk of fraud.
- 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 from inspection of the company’s regulatory and legal correspondence 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, taxation legislation, UK Civil Aviation Authority regulations and Association of British Travel Agents regulations and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Independent Auditor's Report

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.

Strategic report and directors' report

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

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

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

- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 79, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a

Independent Auditor's Report *continued*

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

Jeremy Hall (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
25 March 2022

Consolidated statement of comprehensive income

For the year ended 31 December 2021

		For the year ended 31 December 2021	For the year ended 31 December 2020
	Note	£m	£m
Total revenue	5	928.0	868.0
Operating costs			
Physical fuel		269.7	184.6
Airline direct operating costs		282.3	239.7
Aircraft costs		156.4	183.0
Holiday distribution, marketing and selling costs	7	77.5	133.7
Employee remuneration		257.0	277.4
Other operating and overhead costs		53.1	237.6
Engineering and maintenance costs		97.2	100.0
Other depreciation and amortisation		67.5	64.4
Profit on disposal of property, plant and equipment		(3.0)	(19.0)
Restructuring		(14.8)	78.4
Impairment of assets		9.1	20.6
Fair value (gains)/losses on derivative contracts		(27.8)	80.7
Other income		(9.3)	(13.2)
Operating loss		(286.9)	(699.9)
Finance income		0.4	2.9
Finance expense		(200.5)	(150.9)
Net finance costs	8	(200.1)	(148.0)
Loss before equity accounted investees and tax	6	(487.0)	(847.9)
Share of (loss) from equity accounted investees		-	(10.1)
Loss before tax		(487.0)	(858.0)
Tax credit/(charge)	9	0.9	(6.1)
Loss for the year		(486.1)	(864.1)
Other comprehensive income (items that may be subsequently reclassified to the income statement):			
Exchange translation differences		0.1	(0.7)
Losses arising during the year on cash flow hedges		(25.7)	(0.2)
Total comprehensive loss for the year		(511.7)	(865.0)

In 2021 the Group has re-presented the statement of comprehensive income to include certain line items under operating loss, and present the Group's result in a single column (refer to note 3). The 2020 comparatives have also been re-presented.
The profit/(Loss) for the year for the Company is Enil (2020: Enil).
All amounts relate to continuing operations.
The notes on pages 92 to 144 form part of these financial statements.

Financial statements *continued*

Consolidated statement of financial position

As at 31 December 2021

	Note	As at 31 December 2021 £m	As at 31 December 2020 £m
Non-current assets			
Intangible assets and goodwill	10	412.5	460.0
Property, plant and equipment	11	1,885.7	1,951.7
Deferred tax	12	4.0	2.9
Trade and other receivables	14	22.1	15.7
		2,324.3	2,430.3
Current assets			
Inventory	15	26.3	30.3
Trade and other receivables	14	249.1	162.0
Derivative financial instruments	13	1.5	2.0
Cash and cash equivalents	16	502.0	114.8
Restricted cash	16	86.5	76.6
		865.4	385.7
Total assets		3,189.7	2,816.0
Current liabilities			
Borrowings	17	190.0	110.8
Trade and other payables	18	484.9	346.4
Deferred revenue on air travel and holidays	19	482.8	263.4
Provisions	20	56.4	39.7
Derivative financial instruments	13	-	13.0
		1,214.1	773.3
Net current liabilities	9	(348.7)	(387.6)
Total assets less current liabilities		1,975.6	2,042.7
Non-current liabilities			
Borrowings	17	2,712.0	2,368.6
Trade and other payables	18	105.4	192.0
Deferred revenue on air travel and holidays	19	3.4	3.3
Provisions	20	50.4	54.6
		2,871.2	2,618.5
Net liabilities		(895.6)	(575.8)
Equity			
Ordinary share capital		100.0	100.0
Preference share capital ¹		137.8	127.8
Share based payment reserve ¹		238.4	298.1
Hedging reserve		56.6	82.3
Other reserves		(27.3)	(269.0)
Retained earnings		(1,401.1)	(915.0)
Total equity		(895.6)	(575.8)

¹ In 2021 the Group has re-presented the statement of financial position to include a reclassification between preference share capital and share based payment reserve (refer to note 3). The 2020 comparatives have also been re-presented.

The notes on pages 92 to 144 form part of these financial statements.

These financial statements were approved by the Board of Directors on 24 March 2022 and were signed on its behalf by:



Oliver Byers, Director,
25 March 2022
Registered number 08867781

Financial statements *continued*

Company statement of financial position

for the year ended 31 December 2021

	Note	As at 31 December 2021 [†] £m	As at 31 December 2020 £m
Non-current assets			
Investments		615.6	665.3
		615.6	665.3
Current assets			
Trade and other receivables	14	0.1	0.1
		0.1	0.1
Total assets		615.7	665.4
Current liabilities			
Trade and other payables	18	0.9	0.9
		0.9	0.9
Net current liabilities		(0.8)	(0.8)
Net assets		614.8	664.5
Equity			
Ordinary share capital		100.0	100.0
Preference share capital [†]		137.8	127.8
Share based payment reserve [†]		238.4	298.1
Retained earnings		138.6	138.6
Total equity		614.8	664.5

[†] In 2021 the Group has re-presented the statement of financial position to include a reclassification between preference share capital and share based payment reserve (refer to note 3). The 2020 comparatives have also been re-presented.

The notes on pages 92 to 144 form part of these financial statements.

These financial statements were approved by the Board of Directors on 24 March 2022 and were signed on its behalf by:



Oliver Byers,
Director
25 March 2022
Registered number 08867781

Financial statements *continued*

Consolidated statement of changes in equity

As at 31 December 2021

	Ordinary Share Capital £m	Preference Share Capital £m	Share based - payment reserve £m	Hedging Reserve £m	Other Reserves £m	Retained Earnings £m	Total £m
Balance as at 1 January 2020	100.0	50.0	-	82.5	(372.0)	(50.9)	(190.4)
Capital contribution	-	-	-	-	103.7	-	103.7
Increase in preference shares issuable	-	-	375.9	-	-	-	375.9
Preference share issue	-	77.8	(77.8)	-	-	-	-
Loss for the year	-	-	-	-	-	(864.1)	(864.1)
Other comprehensive income/(expense)	-	-	-	(0.2)	(0.7)	-	(0.9)
Total comprehensive income/(expense)	-	-	-	(0.2)	(0.7)	(864.1)	(865.0)
Balance at 31 December 2020	100.0	127.8	298.1	82.3	(269.0)	(915.0)	(575.8)
Capital contribution	-	-	-	-	241.6	-	241.6
Decrease in preference shares issuable	-	-	(49.7)	-	-	-	(49.7)
Preference share issue	-	10.0	(10.0)	-	-	-	-
Loss for the year	-	-	-	-	-	(486.1)	(486.1)
Other comprehensive income/(expense)	-	-	-	(25.7)	0.1	-	(25.6)
Total comprehensive income/(expense)	-	-	-	(25.7)	0.1	(486.1)	(511.7)
Balance at 31 December 2021	100.0	137.8	238.4	56.6	(27.3)	(1,401.1)	(895.6)

Allotted, called up and fully paid share capital includes 100,000,000 (2020: 100,000,000) ordinary shares of £1 each and 50,000 (2020: 50,000) preference shares of £1,000 each.

The Company was incorporated on 29 January 2014 following a Group reorganisation, with a share capital of £2 consisting of 2 ordinary shares of £1 each. On 13 March 2014 the share capital of the Company was increased to £150,000,000 by the creation of a further 99,999,998 ordinary shares of £1 each and a further 50,000 preference shares of £1,000. These shares were issued as part of a share for share exchange to acquire the group of companies headed by Virgin Atlantic Two Limited (formerly Virgin Atlantic Limited). The rights of each class of share are set out in the Company's Articles of Association.

The terms and conditions of the preference shares do not create the automatic right of the holders to receive cumulative dividends. Instead, preference dividends may only be paid at the discretion of the Company and are based on the total capital outstanding.

In 2020, as part of the Group's solvent recapitalisation, certain liabilities were novated to the Company by subsidiary entities, resulting in an increase in investments. The Company then exchanged preference shares issuable to its shareholders for payments of these liabilities over the period 2020 - 2025. At

31 December 2021, VAL had issued a total of £87.8m (2020: £77.8m) preference shares in respect of these liabilities. The remaining preference shares will be issued annually based on the actual amounts incurred in the preceding financial year.

At 31 December 2021, there are £238.4m of preference shares issuable included in the share based payment reserve. £20.1m were issued in February 2022 in relation to payments relating to 2021.

The preference shares carry no entitlement to vote at meetings. On a winding up of the Company, the preference shareholders have a right to receive, in preference to payments to ordinary shareholders, the amount paid up on any share including any amount paid up by way of share premium plus any arrears or accruals of dividend declared but not paid on the due date.

During 2020 and 2021, Virgin Investments Limited and Delta Air Lines incorporated advanced loans to the Group (refer to note 22). These loans were recognised at fair value, with the difference between nominal and fair value resulting in a capital contribution of £241.6m in the year (2020: £103.7m).

Other reserves includes the merger reserve of £378.0m (refer to note 3).

The notes on pages 92 to 144 form part of these financial statements.

Financial statements *continued*

Consolidated statement of changes in equity

As at 31 December 2021

	Ordinary Share Capital £m	Preference Share Capital £m	Share Based Payment Reserve £m	Retained Earnings £m	Total £m
Balance at 1 January 2020	100.0	50.0	-	138.6	288.6
Increase in preference shares issuable	-	-	375.9	-	375.9
Preference share issue	-	77.8	(77.8)	-	-
Loss for the year	-	-	-	-	-
Balance at 31 December 2020	100.0	127.8	298.1	138.6	664.5
Decrease in preference shares issuable	-	-	(49.7)	-	(49.7)
Preference share issue	-	10.0	(10.0)	-	-
Loss for the year	-	-	-	-	-
Balance at 31 December 2021	100.0	137.8	238.4	138.6	614.8

The notes on pages 92 to 144 form part of these financial statements.

Financial statements *continued*

Consolidated statement of cashflows

As at 31 December 2021

	Note	For the year ended 31 December 2021 £m	For the year ended 31 December 2020 £m
Net cash from/(used in) operating activities	27	32.1	(713.1)
Purchase of property, plant and equipment		(13.0)	(78.8)
Purchase of intangible assets		(8.7)	(9.1)
Proceeds from sale of property, plant and equipment and intangible assets		95.3	53.1
Interest received		0.4	3.3
Net cash from /(used in) investing activities		74.0	(31.5)
Payment of long term borrowings		(85.4)	(57.0)
(Payment of)/drawn down from revolving credit facility		(9.6)	216.2
Payment of leases		(170.8)	(56.4)
New borrowings		497.0	375.1
New leases		60.8	2.0
Loan to equity accounted investee		-	(7.8)
Change in restricted cash		(9.9)	19.9
Net cash from financing activities		282.1	492.0
Net decrease in cash and cash equivalents		388.2	(252.6)
Cash and cash equivalents at beginning of year	16	114.8	352.6
Effect of foreign exchange rate changes		(1.0)	14.7
Cash and cash equivalents at end of year	16	502.0	114.8

The 2020 comparatives have been re-presented to be consistent with current year presentation.

The notes on pages 92 to 144 form part of these financial statements.

Notes forming part of the financial statements

As at 31 December 2021

1. General information

Virgin Atlantic Limited, (the 'Company') and its subsidiaries (the 'Group') is principally a passenger airline with a significant tour operations component, operating primarily from the United Kingdom. Further details on the nature of the Group's operations and its principal activities can be found within the Strategic Report on pages 6 to 55..

The Company is a private limited company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of its registered office is given on page 78.

2. Statement of compliance with IAS

The Group has prepared its consolidated financial statements in accordance with international accounting standards (IAS) in conformity with the requirements of the Companies Act 2006.

The separate financial statements of the Company 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, 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.

The principal accounting policies adopted by the Group and by the Company are set out in note 3.

3. Accounting policies

Basis of preparation

The Group financial statements have been prepared on the historical cost basis, except for certain financial instruments that are recorded at fair value. These financial statements are presented in pounds Sterling as that is the currency of the primary economic environment in which the Group operates. All values are rounded to the nearest hundred thousand pounds, except where indicated otherwise.

The principal accounting policies adopted, which have been applied consistently in the current and the prior financial year, are outlined below.

The Group's consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company ('its subsidiaries') made up to 31 December each year. Control is achieved where the Company is exposed, or has the rights, to variable returns from an investee and has the ability to affect those returns through its power over the investee.

The financial statements of subsidiaries are deconsolidated from the date that control ceases. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Changes in presentation

Certain presentational changes have been made compared to the previously published financial statements in order to better align items with relevant IFRS financial statement captions as follows:

In previously published financial statements, preference share capital as presented in the statement of financial position and statement of changes in equity included both preference shares issued and preference shares issuable. Preference shares issuable are now represented under share based payment reserve, whereas preference shares which have already been issued remain under preference share capital.

The presentation of the statement of comprehensive income has been amended to include profit on disposal of property, plant and equipment, restructuring, impairment of assets and fair value gains/(losses) on derivative contracts within operating profit/(loss), and also to include the Group's results in a single column as opposed to the three-column approach adopted in previous years. The three column statement of comprehensive income can be found in the alternative performance measures section, which details the impact of exceptional and non-underlying items on the Group's result

Financial statements *continued***Going concern**

In determining the appropriate basis of preparation of the financial statements for the year ended 31 December 2021, the Directors are required to consider whether the Group and Company can continue in operational existence for the foreseeable future. The Board has concluded that it is appropriate to adopt the going concern basis, having assessed the financial forecasts with specific consideration to the trading position of the Group and Company in the context of the ongoing uncertainty of the Coronavirus pandemic ('Covid-19').

Passenger numbers and passenger revenue throughout 2021 continued to be heavily impacted by the Covid-19 pandemic, at 19% and 20% of 2019 respectively. The Group's performance improved significantly in H2 as global restrictions eased, with passenger numbers and bookings rising most sharply in November in response to the re-opening of US borders.

At 31 December 2021, the Group had total cash balances of £589m, including unrestricted cash of £502m. The Group has continued to successfully secure additional financing arrangements, including:

- The sale and leaseback of two Boeing 787 aircraft at the start of the year, generating a net increase in cash of £40m (with \$110m of the proceeds being used to reduce our external debt with Davidson Kempner Capital Management);
- A solvent recapitalisation finance package worth £160m in March 2021, comprising:
 - £97m shareholder funding from Virgin Group
 - Support from creditor groups, including operating lease lessors, totalling £63m
- Further financing in December 2021, including:
 - £400m new investment from Virgin Group (51%) and Delta Air Lines (49%) in December 2021;
 - Creditor support totalling £263m;
- Financing of all new aircraft deliveries through Q2 2024.

Decisive actions taken to reshape and reduce the cost base in 2020 also benefited the Group in 2021, including a high

proportion of recurring savings that will deliver ongoing benefit in future years. To assess Going Concern, the Directors have prepared two scenarios – the 'Plan of Record' and 'severe but plausible' scenario. In assessing the Plan of Record, the Directors have taken a prudent approach that considers a number of macro-economic assumptions beyond Covid-19, as follows:

- The removal of most travel restrictions in key markets in early 2022, with the exception of China and Hong Kong where restrictions are expected to last through the majority of 2022;
- Increasing cost inflation driven primarily by airport and other third party charges;
- A substantial rise in fuel costs vs 2021;
- Passenger numbers rebuilding steadily, reaching 92% of 2019 levels by Q4; and
- Continued strong performance of the Cargo business.

This scenario results in H1 2022 passenger revenues at around three quarters of 2019 levels, and total 2021 revenues around 20% below 2019 levels.

This scenario indicated that unrestricted cash would be sufficient to meet all Group liquidity and slot covenant requirements and to ensure the business is able to operate for at least the 12 month period from March 2022. This includes the ability to meet all remaining creditor repayments, following a period of deferrals.

The Directors have also modelled a severe but plausible scenario, reflecting external factors that could have an acute impact on the Group's financial performance or delay recovery beyond the Base case. The impact of the following assumptions has been assessed:

- Additional fuel and foreign exchange pressures;
- Slower than anticipated passenger recovery, translating into lower demand through Summer 2022; and
- The emergence of another variant of concern similar to Omicron in Q1 2023 and the resulting impact on travel restrictions.

Notes forming part of the financial statements

continued

In this 'downside' scenario, free cash levels would breach current liquidity requirements and covenant levels in March 2023.

In the unlikely event that the above scenario transpires, additional mitigating actions being considered by the Directors include:

- Deferral of expenditure;
- Further shareholder support;
- Additional cost reduction activities;
- Review of network and profitability; and
- Further focus on our Cargo business and new route opportunities.

In light of recent events, the impact of the conflict in Ukraine has been considered with respect to fuel prices, additional costs incurred on routes that can no longer overfly Russia or the cancellation of some cargo routes altogether. The result of running this sensitivity was significantly less severe than the severe but plausible scenario.

Having reviewed the Plan of Record, the severe but plausible scenario and additional sensitivities, the Directors have a reasonable expectation that the Group has adequate resources to be able to meet its current obligations for the foreseeable future, and therefore believe that it remains appropriate to prepare the financial statements on a going concern basis.

However, continued uncertainty around Covid-19 means a number of factors are not within the Group's control, including the emergence of new variants of the virus and the re-introduction of travel restrictions in response to changes in the Covid-19 risk landscape. This includes sensitivities relating to the timing and scale of the recovery from the Covid-19 pandemic, yield, operational capacity and cost mitigations. Should a more severe scenario occur, additional funding would need to be secured; the Group's ability to do so in the case of a more severe scenario represents a material uncertainty at 25 March 2022 that could cast significant doubt on the Group's ability to continue as a going concern. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Interests in equity accounted investees

The Group's interests in equity-accounted investees comprises interest in a joint venture. Joint ventures are those entities in which the Group has a contractually agreed sharing of control arrangement and has rights to the net assets of the arrangement. Interests in joint ventures are accounted for using the equity method. They are initially measured at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees.

Merger accounting and the merger reserve

Prior to 1 January 2015, certain significant business combinations were accounted for using the 'pooling of interests method' (or merger accounting) which gave rise to a merger reserve in the consolidated statement of financial position. These transactions have not been restated, as permitted by the IFRS 1 transitional arrangements. The merger reserve is presented within other reserves on the statement of changes in equity.

Revenue and revenue recognition

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 during the accounting period. Revenue is recognised net of discounts, air passenger duty, VAT and other sales-related taxes and comprises:

Passenger revenue

Passenger revenue encompasses passenger ticket sales, net of passenger taxes and discounts, together with revenue received from Virgin Red, the Virgin Group loyalty company.

Passenger ticket sales are generally paid for in advance of travel, and are recorded within deferred income, until recognised as revenue when the transportation occurs.

Revenue received from Virgin Red, is recognised on issuance of miles.

Financial statements *continued*

Unused tickets are recognised as revenue when the right to travel has expired, which is determined by the terms and conditions of the associated ticket.

If a flight is cancelled, the passenger is entitled to receive either a refund, an alternative flight or a voucher for future travel. Where a voucher is issued, no revenue is recognised until either the voucher is redeemed through transportation services or it expires. Revenue is stated net of compensation for flight delays and cancellations, taking into consideration the level of expected claims.

Holidays revenue

The Group records revenue on a net basis after deducting customer discounts and VAT. For revenue relating to travel services arranged by the Group's travel providers, the performance obligation is the provision of a holiday package. This is treated as a single performance obligation which is delivered over the duration of the holiday, and as such revenue is recognised in the income statement pro rata across the duration of the holiday. Where the Group's role in the transaction is that of an Agent, revenue is recognised on a net basis with revenue representing the margin earned. This revenue is recognised on the date of booking.

The Group receives grants from overseas local authorities in relation to its tour operations business and in accordance with IAS 20, has accounted for these as a deduction to expenses over the period of the performance obligation.

Cargo revenue

Revenue arising from the provision of cargo services is recognised at the point of departure.

Compensation payments

Income resulting from claims for compensation payments/liquidated damages from suppliers is recognised as either income or as reduction of costs in the income statement. Income will be recognised where it is over and above the costs suffered, when all performance obligations are met, including when a

contractual entitlement exists, it can be reliably measured and it is probable that economic benefits will accrue to the Group. When compensation is received to specifically cover additional costs suffered, it will be netted against applicable lines in the income statement. Where claims related to the acquisition of an asset (such as aircraft) do not relate to compensation for loss of income or towards incremental operating costs, the amounts are recorded as a reduction in the cost of the related asset to reflect the substance of the transaction.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received. Grants that compensate the Group for expenses incurred are recognised in the income statement in the relevant financial statement line item in line with the periods in which the expenses are recognised.

The Coronavirus Job Retention Scheme (CJRS)

The CJRS was implemented by the government of the United Kingdom to cover a portion of the wage costs of eligible employees designated as 'furloughed' through the Covid-19 pandemic.

Such costs are paid by the government to the Group in arrears. CJRS is recognised in the period to which the underlying furloughed staff costs relate; this is recorded as a deduction and presented net of wages expenditure within employee remuneration in accordance with IAS 20.29.

Translation of foreign currencies

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

For the purposes of presenting consolidated financial statements, the assets and liabilities associated with the Group's foreign subsidiary undertakings are translated at exchange rates

Notes forming part of the financial statements

continued

prevailing on the balance sheet date. Income and expense items associated with the Group's foreign subsidiary undertakings are translated at the average exchange rate for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in shareholders' equity. On disposal of a foreign operation, all of the accumulated exchange differences in respect of that subsidiary, attributable to the Group are reclassified to the consolidated income statement.

Transactions arising, other than in the functional currency, are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated using the rate of exchange ruling at the balance sheet date.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

All other profits or losses arising on translation are dealt with through the income statement. Any gains or losses arising on the re-translation of foreign currency cash balances held in the short-term to meet future trading obligations are reported within other operating and overhead costs in the income statement.

Employee benefits

Pension

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in independently administered funds. The amount charged to the income statement represents the contributions payable to the scheme by the Group in respect of the accounting period.

Share based payments

Long-term incentive scheme

The Group accrues for any element of foreseeable future awards for employees and directors under LTIPs which have been agreed by the Board of Directors, and which are deemed to have been earned in the current period.

The Group operates a cash-settled scheme; a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled and at the date of settlement, the fair value of the liability is re-measured, with any changes in fair value recognised in the income statement for the year.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax.

Current Tax

The Group's liability for current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable or receivable is based on taxable profit or loss for the year. Taxable profit differs from net profit or loss as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it excludes items that are never taxable or deductible.

Deferred Tax

Deferred tax is provided in full on all temporary differences relating to the carrying amount of assets and liabilities, where it is probable that the recovery or settlement will result in an obligation to pay more, or a right to pay less, tax in the future, with the following exceptions:

- In respect of taxable temporary differences associated with investments in subsidiaries or associates, where the timing of the reversal of the temporary differences can be controlled

and it is probable that the temporary differences will not reverse in the foreseeable future; and

- Deferred income tax assets are recognised only to the extent that it is probable (more likely than not) that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and it is the intention to settle these on a net basis.

Intangible assets

Intangible assets are held at cost and amortised on a straight-line basis over their economic life, with the exception of those deemed to have an indefinite economic life and are not amortised, but tested annually for impairment. The carrying value of intangibles is reviewed for impairment if and when events or changes in circumstances indicate the carrying value may not be recoverable.

Landing rights

Landing rights acquired from other airlines are capitalised at cost on acquisition. Subsequently they are accounted for at cost less any accumulated impairment losses. Capitalised landing rights based within the EU (including UK) are not amortised, as regulations provide that these landing rights are perpetual. Instead, they are subject to annual impairment reviews as part of the airline CGU.

Goodwill

Where the cost of a business combination exceeds the fair value attributable to the net assets acquired, the resulting goodwill is capitalised and tested for impairment annually and whenever indicators exist that the carrying value may not be recoverable.

Agreements: Delta Air France-KLM transatlantic contract and brand licence

The cost of entering into an agreement which will give rise to future economic benefits are capitalised and amortised on a straight line basis over the length of the agreement. These agreements relate to access to the joint arrangement with Delta and Air France-KLM and the use of the Virgin Atlantic and Virgin Holidays brand (see note 10 and note 22). The carrying value is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Software

The cost of purchase or development of computer software that is separable from an item of related hardware is capitalised separately. Core system assets are amortised over a period of twelve years; other software is amortised over a period not exceeding six years on a straight-line basis. Computer software and systems are carried at cost less accumulated amortisation.

Development expenditure on activities is capitalised if the product or process is technically and commercially feasible and the Group intends to, and has the technical ability and sufficient resources to, complete development and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. The expenditure capitalised includes the cost of materials and direct labour. Other development expenditure is recognised in the income statement as an expense as incurred.

Expenditure relating to the setting up of new routes and introducing new aircraft to the fleet is charged to the income statement as incurred.

Property plant and equipment ('PPE')

Property, plant and equipment is held at cost. The Group has a policy of not revaluing property, plant and equipment. Depreciation is calculated to write off the cost less estimated residual value on a straight-line basis, over the economic life of the asset or the period of the underlying lease if shorter.

Notes forming part of the financial statements

continued

Residual values and useful economic lives of assets are reviewed annually against prevailing market values for equivalently aged assets and depreciation rates are adjusted accordingly on a prospective basis.

The carrying value is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable and the cumulative impairment losses are shown as a reduction in the carrying value of property, plant and equipment.

The gain or loss on disposal of property, plant, equipment and intangible assets after deducting any costs associated with selling, disposing of or retiring the relevant asset is recognised in the income statement.

Fleet

All aircraft are stated at the fair value of the consideration given after taking account of manufacturers' credits or discounts. An element of the cost of a new aircraft is attributed on acquisition to prepaid maintenance of the landing gear, thrust reversers and airframe, and is depreciated over a period of up to 12 years from the date of purchase to the date of the next scheduled maintenance event for the component.

Aircraft and engine maintenance costs in respect of major overhauls of owned aircraft which are typically carried out at intervals greater than one year are capitalised and depreciated by reference to their units of economic consumption, typically hours or sectors flown. Part of the initial cost of new or used aircraft is treated as such maintenance expenditure based upon its maintenance status on acquisition and the current cost of the maintenance events.

The balance of aircraft and engine cost is depreciated on a straight-line basis over periods of up to twenty years, so as to reduce the cost to estimated residual value at the end of that period. The effective depreciation rate per annum in respect of new wide-bodied aircraft is approximately 5%.

For installed engines maintained under 'pay-as-you-go' contracts, the depreciation lives and residual values are the same as the aircraft to which the engines relate.

Aircraft and engine spares acquired on the introduction or expansion of the fleet as well as rotatable spares purchased separately are carried as PPE and are generally depreciated in line with the fleet to which they relate. The Group depreciates such spares on a straight-line basis so as to reduce the cost or valuation to estimated residual value at the end of their useful lives. The effective depreciation rate per annum in respect of rotatable spares is 7.25% or 12.5% dependent on type. Cabin interior modifications, including those required for brand changes and relaunches, are depreciated over six to eight years.

Subsequent costs, such as long-term scheduled maintenance and major overhaul of aircraft, are capitalised and amortised over the length of period benefiting from these costs. All other replacement spares and other costs relating to maintenance of fleet assets (including maintenance provided under 'pay-as-you-go' contracts) are charged to the income statement on consumption or as incurred respectively.

Financing costs incurred on borrowings to fund progress payments on assets under construction, principally aircraft, are capitalised as incurred, up to the date of the aircraft entering service and is then included as part of the asset.

Advance payments and option payments made in respect of aircraft and engine purchase commitments and options to acquire aircraft where the balance is expected to be funded by lease financing or outright purchase are recorded at cost in current or non-current aircraft deposits. On acquisition of the related aircraft, these payments are included as part of the cost of aircraft and are depreciated from that date.

Expenditure incurred on modifications to aircraft under leases, is depreciated on a straight-line basis to a nil residual value over a period not exceeding the remaining lease period.

Financial statements *continued***Land/buildings, assets in the course of construction, fixtures and fittings**

No depreciation is provided in respect of assets in the course of construction. Plant and machinery, fixtures and fittings are depreciated at the following rates:

Fixtures and fittings	20% - 25% on cost
Plant and equipment	10% - 33% on cost
Computer equipment and software	8% - 33% on cost
Motor vehicles	25% on cost
Leasehold improvements	Lower of useful economic life or period of lease

Impairment of non-current assets

At each balance sheet date, the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use.

Aircraft deposits

Aircraft deposits are capitalised and represent deposits made with aircraft manufacturers for future delivery of aircraft or deposits made with aircraft financiers or operating lessors to provide security for future maintenance work or lease payments.

Leases

Lease contracts, as defined by IFRS 16 'Leases', are recorded on the balance sheet, leading to the recognition of a right-of-use asset representing the Group's right to use an asset during the term of the lease contract and a lease liability relating to the payment obligation.

Measurement of the Right-of-use asset

Right-of-use assets are measured at cost and comprise the

amount equal to the initial measurement of the lease liability, adjusted for (if applicable) lease incentives, initial direct costs incurred for the arrangement of the contract, estimated costs for returning the leased asset to the condition required by the terms of the contract, discounted to reflect the present value on initial recognition.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date over the useful life of the underlying asset (lease term for the rentals). The Group has included restoration costs in the right of use asset as required by IFRS 16 (see provisions policy).

The Group presents right-of-use assets in 'property, plant and equipment' in the statement of financial position.

Measurement of the lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease if readily available, or otherwise the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments;
- Variable lease payments that depend on an index (such as LIBOR), initially measured using the index in force at the commencement of the lease;
- Amounts expected to be payable by the lessee under residual value guarantees; and
- Payments for options to purchase, or for terminating the lease if the lease term reflects these options.

The lease liability is subsequently measured based on a process similar to the amortised cost method:

- The liability is increased by accrued interest resulting from the discounting of the lease liability at the beginning of the lease period; and
- The liability is reduced by lease payments made.

Notes forming part of the financial statements

continued

In addition, the lease liability may be remeasured in the following situations:

- Change in the lease term;
- Modification related to the assessment of the likelihood of an option being exercised;
- Remeasurement linked to residual value guarantees;
- Adjustment to the indices on which the rents are calculated when rent adjustments occur; and
- Changes in foreign exchange rate, for lease liabilities due in foreign currency.

On the modification date, a revised discount rate is applied, resulting in an adjustment to the right of use asset and lease liability.

The Group presents lease liabilities in 'borrowings' in the statement of financial position.

Sale and leaseback

In sale and leaseback transactions where the Group sells and then leases back aircraft, provided it meets the criteria of a sale per IFRS 15, the Group measures the right of use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Group. If a sale has not occurred, the asset is retained on balance sheet within property, plant & equipment with a corresponding finance liability recognised under IFRS 9.

Short term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets, with a value equal to or less than \$5,000, and shorter-term leases, with a duration equal to or less than 12 months. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes forming part of the financial statements continued

Inventories

Inventories are stated at the lower of cost and net realisable

value. Provision is made for obsolete, slow-moving or defective items where appropriate. Any full write off for a specific fleet type is considered to be an impairment charge. Aircraft inventory includes aircraft parts which are expendable and non-renewable.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Leased aircraft maintenance provisions

The Group incurs liabilities for maintenance costs in respect of aircraft treated as right of use assets during the term of the lease. These arise from legal and constructive contractual obligations relating to the condition of the aircraft when it is returned to the lessor. The Group has included restoration costs in the right of use asset as required by IFRS 16.

To discharge these obligations, the Group will either need to compensate the lessor for the element of the life of the component or maintenance interval used, or carry out the maintenance check before return of the aircraft to the lessor.

The provisions recorded and charged to the income statement are dependent on the life of the component or maintenance interval used and the individual terms of the lease:

- No charge is recorded during the initial period of lease agreements where no compensation or maintenance is required prior to hand-back; and
- After a component or maintenance interval has passed the trigger point such that the Group is contractually obliged to carry out the specified work (in order to meet the return conditions), a full provision for the cost of work is recorded.

Financial statements *continued*

To the extent that this provision represents an increase to any provision accrued for usage up to the trigger point, a maintenance asset is recorded within property, plant, and equipment. The asset is depreciated over the expected period to the next half-life compensation point, or the end of the lease, whichever is sooner.

Where maintenance is provided under 'power by the hour' contracts and maintenance is paid to maintenance providers to cover the cost of the work, these payments are expensed as incurred.

Maintenance deposits (supplemental rents) which are refundable are recorded as other receivables. Estimates are required to establish the likely utilisation of the aircraft, the expected cost of a maintenance check at the time it is expected to occur, the condition of an aircraft and the lifespan of life-limited parts. Where such maintenance deposits are non-refundable and the likely utilisation of the aircraft is not expected to trigger a maintenance event, the balance is deemed irrecoverable and expensed as incurred with any associated maintenance provisions reduced to reflect the fact that the Group has already paid for the related maintenance work.

The bases of all estimates are reviewed once each year and also when information becomes available that is capable of causing a material change to an estimate, such as renegotiation of end of lease return conditions, increased or decreased utilisation, or unanticipated changes in the cost of heavy maintenance services. For owned aircraft and engines, major overhaul expenditure is capitalised and depreciated by reference to the units of economic consumption, typically hours or sectors flown.

Restructuring provisions

Restructuring provisions are recognised when the Group has developed a detailed formal plan for the restructuring and has raised valid expectations in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only

the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Property provisions

Leasehold dilapidations are discounted only when the interest rate has a material impact on the provision. Any associated unwinding of the discount is taken to the income statement.

Passenger delay compensation

A provision is made for passenger compensation claims when the Group has an obligation to recompense customers under regulations. Provisions are measured based on known eligible flights delays and historic claim rates and are expected to unwind across the claim window, which is deemed to be six years. Compensation related to delayed or cancelled flights are treated as deductions from revenue in line with IFRS interpretation committee (IFRIC) conclusions pursuant to IFRS 15.

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, 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 period end except for those financial instruments measured at fair value through the income statement.

Derivative financial instruments and hedging

The Group uses various derivative financial instruments to manage its exposure to foreign exchange, jet fuel price and interest rate risks. Derivative financial instruments are initially recognised and subsequently re-measured at fair value through

Notes forming part of the financial statements

continued

profit or loss ('FVTPL'). The treatment of gains and losses arising from the revaluation of such instruments is accounted for through the income statement.

Hedge accounting is not applied to these instruments. The Group does not use derivative financial instruments for trading purposes.

Cash flow hedging

The Group applies cash flow hedging to certain financial liabilities held in foreign currency in accordance with IFRS 9. The Group determines the existence of an economic relationship between the hedging instruments and hedged item based on the currency, amount and timing of their respective cash flows. The hedge ratio applied is 1:1.

Non-derivative financial assets

Non-derivative financial assets are deemed to be assets which have no fixed or determinable payments that are not quoted in an active market and would therefore be classified as 'loans and receivables'. Such non-derivative financial assets are measured at amortised cost using the effective interest method, less any impairment and include trade and other receivables.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Cash and cash equivalents

Cash comprises cash held in bank accounts and money market deposits repayable on demand with no access restrictions, less overdrafts payable on demand.

Restricted cash

Restricted cash represents funds held by the Group in bank accounts, which cannot be withdrawn until certain conditions have been fulfilled.

Impairment of non-derivative financial assets

The Group assesses at each balance sheet date whether a non-derivative financial asset or group of financial assets is impaired.

The 'expected credit loss' approach is taken when calculating impairments on financial assets. All financial assets are reviewed for potential prospective losses and an impairment applied accordingly.

De-recognition of non-derivative financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Non-derivative financial liabilities

Loans and receivables are non-derivative financial liabilities, initially recorded at fair value less directly attributable transaction costs, and subsequently at amortised cost, and include trade and other payables, borrowings and provisions. Interest expense on borrowings is recognised using the effective interest method. Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Certain leases contain interest rate swaps that are closely related to the underlying financing and, as such, are not accounted for as an embedded derivative.

De-recognition of non-derivative financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts are recognised in the income statement.

Financial statements *continued***Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the costs of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

4. Significant judgements, estimates and critical accounting policies

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances. Actual results could differ from these estimates and the underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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 Group's financial statements.

The estimates and assumptions that affect the current year or have a significant risk of causing a material adjustment within the next financial year are as follows:

Impairment of non-financial assets (note 10)

The recoverable amount of cash-generating units have been determined based on value-in-use calculations.

Residual value and useful economic lives of assets (note 11)

The Group estimates useful lives and residual values of property, plant and equipment, including fleet assets. Useful lives and residual values are reassessed annually taking into consideration the latest fleet plans and other business plan information.

Income taxes

The Group recognises deferred income tax assets only to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised. Management considers the operating performance in the current year and the future projections of performance laid out in the approved business plan in order to assess the probability of recoverability. The business plan relies on the use of assumptions, estimates and judgements in respect of future performance and economics.

Maintenance Provision

The critical estimates required for the provision are; aircraft utilisation, the expected costs of maintenance checks, the condition of the aircraft, renegotiation of end of lease return conditions, increased or decreased utilisation and the lifespan of life-limited parts. The basis of all estimates are reviewed once a year and when information becomes available.

Determining the lease term of contracts with renewal and termination costs

The Group applies judgement in evaluating whether it is reasonably certain whether or not it will exercise the option to renew or terminate the lease. Such judgement includes consideration of fleet plans which underpin approved business plans, and historic experience regarding the extension of leases. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that affects the Groups ability to exercise or not to exercise the option to renew or to terminate.

Notes forming part of the financial statements

continued

Sale and leaseback transactions

The Group applies judgement as to whether finance raised for purchase of aircraft is treated as a lease per IFRS 16 or a financial liability per IFRS 9. In sale and leaseback transactions where the Group sells and then leases back aircraft, provided it meets the criteria of a sale per IFRS 15, the Group measures the right of use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Group. If a sale has not occurred, the asset is retained on balance sheet within property, plant & equipment with a corresponding finance liability recognised under IFRS 9.

Determining the fair value of loan arrangements

The Group applies judgement in determining whether loan arrangements are at arm's length. If loan arrangements are deemed to be not at arm's length, the Group estimates the fair value of the loans on inception, using information available both internally and externally.

5. Segment information

a) Business segments

For the year ended 31 December 2021

	Airline £m	Holidays £m	Other Group companies / eliminations £m	Total £m
Passenger	410.1	-	-	410.1
Cargo	448.0	-	-	448.0
Holidays	-	63.2	-	63.2
Other	21.9	-	-	21.9
Segment revenue	880.0	63.2	-	943.2
Revenue from transactions with other operating segments	(15.2)	-	-	(15.2)
External revenue	864.8	63.2	-	928.0
Depreciation and amortisation charge	(235.1)	(13.0)	-	(248.1)
Impairment charge	(8.3)	(0.8)	-	(9.1)
(Loss)/profit before exceptional items, equity accounted investees and tax	(555.3)	(38.9)	0.4	(593.8)
Exceptional items (refer to Alternative Performance Measures section)	106.9	(0.1)	-	106.8
Loss before equity accounted investees and tax	(448.4)	(39.0)	0.4	(487.0)
Share of loss from equity accounted investees	-	-	-	-
Loss before tax	(448.4)	(39.0)	0.4	(487.0)

For the year ended 31 December 2020				
Revenue	Airline £m	Holidays £m	Other Group companies / eliminations £m	Total £m
Passenger	415.5	-	-	415.5
Cargo	318.8	-	-	318.8
Holidays	-	95.8	-	95.8
Other	57.1	-	-	57.1
Segment revenue	791.4	95.8	-	887.2
Revenue from transactions with other operating segments	(19.2)	-	-	(19.2)
External revenue	772.2	95.8	-	868.0
Depreciation and amortisation charge	(246.0)	(11.6)	-	(257.6)
Impairment charge	(43.9)	(4.0)	-	(47.9)
Loss before exceptional items, equity accounted investees and tax	(616.0)	(39.3)	(0.1)	(655.4)
Exceptional items (refer to Alternative Performance Measures section)	(195.2)	2.7	-	(192.5)
(Loss)/profit before equity accounted investees and tax	(811.2)	(36.6)	(0.1)	(847.9)
Share of profit/(loss) from equity accounted investees, net of tax	(10.1)	-	-	(10.1)
(Loss)/profit before tax	(821.3)	(36.6)	(0.1)	(858.0)

The categorisation of revenue between passenger, other and revenue from transactions with other operating segments has been updated to ensure consistency with internal KPI reporting. The 2020 comparatives have been re-presented to be consistent with current year presentation.

b) Geographical analysis	Group	
	For year ended 31 December 2021 £m	For year ended 31 December 2020 £m
UK	447.7	449.9
US	181.5	192.2
Other	298.8	225.9
Total	928.0	868.0

A geographical analysis of the Group operating profit is not disclosed, as it is neither practical nor meaningful to allocate the Group's operating expenditure on a geographical basis. Since the aircraft fleet (which is the major revenue-earning asset of the Group) is employed flexibly across a worldwide route network, there is no suitable basis of allocating such assets and related liabilities to geographical areas and accordingly no geographical analysis of assets or net liabilities is disclosed.

The Company had no income in the current year (2020: £nil).

Notes forming part of the financial statements

continued

6. Loss before tax for the year

Loss for the year has been arrived at after charging the following:

	Group		Company	
	For year ended 31 December 2021 £m	For year ended 31 December 2020 £m	For year ended 31 December 2021 £m	For year ended 31 December 2020 £m
Depreciation of property, plant and equipment (note 11)	(194.6)	(203.7)	-	-
Amortisation of intangible assets (note 10)	(53.5)	(42.4)	-	-
Contribution to pension schemes	(16.0)	(27.5)	-	-
Remuneration of the auditors and their associates:				
Audit services	(0.7)	(0.7)	(0.2)	(0.2)
Other services	(2.2)	(0.2)	(2.1)	-

Fees payable to the Company's auditor and its associates for audit services are £0.2m (2020: £0.2m). Fees payable to the Group's auditor and its associates for services other than the statutory audit of the Company and subsidiaries are as follows;

Fees payable for:

	Group	
	For year ended 31 December 2021 £m	For year ended 31 December 2020 £m
Tax compliance	(0.0)	(0.0)
Tax advice	(0.1)	(0.2)
Other non-audit services	(2.1)	-
Other assurance services	(0.0)	(0.0)
Total fees for other services	(2.2)	(0.2)

7. Employee remuneration**(i) Head count and total remuneration**

The average monthly number of employees (shown as full time equivalent, including executive Directors) was:

	Group	
	2021 number	2020 number
Management and administration	1,392	1,431
Flight crew	673	914
Cabin crew	1,909	2,844
Reservations and sales	703	1,413
Engineering, cargo and production	606	835
	5,283	7,437

At 31 December 2021, total headcount was 6,733 (5,907 at 31 December 2020).

The aggregate payroll costs (including Directors) of these persons were as follows:

	Group	
	2021 £m	2020 £m
Wages and salaries	221.8	226.7
Social security costs	22.9	26.4
Other pension costs	16.0	27.5
	260.7	280.6

Included within Holiday distribution, marketing and selling costs within the Statement of Comprehensive Income are employee costs amounting to £3.7m (2020: £3.1m) which relate to retail staff costs.

The Virgin Atlantic Limited Group operates a defined contribution pension scheme. The pension cost charged to the income statement for the year represents contributions payable by the Group to the scheme. The assets of the schemes are held separately from those of the Group in independently administered funds. There were outstanding contributions of £4.7m at 31 December 2021 (2020: £2.1m).

During the year, the Group made use of the Coronavirus Job Retention Scheme implemented by the UK government, where those employees designated as being "furloughed workers" are eligible to have 80% of their salary costs paid up to a maximum of £2,500 per month. The total amount of such relief received by the Group amounted to £22.0m (2020: £69.8m) and is offset within employee remuneration within the statement of comprehensive income and within the wages and salaries figures above. The employee numbers above include those on furlough during the year.

The Company has no salaried employees (2020: nil).

Notes forming part of the financial statements

continued

(ii) Aggregate Directors' remuneration

During the year/period of their service, the emoluments of the 4 Directors (2020: 4) of the Group and Company were:

	Group	
	For year ended 31 December 2021	For year ended 31 December 2020
	£m	£m
Total emoluments		
Aggregate emoluments	3.6	2.7
Company contributions to money purchase pension schemes	0.1	0.1
Aggregate amounts receivable under Long Term Incentive Scheme	1.6	-
	5.3	2.8
Highest paid Director		
Aggregate emoluments and other benefits	2.1	1.5
Company contributions to money purchase pension schemes	0.1	0.1
Aggregate amounts receivable under Long Term Incentive Schemes	1.0	-
	3.2	1.6

Retirement benefits are accruing to 4 (2020: 4) Directors under money purchase pension schemes. During the year an amount of £nil (2020: £nil) was paid to shareholders in respect of the services of certain shareholder-appointed Non-Executive Directors of the Company.

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

(iii) Long term incentive scheme

In 2019, the Group established a new long term incentive scheme for Executive Directors and other invited participants to incentivise and recognise execution of the 'Velocityx' plan. The scheme consists of a cash payment at the end of the three year term of the grant. Payments are based on the Group's performance against pre-agreed financial and non-financial measures which are linked to the Group's long term objectives. The charge to the income statement in respect of share based payments attributable to directors is £3.4m during the year.

Included above are cash payments made to directors relating to services rendered during 2021.

Financial statements *continued***8. Net finance costs**

	Group	
	For year ended 31 December 2021 £m	For year ended 31 December 2020 £m
Finance income		
Interest on bank deposits	0.2	2.3
Interest on loan to equity accounted investee	-	0.6
Other finance income	0.2	-
	0.4	2.9
Finance expense		
Interest on leases (note 17)	(137.6)	(120.8)
Other finance charges	(1.9)	(3.5)
External loans (note 17)	(61.5)	(29.6)
	(201.0)	(153.9)
Interest capitalised on aircraft progress payments (note 11)	0.5	3.0
	(200.5)	(150.9)
Net finance costs	(200.1)	(148.0)

Financial statements *continued*

Notes forming part of the financial statements

continued

9. Tax

Analysis of the tax expense during the year:

	Group	
	For year ended 31 December 2021 £m	For year ended 31 December 2020 £m
Current tax		
Adjustments in respect of prior periods	(0.1)	(0.4)
Non-UK current tax	-	-
Total current tax charge	(0.1)	(0.4)
Deferred tax		
Origination and reversal of timing differences	15.6	(28.1)
Adjustments in respect of prior periods	(14.6)	22.4
Total deferred tax credit/(charge)	1.0	(5.7)
Total tax credit/(charge)	0.9	(6.1)

The standard rate of UK corporation tax for the year is 19.0% (2020: 19.0%).

Financial statements *continued***9. Tax continued**

The actual tax credit/(charge) for the year is lower than (2020: lower than) that computed by applying the standard corporation tax rate in the UK of 19% (2020: 19%). The differences are reconciled below:

	Group	
	For year ended 31 December 2021 £m	For year ended 31 December 2020 £m
Loss before taxation	(487.0)	(858.0)
Tax at the standard rate at 19.00% (2020: 19.00%)	92.5	163.0
Factors affecting the credit for the year:	-	-
Income not subject to corporation tax	3.3	2.2
Expenses not deductible for tax purposes	(21.9)	(38.4)
Effects of difference in deferred tax rate	1.3	3.0
Adjustments in respect of prior periods	(14.7)	19.8
Amounts not recognised	(60.6)	-
Recognition of previously unrecognised deferred tax	1.0	(155.7)
Total tax credit / (charge)	0.9	(6.1)

The Finance Act 2021 (substantively enacted on 24th May 2021) set the main corporation tax rate at 25% from April 2023. The deferred tax asset at 31 December 2021 has been calculated based on 25%. This will reduce the Group's future current tax charge accordingly.

Financial statements *continued*

Notes forming part of the financial statements

continued

10. Intangible assets and goodwill

	Group					
	Goodwill £m	DL AFKL transatlantic agreement and brand licence £m	Landing Rights £m	Other intangibles £m	Assets under construction £m	Total £m
Cost						
At 1 January 2021	8.3	316.3	94.2	257.1	17.4	693.3
Additions	-	-	-	-	8.8	8.8
Disposals	(1.5)	-	-	(2.5)	(2.6)	(6.6)
Reclassifications	-	-	-	8.8	(8.8)	-
At 31 December 2021	6.8	316.3	94.2	263.4	14.8	695.5
Amortisation						
At 1 January 2021	4.4	20.6	12.6	195.7	-	233.3
Amortisation	-	35.1	-	18.6	-	53.7
Disposals	(1.5)	-	-	(2.5)	-	(4.0)
At 31 December 2021	2.9	55.7	12.6	211.8	-	283.0
Carrying amount						
At 31 December 2021	3.9	260.6	81.6	51.6	14.8	412.5
Carrying amount						
At 31 December 2020	3.9	295.7	81.6	61.4	17.4	460.0

During the previous year, the Group entered in to agreements that give access to benefits from the Joint Arrangement with Delta and Air France-KLM, and license to use the Virgin Atlantic and Virgin Holidays brands with a cost of £316m. The joint arrangement asset is being amortised over its contract term of 15 years, and the brand asset is being amortised over its contract term of 5 years.

During the previous year, the decision was taken not to offer touring holidays to customers going forward. The goodwill at 1 January 2021 included £1.1m in relation to Bales Worldwide Limited (purchased 14 December 2009) which offered touring holidays; this has therefore been fully written off in 2020.

10. Intangible assets and goodwill continued

An annual impairment review is conducted on all intangible assets that have an indefinite economic life. 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.

On this basis, management have determined that the Group has two CGUs;

- 1) Its airline route network, comprising landing rights, access to the Virgin Atlantic brand, Delta Air France/KLM joint arrangement synergies, aircraft, spare engines and related assets and liabilities; and
- 2) The holidays businesses comprising access to the Virgin Holidays brand, the sales channels including retail stores and any related goodwill.

The significant impact of the Covid-19 pandemic on passenger travel, holidays and ongoing demand has resulted in an impairment trigger during the year, and as such, an impairment review has been conducted on both the airline and holiday business CGUs.

The recoverable amounts of these CGUs have been measured based on their value in use, using a discounted cash flow model. Cash flow projections are based on the forecasts approved by the Board covering a four-year period and an estimated terminal growth rate, and projections are in line with the Group's strategic plans and recovery from the Covid-19 pandemic.

Assumptions:

	Airline CGU	Holidays CGU
Pre-tax discount rate	8% (2020: 12%)	6% (2020: 7%)
Terminal growth rate	2% (2020: 2%)	2% (2020: 2%)
No. years before terminal growth rate applied	4 (2020: 5)	4 (2020: 5)
Exchange rates USD	1.37 (2020: 1.32)	1.37 (2020: 1.32)
Fuel prices (\$/bbl)	94.6 (2020: 53.5)	N/A

The discount rate has been calculated based on the weighted average cost of capital of the Group, using external inputs where relevant and the current debt structure of the Group. Given the uncertainty of the impact and timing of Covid-19, the Group has adjusted the cash flows for these uncertainties rather than the discount rate.

The terminal growth rate represents an estimation of average long-term economic growth rates for the principal countries in which the Group operates. The future impact of climate change on the Group has been incorporated into strategic plans, the estimated financial impact of which is included within approved forecasts.

The impairment review did not identify an impairment for either CGU as the value in use was greater than the carrying value (2020: no impairment).

Sensitivity analysis

The Group has conducted sensitivity analyses on each CGU's value in use. This included either increasing the discount rates, reducing the terminal growth rate, or reducing the anticipated future cash flows through changes to the EBITDA in each of the years through to the terminal year. The sensitivity assumptions applied to the VIU calculations are set out in the table below. These are considered to be reasonably possible, but not likely.

Increase in discount rate	2 pts
Reduction in long term growth rate applied in terminal year	1 pts
Decrease in forecasted adjusted EBITDA in each year	20%
Increase in fuel price	40%

None of the individual reasonably possible scenarios listed above resulted in an impairment in either of the CGUs.

Financial statements *continued*

Notes forming part of the financial statements

continued

11. Property, plant and equipment

	Group					Total £m
	Aircraft, rotatable spares and ancillary equipment		Other		Assets under construction	
	Owned £m	Leased £m	Owned £m	Leased £m	£m	
Cost						
At 1 January 2021	1,369.6	1,366.7	157.4	180.3	22.9	3,096.9
Additions	15.4	186.0	0.9	5.6	6.3	214.2
Disposals	(96.0)	(13.2)	(7.5)	(23.6)	(1.2)	(141.5)
Reclassifications	5.7	-	4.0	-	(9.7)	-
Other movements	-	(6.4)	-	4.2	-	(2.2)
At 31 December 2021	1,294.7	1,533.1	154.8	166.5	18.3	3,167.4
Accumulated depreciation						
At 1 January 2021	254.1	655.7	129.5	105.9	-	1,145.2
Depreciation for the year	79.3	91.2	10.0	14.1	-	194.6
Impairments	0.9	5.0	1.4	-	-	7.3
Disposals	(24.0)	(13.2)	(7.4)	(20.8)	-	(65.4)
At 31 December 2021	310.3	738.7	133.5	99.2	-	1,281.7
Carrying amount						
At 31 December 2021	984.4	794.4	21.3	67.3	18.3	1,885.7
Carrying amount						
At 31 December 2020	1,115.5	711.0	27.9	74.4	22.9	1,951.7

Other movements relate to lease extensions which do not constitute a new lease addition pursuant to IFRS 16, and in addition relate to asset adjustments resulting from variable lease rentals, which are linked to the prevailing LIBOR at a point in time as per the lease agreements.

Financial statements *continued***11. Property, plant and equipment *continued***

During the year, the Group took delivery of one Airbus 350-1000 under a lease arrangement.

Part of the Group's response to the Covid-19 pandemic has been to rationalise the aircraft fleet. As a result two leased Airbus A330-200 aircraft were grounded ahead of their return to the lessors. The recoverable amount of the right of use assets was determined to be zero and they were written down in full leading to a full year impairment charge of £6.0m. During the previous year, a full year impairment charge of £26.6m was recognised in connection with the early exit of the Boeing 747-400 fleet.

During the year, the Group undertook a sale and leaseback of two Boeing 787-900 aircraft. One aircraft has been accounted for as a disposal from owned aircraft and subsequently as an addition to leased aircraft, on the basis that the definition of a sale had been met. A profit on disposal of £3.9m was recognised on the disposal of this aircraft during the year. The remaining aircraft was not treated as having been disposed of, as the criteria for a sale had not been met. In this case the full aircraft cost remains within aircraft, rotatable spares and ancillary equipment (owned), and the proceeds received have been accounted for as a financial liability (refer to note 17).

The impact of the pandemic on the aviation industry has given rise to an impairment trigger, and as such, management has conducted an impairment review. Please refer to note 10 for details. The review has not led to any impairments at an airline or holidays' business CGU level (2020: nil).

Included in aircraft, rotatable spares and ancillary equipment are progress payments of £21.8m (2020: £21.7m). These amounts are not depreciated.

Interest capitalised by the Group and Company on aircraft progress payments included in additions during the year amounted to £0.5m (2020: £3.0m).

The Group holds certain owned assets as collateral against the RCF term loan facility. This includes one owned aircraft and eight engines (2020: one owned aircraft and eight engines).

The Company did not have any property, plant and equipment (2020: £nil).

Notes forming part of the financial statements

continued

12. Deferred tax

The following are the material deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior year. Deferred taxation is provided for at 25% (2020: 19%):

	Group				
	Accelerated capital allowances £m	Other timing differences £m	UK tax losses £m	Holdover relief £m	Total £m
Balance as at 1 January 2021	24.0	(5.7)	3.6	(19.0)	2.9
Charged to statement of comprehensive income	(26.4)	24.1	9.3	(5.9)	1.1
Balance as at 31 December 2021	(2.4)	18.4	12.9	(24.9)	4.0

The group has restricted its recognition of deferred tax assets to equal the amount of deferred tax liabilities at the period end, as permitted by IAS 12. The gross temporary differences not recognised by the company total £1,333m, which equates to a deferred tax asset not recognised of £333.2m.

The Finance Act 2021 (substantively enacted on 24th May 2021) set the main corporation tax rate at 25% from April 2023. The deferred tax asset as at 31 December 2021 has been calculated based on 25%. This will reduce the Group's future current tax charge accordingly.

The Company did not have any deferred tax (2020: Nil).

Financial statements *continued***13. Derivative financial instruments**

The following table discloses the carrying amounts and fair values of the Group's derivative financial instruments. All derivatives are designated as held for trading and are not in a designated hedge accounting relationship.

	Group	
	For year ended 31 December 2021 £m	For year ended 31 December 2020 £m
Current assets		
Foreign currency	-	0.5
Fuel	1.5	1.5
	1.5	2.0
Current liabilities		
Foreign currency	-	(1.0)
Fuel	-	(12.0)
	-	(13.0)
	1.5	(11.0)

	Group	
	2021 Quantity (million)	2020 Quantity (million)
Nominal amounts		
Foreign currency (USD)	-	18.2
Foreign currency (Other, represented in GBP)	-	0.4
Fuel (Barrels)	0.2	3.2

Notes forming part of the financial statements

continued

13. Derivative financial instruments *continued*

The Group enters into derivative transactions under master netting agreements. Under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding are aggregated into a single net amount that is payable by one party to the other. In certain circumstances, for example, when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated. The termination value is assessed and only a single amount is payable in settlement of all transactions.

All derivatives are presented gross as the offsetting criteria have not been met. This is due to the Group not having any legally enforceable right to offset recognised amounts, as the right to offset is contingent on future events, for example default or other credit events.

The following table discloses the carrying amounts of derivatives recognised in the Group statement of financial position that are subject to master netting arrangements but are not set off due to offsetting criteria not being met.

	Group		
	Gross amount £m	Amount not set off £m	Net amount £m
For the year ended 31 December 2021:			
Derivative financial instruments			
Assets	1.5	-	1.5
Liabilities	-	-	-
	1.5	-	1.5

	Group		
	Gross amount £m	Amount not set off £m	Net amount £m
For the year ended 31 December 2020:			
Derivative financial instruments			
Assets	2.0	(2.0)	-
Liabilities	(13.0)	2.0	(11.0)
	(11.0)	-	(11.0)

The Company did not hold any derivative financial instruments (2020: Enil).

Financial statements *continued***14. Trade and other receivables**

	For year ended 31 December 2021 £m	For year ended 31 December 2020 £m
Non-current		
Other receivables	22.1	15.7
	22.1	15.7
Current		
Trade receivables	87.9	52.0
Provision for doubtful receivables	(3.6)	(3.9)
Net trade receivables	84.3	48.1
Unremitted cash	85.7	13.7
Other receivables	31.0	79.8
Accrued income	8.9	9.4
Group relief receivables	-	0.5
Prepayments	39.2	10.5
	249.1	162.0

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost. Included within other receivables is £3.1m of lease receivable balances, which arose as a result of sub-letting certain overseas properties.

	2021 £m	2020 £m
Ageing of past due but not impaired receivables		
1-30 days	25.3	17.2
31-60 days	2.5	1.9
61-90 days	0.2	1.0
91-120 days	1.3	1.9
120+ days	7.2	1.0
	36.5	23.0

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 are approximately equal to their fair value.

Financial statements *continued*

Notes forming part of the financial statements

continued

15. Inventories

	For year ended 31 December 2021 £m	For year ended 31 December 2020 £m
Aircraft consumable spares	22.5	24.5
Inflight stock	3.7	5.6
Fuel	0.2	0.2
	26.4	30.3

Consumable spares have reduced during the year due to impairments against the inventory related to Airbus 332 aircraft which have been removed from service and returned to their lessors – see note 11. The Company did not have any inventories (2020: £nil).

16. Cash, cash equivalents and restricted cash

	For year ended 31 December 2021 £m	For year ended 31 December 2020 £m
Cash at bank and in hand	502.0	114.8
Cash and cash equivalents	502.0	114.8
Restricted cash	86.5	76.6
	588.5	191.4

Cash and cash equivalents comprise of cash and short-term bank deposits with maturity of three months or less. The carrying amount of these assets is equal to their fair value. Restricted cash includes liquidity reserves relating to collateralised borrowings and cash collateral relating to finance and merchant banking facilities.

In addition to the above cash balances there was £85.7m of unremitted cash owed to the Group in transit at 31 December 2021 (2020: £12.9m), comprised of £85.7m receivable (2020: £13.7m) (refer to note 14) and £nil payable (2020: £0.8m).

The Company did not have any cash and cash equivalents (2020: £nil).

Financial statements *continued***17. Borrowings**

	Group	
	For year ended 31 December 2021 £m	For year ended 31 December 2020 £m
Non-current		
Obligations under leases (i)	(1,824.4)	(1,749.8)
Senior Bonds – A1 (ii)	(163.2)	(161.7)
Senior Bonds – A2 (ii)	(20.8)	(20.8)
Senior Bonds – A3 (ii)	(27.8)	(27.6)
Senior Bonds – A4 (ii)	(55.7)	(54.4)
Other loans (iii)	(620.2)	(354.3)
	(2,712.1)	(2,368.6)
Current		
Obligations under leases (i)	(168.1)	(17.2)
Senior Bonds – A1 (ii)	(10.1)	(6.9)
Senior Bonds – A2 (ii)	(1.9)	(1.4)
Senior Bonds – A3 (ii)	(1.7)	(1.2)
Senior Bonds – A4 (ii)	(3.9)	(2.9)
Other loans (iii)	(4.3)	(81.2)
	(190.0)	(110.8)

i. See below for a full breakdown of all commitments under leasing agreements.

ii. In December 2015, the Group issued £220m of Senior Bonds to bond investors (£190m Class A1 bonds and £30m of Class A2 bonds). The terms are such that repayment of the principal will occur in part over the life of the bonds such that £112m (£100m Class A1 bonds and £12m of Class A2 bonds) is only payable on the maturity of the bonds after 15 years. In January 2017, the Group issued an additional £32m of Senior Bonds to investors (Class A3). The maturation date of the bonds matches that of the A1 and A2 bonds, with repayment of the principal occurring in part over the life of the bonds and £16m payable after 14 years. The value of the bonds is stated after transaction costs.

In September 2020, the Group issued £60m of Senior Bonds to investors (Class A4). The bonds mature after three years, with repayment of the principal occurring in part of the term and £50m repayable in 2023.

iii. During 2021, the Group raised £497m from shareholders. £241.6m of this has been accounted for as a capital contribution and is not included in the amounts above. During 2020, the Group raised £393m from external investors as well as shareholders; £103.7m of this has been accounted for as a capital contribution and is not included in the amounts above. Refer to the statement of changes in equity.

Financial statements *continued*

Notes forming part of the financial statements

continued

	Group					
	Sterling £m	US dollars £m	Chinese Yuan £m	Hong Kong dollar £m	South African rand £m	Total £m
Analysis of borrowings by currency as at 31 December 2021:			-			
Obligations under leases	(76.8)	(1,914.8)	-	(0.4)	(0.5)	(1,992.5)
Senior Bonds - A1	(173.3)	-	-	-	-	(173.3)
Senior Bonds - A2	(22.7)	-	-	-	-	(22.7)
Senior Bonds - A3	(29.6)	-	-	-	-	(29.6)
Senior Bonds - A4	(59.6)	-	-	-	-	(59.6)
Other loans	(402.6)	(221.8)	-	-	-	(624.4)
	(764.6)	(2,136.6)		(0.4)	(0.5)	(2,902.1)
Analysis of borrowings by currency as at 31 December 2020:						
Obligations under leases	(81.4)	(1,684.4)	(0.2)	(0.3)	(0.7)	(1,767.0)
Senior Bonds - A1	(168.6)	-	-	-	-	(168.6)
Senior Bonds - A2	(22.1)	-	-	-	-	(22.1)
Senior Bonds - A3	(28.8)	-	-	-	-	(28.8)
Senior Bonds - A4	(57.5)	-	-	-	-	(57.5)
Other loans	(207.0)	(228.4)	-	-	-	(435.4)
	(565.4)	(1,912.8)	(0.2)	(0.3)	(0.7)	(2,479.4)

Financial statements *continued***17. Borrowings continued**

Analysis of leased debt by maturity:

	Group				
	Within 1 year £m	1-2 years £m	2-5 years £m	Over 5 years £m	Total £m
Analysis of leased debt by maturity as at 31 December 2021:					
Leased aircraft & engines	(150.3)	(154.1)	(586.6)	(985.0)	(1,876.0)
Leased property	(15.5)	(11.2)	(22.1)	(37.4)	(86.2)
Leased - other	(2.3)	(2.3)	(5.9)	(19.8)	(30.3)
	(168.1)	(167.6)	(614.6)	(1,042.2)	(1,992.5)
Analysis of leased debt by maturity as at 31 December 2020:					
Leased aircraft & engines	-	(168.5)	(539.8)	(934.7)	(1,643.0)
Leased property	(15.1)	(12.8)	(22.0)	(43.1)	(93.0)
Leased - other	(2.1)	(2.1)	(5.8)	(21.0)	(31.0)
	(17.2)	(183.4)	(567.6)	(998.8)	(1,767.0)

Analysis of change in borrowings:

	Group				
	Loans £m	Leased aircraft & engines £m	Leased property £m	Leased other £m	Total £m
as at 01 January 2021:	(712.4)	(1,643.0)	(93.0)	(31.0)	(2,479.4)
Proceeds from loans and borrowings	(256.2)	-	-	-	(256.2)
New contracts and renewal of contracts	-	(259.3)	(5.6)	(0.7)	(265.6)
Other movements	16.2	9.2	(3.9)	(1.0)	20.5
Repayment of borrowings	89.9	-	-	-	89.9
Payment of lease rental	-	159.9	21.4	4.2	185.5
Interest paid	16.9	-	-	-	16.9
FX Revaluation	(2.9)	(14.9)	-	(0.2)	(18.0)
Interest expense	(61.1)	(127.9)	(5.0)	(1.7)	(195.7)
As at 31 December 2021:	(909.6)	(1,876.0)	(86.1)	(30.4)	(2,902.1)

Notes forming part of the financial statements

continued

18. Trade and other payables

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

	Group		Company	
	For year ended 31 December 2021 £m	For year ended 31 December 2020 £m	For year ended 31 December 2021 £m	For year ended 31 December 2020 £m
Non-current				
Other revenue received in advance	(3.6)	(3.6)	-	-
Trade payables	(23.3)	(13.7)	-	-
Other payables	(78.5)	(174.7)	-	-
	(105.4)	(192.0)	-	-
Current				
Trade payables	(188.0)	(122.0)	-	-
Other revenue received in advance	(14.2)	(17.4)	-	-
Flight and airport charges	(91.4)	(71.2)	-	-
Amounts owed to other Group companies	-	-	(0.9)	(0.9)
Other taxes and social security	(15.5)	(8.4)	-	-
Other payables	(4.0)	(8.2)	-	-
Accruals	(171.8)	(119.2)	-	-
	(484.9)	(346.4)	(0.9)	(0.9)

Financial statements *continued***19. Deferred revenue on air travel and holidays**

	Group	
	For year ended 31 December 2021	For year ended 31 December 2020
	£m	£m
Non-current	(3.4)	(3.3)
Current	(482.8)	(263.4)
Total deferred revenue on air travel and holidays	(486.2)	(266.7)

	Forward sales of passenger carriage and holidays £m
Balance at 1 January 2021	(266.7)
Revenue recognised in income statement	473.3
Cash received from customers	(692.8)
Balance at 31 December 2021	(486.2)

Cash received from customers is presented net of refunds.

Deferred revenue in respect of forward sales of holidays consists of revenue allocated to tour operations. These tickets can typically be purchased up to eighteen months in advance of the date of travel. The Company did not have any deferred income (2020: £nil).

Notes forming part of the financial statements

continued

20. Provisions

	Group	
	2021	2020
	£m	£m
Non-current		
Maintenance	(35.6)	(33.4)
Onerous contracts	-	(0.2)
Leasehold dilapidations	(9.9)	(13.8)
Restructuring costs	(4.9)	(7.2)
	(50.4)	(54.6)
Current		
Maintenance	(18.9)	(15.9)
Onerous contracts	(0.3)	(0.2)
Leasehold dilapidations	(4.2)	(1.5)
Legal claims	(27.9)	(14.4)
Restructuring costs	(5.1)	(7.7)
	(56.4)	(39.7)

Maintenance included in provisions relates to the costs to meet the contractual return conditions on aircraft treated as right of use assets. Cash outflows on aircraft and engine maintenance occur when the maintenance events take place on future dates not exceeding June 2032. Maintenance provisions are discounted only when the interest rate has a deemed material impact on the provision.

Financial statements *continued***20. Provisions (continued)**

Leasehold dilapidations represent provisions held relating to leased land and buildings where restoration costs are contractually required at the end of the lease. Where such costs arise as a result of capital expenditure on the leased asset, the restoration costs are also capitalised.

Legal claims represent the estimated outstanding cost arising from the settlement of civil actions. Included within legal claims are compensation amounts due to customers whose flights were significantly delayed, unless the airline can prove that the delay was caused by circumstances beyond its control.

The Company did not have any provisions (2020: £nil).

	Group					
	Maintenance £m	Onerous contracts £m	Leasehold dilapidations £m	Legal claims £m	Restructuring costs £m	Total £m
As at January 2020	(108.1)	(0.6)	(7.0)	(14.3)	-	(130.0)
Amounts (provided)/released in the year	(10.9)	-	(8.3)	(4.8)	(36.1)	(60.1)
Amounts utilised in the year	76.4	0.2	-	5.0	21.2	102.8
Other movements	(6.7)	-	-	(0.3)	-	(7.0)
As at 31 December 2020	(49.3)	(0.4)	(15.3)	(14.4)	(14.9)	(94.3)
As at 1 January 2021	(49.3)	(0.4)	(15.3)	(14.4)	(14.9)	(94.3)
Amounts (provided)/released in the year	(6.8)	-	1.0	(20.6)	(0.3)	26.7
Amounts utilised in the year	1.5	0.1	0.3	6.2	5.2	13.3
Other movements	0.1	-	-	0.8	-	0.9
As at 31 December 2021	(54.5)	(0.3)	(14.2)	(27.9)	(10.0)	(106.8)

Financial statements *continued*

Notes forming part of the financial statements

continued

21. Interest in subsidiaries and associates

The Group consists of a parent company, Virgin Atlantic Limited, incorporated in the UK and a number of subsidiaries and associates which operate and are incorporated around the world. The subsidiaries and associates of the Group as at 31 December 2021 are:

	Country of incorporation or registration	% Ordinary issued	Principal activity
Subsidiaries and associates			
Virgin Atlantic Two Limited	England and Wales	100	Holding company
Virgin Travel Group Limited	England and Wales	100	Holding company
Virgin Atlantic Airways Limited	England and Wales	100	Airline operations
Virgin Holidays Limited	England and Wales	100	Sale of holidays
Fit Leasing Limited	Jersey	100	Leasing of aircraft
VA Cargo Limited	England and Wales	100	Ceased trading
VAA Holdings Jersey Limited	Jersey	100	Holding company
VAA Holdings UK Limited	England and Wales	100	Holding company
Virgin Atlantic International Limited	England and Wales	100	Trading
Virgin Incoming Services Incorporated	United States of America	100	Ceased trading
Virgin Vacations Incorporated	United States of America	100	Ceased trading
Virglease (3) Limited	United States of America	100	Ceased trading
Virglease (4) Limited	England and Wales	100	Leasing of aircraft
Connect Airways Limited	England and Wales	30	Airline operations

Subsidiary and Associates	Registered Office Addresses
Fit Leasing Limited, VAA Holdings Jersey Limited	47 Esplanade, St Helier, Jersey, JE1 OBD
Virgin Vacations Inc, Virgin Incoming Services Inc	5787 Vineland Road, Suite 204, Orlando, Florida, 32819
Connect Airways Limited	1 More London Place, London SE1 2AF
All other trading subsidiaries	The VHQ, Fleming Way, Crawley, West Sussex RH10 9DF

Financial statements *continued*

Virgin Vacations Incorporated ceased trading on March 2019.
VA Cargo Limited ceased trading on 30 June 2020 and
Virglease (3) Limited ceased trading on December 2020.

The Group consolidates the results of Barbados Enterprises plc, a special purpose vehicle set up to facilitate external capital raising activities, into the results of the Group. In accordance with IFRS 10, the Group is exposed, or has rights, to variable returns from its involvement and has the ability to affect those returns through its power over Barbados Enterprises plc.

The proportion of voting rights held by the Group in each of its subsidiaries is the same as the proportion of ordinary shares held. All subsidiaries have been included in the consolidation. All entities in the consolidation have the same accounting reference date.

All subsidiaries other than Virgin Atlantic Two Limited are indirectly held.

Financial statements *continued*

Notes forming part of the financial statements

continued

22. Related party transactions

The Group had transactions in the ordinary course of business during the year ended 31 December 2021 and 31 December 2020 with related parties

	Group		Company	
	For year ended 31 December 2021 £m	For year ended 31 December 2020 £m	For year ended 31 December 2021 £m	For year ended 31 December 2020 £m
Parent				
Purchases from parent	-	-	-	-
Purchases from associate	-	-	-	-
Related parties under common control				
Sales to related parties	15.3	16.6	-	-
Purchases from related parties	(10.0)	(25.7)	-	-
Amounts owed by related parties	16.0	22.2	-	-
Amounts owed to related parties	(30.7)	(32.1)	-	-
Subsidiaries				
Amounts owed to subsidiaries	-	-	(0.7)	(0.8)

Financial statements *continued***22. Related party transactions continued**

Revenue from related parties primarily relates to airline ticket sales and sales of frequent flyer miles. Purchases from related parties represent goods and services purchased for use within the business. All of the above transactions are on an arm's length basis.

Not included in the table above is a balance of £6.3m (2020: £7.3m) within deferred revenue at the balance sheet date. Revenue also includes £1.1m (2020: £1.8m) of sales to the related party Virgin Money UK PLC. These transactions were at arms' length.

In 2013, Delta Air Lines Inc. acquired a 49% equity stake in Virgin Atlantic Limited from Singapore Airlines. From 1 January 2014 the Group entered into a joint arrangement with Delta Air Lines Inc.

In January 2020, the Group entered into a joint arrangement with Delta Air Lines Inc. and Air France-KLM S.A., which provides for the sharing of revenues and costs, as well as joint marketing and sales, coordinated pricing and revenue management, network planning and scheduling and other coordinated activities with respect to the parties' operations on joint arrangement routes. This joint arrangement, for which the Group received anti-trust immunity from the US Department of Transportation in November 2020, replaces the joint arrangement which previously existed between the Group and Delta Air Lines Inc. As a result of terminating the previous joint arrangement, the Group has a liability owed to Delta over the period 2020 - 2028, which is fair valued at £207.0m at 31 December 2021 (2020: £298.0m). The portion relating to 2020 - 2024 has been reclassified to equity following agreement to convert these amounts to preference shares, leaving an outstanding liability of £78.1m (2020: £120.0m) for the periods 2025-2028.

Costs incurred in relation to the joint arrangement are presented within other operating and overhead costs. Total sales to Delta Air Lines, Inc. during the year amounted to £0.7m (2020: £1.3m);

total purchases were £25.4m (2020: £37.9m). Outstanding receivable balances amounted to £2.1m (2020: £1.3m) and outstanding payables (excluding amounts owed under the joint arrangement) were £64.5m (2020: £40.3m).

In March 2020, a £30.0m facility was made available by the Group's shareholders; Delta Air Lines committed 49% of this facility and Virgin Investments Limited committed 51%. This facility was fully drawn down in 2020 and the Group also accrued commitment fees of £0.4m to Delta Air Lines and £0.4m to Virgin Investments Limited in respect of this facility. During 2020, the facility was converted to preference shares.

In addition, the following liabilities were converted to preference shares:

- £56.1m for amounts owed to Delta Air Lines relating to the 2020 joint operation settlement, and other invoices payable.
- £21.7m for amounts owed to Virgin Investments Limited relating to royalties incurred in 2020 and other liabilities owed.

In September 2020, Virgin Investments Limited advanced a £200m facility to the Group, repayable in November 2026. This loan has been recognised at fair value, with the difference between nominal and fair value resulting in a capital contribution of £103.7m. Further loans were advanced to the Group in 2021 as follows: £75m in March 2021 and £215.2m in December 2021 from Virgin Investments Limited, and £206.8m in December 2021 from Delta Air Lines Incorporated, each repayable in November 2026. The loans have been recognised at fair value, with the difference between nominal and fair value resulting in a capital contribution of £241.6m.

The Group has a 30% stake in Connect Airways Limited, a holding company that owns 100% of Flybe Limited. During 2019, the Company entered into a commercial agreement with Flybe Limited to receive all revenue generated from and settle all operating costs of certain routes operated by Flybe Limited, resulting in a net settlement of £nil (2020: £10.1m) to

Notes forming part of the financial statements

continued

Flybe in the year, presented within share of loss from equity accounted investees in the statement of comprehensive income. The Group accrued interest under certain loan agreements amounting to Enil (2020: £0.6m) during the year, presented within Finance income. All transactions have been concluded at arm's length. On 5th March 2020, Flybe Limited filed for administration. Accordingly, the Group impaired the full value of receivable balances held to Enil during 2019 and 2020.

23. Ultimate holding

The Directors consider that the Group's ultimate and immediate Parent Company and its controlling party is Virgin Group Holdings Limited, a company incorporated in the British Virgin Islands, the accounts of which are neither consolidated nor publicly available. The Directors consider that Sir Richard Branson is the ultimate controlling party of the Group.

24. Commitments

As at 31 December 2021, the Group had the following annual commitments under non-cancellable leases, which are outside the scope of IFRS 16:

	Group			
	2021		2020	
	Land and buildings £m	Aircraft and other £m	Land and buildings £m	Aircraft and other £m
Commitments under non-cancellable leases				
Not later than one year	1.7	-	2.0	-
Later than one year and not later than five years	0.4	-	0.3	-
	2.1	-	2.3	-

Capital commitments

	Group	
	2021 £m	2020 £m
Capital commitments at the balance sheet date for which no provision has been made	3,288.1	3,198.7

Capital commitments relating to aircraft and engine purchases are stated at escalated list price less progress payments. It is intended that these purchases will be financed partly through cash flow and partly through external financing and leasing arrangements.

Financial statements *continued***25. Financial instruments****(i) Financial instruments by category**

Capital commitments	Group	
	2021 £m	2020 £m
Financial assets		
Cash and bank balances	502.0	114.8
Restricted cash	86.5	76.6
Fair value through profit and loss:		
Derivative financial instruments	1.5	2.0
Loans and receivables at amortised cost:		
Trade and other receivables (excl. prepayments and accrued income)	223.1	157.8
	813.1	351.2
Financial liabilities		
Fair value through profit and loss:		
Derivative financial instruments	-	(13.0)
Other payables	(82.6)	(119.8)
Financial liabilities at amortised cost:		
Borrowings (including lease liabilities)	(2,902.1)	(2,479.4)
Trade and other payables	(490.0)	(418.6)
	(3,474.7)	(3,030.8)

Notes forming part of the financial statements

continued

(ii) Fair values of financial assets and liabilities

The fair values of the Group's financial instruments are disclosed in hierarchy levels depending on the nature of the inputs used in determining the fair values as follows:

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 or indirectly; and

Level 3: Inputs for the asset or liability that are not based on observable market data.

The only instruments carried at fair value by the Group are the derivative financial instruments that consist of fuel, foreign exchange and interest rate swap derivatives, and joint arrangement termination liability (refer to note 22). These are listed at level 2 on the fair value hierarchy. Discounted cash flow is the valuation technique used to arrive at fair value. Future cash flows are estimated based on forward exchange rates and forward fuel price rates (from observable rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

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 (as disclosed in (i) above) approximate their fair values.

There were no transfers between levels during the year.

26. Financial risk management

The Group is exposed to a variety of financial risks including: market risk (including foreign currency risk, interest rate risk and fuel price risk), credit risk, capital risk and liquidity risk.

The overall financial risk management processes focus on managing the exposures arising from unpredictable financial

markets, to keep them within the Group's risk appetite, and to minimise potential adverse effects on financial performance.

The Group's financial 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.

The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investment of excess liquidity.

The Treasury function of the Group implements the financial risk management policies, under governance approved by the Board, and overseen by the Financial Risk Committee.

The Group's Treasury function also identifies, evaluates and hedges financial risks within the appetite and boundaries established by the financial risk committee and financial risk policies. The Group does not speculatively trade and when instruments are used, this is to manage the underlying physical exposures of the business.

(i) Fuel price risk

The Group is exposed to fuel price risk. The Group's fuel hedging policy aims to protect the business from significant near-term adverse movement in the jet fuel price. The policy allows the Group to hedge within bands up to 18 months out with declining percentages. In implementing the strategy, the fuel 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.

The following table demonstrates the sensitivity of financial instruments to a reasonably possible change in fuel prices, with all other variables held constant, on profit before tax and equity:

Financial statements *continued***(i) Fuel price risk continued**

	Group	
	2021 £m	2020 £m
Increase in fuel price by a fixed percentage	30%	30%
Increase in profit before tax	3.3	31.8
Decrease in fuel price by a fixed percentage	(30%)	(30%)
Decrease in profit before tax	(0.7)	(41.4)

(ii) Foreign currency risk

The Group is primarily exposed to fluctuations in the US dollar which can significantly impact financial results and liquidity. The Group has substantial liabilities denominated in US dollars, due to engineering maintenance provisions and aircraft leases. A significant proportion of these are matched with US dollar cash.

Currency risk is reduced through the matching of receipts and payments in individual currencies and holding foreign currency balances to meet future obligations. In addition, the Group designates certain aircraft lease contracts as cash flow hedges.

Any exposure that cannot be naturally hedged, or is not designated in a cash flow hedge is managed through application of the foreign exchange hedging policy.

The Group has designated certain US dollar aircraft lease payments to hedge exposure in highly probable forecast US dollar revenue. The probability of such transactions arising is based on past performance (USD revenues received in prior years), forecast cash flows and the Group's business model (i.e. an emphasis on transatlantic flying). These are designated as cash flow hedges, and the hedge ratio applied is 1:1. The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows.

The Group assesses whether the aircraft lease designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method. In these hedge relationships, the main sources of ineffectiveness are:

- Changes in the timing of the hedged transactions; and
- Non-alignment between the exchange rate ruling at the balance sheet date and the exchange rate ruling at the date the forecast revenue is recognised.

The foreign exchange hedging policy aims to protect the business from significant near term adverse movement in exchange rates. The policy allows the Group to hedge within bands up to 18 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.

Notes forming part of the financial statements

continued

The following table demonstrates the sensitivity of the US dollar foreign exchange derivative exposure to a reasonably possible change in the US dollar exchange rates, with all other variables held constant, on profit/ (loss) before tax and equity.

	Group	
	2021 £m	2020 £m
Strengthening in the USD to GBP currency exchange rate by a fixed percentage	10%	10%
Decrease in profit before tax	-	(1.2)
Weakening in currency exchange rate by a fixed percentage	(10%)	(10%)
Increase in profit before tax	-	1.5

(iii) Interest rate risk

Interest rate cash flow risk arises on floating rate borrowings and cash investments. The interest rate risk management policy objective is to lower the cost of capital by maintaining a targeted optimal range of net floating rate debt instruments while at the same time, not over-exposing the Company to interest rate fluctuations.

Interest rate exposure is managed on net basis i.e. after taking into consideration the natural hedge available due to cash invested in the short term at floating interest rates.

Aircraft leases are a mix of fixed and floating rates. Of the 36 leases in place at 31 December 2021 (2020: 34), 75% were based on fixed interest rates and 25% were based on floating interest rates (2020: 73% fixed, 27% floating).

(iv) Credit risk

The Group is exposed to credit risk to the extent of non-performance by its counterparties in respect of financial assets receivable, cash, money market deposits and derivative financial instruments.

Credit risk management aims to reduce the risk of default by diversifying exposure and adhering to acceptable limits on credit exposure to counterparties based on their respective credit ratings. Credit default swaps are also considered wherever relevant and available.

Counterparty credit quality and exposures are regularly reviewed and if outside of the acceptable tolerances, management will make a decision on remedial action to be taken.

The financial assets recognised in the financial statements, net of impairment losses (if any), represent the Group's maximum exposure to credit risk

Disclosure relating to the credit quality of trade and other receivables is given in note 25.

Eligible currencies are USD and GBP. Interest return on the collateral is based on Effective Fed Fund rates for USD and Overnight SONIA for GBP.

Financial statements *continued*

(i) Liquidity risk

The objective of the Group's liquidity risk management is to ensure sufficient cash is available to meet future liabilities as and when they fall due and ensure planned access to cost effective funding in various markets.

The Group maintains high proportion of cash in overnight money market funds with same day access to manage the impact of any business disruption. Additionally, the Group uses a combination of Credit Support Annex (CSA) and Non-CSA arrangements with its counterparties to manage liquidity requirements relating to derivatives trading activities.

The maturity profile of financial liabilities based on undiscounted gross cash flows and contractual maturities can be found in note 17.

(ii) 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 to reduce the cost of capital.

The Group monitors its leverage ratio ie. net debt to EBITDA. Net debt is defined as the total loans and borrowings, leases, (for calculation purposes) net of cash and cash equivalents.

Financial statements *continued***27. Reconciliation between loss for the year and cash generated by operations**

	Group	
	2021	2020
	£m	£m
Loss for the year	(486.1)	(864.1)
Adjustments for:		
Depreciation	194.6	203.6
Amortisation	53.5	42.4
Impairment	9.1	48.8
Loss/(gain) on unrealised forex	4.3	(41.1)
(Gain)/loss on other unrealised items	(109.2)	97.6
(Profit)/loss on disposal of property, plant and equipment and intangible assets	(3.0)	11.1
Taxation	(0.9)	6.1
Movement in provision for bad debts	(0.4)	1.4
Unrealised fair value movement in derivatives	(12.5)	(3.3)
Net finance costs	195.8	145.9
Working capital changes		
Inventory	4.0	8.5
Trade and other receivables	(93.7)	129.3
Trade and other payables	97.6	(61.6)
Deferred revenue on air travel and tour operations	219.5	(258.6)
Provisions	(0.6)	(46.5)
Interest paid	(39.8)	(132.2)
Income taxes (paid)/recovered	(0.1)	(0.5)
Net cash from/(used in) operating activities	32.1	(713.1)

The 2020 comparatives have been re-presented to be consistent with current year presentation.

28. Subsequent events

There were no subsequent events requiring disclosure as at the date of this report.

Alternative performance measures

The performance of the Group is assessed using a number of alternative performance measures (APMs) as outlined below. These measures are not defined under International Financial Reporting Standards (IFRS) and should be considered in addition to IFRS measurements.

The definition of each APM, together with a reconciliation to the nearest measure prepared in accordance with IFRS is presented below.

For the year ended 31 December 2020, the Group presented its income statement in a three-column format to enable the users of the financial statements to understand the underlying performance of the Group. For the year ended 31 December 2021 the income statement has been re-presented to show the Group's result in a single column, and accordingly disclosure around exceptional/non-underlying items is included in section (a).

(a) (Loss)/Profit before tax and exceptional items

The Group seeks to present a measure of underlying performance which is not impacted by material non-recurring items or items which are not considered to be reflective of the trading performance of the business. This measure of profit is described as 'profit before tax and exceptional items' (PBTEI) and is used by the Directors to measure and monitor performance. The excluded items are referred to as 'exceptional items' and non-underlying items'.

Exceptional items may include impairments, expenditure on major restructuring programmes and other particularly significant or unusual non-recurring items. Non-underlying items may include fair value adjustments on financial instruments and items not considered to be reflective of the trading performance of the business. Items relating to the normal trading performance of the business will always be included within the underlying performance.

Judgement is required in determining the classification of items between exceptional/non-underlying and underlying. In line with Financial Reporting Council (FRC) guidance the Group have not attempted to identify additional exceptional items as a direct or indirect result of Covid-19, other than those items which clearly meet our existing definition of exceptional, such as the restructuring and asset impairment.

The following table contains a reconciliation between PBTEI and the statutory income statement for the Group:

Financial statements *continued*

Alternative performance measures

continued

	For the year ended 31 December 2021			For the year ended 31 December 2020*		
	Underlying activities before exceptional items £m	Exceptional items and non-underlying items £m	Total £m	Underlying activities before exceptional items £m	Exceptional items and non-underlying items £m	Total £m
Total revenue	928.0	-	928.0	868.0	-	868.0
Physical fuel	(269.7)	-	(269.7)	(184.6)	-	(184.6)
Fuel hedging (i)	18.5	(18.5)	-	(104.8)	104.8	-
Airline direct operating costs	(282.3)	-	(282.3)	(239.7)	-	(239.7)
Aircraft costs (viii)	(156.4)	-	(156.4)	(157.9)	(25.1)	(183.0)
Holiday distribution, marketing and selling costs (i)	(81.5)	4.0	(77.5)	(118.0)	(15.7)	(133.7)
Employee remuneration	(257.0)	-	(257.0)	(277.4)	-	(277.4)
Other operating and overhead costs (i), (ii), (iii), (iv)	(149.3)	96.2	(53.1)	(148.5)	(89.1)	(237.6)
Engineering and maintenance costs	(97.2)	-	(97.2)	(100.0)	-	(100.0)
Other depreciation and amortisation	(67.5)	-	(67.5)	(64.4)	-	(64.4)
Profit on disposal of property, plant and equipment (ix)	3.0	-	3.0	3.1	15.9	19.0
Restructuring (vi)	-	14.8	14.8	-	(78.4)	(78.4)
Impairment of assets (vii)	(6.0)	(3.1)	(9.1)	-	(20.6)	(20.6)
Fair value gains/(losses) on derivative contracts (i)	-	27.8	27.8	-	(80.7)	(80.7)
Other income (v)	0.7	8.6	9.3	13.2	-	13.2
Operating loss	(416.7)	129.8	(286.9)	(511.0)	(188.9)	(699.9)
Finance income	0.4	-	0.4	3.3	-	3.3
Finance expense (x)	(177.5)	(23.0)	(200.5)	(147.7)	(3.6)	(151.3)
Net finance costs	(177.1)	(23.0)	(200.1)	(144.4)	(3.6)	(148.0)
Loss before equity accounted investees and tax	(593.8)	106.8	(487.0)	(655.4)	(192.5)	(847.9)

*The allocation between underlying activities and Exceptional items and non-underlying items for the year ended 31 December 2020 has been restated to align with current year presentation.

Financial statements *continued*

The Group separately presents certain items as exceptional. These are items which in the judgement of the Directors need to be disclosed separately by virtue of their size or incidence in order for the reader to obtain a proper understanding of the financial information:

(i) Fuel costs include gains of £18.5m (2020: losses of £104.8m) recognised on maturity of fuel derivative contracts. Other operating and overhead costs and Holiday distribution, marketing and selling costs include gains of £2.0m (2020: £2.8m) and losses of £4.0m (2020: gains of £15.7m) respectively. Fair value movements in relation to the Group's fuel and foreign currency derivatives are reclassified as a non-underlying item through fair value gains/(losses) on derivative contracts, to ensure that the operating costs of the Group can be reflected at an unhedged rate as the Group does not apply hedge accounting for derivative contracts. The Group discloses specific IFRS 9 mark-to-market movements separately within the statement of comprehensive income as a non-underlying item. Mark-to-market movements resulted in a gain of £11.3m (2020: £5.6m).

(ii) Other operating and overhead costs include unrealised gains of £93.4m (2020: losses of £94.2m) relating to fuel and foreign exchange on payables balances.

(iii) Support from trade creditor groups as part of the Group's solvent recapitalisation resulted in discounts of £0.4m (2020: £7.9m) being recognised in other operating and overhead costs.

(iv) Gains of £4.4m (2020: £nil) were recognised in Other operating and overhead costs relating to ineffectiveness of cash flow hedges. Hedge ineffectiveness arose due to forecast revenue not materialising as a result of Covid-19.

(v) A related party, Flybe Limited, entered administration in March 2020. At that date, the Group had provided for loans and guarantees to Flybe Limited. Amounts recovered in the year through the administration process totalled £8.6m (2020: net write down £7.8m, included within impairment of assets).

(vi) The business undertook a restructuring and recapitalisation process in response to the impact of Covid-19 resulting in a gain of £14.8m (2020: charge of £78.4). This amount relates primarily to severance, advisory and financing costs, offset by fair value gains recognised as a result of renegotiation of debt terms.

(vii) Impairments to property, plant and equipment of £1.6m (2020: £12.8m) and to financial assets of £1.5m (2020: £7.8m) have been recognised in the year.

(viii) Fleet exit costs of £nil (2020: £25.1m) have been recognised in the year as the Group took decisive action to exit fully from its Boeing 747-400 fleet and to bring forward the retirement of the Airbus 330-200 fleet earlier than planned, both as a result of the Covid-19 pandemic.

(ix) As part of the restructuring and fleet exit programmes noted above, a gain of £nil (2020: £15.9m) has been recognised. This has arisen on the sale of two Boeing 747-400 aircraft and the Base, one of the Group's office locations near Gatwick.

(x) Interest expense totalling £23.0m (2020: £3.6m) arose on accounting for loans advanced from shareholders at fair value (refer to note 22). Management considers this expense to be non-underlying as it does not reflect the true cost of the arrangement.

Financial statements *continued*

Alternative performance measures

continued

(b) Underlying EBITDA

profit/(loss) for the year/period before net finance costs, tax, depreciation, amortisation, and exceptional items

Group

	2021	2020
	£m	£m
Profit/(loss) before tax	(487.0)	(847.9)
Less: Exceptional items	106.8	(192.5)
Less: Net finance costs	(177.1)	(144.4)
Underlying EBIT	(416.8)	(511.0)
Less: Depreciation, amortisation and impairment charge	(251.0)	(250.8)
Underlying EBITDA	(165.8)	(260.2)

(c) Underlying EBIT margin

Underlying EBIT divided by total revenue

Group

	2021	2020
	£m	£m
EBIT	(416.8)	(511.0)
Total Revenue	928.0	868.0
Underlying EBIT margin	(44.9)%	(58.9)%

(d) Passenger revenue per ASK (PRASK)

An industry measure of operational efficiency that encompasses both passenger yield and load factor performance. Calculated as total passenger revenue divided by total available seat kilometres (ASK).

Group

	2021	2020
	£m	£m
Airline passenger revenue (£m)	410.1	415.5
ASKs (km bn)	14.2	13.0
PRASK (p)	2.89	3.18

Financial statements *continued***(e) Airline fuel costs per ASK (Fuel CASK)**

A key fuel metric, fuel CASK measures our unit fuel spend and assesses our aircraft fuel efficiency and fuel hedging effectiveness. Calculated as the total fuel spend divided by total ASKs.

	Group	
	2021 £m	2020 £m
Physical fuel	269.7	184.6
Fuel hedging	(18.5)	104.8
Fuel costs	251.2	289.4
ASKs (km bn)	14.2	13.0
Fuel CASK (p)	1.77	2.22

(f) Airline non-fuel costs per ASK (Non-fuel CASK)

Our key volume adjusted operational cost metric that indicates our cost control performance excluding fuel. Calculated as the total airline operational costs and overheads (ex-financing costs) divided by total ASKs.

	Group	
	2021 £m	2020 £m
Total operating expenditure	1,214.9	1,567.9
Less: Exceptional items	(129.8)	188.9
Less: Fuel costs	251.2	289.4
Less: Non-flight costs	114.2	85.7
Non-fuel costs	979.3	1,003.9
ASKs (km bn)	14.2	13.0
Non-fuel CASK (p)	6.91	7.72

Financial statements *continued*

Alternative performance measures

continued

(g) Net debt

Total borrowings, net of cash and cash equivalents and restricted cash

	Group	
	2021 £m	2020 £m
Total borrowings	(2,902.1)	(2,479.4)
Cash and cash equivalents	502.0	114.8
Restricted cash	86.5	76.6
Net debt	(2,313.5)	(2,288.0)

(h) Adjusted net assets/ (liabilities)

Net assets/(liabilities) shown on its consolidated statement of financial position, adjusted for the fair value of Virgin Atlantic's slot portfolio (less cost)

	Group	
	2021 £m	2020 £m
Net liabilities	(895.6)	(575.8)
Fair value adjustment	406.8	437.4
Adjusted net liabilities	(488.8)	(138.4)

(i) Adjusted free cash

Cash and cash equivalents adjusted for unremitted cash in transit

	Group	
	2021 £m	2020 £m
Cash and cash equivalents	502.0	114.8
Unremitted cash	85.7	13.7
Adjusted free cash	587.8	128.5

Glossary

Airline Passenger unit revenue (PRASK)	Our total airline Passenger Revenue divided by the number of Available Seat Kilometres.
Airline Passenger Revenue per RPK or Yield	Our measure for yield, calculated as our total airline passenger revenue divided by the number of seats occupied by revenue customers multiplied by distance flown.
Available Seat Kilometre (ASK)	Our passenger carrying capacity, calculated by seats available multiplied by distance flown.
CGU	Cash generating unit
Constant currency	The restatement of our prior year revenue and cost at the average IATA five-day exchange rate for the current year.
Cost per Available Seat Kilometre (CASK)	This is how much each seat on a flight costs us for every kilometre it operates.
DEFRA	UK Department for Environment, Food and Rural Affairs
Earnings Before Interest and Taxes (EBIT)	A measure of a company's operating income, equal to earnings before the deduction of net finance costs and taxes and before Exceptional Items.
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)	A measure of a company's operating cash flow, equal to earnings before the deduction of depreciation, amortisation, net finance costs and taxes and before Exceptional Items.
eVTOL	Electric vertical take-off and landing aircraft
Exceptional items	One off events that do not form part of business as usual.
Flying Club	Our customer loyalty proposition.
IASA	International Aviation Safety Assessment Programme
IOSA	The IATA Operational Safety Audit (IOSA) is an internationally recognised and accepted evaluation system designed to assess the operational management and control systems of an airline.
International Civil Aviation Organization (ICAO)	A specialised agency of the United Nations, the International Civil Aviation Organisation was created in 1944 to promote the safe and orderly development of international civil aviation throughout the world. It sets standards and regulations necessary for aviation safety, security, efficiency and regularity, as well as for aviation environmental protection.
IEA	International Energy Agency
IPCC	Intergovernmental Panel on Climate Change
Load factor	The proportion of seats filled by revenue passengers, weighted by distance flown
OCI	Other Comprehensive Income

Glossary continued

Glossary

continued

Net Promoter Score (NPS)	- The Net Promoter Score (NPS) is a metric based on survey responses to the 'likelihood to recommend' question and is calculated by subtracting the percentage of customers who are 'Detractors' (score 0-6, unlikely to recommend) from the percentage of customers who are 'Promoters' (score 9-10, likely to recommend)
Non-fuel unit costs	This is how much each seat on a flight costs us for every kilometre it operates once the effect of fuel price and hedging is removed
Profit Before Tax and Exceptional Items (PBTEI)	Our measure of profit, profit before tax and exceptional items. Used as it excludes Exceptional Items (see above) thereby providing a better view of underlying performance
Revenue Passenger Kilometre (RPK)	Our passenger revenue measure weighted for distance, calculated by seats occupied by revenue customers multiplied by the distance flown
Revenue Tonne Kilometres (RTK)	The revenue load in tonnes multiplied by the distance flown.
RCF	Revolving Credit Facility
SAF	Sustainable Aviation Fuels
STEM	Science, technology, engineering and maths
TCFD	Task force for climate-related financial disclosures
VAT	Value added tax
Year on Year (YoY)	Comparing two financial years.
Yield	A measure of financial return.