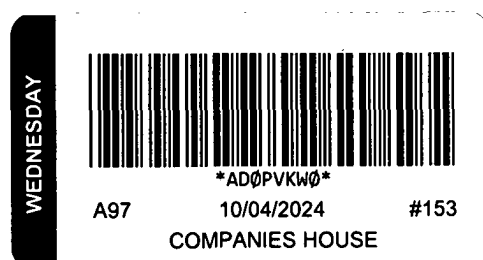


# Virgin Atlantic Airways Limited and subsidiary companies

## Annual report and consolidated financial statements

For the year ended 31 December 2023

Registered number 01600117



Virgin Atlantic Airways Limited and subsidiary companies  
Annual report and consolidated financial statements for the year ended 31 December 2023

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## Strategic report

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

Virgin Atlantic Airlines 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 5 airports.

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 ranging from the most temperature-sensitive pharmaceuticals and fresh produce and flowers.

Virgin Holidays offers predominantly package holidays to destinations worldwide for customers principally in the UK. The business offers holidays through online, call centres and retail stores across the UK. Over 90% of Virgin Holidays customers also fly on Virgin Atlantic planes. A strong recovery in demand for holidays followed an extensive period of uncertainty which impacted the longer booking curves typically seen before the pandemic. Revenue reached 75% of 2019 at £471m (2019: £627m) as the demand for premium leisure travel remained strong. Overall, capacity is lower to our fortress market of Florida and some of our Caribbean destinations, reflecting network and aircraft changes. This has meant the return to pre-Covid revenues is slower than in the airline.

In 2023, with four fewer aircraft in our fleet and £166m of additional fuel costs, we delivered an EBITDA of £352m, ahead of 2019 (2019: £340m). In line with our financial plan for the year, the results are underpinned by an exceptionally strong operational performance, continued cost discipline and the unwavering resilience and passion of our people.

	ASKs (m) as Total revenue	
	a % of 2019	as a % of 2019
Q1 2023	93%	114%
Q2 2023	90%	113%
Q3 2023	95%	112%
Q4 2023	97%	116%

We entered the year mindful of the cost of living crisis in the UK and warnings of a looming recession, expecting to see an impact on consumer demand and hence in our revenues. In fact, whilst we saw a slight dampening in corporate demand, particularly influenced by the slowdown in the tech sector, demand was robust and we delivered per passenger unit revenues above expectation in the first half of the year.

Whilst we delivered record revenues over the summer months, much of the second half of the year was significantly impacted by both increases in fuel prices and continued weakness in corporate demand, which is still c.25% lower than 2019 levels and slightly lower than the 80% recovery we had expected.

Having already taken significant action in 2020 to reduce our cost base, delivering a £300m, recurring reduction to operating costs, we have continued to closely monitor and maintain these savings:

- After consolidating our network at Heathrow and Manchester, we welcomed over 8,400 daily customers at Heathrow this Summer, our highest numbers on record
- We took delivery of three new aircraft in the year, advancing efforts to simplify our fleet and reach a 100% "next generation" fleet by 2028
- Increases to our headcount were concentrated on our flying and customer facing teams, enabling us to meet operational requirements and improve customer service levels

The speed with which we ramped up operations in 2022 led to natural inefficiencies, which have now largely equalised given that 2023 full year capacity was just 6% behind that of 2019. This is illustrated by underlying EBITDA (one of our core profitability metrics) of £326m vs £338m in 2019.

Our underlying performance has benefitted from the recognition of vouchers issued during the pandemic, which expired at the end of 2023. For 2023 we recorded an operating profit of £84m, a £157m improvement on 2022 and £11m higher than 2019. Notwithstanding, our statutory loss of £226m for the year (2022: £342m loss) reflects the significantly higher financing costs we face as a result of the action we took during the pandemic.

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## Financial results & Key metrics

	2023	2022
£m		
Revenue	3,119	2,854
Statutory (loss) profit	(214)	(338)
PBTEI	(128)	(203)
Underlying EBITDA	326	310
Underlying EBIT	54	71
Underlying EBIT Margin (%)	2	2
 Total sectors	 23,720	 21,835
Cargo only sectors	7	1,117
ASKs (km bn)	45.75	39.38
Passengers (000)	5,285	4,380
Load factor (%)	76.3	73.4
PRASK (p)	5.24	5.26

## Passenger revenue

Strong yields throughout the year have enabled record breaking passenger revenue, despite fewer passengers than 2019. Load factors have remained slightly behind our plan, driven by slower than expected corporate recovery, finishing at 77% vs 81% in 2019. Premium leisure destination performance remained strong throughout the year, boosted by our new routes to the Maldives and Turks and Caicos, as well as our return to Dubai.

The outbreak of war in the Middle East in October meant that the majority of our Q4 flying to Tel Aviv was suspended, impacting capacity. We also took tactical decisions during the year to remove and reduce some of our less profitable routes, impacting capacity, meaning we finished 6% behind 2019 but 16% up on 2022.

## Cargo Revenue

As expected, post Covid normalisation of the cargo market led to a reduction in cargo volumes as well as pricing.

Our cargo operations delivered revenues of £196m, down 48% on 2022 (2022: £377m) and behind 2019 by 8% (2019: £214m). Yields outperformed 2019 by a third (£1.24/kg vs £0.94/kg) but tonnage was 30% behind 2019 and 17% down on 2022. This performance reflects a general softening in the market.

## Virgin Atlantic Holidays

A strong recovery in demand for holidays followed an extensive period of uncertainty which impacted the longer booking curves typically seen before the pandemic. Revenue reached 75% of 2019 at £471m (2019: £627m) as the demand for premium leisure travel remained strong. Overall, capacity is lower to our fortress market of Orlando and some of our Caribbean destinations, reflecting network and aircraft changes. This has meant the return to pre-Covid revenues is slower than in the airline.

Cost discipline has remained tight, with overhead and distribution costs over 30% lower than 2019 following actions taken in 2020 to rationalise our retail estate and streamline operations under the unified brand programme. This performance translated into contribution for 2023 of £32m, ahead of 2022 (£13m) and gaining on 2019 (£44m).

## Capital Investment

Our total capital expenditure of £118m relates principally to investment in our fleet. We are committed to flying one of the youngest and most fuel efficient, longhaul fleets in the sky. During the year we took delivery of our tenth Airbus 350-1000, as well as two more Airbus 330-900 neos. We continue our fleet transformation in 2024, receiving an additional six more aircraft throughout the year.

We capitalised one more of the three additional Heathrow slots we entered into purchase agreements for in 2022 to support our plans for growth and to further leverage the customer and operational benefits of a single London hub. A smaller proportion of our capital expenditure was also directed towards our ongoing technology transformation of both our customer facing and enabling digital systems.

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### **Fuel costs**

Physical fuel costs of £841m were up 23% on 2019 due to significant increases in the price of Brent and Jet Crack. Lower fuel usage as a result of less flying (6% less sectors than 2019) and more fuel-efficient aircraft offset some of the impact of exceptionally high prices. To provide further protection against adverse fluctuations in the price of Brent, our hedging cover was increased in line with pre-pandemic levels.

### **Aircraft costs**

Aircraft and engineering costs together totalled £413m, 27% higher than 2022 and 18% higher than 2019. Aircraft costs were up £29m on

the £167m recorded in 2022, which included additional leasing costs associated with the three new aircraft deliveries.

Engineering costs increased by £58m to £217m (2022: £159m), largely driven by higher total care costs arising from the increased sectors flown.

### **Other non-fuel costs**

Ongoing savings from cost restructuring undertaken during the pandemic, together with strong cost control, kept increases in overheads and direct operating costs below UK inflation. ASKs for 2023 were 6% lower than 2019 as the airline returned to pre-pandemic capacity, slightly impacted by network changes in response to the war in the Middle East as well as tactical reductions. Capacity was 16% higher than 2022 and the delivery of only 6% increase in non-fuel CASK to 3.98p (2022: 3.76p) is testament to the tight focus on controllable costs.

### **Finance costs**

Finance costs of £324m were £48m higher than 2022 (2022: £276m), predominantly driven by interest rate increases on leases and on external and shareholder debts, in line with inflation.

### **Result for the year**

The statutory loss after tax for the year was £214m, an improvement of £124m on the losses recorded in 2022 (2022: £338m loss). Underlying EBITDA, which excludes exceptional items, was £326m (2019: £338m) with an underlying EBIT which was £54m versus £71m in 2019.

We are committed to becoming a sustainably profitable airline. Whilst the financial performance in 2023 represents another consecutive year of losses, the results were closely aligned with our plan. This gives us confidence that our plan is working and the actions taken to resize and reshape Virgin Atlantic will enable our future growth and success.

Virgin Atlantic Airways Limited and subsidiary companies  
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**Balance sheet, cash flow and financing**

	2023	2022
Cash from/(used in) operating activities	332	115
Cash used in investing activities	(98)	(97)
Cash from/(used in) financing activities	(215)	(217)
Cash increase/(decrease)	19	(198)
Effects of exchange rate differences	(12)	24
Unrestricted cash	335	329
Total cash	406	399
Debt	(3,573)	(3,401)
Net debt	(3,167)	(3,002)
Net (liabilities)/assets	(1,173)	(1,100)

**Adjusted balance sheet metrics**

	2023	2022
Reported net (liabilities)	(1,173)	(1,100)
Slot portfolio valuation (fair value, less cost)	626	541
Adjusted net assets	(547)	(559)
Reported Free cash	335	329
Unremitted cash	70	208

Cash at the end of the year totalled £406m, including £71m (2022: £70m) of restricted cash, but excluding £70m (2022: £208m) of unremitted cash which is recognised within our receivables balances.

Net positive operating cash flows of £332m (2022: £119m) were primarily driven by a reduction in losses, as well as a significant improvement in working capital of £184m. Overall net cash increased by a total of £19m, driven by consistent year on year outflows relating to investing and borrowing.

Long-term borrowings rose as a result of new aircraft financing coupled with increasing interest expenses accrued on shareholder loans. A portion of our long-term borrowings are secured against our UK slot portfolio which had a year-end market value of circa £600m.

**Outlook**

Demand for travel has remained strong through the first quarter of 2024, including record daily bookings in the winter sale. New aircraft will increase capacity in the year and we will return to pre-pandemic levels, capitalising on full year performance of the new routes added in 2023 as well as our entrance into Bengaluru. Throughout, we will further improve our productivity and cost efficiency, whilst continuing to service and pay down the debt we took on during the pandemic.

2024 is Virgin Atlantic's 40<sup>th</sup> year and the year we make it count, delivering more record revenues and benefiting from a transformed cost base to return to profitability.

We remain confident our plan is working and are resolutely focused on managing our costs and liquidity, on serving our customers and our people, on fulfilling our vision of becoming the most loved travel company, as well as sustainably profitable.

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**Principal risks and uncertainties**

In 2023 we defined our Top Risks across seven categories, being (i) Health, Safety and Security (ii) Financial & 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 three years, we have not included this a schedule of changes in risks year on year – as 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.

Refer to the Virgin Atlantic Limited annual report for full details of the risks and uncertainties deemed to have the most significant impact on the long-term performance of the Group.

The strategic report was approved by the Board of Directors on 27 March 2024 and signed on its behalf by:

*Julian Homerstone*

**Julian Homerstone, Company Secretary**

27 March 2024

Registered number: 01600117

**Registered Office:**  
Company Secretariat  
The VHQ,  
Fleming Way  
Crawley,  
West Sussex  
RH10 9DF

Virgin Atlantic Airways Limited and subsidiary companies  
Annual report and consolidated financial statements for the year ended 31 December 2022

## Directors' Report

The directors present their annual report and the audited financial statements for Virgin Atlantic Airways Limited and subsidiary companies for the year ended 31 December 2023.

### Directors and directors' interests

The directors who held office during the year and to the date of this report were as follows:

Sir Richard Branson	(President)
Peter Norris	(Chairman)
Shai Weiss	
Edward Bastian	
Cornelis Koster	
Luigi Brambilla	
Alain Bellemare	
Oliver Byers	
Juha Jarvinen	
Peter Carter	
Andreea Ene	

### 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.

### Results, business review and future developments

The results of the Group for the period are set out on page 14 and are commented on within the Strategic Report which is set out on pages 1 to 5. 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.

### Dividends

The Group did not pay a preference dividend during the year (2022: paid £nil). The Directors did not declare or pay interim ordinary dividends in respect of the year ended 31 December 2023 (2022: paid £nil).

The Directors recommend that no final ordinary dividend be paid in respect of the year ended 31 December 2023 (2022: £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 (2022: £nil).



Virgin Atlantic Airways Limited and subsidiary companies  
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**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.

**Directors' and Officers' liability insurance**

The Group has purchased Directors' and Officers' liability insurance for the benefit of the Directors and Officers of the Company and its subsidiaries.

**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:

- a) Likely consequences of any decisions in the long-term;
- b) Interests of the company's employees;
- c) Need to foster the company's business relationships with suppliers, customers and others;
- d) Impact of the company's operations on the community and environment;
- e) Desirability of the company maintaining a reputation for high standards of business conduct, and
- f) 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. 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 one to five.

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.

Virgin Atlantic Airways Limited and subsidiary companies  
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## Governance Code

For the year ended 31 December 2023, 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 the Virgin Atlantic Limited annual 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 and having regard to their views when taking decisions.

### Opportunities and Risks; Remuneration

#### **Strategy**

The Board has provided ongoing support to the Leadership Team throughout the year, to ensure the organisation dealt with the various challenges in 2023 in a manner which continued to position it towards reaching profitability in 2024.

#### **Risk**

The Board's role is to ensure the long-term 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. See principal risks and uncertainties in the strategic report on page 5. The board, through the Audit Committee, 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.

By order of the Board

*Julian Homerstone*

**Julian Homerstone, Company Secretary**

27 March 2024

Registered number: 01600117

#### **Registered Office:**

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

Virgin Atlantic Airways Limited and subsidiary companies  
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**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 Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors' to prepare Group and parent Company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors' are required to:

- select suitable accounting policies and then apply them consistently;  
make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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

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



## **Independent auditor's report to the members of Virgin Atlantic Airways Limited**

### **Opinion**

We have audited the financial statements of Virgin Atlantic Airways Limited ("the Group") for the year ended 31 December 2023 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 2023 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 as applied to other entities of public interest. 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 plausible worst case scenarios such as further escalation in the ongoing war in Ukraine and the conflict in the Middle East and their impact on fuel prices and ongoing geopolitical uncertainty, there is a risk as to whether the group and parent company would be able to secure additional funding to be 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.

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group and parent Company's financial resources or ability to continue operations over the going concern period. The risk associated with geopolitical tensions impacted oil prices and interest rates as well as macroeconomic factors is considered the most likely to adversely affect the Group and parent Company's available financial resources over this period.

Given the level of financial resources, and the risks inherent in the cash flows, our evaluation of the directors' going concern assessment was of particular significance in our audit.

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### Independent auditor's report to the members of Virgin Atlantic Airways Limited (*continued*)

We considered whether these risks could plausibly affect the liquidity in the going concern period by assessing the directors' sensitivities over the level of available financial resources indicated by the Group and parent Company's financial forecasts taking into account of severe, but plausible adverse effects that could arise from these risks individually and collectively.

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 parent Company's financial resources or ability to continue operations over the going concern period.

We performed the following procedures:

- Critically assessed assumptions in the directors' forecast relevant to liquidity, by comparing to external forecasts for the aviation industry and economic forecasts, overlaying our knowledge of the Group and parent Company's plans based on approved budgets and our knowledge of the Group and the sector in which it operates.
- We inspected loan facility agreements with lenders to confirm the level of facilities available.
- We considered whether the going concern disclosure in note 3 to the financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks, dependencies, and related sensitivities.

Our conclusions based on this work:

- We consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- We found the going concern disclosure in note 3 to be acceptable.

### 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 Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group and parent 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, 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 did not identify any additional fraud risks.

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.

Virgin Atlantic Airways Limited and subsidiary companies  
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## **Independent auditor's report to the members of Virgin Atlantic Airways Limited (continued)**

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 Group and parent 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 Group and parent 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.

Secondly, the Group and parent Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on the amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the nature of the Group and parent Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

### *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:

Virgin Atlantic Airways Limited and subsidiary companies  
Annual report and consolidated financial statements for the year ended 31 December 2023



**Independent auditor's report to the members of Virgin Atlantic Airways Limited (continued)**

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

**Auditor's responsibilities**

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

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

A handwritten signature in black ink, appearing to read 'Jeremy Hall'.

**Jeremy Hall (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants  
15 Canada Square  
London  
E14 5GL

27 March 2024

Virgin Atlantic Airways Limited and subsidiary companies  
Annual report and consolidated financial statements for the year ended 31 December 2023

## Consolidated statement of comprehensive income

for the year ended 31 December 2023

		For the year ended 31 December 2023	For the year ended 31 December 2022
	Note	£m	£m
Total revenue	5	3,118.9	2,854.1
Physical fuel		841.0	902.4
Airline traffic direct operating costs		634.5	508.5
Aircraft costs		195.8	167.1
Holiday distribution, marketing and selling costs		423.6	405.8
Employee remuneration	7	417.0	365.7
Other operating and overhead costs		170.3	291.2
Engineering and maintenance costs		216.9	158.7
Other depreciation and amortisation		64.8	66.3
(Profit)/loss on disposal of property, plant and equipment		(0.9)	3.5
Restructuring		2.5	8.3
Impairment of assets		3.8	(0.1)
Fair value losses/(gains) on derivative contracts		67.4	53.6
Other (income)/expense		(1.5)	(4.2)
<b>Operating profit/(loss)</b>		<b>83.7</b>	<b>(72.7)</b>
Finance income		27.1	10.4
Finance expense		(324.2)	(276.0)
<b>Net finance costs</b>	<b>8</b>	<b>(297.1)</b>	<b>(265.6)</b>
<b>Loss before tax</b>	<b>6</b>	<b>(213.4)</b>	<b>(338.3)</b>
Tax (charge)/credit	9	(0.9)	(0.1)
<b>Loss for the year</b>		<b>(214.3)</b>	<b>(338.4)</b>
<b>Other comprehensive income (items that may be reclassified subsequently to the income statement):</b>			
Exchange translation differences		(0.2)	-
Gains/(losses) arising during the year on cash flow hedges		115.0	(173.3)
<b>Total comprehensive loss for the year</b>		<b>(99.5)</b>	<b>(511.7)</b>

All amounts relate to continuing operations. The notes on pages 20 to 61 form part of these financial statements.



Virgin Atlantic Airways Limited and subsidiary companies  
Annual report and consolidated financial statements for the year ended 31 December 2023

## Consolidated statement of financial position

Registered number: 01600117

		As at 31 December 2023	As at 31 December 2022
	Note	£m	£m
<b>Non-current assets</b>			
Intangible assets	10	388.4	388.6
Property, plant and equipment	11	2,451.0	2,171.2
Deferred tax	12	3.3	3.6
Derivative financial instruments	14	1.1	-
Trade and other receivables	15	26.5	28.1
		<u>2,870.3</u>	<u>2,591.5</u>
<b>Current assets</b>			
Inventories	16	44.8	38.1
Trade and other receivables	15	592.9	736.7
Derivative financial instruments	14	11.4	27.7
Cash and cash equivalents	17	335.3	328.7
Restricted cash	17	70.8	70.4
		<u>1,055.2</u>	<u>1,201.6</u>
<b>Total assets</b>		<u>3,925.5</u>	<u>3,793.1</u>
<b>Current liabilities</b>			
Borrowings	18	392.4	241.0
Trade and other payables	19	640.6	586.8
Deferred revenue on air travel and holidays	20	619.6	639.6
Provisions	21	55.7	35.6
Derivative financial instruments	14	45.0	30.0
		<u>(1,753.3)</u>	<u>1,533.0</u>
<b>Net current liabilities</b>		<u>(698.1)</u>	<u>(331.4)</u>
<b>Total assets less current liabilities</b>		<u>2,172.2</u>	<u>2,260.1</u>
<b>Non-current liabilities</b>			
Borrowings	18	3,181.0	3,160.2
Trade and other payables	19	86.4	131.7
Deferred revenue on air travel and holidays	20	1.8	1.3
Provisions	21	70.0	67.3
Derivative financial instruments	14	6.1	-
		<u>3,345.3</u>	<u>3,360.5</u>
<b>Net liabilities</b>		<u>(1,173.1)</u>	<u>(1,100.4)</u>
<b>Equity</b>			
Share capital		7.0	7.0
Capital contribution reserve		654.8	628.0
Hedging reserve		(1.7)	(116.7)
Currency translation reserve		(0.6)	(0.4)
Retained earnings		<u>(1,832.6)</u>	<u>(1,618.3)</u>
<b>Total equity</b>		<u>(1,173.1)</u>	<u>(1,100.4)</u>

These financial statements were approved by the Board of Directors on 27 March 2024 and were signed on its behalf by:

*Oliver Byers*

**Oliver Byers**  
Director  
27 March 2024

The notes on pages 20 to 61 form part of these financial statements.

Virgin Atlantic Airways Limited and subsidiary companies  
Annual report and consolidated financial statements for the year ended 31 December 2023

## Company statement of financial position

Registered number: 01600117

		As at 31 December 2023 £m	As at 31 December 2022 £m
	Note		
<b>Non-current assets</b>			
Intangible assets	10	370.9	364.0
Property, plant and equipment	11	2,446.8	2,164.0
Investments	13	305.8	340.4
Derivative financial instruments	14	1.1	-
Trade and other receivables	15	26.5	28.0
		<u>3,151.1</u>	<u>2,896.4</u>
<b>Current assets</b>			
Inventories	16	44.8	38.1
Trade and other receivables	15	588.1	782.0
Investments	13	66.1	11.8
Derivative financial instruments	14	11.3	26.9
Cash and cash equivalents	17	332.5	321.4
Restricted cash	17	37.2	39.2
		<u>1,080.0</u>	<u>1,219.4</u>
<b>Total assets</b>		<u>4,231.1</u>	<u>4,115.8</u>
<b>Current liabilities</b>			
Borrowings	18	363.0	359.1
Trade and other payables	19	621.2	564.2
Deferred revenue on air travel and holidays	20	486.0	510.8
Provisions	21	54.4	34.5
Derivative financial instruments	14	41.6	29.1
		<u>1,566.2</u>	<u>1,497.7</u>
<b>Net current liabilities</b>		<u>(486.2)</u>	<u>(278.3)</u>
<b>Total assets less current liabilities</b>		<u>2,664.9</u>	<u>2,618.1</u>
<b>Non-current liabilities</b>			
Borrowings	18	3,630.4	3,449.0
Trade and other payables	19	86.4	131.6
Provisions	21	69.9	67.2
Derivative financial instruments	14	6.0	-
		<u>3,792.7</u>	<u>3,647.8</u>
<b>Net liabilities</b>		<u>(1,127.8)</u>	<u>(1,029.7)</u>
<b>Equity</b>			
Share capital		7.0	7.0
Capital contribution reserve		608.3	581.5
Hedging reserve		(1.8)	(116.8)
Retained earnings		<u>(1,741.3)</u>	<u>(1,501.4)</u>
<b>Total equity</b>		<u>(1,127.8)</u>	<u>(1,029.7)</u>

The loss for the year for the Company is £239.9m (2022: £326.8m).

These financial statements were approved by the Board of Directors on 27 March 2024 and were signed on its behalf by:

*Oliver Byers*

**Oliver Byers**  
Director  
27 March 2024

The notes on pages 20 to 61 form part of these financial statements.

Virgin Atlantic Airways Limited and subsidiary companies  
Annual report and consolidated financial statements for the year ended 31 December 2023

**Consolidated statement of changes in equity**  
for the year ended 31 December 2023

	Share Capital £m	Capital Contribution Reserve £m	Hedging Reserve £m	Currency Translation Reserve £m	Retained Earnings £m	Total £m
Balance at 1 January 2022	7.0	601.5	56.6	(0.4)	(1,279.8)	(615.1)
Capital contribution	-	26.5	-	-	-	26.5
Restated loss for the year	-	-	-	-	(338.4)	(338.4)
Other comprehensive (loss)/income for the year	-	-	(173.3)	-	-	(173.3)
Total comprehensive (loss)/income for the year	-	-	(173.3)	-	(338.4)	(511.7)
Balance at 31 December 2022	<b>7.0</b>	<b>628.0</b>	<b>(116.7)</b>	<b>(0.4)</b>	<b>(1,618.3)</b>	<b>(1,100.4)</b>
Balance at 1 January 2023	7.0	628.0	(116.7)	(0.4)	(1,618.3)	(1,100.4)
Capital contribution	-	26.8	-	-	-	26.8
Loss for the year	-	-	-	-	(214.3)	(214.3)
Other comprehensive (loss)/income for the year	-	-	115.0	(0.2)	-	114.8
Total comprehensive (loss)/income for the year	-	-	115.0	(0.2)	(214.3)	(99.5)
Balance at 31 December 2023	<b>7.0</b>	<b>654.8</b>	<b>(1.7)</b>	<b>(0.6)</b>	<b>(1,832.6)</b>	<b>(1,173.1)</b>

Share capital includes 6,954,381 (2022: 6,954,381) ordinary shares of £1 each.

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 2023, VAL had issued a total of £129.6m (2022: £107.9m) preference shares in respect of these liabilities, which resulted in capital contributions of £26.8m in the year (2022: £26.5m). The remaining preference shares will be issued annually based on the actual amounts incurred in the preceding financial year.

The notes on pages 20 to 61 form part of these financial statements.

Virgin Atlantic Airways Limited and subsidiary companies  
Annual report and consolidated financial statements for the year ended 31 December 2023

**Company statement of changes in equity**  
*for the year ended 31 December 2023*

	Share Capital £m	Capital Contribution Reserve £m	Hedging Reserve £m	Retained Earnings £m	Total £m
Balance at 1 January 2022	7.0	555.1	56.6	(1,174.6)	(555.9)
Capital contribution	-	26.4	-	-	26.4
Loss for the year	-	-	-	(326.8)	(326.8)
Other comprehensive income/(expense) for the year	-	-	(173.4)	-	(173.4)
Total comprehensive income/(expense) for the year	-	-	(173.4)	(326.8)	(500.2)
Balance at 31 December 2022	7.0	581.5	(116.8)	(1,501.4)	(1,029.7)
Balance at 1 January 2023	7.0	581.5	(116.8)	(1,501.4)	(1,029.7)
Capital contribution	-	26.8	-	-	26.8
Loss for the year	-	-	-	(239.9)	(239.9)
Other comprehensive income/(expense) for the year	-	-	115.0	-	115.0
Total comprehensive income/(expense) for the year	-	-	115.0	(239.9)	(124.9)
Balance at 31 December 2023	7.0	608.3	(1.8)	(1,741.3)	(1,127.8)

During the year, a capital contribution of £26.8m (2022: £26.4m) was made into the Company from a parent company, Virgin Atlantic Limited. For further details, refer to the Consolidated Statement of Changes in Equity.

Share capital includes 6,954,381 (2022: 6,954,381) ordinary shares of £1 each.

The notes on pages 20 to 61 form part of these financial statements.

Virgin Atlantic Airways Limited and subsidiary companies  
Annual report and consolidated financial statements for the year ended 31 December 2023

## Consolidated statement of cash flows

for the year ended 31 December 2023

	Note	2023 £m	2022 £m
<b>Net cash from operating activities</b>	<b>28</b>	<b>332.5</b>	115.4
Purchase of PPE		(72.8)	(63.0)
Purchase of intangible assets		(44.9)	(45.8)
Proceeds from sale of PPE and intangible assets		3.4	1.8
Interest received		16.0	10.4
<b>Net cash used in investing activities</b>		<b>(98.3)</b>	(96.6)
Payment of borrowings		(98.1)	(92.0)
Drawdown on revolving credit facility		-	-
Payment of lease liabilities		(158.3)	(139.4)
New borrowings	18	41.0	14.8
<b>Net cash from financing activities</b>		<b>(215.4)</b>	(216.6)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>18.8</b>	(197.8)
Cash and cash equivalents at beginning of year	17	328.7	502.0
Effect of foreign exchange rate changes		(12.2)	24.5
<b>Cash and cash equivalents at end of year</b>	<b>17</b>	<b>335.3</b>	328.7

The notes on pages 20 to 61 form part of these financial statements.

Virgin Atlantic Airways Limited and subsidiary companies  
Annual report and consolidated financial statements for the year ended 31 December 2023

## Notes to the financial statements

### 1 General information

Virgin Atlantic Airways 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 1 to 5.

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 54.

### 2 Statement of compliance with IAS

The Group financial statements have been prepared and approved by the Directors in accordance UK-adopted international accounting standards ("UK-adopted IFRS").

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. Under section s408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Comparative period reconciliations for tangible fixed assets, intangible assets, deferred tax and borrowings.

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

### 3 Accounting policies

#### Going concern

In determining the appropriate basis of preparation of the financial statements for the year ended 31 December 2023, the Directors are required to consider whether the Group and Company can continue in operational existence for at least the 12-month period from the date of approval of the financial statements. 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 continuing economic uncertainty driven by softer corporate demand, particularly in the tech sector, high interest rates and fuel prices and ongoing geopolitical uncertainty in Ukraine and the Middle East.

Passenger revenue performed increasingly strongly through 2023. Passenger numbers increased 18% from 2022, and we continued to see strong consumer demand and yields throughout 2023, which resulted in an increase in passenger revenue year on year of £323m. Capacity increased in the year following the delivery of three new aircraft into the fleet, resulting in a 16% increase in ASKs compared to 2022. A tight focus on maintaining the cost measures implemented in 2020 also enabled us to keep increases in overheads and direct operating costs below UK inflation. As at the balance sheet date, cash totalled £406m, including £71m of restricted cash, and borrowings (including leases) totalled £3,573m (refer to note 18). There were no contractually available facilities which were undrawn, however there remains over £500m worth of additional equity value across the Group's slot portfolio.

## Notes to the financial statements *(continued)*

To assess Going Concern, the Directors have prepared two scenarios – the 'Base Case' and the 'Plausible Worst Case'.

In assessing the Base Case, the Directors have considered the following assumptions:

- An increase in flying capacity over and above 2019 levels;
- A \$6/bbl reduction in average fuel cost compared to 2023, reflecting forward curve assumptions;
- An easing of CPI inflation to 3.0%;
- Macroeconomic slowness across principal markets (minimal UK GDP to increase 0.4% over the year from 1% decrease in 2023; US GDP to increase slowly to 1% from 0.7% growth in 2023), negatively impacting yields;
- A stabilisation of USD/GBP foreign exchange rates at USD 1.27: GBP 1;
- The estimated financial impact of the Group's long-term strategy to reach net zero by 2050, including meeting CORISA obligations;
- Limited impact of border and travel restrictions; and
- Reduction in corporate demand recovery rate vs previous assumptions.

This scenario results in forecast 2024 passenger revenues improving 18% over 2023 performance, and a return to profitability on an underlying PBTEI basis, with unrestricted cash being sufficient to meet all Group liquidity and covenant requirements, ensuring the business is able to operate for at least the 12-month period from the date of approval of the financial statements. This includes the ability to meet all creditor repayments.

The Directors have also modelled a Plausible Worst Case scenario, which assessed the impact of a \$10/bbl increase in fuel price, a 10c deterioration of the USD/GBP exchange rate, a 3.5% increase in inflation and a 5% reduction in passenger unit revenue per ASK compared to the Base Case. This scenario also excludes re-financing of borrowings due to mature in 2024. The Directors consider the Plausible Worst Case scenario unlikely to arise, as a combined reduction in passenger unit revenue and increase in fuel price to the extent modelled is not a trend historically observed in the industry. In this Plausible Worst Case scenario, free cash would breach current liquidity requirements in December 2024, but all other covenant requirements would be met.

In the unlikely event that the Plausible Worst Case 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
- Opportunities to raise additional financing utilising equity value in the Group's slot portfolio.

Having reviewed the Base Case and the Plausible Worst Case scenarios, the Directors have a reasonable expectation that if required, mitigating actions could be phased in swiftly to prevent the most severe scenario occurring. The directors have therefore concluded that the Group has adequate resources to be able to meet its current obligations for at least the 12-month period from the date of approval of the financial statements, and believe that it remains appropriate to prepare the financial statements on a going concern basis.

However, the mitigations listed above are not fully within the Group and Company's control, and could also be influenced by the macroeconomic environment. This represents a material uncertainty that could cast significant doubt on the Group's and parent company'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.

Virgin Atlantic Airways Limited and subsidiary companies  
Annual report and consolidated financial statements for the year ended 31 December 2023

## Notes to the financial statements *(continued)*

### Revenue and revenue recognition (note 5)

Revenue is comprised of passenger revenue, holidays revenue, cargo revenue and other revenue.

#### Passenger revenue

Passenger revenue encompasses passenger ticket sales, net of passenger taxes and discounts. 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. Points earned and redeemed via the Group's loyalty scheme, Flying Club, are administered via Virgin Red, an entity outside of the Group, and therefore no obligation for the Group is created for future redemptions on issuance of loyalty awards. Revenue generated via redemption of loyalty awards and purchase of loyalty awards is recognised net within revenue when the transportation occurs.

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.

The Group considers whether it is an agent or a principal in relation to passenger transportation services by considering whether it has a performance obligation to provide services to the customer or whether the obligation is to arrange for the services to be provided by a third party. Commissions earned in relation to agency services are recognised as revenue when the underlying goods or services have been transferred to the customer, which is the point that the Group's performance obligations are satisfied under agreements with third parties. In all other instances, the Group considers it acts as the principal in relation to passenger transportation services.

#### 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. The Group considers whether it is an agent or a principal in relation to package holiday services by considering whether it has a performance obligation to provide services to the customer or whether the obligation is to arrange for the services to be provided by a third party. 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 at which point the performance obligation has been met.

#### Cargo revenue

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

#### Other Revenue

The Group has identified several performance obligations in relation to services that give rise to Other Revenue. These services, their performance obligations and associated revenue recognition include:

- Charter flight revenue, recognised as revenue when the transportation occurs;
- Ancillary revenue, recognised as revenue when the associated transportation occurs;
- Clubhouse revenue, recognised as revenue when the customer receives the goods or service; and
- Unused tickets, recognised as revenue when the right to travel has expired, where validity is determined by the terms and conditions of the ticket; and
- Ticket breakage, recognised as revenue in proportion to the pattern of rights exercised by the customer.



## Notes to the financial statements *(continued)*

### Emissions trading schemes

The Group accrues for emissions allowances under the UK and EU Emissions Trading Schemes based on the market price of allowances required. These schemes are established to assist in the control of greenhouse gas emissions and carbon pricing. The corresponding expense is recorded within Physical fuel costs.

### 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 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 are recognised in other comprehensive income and accumulated in shareholders' equity. On disposal of a foreign operation, all 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. Profits or losses arising on translation are reported within other operating and overhead costs in the income statement.

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.

### Employee benefits (note 7)

#### 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 (note 7)

#### Long-term incentive scheme

The Group operates a cash-settled long-term incentive scheme (LTIP); a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. 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. 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 (note 9)

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. 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.

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## Notes to the financial statements *(continued)*

### Deferred tax (note 12)

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 (note 10)

Intangible assets are held at cost and amortised on a straight-line basis over their economic life, except for those deemed to have an indefinite economic life. The latter are 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 UK and EU 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 and Air France-KLM transatlantic contract and brand license

The cost of entering into an agreement which will give rise to future economic benefits is capitalised and amortised on a straight line basis over the length of the agreement. The Group applies judgement in considering whether any payments made on entering into such arrangements or amended arrangements are the costs of the new arrangement, resulting in the recognition of an asset reflecting the benefit of the arrangement, or expensed as a cost of terminating an existing agreement. These agreements relate to access to the expanded joint arrangement with Delta and Air France-KLM and the use of the Virgin Atlantic and Virgin Holidays brand (see note 10 and note 23). The carrying value is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

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## Notes to the financial statements *(continued)*

### 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 12 years; other software is amortised over a period not exceeding 6 years on a straight-line basis.

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 directly attributable costs and direct labour. Other development expenditure is recognised in the income statement as an expense as incurred.

Annual licence agreements to use Cloud software are expensed and treated as a service agreement. Perpetual licences to use Cloud software are capitalised if the Group have contractual rights to the software and the ability to run this software independently from the host vendor.

### Property plant and equipment ('PPE') (note 11)

Property, plant and equipment is recognised 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. 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.

### Fleet

All aircraft are stated at the fair value of the consideration given after taking account of manufacturer's 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.

The balance of aircraft and engine cost is depreciated on a straight-line basis over periods of up to 20 years, 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 useful economic 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 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 included as part of the aircraft cost.

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## Notes to the financial statements *(continued)*

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.

### **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, which are reviewed annually:

Fixtures and fittings	20% - 25% on cost
Plant and equipment	10% - 33% on cost
Computer equipment and software	8% - 33% on cost
Motor vehicles	10% - 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 to determine the extent of any impairment loss.

### **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. Upon delivery of aircraft, these are transferred to leased or owned aircrafts and subsequently depreciated.

### **Leases**

#### **Measurement of the Right-of-use asset (note 11)**

Right-of-use assets are measured at cost and comprise the amount equal to the initial measurement of the lease liability, discounted to reflect the present value on initial recognition and the cost of restoring asset to its original state, in accordance with IFRS 16. The right-of-use asset is subsequently depreciated using the straight-line basis over the shorter of the lease period or the estimated useful life of the underlying asset.

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

#### **Measurement of the lease liability (note 18)**

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.

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 to 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.

When there is a change in the lease term, change in assessment of purchase option or change in floating interest rate, 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**

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 and equipment with a corresponding finance liability recognised under IFRS 9. No sale and leaseback transactions occurred in the year ended 31 December 2023.

**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.

**Inventories (note 16)**

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.

**Unremitted cash (note 15)**

Unremitted cash comprises amounts owed by card acquirers for flights sold.

**Provisions (note 21)**

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation as a result of a past event 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.

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.

**Notes to the financial statements (continued)**

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:

- Where no compensation or maintenance is required prior to hand-back, maintenance events are expensed as incurred and no provision is recorded
- Where compensation or maintenance is required prior to hand-back, a provision is recorded during the initial period of lease agreements at an amount corresponding to the proportion of usage; 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.

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 maintenance event, 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. The basis 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.

**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 restructuring provision includes only the direct expenditures arising from the restructure.

**Leasehold dilapidations provisions**

On inception of a new lease, where there is an obligation to restore the property to its original condition, a leasehold dilapidation provision is recognised amounting to the estimated cost of restoration. 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 6 years.

**Financial instruments**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the relevant instrument.

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 (note 14)**

The Group uses various derivative financial instruments to manage its exposure to foreign exchange and jet fuel price. Derivative financial instruments are initially recognised and subsequently re-measured at fair value through profit or loss (FVTPL). Gains and losses arising from the remeasurement of such instruments are accounted for through the income statement.

**Notes to the financial statements (continued)**

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

**Hedge accounting**

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. Gains and losses arising from the foreign currency revaluation of these financial liabilities are accounted for through the hedging reserve, to the extent the hedge is effective. The ineffective portion of gains and losses is recognised as an exceptional item in the income statement.

**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 (note 17)**

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 (note 17)**

Restricted cash represents funds held by the Group in bank accounts, which cannot be withdrawn until certain conditions have been fulfilled, and is classified as current or non-current based on the estimated remaining length of the restriction. Movements in restricted cash are shown within operating activities in the consolidated statement of cash flows.

**Impairment of non-derivative financial assets (note 26)**

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 (note 26)**

Non-derivative financial liabilities are initially recorded at fair value less directly attributable transaction costs, and subsequently at amortised cost. These 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.

## Notes to the financial statements *(continued)*

### 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 is recognised in the income statement.

### Investments in subsidiaries

The Company's investments in subsidiaries are held at cost less accumulated impairments.

## 4 Material judgements and estimates

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.

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:

### Significant and material judgements

#### Income Taxes

As at 31 December 2023 the Group recognised deferred tax assets of £3.3m (2022: £3.6m). 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.

#### 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.

#### 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, for example attributes of similar financing arrangements which are at arm's length. Where there are loan arrangements with shareholders, any difference between nominal value and fair value of the loans on inception is recognised as a capital contribution.



**Notes to the financial statements (continued)****Significant estimates****Maintenance Provision (note 21)**

As at 31 December 2023 maintenance provisions totalled £52.2m (2022: £53.0m). The critical estimates required for the provision are: the 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. If expected costs of maintenance were to escalate by 4% then this would result in an increase to the maintenance provision of £2.1m.

**Other sources of estimation uncertainty****Residual value and useful economic lives of assets (note 11)**

The carrying amounts of property, plant and equipment as at 31 December 2023 were £2,451.0m (2022: £2,171.2m). 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.

**Impairment of non-financial assets (note 10)**

The recoverable amount of cash-generating units have been determined based on value-in-use calculations. The relevant sensitivity analysis relating to this estimate can be found in note 10.

**Revenue recognition (note 5)**

As at 31 December 2023, deferred revenue on air travel and holidays totalled £621.4m (2022: £640.9m). The Group applies judgement over the amount of revenue recognised in relation to ticket breakage, which is estimated based on the terms and conditions of the ticket and historical trends.

**Impact of new International Financial Reporting Standards and Interpretations not yet adopted**

The following UK-adopted IFRSs have been issued for the year ended 31 December 2023 but are not expected to have a material effect on the financial statements:

- IFRS 17 Insurance Contracts, Amendments to IFRS 17 and Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective date 1 January 2023).
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statements 2 Making Materiality Judgements (effective date 1 January 2023).
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to introduce a new definition for accounting estimates (effective date 1 January 2023).
- Amendments to IAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (effective date 1 January 2023).

The following UK-adopted IFRSs have been issued but are not yet effective. Their adoption is not expected to have a material effect on the financial statements:

- Amendments to IAS 1 Presentation of Financial Statement, classification of liabilities as current or non-current (effective date 1 January 2024).
- Amendments to IAS 16 Lease liability in sale and leaseback (effective date 1 January 2024).
- Amendments to IAS 1 Presentation of Financial Statements non-current liabilities with covenants (effective date 1 January 2024).
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates for Lack of Exchangeability (effective date 1 January 2025).

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## Notes to the financial statements (continued)

### 5 Revenue analysis

	Group	
	2023 £m	2022 £m
Passenger	2,395.7	2,072.5
Cargo	196.2	376.8
Holidays	471.0	487.1
Other revenue	192.2	60.2
Intra-group revenue	(136.2)	(142.5)
	<b>3,118.9</b>	<b>2,854.1</b>

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, nor reported to the chief operating decision maker (CODM).

### 6 Loss before tax

Loss for the year has been arrived at after charging the following, including items presented as exceptional:

	Group	
	2023 £m	2022 £m
Depreciation of property, plant and equipment (note 11)	(227.3)	(188.3)
Amortisation of intangible assets (note 10)	(45.1)	(49.9)
Contribution to pension schemes (note 7)	(32.6)	(33.5)

Fees payable to the Group's auditor and its associates for services other than the statutory audit of the parent company and subsidiaries are not disclosed in Virgin Atlantic Airways Limited's accounts since the consolidated accounts of Virgin Atlantic Airways Limited's parent, Virgin Atlantic Limited, are required to disclose non-audit fees on a consolidated basis. Fees payable to the Company's auditor for the audit of the Company's annual accounts are £832,200 (2022: £784,000). Fees payable to the Company's auditor for the audit of the Company's subsidiaries pursuant to legislation are £356,800 (2022: £324,000).

### 7 Employee remuneration

#### Headcount and total remuneration

The average monthly number of full-time equivalent employees (including Executive Directors) was:

	Group	
	2023	2022
Management and administration	1,194	1,104
Flight crew	892	808
Cabin crew	3,180	2,711
Reservations, sales and retail staff	1,381	1,252
Engineering, cargo and production	695	657
	<b>7,342</b>	<b>6,532</b>

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## Notes to the financial statements (continued)

At 31 December 2023, total headcount was 8,539 (2022: 7,924), and average monthly headcount for the year was 8,348 (2022: 7,467).

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

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>£m</b>	<b>£m</b>
Wages and salaries	351.3	302.7
Social security costs	39.2	35.0
Other pension costs	32.6	33.8
	<u>423.1</u>	<u>371.5</u>

Included within Holiday distribution, marketing and selling costs within the Statement of Comprehensive Income are employee costs amounting to £6.1m (2022: £5.8m) which relate to retail staff costs.

The 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 £4.8m at 31 December 2023 (2022: £5.8m).

### Aggregate director's remuneration

During the year/period of their service, the emoluments of the 4 directors (2022: 4) of the Virgin Atlantic Group were:

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>£m</b>	<b>£m</b>
<b>Total emoluments</b>		
Aggregate emoluments	3.6	3.6
Company contributions to money purchase pension schemes	0.2	0.2
Aggregate amounts receivable under Long Term Incentive Schemes	3.7	2.7
	<u>7.5</u>	<u>6.5</u>
<b>Highest paid director</b>		
Aggregate emoluments and other benefits	1.8	2.0
Company contributions to money purchase pension schemes	0.1	0.1
Aggregate amounts receivable under Long Term Incentive Scheme	2.1	1.6
	<u>4.0</u>	<u>3.7</u>

Retirement benefits are accruing to 4 (2022: 4) directors under money purchase pension schemes.

During the year an amount of £nil (2022: £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.

### 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 series of three-year rolling grants, with a cash payment at the end of each 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. Included above are cash payments made to Directors relating to services rendered during 2023.

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## Notes to the financial statements (continued)

### Share-based payment scheme

The establishment of the Virgin Atlantic Management Incentive Plan was approved by the shareholders in April 2022. The Management Incentive Plan is designed to provide long-term incentives for the Leadership Team (including Executive Directors) to deliver against long-term performance objectives. Under the plan, participants were issued shares in an indirect subsidiary of the Group, which hold no voting or dividend rights. Subsequently, participants are eligible to receive a share of the equity value of the Group at predetermined vesting dates, provided the scheme targets have been met. The scheme has been accounted for as an equity-settled scheme. The fair value of the scheme at the grant date has been measured using a Monte Carlo simulation. As at 31 December 2023, 13,879,645 shares had been issued, and the weighted average fair value of these shares at grant date was £0.49. During the year a charge of £2.5m (2022: £2.1m) has been recognised in the income statement in relation to the scheme.

## 8 Finance costs

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>£m</b>	<b>£m</b>
<b>Finance income</b>		
Interest on bank deposits	15.8	6.7
Other finance income	0.2	0.3
Amounts due from Group companies	11.1	3.4
	<u>27.1</u>	<u>10.4</u>
<b>Finance expense</b>		
Amounts due to Group companies	-	(0.2)
Interest on leases	(137.1)	(127.9)
Other finance charges	(7.3)	(8.2)
External loans	(183.5)	(141.1)
	<u>(327.9)</u>	<u>(277.4)</u>
Interest capitalised on aircraft progress payments (note 12)	3.7	1.4
	<u>(324.2)</u>	<u>(276.0)</u>
<b>Net finance costs</b>	<u>(297.1)</u>	<u>(265.6)</u>

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## Notes to the financial statements (continued)

### 9 Tax

Analysis of the tax expense during the year:

	Group	
	2023 £m	2022 £m
<b>Current tax</b>		
Adjustments in respect of prior periods	(0.6)	0.2
Total current tax (charge)/credit	(0.6)	0.2
<b>Deferred tax</b>		
Current year	(0.3)	-
Origination and reversal of timing differences	(0.3)	2.2
Adjustments in respect of prior periods	0.3	(3.2)
Effect of changes in tax rate	-	0.7
Total deferred tax credit/(charge)	(0.3)	(0.3)
<b>Tax charge</b>	(0.9)	(0.1)

The standard rate of UK corporation tax for the year is 23.5% (2022: 19%).

The actual tax (charge)/credit for the year is lower than (2022: lower than) that computed by applying the standard corporation tax rate in the UK of 23.5% (2022: 19%). The differences are reconciled below:

	Group	
	2023 £m	2022 £m
Loss before taxation	(213.4)	(338.3)
Tax at the standard rate at 23.5% (2022:19%)	50.1	64.3
<b>Factors affecting the charge for the year:</b>		
Income not subject to corporation tax	0.9	0.3
Expenses not deductible for tax purposes	(21.3)	(17.0)
Non-qualifying asset	(2.7)	-
Effects of difference in deferred tax rate	-	0.7
Adjustments in respect of prior periods	(2.6)	(3.0)
Fixed asset timing differences	(24.7)	-
Amounts not recognised on tax losses	(0.6)	(45.4)
Total tax charge	(0.9)	(0.1)

The Finance Act 2021 (substantively enacted on 24 May 2021) set the main corporation tax rate at 25% from April 2023. The deferred tax charge at 31 December 2023 has been calculated based on 25% (2022: 25%).

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## Notes to the financial statements (continued)

### 10 Intangible assets

	Group					
	Goodwill £m	Delta-Air France-KLM transatlantic contract and brand licence £m	Landing slots £m	Software and other £m	Assets under construction £m	Total £m
<b>Cost</b>						
At 1 January 2023	6.8	293.5	120.9	264.8	26.4	712.4
Additions	-	-	26.8	-	18.1	44.9
Disposals	-	-	-	(3.7)	-	(3.7)
Reclassifications	-	-	-	9.6	(9.6)	-
At 31 December 2023	<b>6.8</b>	<b>293.5</b>	<b>147.7</b>	<b>270.7</b>	<b>34.9</b>	<b>753.6</b>
<b>Amortisation</b>						
At 1 January 2023	2.9	86.1	12.6	222.2	-	323.8
Amortisation	-	33.5	-	11.6	-	45.1
Disposals	-	-	-	(3.7)	-	(3.7)
At 31 December 2023	<b>2.9</b>	<b>119.6</b>	<b>12.6</b>	<b>230.1</b>	<b>-</b>	<b>365.2</b>
<b>Carrying amount</b>						
At 31 December 2023	<b>3.9</b>	<b>173.9</b>	<b>135.1</b>	<b>40.6</b>	<b>34.9</b>	<b>388.4</b>
At 31 December 2022	3.9	207.4	108.3	42.6	26.4	388.6

	Group					
	Goodwill £m	Delta-Air France-KLM transatlantic contract and brand licence £m	Landing slots £m	Software and other £m	Assets under construction £m	Total £m
<b>Cost</b>						
At 1 January 2022	6.8	293.5	94.2	263.4	14.7	672.6
Additions	-	-	26.7	-	20.4	47.1
Disposals	-	-	-	(6.0)	(1.3)	(7.3)
Reclassifications	-	-	-	7.4	(7.4)	-
At 31 December 2022	<b>6.8</b>	<b>293.5</b>	<b>120.9</b>	<b>264.8</b>	<b>26.4</b>	<b>712.4</b>
<b>Amortisation</b>						
At 1 January 2022	2.9	52.6	12.6	211.7	-	279.8
Amortisation	-	33.5	-	16.4	-	49.9
Disposals	-	-	-	(5.9)	-	(5.9)
At 31 December 2022	<b>2.9</b>	<b>86.1</b>	<b>12.6</b>	<b>222.2</b>	<b>-</b>	<b>323.8</b>
<b>Carrying amount</b>						
At 31 December 2022	<b>3.9</b>	<b>207.4</b>	<b>108.3</b>	<b>42.6</b>	<b>26.4</b>	<b>388.6</b>
At 31 December 2021	3.9	240.9	81.6	51.7	14.7	392.8

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## Notes to the financial statements (continued)

The Group has entered into 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 £293.5m. 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. As at 31 December 2023, the carrying value of the joint arrangement asset was £130.5m with a remaining amortisation period of 11 years, and the carrying value of the brand asset was £43.4m with a remaining amortisation period of 2 years.

Landing rights with carrying value of £81.6m (2022: £81.6m) are pledged as security for certain borrowings.

	<b>Company</b>				
	<b>Delta-Air France- KLM transatlantic contract and brand license £m</b>	<b>Landing slots £m</b>	<b>Software and other £m</b>	<b>Assets under construction £m</b>	<b>Total £m</b>
<b>Cost</b>					
At 1 January 2023	257.5	120.9	211.1	26.4	615.9
Additions	-	26.8	-	18.1	44.9
Disposals	-	-	(3.2)	-	(3.2)
Reclassifications	-	-	9.6	(9.6)	-
At 31 December 2023	<b>257.5</b>	<b>147.7</b>	<b>217.5</b>	<b>34.9</b>	<b>657.6</b>
<b>Amortisation</b>					
At 1 January 2023	70.4	12.6	168.9	-	251.9
Amortisation	26.8	-	11.2	-	38.0
Disposals	-	-	(3.2)	-	(3.2)
At 31 December 2023	<b>97.2</b>	<b>12.6</b>	<b>176.9</b>	<b>-</b>	<b>286.7</b>
<b>Carrying amount</b>					
At 31 December 2023	<b>160.3</b>	<b>135.1</b>	<b>40.6</b>	<b>34.9</b>	<b>370.9</b>
At 31 December 2022	187.1	108.3	42.2	26.4	364.0

An annual impairment review is conducted on all intangible assets that have an indefinite economic life. Landing rights based within the EU and UK are considered to have an indefinite economic life, and the Group also tests the carrying amount of goodwill for impairment annually and whenever circumstances change. The impairment review is carried out at the level of a 'cash-generating unit' (CGU), defined as the smallest identifiable group of assets, liabilities and associated intangible assets that generate cash inflows that are largely independent of the cash flows from other assets or groups of assets.

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 and Air France-KLM joint arrangement synergies, aircraft, spare engines and related assets and liabilities; and
- 2) The holidays business comprising access to the Virgin Atlantic Holidays brand, the sales channels including retail stores and any related goodwill.

The background macro-economic uncertainty constitutes an impairment trigger for the Group. An impairment review was carried out at a CGU level for both the airline route network and the holidays business as each CGU contains an intangible asset with indefinite useful life. The carrying value of landing rights allocated to the airline route network was £135.1m (2022: £108.3m) and goodwill allocated to the holidays business £3.9m (2022: £3.9m).

The recoverable amounts of each CGU 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 three-year period and an estimated terminal growth rate, and projections are in line with the Group's strategic plans.

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## Notes to the financial statements (continued)

Assumptions	Airlines CGU	Holidays CGU
Pre-tax discount rate	7% (2022: 6%)	5% (2022: 4%)
Terminal growth rate	2% (2022: 2%)	2% (2022: 2%)
No. years before terminal growth applied	3 (2022: 4)	3 (2022: 4)
Exchange rates USD	1.27 (2022: 1.22)	1.27 (2022: 1.22)
Fuel prices (\$/bbl)	112.7 (2022: 113.8)	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. The Group has adjusted the cash flows for any 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. Considerations of the costs expected to be incurred to reach the Group's long term sustainability strategy of being net zero by 2050, to comply with the introduction of future SAF mandates and to meet the Group's CORSIA obligations, have been embedded into the financial forecasts.

The impairment review did not identify an impairment for either CGU as the value in use was greater than the carrying value (2022: no impairment).

An impairment review was also performed over the value of investments in subsidiaries held by the Company. The recoverable amount was measured based on the combined airline route network and the holidays business CGU value in use, using a discounted cash flow model. Cash flow projections are based on the same forecasts and assumptions used for the Group analysis. The impairment review did not identify an impairment of the Company's investment in subsidiaries, as the value in use was greater than the carrying value with significant headroom (2022: no impairment).

### Sensitivity analysis

The Group has conducted sensitivity analysis 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 pt
Decrease in forecasted adjusted EBITDA in each year	20%
Increase in fuel price	10%

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



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## Notes to the financial statements (continued)

### 11 Property, plant and equipment

	Group					
	Aircraft, rotatable spares and ancillary equipment		Owned £m	Other Leased £m	Assets under construction £m	Total £m
	Owned £m	Leased £m				
<b>Cost</b>						
At 1 January 2023	1,352.8	1,891.6	142.4	162.1	22.9	3,571.8
Additions	60.4	309.8	1.5	2.3	14.5	388.5
Disposals	1.9	(2.6)	(1.7)	(2.2)	(3.8)	(8.4)
Reclassifications	6.6	-	3.4	-	(10.0)	-
Other movements	-	91.0	-	33.6	-	124.6
At 31 December 2023	<b>1,421.7</b>	<b>2,289.8</b>	<b>145.6</b>	<b>195.8</b>	<b>23.6</b>	<b>4,076.5</b>
<b>Accumulated depreciation</b>						
At 1 January 2023	375.3	801.0	128.5	95.8	-	1,400.6
Depreciation for the year	81.2	123.2	5.9	17.0	-	227.3
Impairment charge	-	-	-	-	3.8	3.8
Disposals	3.4	(2.7)	(1.6)	(1.5)	(3.8)	(6.2)
At 31 December 2023	<b>459.9</b>	<b>921.5</b>	<b>132.8</b>	<b>111.3</b>	<b>-</b>	<b>1,625.5</b>
<b>Carrying amount</b>						
At 31 December 2023	<b>961.8</b>	<b>1,368.3</b>	<b>12.8</b>	<b>84.5</b>	<b>23.6</b>	<b>2,451.0</b>
At 31 December 2022	977.5	1,090.6	13.9	66.3	22.9	2,171.2
	Group					
	Aircraft, rotatable spares and ancillary equipment		Owned £m	Other Leased £m	Assets under construction £m	Total £m
	Owned £m	Leased £m				
<b>Cost</b>						
At 1 January 2022	1,294.7	1,533.1	154.7	166.5	18.2	3,167.2
Additions	72.5	304.6	(1.1)	4.2	11.7	391.9
Disposals	(17.9)	(28.1)	(14.4)	(21.1)	(0.3)	(81.8)
Reclassifications	3.5	-	3.2	-	(6.7)	-
Other movements	-	82.0	-	12.5	-	94.5
At 31 December 2022	<b>1,352.8</b>	<b>1,891.6</b>	<b>142.4</b>	<b>162.1</b>	<b>22.9</b>	<b>3,571.8</b>
<b>Accumulated depreciation</b>						
At 1 January 2022	310.3	738.7	133.4	99.1	-	1,281.5
Depreciation for the year	77.4	91.2	6.1	13.6	-	188.3
Impairment charge	-	-	-	(0.1)	-	(0.1)
Disposals	(12.4)	(28.9)	(11.0)	(16.8)	-	(69.1)
At 31 December 2022	<b>375.3</b>	<b>801.0</b>	<b>128.5</b>	<b>95.8</b>	<b>-</b>	<b>1,400.6</b>
<b>Carrying amount</b>						
At 31 December 2022	<b>977.5</b>	<b>1,090.6</b>	<b>13.9</b>	<b>66.3</b>	<b>22.9</b>	<b>2,171.2</b>
At 31 December 2021	984.4	794.4	21.3	67.4	18.2	1,885.7

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 SOFR at a point in time as per the lease agreements.

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## Notes to the financial statements (continued)

The total additions to owned property plant and equipment in the year were £76.4m (2022: £83.1m).

During the year, the Group took delivery of one Airbus 350-1000 aircraft and two Airbus 330-900 neo aircraft under lease arrangements. The Group also purchased one spare Trent XWB engine.

Included in aircraft, rotatable spares and ancillary equipment are progress payments of £38.5m (2022: £22.6m). These amounts are not depreciated.

Interest capitalised by the Group and Company on aircraft progress payments included in additions during the year amounted to £3.7m (2022: £1.4m). Owned aircraft and ancillary equipment with a carrying value of £961.8m (2022: £977.5m) is pledged as security for certain borrowings.

	Aircraft, rotatable spares and ancillary equipment		Company		Assets under construction	Total
	Owned £m	Leased £m	Owned £m	Leased £m	£m	£m
<b>Cost</b>						
At 1 January 2023	1,360.1	1,891.6	132.8	149.8	22.9	3,557.2
Additions	60.4	309.8	1.5	1.8	14.6	388.1
Disposals	(5.4)	(2.6)	(1.1)	(0.8)	(3.8)	(13.7)
Reclassifications	6.6	-	3.5	-	(10.1)	-
Other movements	-	91.0	-	34.6	-	125.6
At 31 December 2023	<b>1,421.7</b>	<b>2,289.8</b>	<b>136.7</b>	<b>185.4</b>	<b>23.6</b>	<b>4,057.2</b>
<b>Accumulated depreciation</b>						
At 1 January 2023	382.4	801.0	120.0	89.8	-	1,393.2
Depreciation for the year	81.3	123.2	5.2	15.9	-	225.6
Impairment charge	-	-	-	-	3.8	3.8
Disposals	(3.8)	(2.7)	(1.1)	(0.8)	(3.8)	(12.2)
At 31 December 2023	<b>459.9</b>	<b>921.5</b>	<b>124.1</b>	<b>104.9</b>	<b>-</b>	<b>1,610.4</b>
<b>Carrying amount</b>						
At 31 December 2023	<b>961.8</b>	<b>1,368.3</b>	<b>12.6</b>	<b>80.5</b>	<b>23.6</b>	<b>2,446.8</b>
At 31 December 2022	977.7	1,090.6	12.8	60.0	22.9	2,164.0

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## Notes to the financial statements *(continued)*

### 12 Deferred tax

The following are the material deferred tax assets and liabilities recognised by the Group and Company, and movements thereon during the current and prior year. Deferred taxation is provided for at 25% (2022: 25%):

	Group				
	Accelerated capital allowances	Other temporary differences	UK tax losses	Holdover relief	Total
	£m	£m	£m	£m	£m
Balance as at 1 January 2023	(2.8)	31.3	-	(24.9)	3.6
Charged to statement of comprehensive income	6.1	(9.1)	-	2.7	(0.3)
Balance as at 31 December 2023	3.3	22.2	-	(22.2)	3.3

	Group				
	Accelerated capital allowances	Other temporary differences	UK tax losses	Holdover relief	Total
	£m	£m	£m	£m	£m
Balance as at 1 January 2022	(2.4)	18.4	12.9	(24.9)	4.0
Charged to statement of comprehensive income	(0.4)	12.9	(12.9)	-	(0.4)
Balance as at 31 December 2022	(2.8)	31.3	-	(24.9)	3.6

	Company				
	Accelerated capital allowances	Other temporary differences	UK tax losses	Holdover relief	Total
	£m	£m	£m	£m	£m
Balance as at 1 January 2023	(6.4)	31.3	-	(24.9)	-
Charged to statement of comprehensive income	6.4	(9.1)	-	2.7	-
Balance as at 31 December 2023	-	22.2	-	(22.2)	-

Other temporary differences include £32.4m (2022: £39.7m) of deferred tax assets which arose on transition to IFRS 16. The Group has restricted its recognition of deferred tax assets to equal the amount of deferred tax liabilities at the period end, as required by IAS 12. The gross temporary differences not recognised by the Company total £1,875.1m (2022: £1,825m), which equates to a deferred tax asset not recognised of £466.8m (2022: £456.4m).

The Finance Act 2021 (substantively enacted on 24<sup>th</sup> May 2021) set the main corporation tax rate at 25% from April 2023. The deferred tax asset as at 31 December 2023 has been calculated based on 25% (2022: 25%).

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## Notes to the financial statements *(continued)*

### 13 Investments

	Group		Company	
	2023	2022	2023	2022
	£m	£m	£m	£m
<b>Non-current</b>				
Investments in subsidiaries	-	-	41.2	41.2
Equity loan stock	-	-	264.6	299.2
	-	-	305.8	340.4
<b>Current</b>				
Equity loan stock	-	-	66.1	11.8

Investments in subsidiaries are carried at cost. For further information on the subsidiaries of the Group, see note 22.

In December 2015, the Company purchased £224.8m of Equity Loan Stock ('ELS') in Barbados Enterprises plc (a special purpose vehicle created for the purposes of capital raising). During 2016 the Company purchased an additional £4.9m of ELS and in 2020 the Group purchased an additional £58.0m. The ELS has a term of 15 years; during this period, the Company will continue to purchase further tranches of ELS in order to fund the interest payments on the senior bond debt owed by the Group. The principal will be paid back on maturity of the ELS. The ELS was recognised initially at fair value less transaction costs and is subsequently measured using the amortised cost model.

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## Notes to the financial statements (continued)

### 14 Derivative financial instruments

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

	Group 2023 £m	2022 £m	Company 2023 £m	2022 £m
<b>Non-Current assets</b>				
Foreign currency	0.1	-	0.1	-
Fuel	1.0	-	1.0	-
	<u>1.1</u>	<u>-</u>	<u>1.1</u>	<u>-</u>
<b>Current assets</b>				
Foreign currency	3.6	7.6	3.5	6.8
Fuel	7.8	20.1	7.8	20.1
	<u>11.4</u>	<u>27.7</u>	<u>11.3</u>	<u>26.9</u>
<b>Current liabilities</b>				
Foreign currency	(22.3)	(2.7)	(18.9)	(1.8)
Fuel	(22.7)	(27.3)	(22.7)	(27.3)
	<u>(45.0)</u>	<u>(30.0)</u>	<u>(41.6)</u>	<u>(29.1)</u>
<b>Non-current liabilities</b>				
Foreign currency	(0.2)	-	(0.1)	-
Fuel	(5.9)	-	(5.9)	-
	<u>(6.1)</u>	<u>-</u>	<u>(6.0)</u>	<u>-</u>
	<u>(38.6)</u>	<u>(2.3)</u>	<u>(35.2)</u>	<u>(2.2)</u>
	<b>Group 2023</b>	<b>2022</b>	<b>Company 2023</b>	<b>2022</b>
Foreign currency (USD)	665.0	953.7	485.6	798.0
Fuel (barrels)	7.2	5.6	8.0	5.6

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.

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**Notes to the financial statements (continued)**

For the year ended 31 December 2023	Gross amount £m	Group Amount not set-off £m	Net amount £m
<b>Derivative financial instruments</b>			
Assets	12.5	(9.1)	3.4
Liabilities	(51.1)	9.1	(42.0)
	<u>(38.6)</u>	<u>-</u>	<u>(38.6)</u>

For the year ended 31 December 2022	Gross amount £m	Group Amount not set-off £m	Net amount £m
<b>Derivative financial instruments</b>			
Assets	27.7	(19.5)	8.2
Liabilities	(30.0)	19.5	(10.5)
	<u>(2.3)</u>	<u>-</u>	<u>(2.3)</u>

For the year ended 31 December 2023	Gross amount £m	Company Amount not set-off £m	Net amount £m
<b>Derivative financial instruments</b>			
Assets	12.4	(8.9)	3.5
Liabilities	(47.6)	8.9	(38.7)
	<u>(35.2)</u>	<u>-</u>	<u>(35.2)</u>

For the year ended 31 December 2022	Gross amount £m	Company Amount not set-off £m	Net amount £m
<b>Derivative financial instruments</b>			
Assets	26.9	(18.7)	8.2
Liabilities	(29.1)	18.7	(10.4)
	<u>(2.2)</u>	<u>-</u>	<u>(2.2)</u>

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## Notes to the financial statements (continued)

### 15 Trade and other receivables

	<b>Group</b>		<b>Company</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Non-current</b>				
Other receivables	26.5	28.1	26.5	28.0
	<b>26.5</b>	<b>28.1</b>	<b>26.5</b>	<b>28.0</b>
<b>Current</b>				
Trade receivables	65.8	77.5	62.2	74.3
Provision for doubtful receivables	(3.3)	(3.5)	(3.1)	(2.8)
Net trade receivables	62.5	74.0	59.1	71.5
Unremitted cash	69.7	208.3	60.8	201.6
Other receivables	55.3	55.0	56.2	54.4
Accrued income	2.8	2.4	2.8	2.4
Group relief receivables	0.3	1.5	6.0	25.6
Prepayments	37.9	43.3	27.9	33.4
Amounts owed by group companies	364.4	352.2	375.3	393.1
	<b>592.9</b>	<b>736.7</b>	<b>588.1</b>	<b>782.0</b>

Amounts owed by group companies include intercompany loan arrangements and are repayable on demand. These attract an interest rate of the Bank of England base rate plus 0.25%.

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

	<b>Group</b>		<b>Company</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Ageing of past due but not impaired receivables</b>				
1-30 days	19.2	27.2	19.2	26.6
31-60 days	0.5	5.2	0.5	5.0
61-90 days	-	0.5	-	0.5
91-120 days	-	0.4	-	0.3
120+ days	1.0	2.0	1.0	1.6
Total	<b>20.7</b>	<b>35.3</b>	<b>20.7</b>	<b>34.0</b>

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.

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## Notes to the financial statements *(continued)*

### 16 Inventories

	Group and Company	
	2023	2022
	£m	£m
Aircraft consumable spares	37.7	29.4
Inflight stock	6.8	8.4
Fuel	0.3	0.3
	<u>44.8</u>	<u>38.1</u>

Inventories recognised as an expense in the year amounted to £836.5m (2022: £911.1m).

### 17 Cash, cash equivalents and restricted cash

	Group		Company	
	2023	2022	2023	2022
	£m	£m	£m	£m
Cash at bank and in hand	335.3	328.7	332.5	321.4
Cash and cash equivalents	<u>335.3</u>	<u>328.7</u>	<u>332.5</u>	<u>321.4</u>
Restricted cash	<u>70.8</u>	<u>70.4</u>	<u>37.2</u>	<u>39.2</u>

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 £69.7m of unremitted cash owed to the Group in transit at 31 December 2023 (2022: £208.3m) (refer to note 15).



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## Notes to the financial statements (continued)

### 18 Borrowings

#### (a) Non-current and current balances

	Group 2023 £m	2022 £m	Company 2023 £m	2022 £m
<b>Non-current</b>				
Obligations under leases (i)	(1,607.0)	(1,456.9)	(1,603.5)	(1,450.6)
Loan from VAIL (ii)	-	-	(526.0)	(423.4)
Senior Bonds— A1 (iii)	(142.1)	(152.8)	-	-
Senior Bonds— A2 (iii)	(16.8)	(18.8)	-	-
Senior Bonds— A3 (iii)	(24.1)	(26.0)	-	-
Senior Bonds – A4 (iii)	-	(50.8)	-	-
Other loans (iv)	(1,391.0)	(1,454.9)	(1,500.9)	(1,575.0)
	<b>(3,181.0)</b>	<b>(3,160.2)</b>	<b>(3,630.4)</b>	<b>(3,449.0)</b>
<b>Current</b>				
Obligations under leases (i)	(173.8)	(144.3)	(172.4)	(143.0)
Loan from VAIL (ii)	-	-	(18.1)	(120.7)
Senior Bonds— A1 (iii)	(10.8)	(10.4)	-	-
Senior Bonds— A2 (iii)	(2.0)	(2.0)	-	-
Senior Bonds— A3 (iii)	(1.9)	(1.8)	-	-
Senior Bonds – A4 (iii)	(50.8)	(4.7)	-	-
Other loans (iv)	(153.1)	(77.8)	(172.5)	(95.5)
	<b>(392.4)</b>	<b>(241.0)</b>	<b>(363.0)</b>	<b>(359.1)</b>

(i) See below for a full breakdown of all commitments under leasing arrangements. £383.1m (2022: £334.1m) of the obligations under leases have variable lease payments that depend on an index (such as SOFR). Movements in the index rate will impact the value of these leases. Certain leases contain extension options which are exercisable by the Group, and on inception of the lease the Group assesses the likelihood of the option being exercised. The Group is exposed to potential undiscounted cash flows of £34.3m for extension options, for which no amounts have been recognised as the Group does not currently expect to exercise the options.

(ii) In December 2015, the Company received £425.2m from a subsidiary of the Group – Virgin Atlantic International Limited ('VAIL'). As part of these arrangements, VAIL obtained beneficial rights over certain of the Company's landing slots, the right to receive a semi-annual payment in relation to the landing slots and the right to receive support payments from the Company in order to enable it to service its borrowings from Barbados Enterprises Plc. VAIL also entered into a joint business agreement with the Company to operate some of its landing slot portfolio.

The substance of the £425.2m transfer to VAA is a loan, with the 'sale' and 'repurchase' of the slots representing the issuance and settlement of the loan. The loan has been treated as a financial liability at amortised cost in the Company's accounting records with the semi-annual payments representing the interest charge. The loan will be repaid in 2030.

The current portion of the VAIL loan relates to interest payable to VAIL within the next 12 months.

(iii) 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.

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## Notes to the financial statements (continued)

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.

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 during the term and £50m repayable in 2024.

(iv) Other loans includes £515.9m (2022: £426m) of loans due to shareholders.

### (b) Analysis of borrowings by currency represented in GBP

	Group						
	Sterling £m	US Dollars £m	Chinese Yuan £m	Hong Kong Dollar £m	South African Rand £m	Indian Rupee £m	Total £m
<b>As at 31 December 2023</b>							
Obligations under leases	(73.0)	(1,707.2)	(0.2)	-	(0.2)	(0.2)	(1,780.8)
Senior Bonds— A1	(152.9)	-	-	-	-	-	(152.9)
Senior Bonds— A2	(18.8)	-	-	-	-	-	(18.8)
Senior Bonds— A3	(26.0)	-	-	-	-	-	(26.0)
Senior Bonds — A4	(50.8)	-	-	-	-	-	(50.8)
Other loans	(566.4)	(977.6)	-	-	-	-	(1,544.0)
	<b>(887.9)</b>	<b>(2,684.8)</b>	<b>(0.2)</b>	<b>-</b>	<b>(0.2)</b>	<b>(0.2)</b>	<b>(3,573.3)</b>

<b>As at 31 December 2022</b>							
Obligations under leases	(65.8)	(1,534.3)	(0.4)	(0.2)	(0.4)	-	(1,601.2)
Senior Bonds— A1	(163.2)	-	-	-	-	-	(163.2)
Senior Bonds— A2	(20.8)	-	-	-	-	-	(20.8)
Senior Bonds— A3	(27.8)	-	-	-	-	-	(27.8)
Senior Bonds — A4	(55.5)	-	-	-	-	-	(55.5)
Other loans	(470.6)	(1,062.1)	-	-	-	-	(1,532.7)
	<b>(803.8)</b>	<b>(2,596.3)</b>	<b>(0.4)</b>	<b>(0.2)</b>	<b>(0.4)</b>	<b>-</b>	<b>(3,401.2)</b>

	Company						
	Sterling £m	US Dollars £m	Chinese Yuan £m	Hong Kong Dollar £m	South African Rand £m	Indian Rupee £m	Total £m
<b>As at 31 December 2023</b>							
Obligations under leases	(68.2)	(1,707.1)	(0.2)	-	(0.2)	(0.2)	(1,775.9)
Loan from VAIL (ii)	(544.1)	-	-	-	-	-	(544.1)
Other loans	(695.8)	(977.6)	-	-	-	-	(1,673.4)
	<b>(1,308.1)</b>	<b>(2,684.7)</b>	<b>(0.2)</b>	<b>-</b>	<b>(0.2)</b>	<b>(0.2)</b>	<b>(3,993.4)</b>

<b>As at 31 December 2022</b>							
Obligations under leases	(58.2)	(1,534.3)	(0.4)	(0.2)	(0.4)	-	(1,593.5)
Loan from VAIL (ii)	(544.1)	-	-	-	-	-	(544.1)
Other loans	(608.4)	(1,062.1)	-	-	-	-	(1,670.5)
	<b>(1,210.7)</b>	<b>(2,596.4)</b>	<b>(0.4)</b>	<b>(0.2)</b>	<b>(0.4)</b>	<b>-</b>	<b>(3,808.1)</b>

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## Notes to the financial statements (continued)

### (c) Analysis of contractual undiscounted cash flows by maturity

	Group				
	Within 1 year £m	1-2 years £m	2-5 years £m	Over 5 years £m	Total £m
<b>As at 31 December 2023</b>					
Leased aircraft & engines	(273.0)	(255.1)	(604.0)	(1,278.4)	(2,410.5)
Leased— other	(20.3)	(14.7)	(42.7)	(38.7)	(116.4)
Loans	(233.6)	(289.5)	(1,377.5)	(297.6)	(2,198.2)
	<b>(526.9)</b>	<b>(559.3)</b>	<b>(2,024.2)</b>	<b>(1,614.7)</b>	<b>(4,725.1)</b>

<b>As at 31 December 2022</b>					
Leased aircraft & engines	(253.3)	(252.9)	(616.6)	(1,121.8)	(2,244.6)
Leased— other	(18.8)	(13.6)	(32.8)	(37.0)	(102.2)
Loans	(175.3)	(302.0)	(1,527.8)	(583.3)	(2,588.4)
	<b>(447.4)</b>	<b>(568.5)</b>	<b>(2,177.2)</b>	<b>(1,742.1)</b>	<b>(4,935.2)</b>

	Company				
	Within 1 year £m	1-2 years £m	2-5 years £m	Over 5 years £m	Total £m
<b>As at 31 December 2023</b>					
Leased aircraft & engines	(273.0)	(255.1)	(604.0)	(1,278.4)	(2,410.5)
Leased— other	(18.7)	(13.5)	(40.4)	(38.3)	(110.9)
Loans	(259.5)	(396.4)	(1,377.5)	(297.6)	(2,331.0)
	<b>(551.2)</b>	<b>(665.0)</b>	<b>(2,021.9)</b>	<b>(1,614.3)</b>	<b>(4,852.4)</b>

<b>As at 31 December 2022</b>					
Leased aircraft & engines	(253.3)	(252.9)	(616.6)	(1,121.8)	(2,244.6)
Leased— other	(17.2)	(12.0)	(29.0)	(35.4)	(93.6)
Loans	(193.7)	(275.1)	(1,651.0)	(1,020.7)	(3,140.5)
	<b>(464.2)</b>	<b>(540.0)</b>	<b>(2,296.6)</b>	<b>(2,177.9)</b>	<b>(5,478.7)</b>

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## Notes to the financial statements (continued)

### (d) Analysis of change in borrowings

	Group			
	Loans £m	Leased aircraft & engines £m	Leased other £m	Total £m
as at 01 January 2023:	(1,800.0)	(1,521.6)	(79.6)	(3,401.2)
Proceeds from loans and borrowings	(41.0)	-	-	(41.0)
Repayment of borrowings	98.1	-	-	98.1
Payment of lease rental	-	141.7	16.6	158.3
<b>Total changes arising from financing cash flows</b>	<b>57.1</b>	<b>141.7</b>	<b>16.6</b>	<b>215.4</b>
Interest paid	80.5	131.6	5.5	217.6
Non-cash movements:				
New contracts and renewal of contracts	-	(305.0)	(0.7)	(305.7)
Other movements	-	(92.9)	(28.7)	(121.6)
FX Revaluation	53.5	88.6	0.9	143.0
Interest expense	(183.5)	(131.6)	(5.5)	(320.6)
<b>as at 31 December 2023:</b>	<b>(1,792.4)</b>	<b>(1,689.2)</b>	<b>(91.5)</b>	<b>(3,573.1)</b>

	Company			
	Loans £m	Leased aircraft & engines £m	Leased other £m	Total £m
as at 01 January 2023:	(2,214.6)	(1,521.5)	(72.0)	(3,808.1)
Proceeds from loans and borrowings	(41.0)	-	-	(41.0)
Repayment of borrowings	49.1	-	-	49.1
Payment of lease rental	-	141.7	15.3	157.0
Interest paid	104.9	131.6	5.2	241.7
Non-cash movements:				
New contracts and renewal of contracts	-	(304.8)	(0.2)	(305.0)
Other movements	-	(92.9)	(30.9)	(123.8)
FX Revaluation	53.5	88.6	0.9	143.0
Interest expense	(169.6)	(131.6)	(5.3)	(306.5)
<b>as at 31 December 2023:</b>	<b>(2,217.7)</b>	<b>(1,688.9)</b>	<b>(87.0)</b>	<b>(3,993.4)</b>

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## Notes to the financial statements (continued)

### 19 Trade and other payables

	Group 2023 £m	2022 £m	Company 2023 £m	2022 £m
<b>Non-current</b>				
Other revenue received in advance	(2.4)	(3.6)	(2.4)	(3.6)
Trade payables	-	(18.5)	-	(18.5)
Other Payables	(84.0)	(109.6)	(84.0)	(109.5)
	<u>(86.4)</u>	<u>(131.7)</u>	<u>(86.4)</u>	<u>(131.6)</u>
<b>Current</b>				
Other revenue received in advance	(5.8)	(5.8)	(5.8)	(5.8)
Trade payables	(249.8)	(212.9)	(248.0)	(210.8)
Flight and airport charges	(122.0)	(138.6)	(122.0)	(138.6)
Amounts owed to other group companies	-	-	(10.9)	(7.9)
Other taxes and social security	(25.5)	(15.3)	(25.5)	(15.3)
Other payables	(32.5)	(24.1)	(31.8)	(21.8)
Accruals	(205.0)	(190.1)	(177.2)	(164.0)
	<u>(640.6)</u>	<u>(586.8)</u>	<u>(621.2)</u>	<u>(564.2)</u>

Amounts owed to other group companies includes intercompany loan arrangements and are repayable on demand. These attract an interest rate of Bank of England base rate plus 0.25%.

Other payables includes an embedded derivative asset of £9.1m (2022: asset of £13.4m) measured at fair value (refer to note 26).

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

### 20 Deferred revenue on air travel and holidays

	Group 2023 £m	2022 £m	Company 2023 £m	2022 £m
Non-current	(1.8)	(1.3)	-	-
Current	(619.6)	(639.6)	(486.0)	(510.8)
<b>Total deferred revenue on air travel and holidays</b>	<u>(621.4)</u>	<u>(640.9)</u>	<u>(486.0)</u>	<u>(510.8)</u>

### Forward sales of passenger carriage and holidays

	Group £m	Company £m
Balance at 1 January 2023	(640.9)	(510.8)
Revenue recognised in income statement	3,118.9	2,784.2
Cash received from customers	(3,099.4)	(2,759.4)
<b>Balance at 31 December 2023</b>	<u>(621.4)</u>	<u>(486.0)</u>

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## Notes to the financial statements (continued)

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 18 months in advance of the date of travel. Of the prior year deferred balance brought forward, £628.8m was recognised in the income statement during the year (2022: £401.3m).

The deferred revenue movement for the year included £72.7m (2022: £nil) of unredeemed travel vouchers. These vouchers were issued during the Covid-19 pandemic with terms and conditions such that the voucher must be redeemed and all return flights completed by 31 December 2023. As such, in line with the commercial terms, any remaining unredeemed vouchers at 31 December 2023 had expired and, in line with accounting policy, were recognised within Other revenue in the income statement.

## 21 Provisions

### (a) Non-current and current balances

	Group 2023 £m	2022 £m	Company 2023 £m	2022 £m
<b>Non-current</b>				
Maintenance	(42.4)	(43.6)	(42.4)	(43.6)
Leasehold dilapidation	(17.7)	(13.7)	(17.6)	(13.6)
Legal claims	(3.1)	(4.6)	(3.1)	(4.6)
Restructuring	(6.8)	(5.4)	(6.8)	(5.4)
	<u>(70.0)</u>	<u>(67.3)</u>	<u>(69.9)</u>	<u>(67.2)</u>
<b>Current</b>				
Maintenance	(9.8)	(9.4)	(9.8)	(9.4)
Leasehold dilapidation	(2.9)	(2.1)	(2.8)	(1.4)
Legal claims	(37.5)	(20.0)	(36.3)	(19.6)
Restructuring costs	(5.5)	(4.1)	(5.5)	(4.1)
	<u>(55.7)</u>	<u>(35.6)</u>	<u>(54.4)</u>	<u>(34.5)</u>

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, typically covering the leased aircraft term, not exceeding May 2035. Maintenance provisions are discounted only when the interest rate has a deemed material impact on the provision.

Leasehold dilapidations represent provisions held relating to leased land and buildings where restoration costs are contractually required at the end of the lease, with dates not exceeding 2032. 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.

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## Notes to the financial statements (continued)

### (b) Analysis of change in provisions

	<b>Group</b>					
	<b>Mainten- ance £m</b>	<b>Onerous contracts £m</b>	<b>Leasehold dilapid- ations £m</b>	<b>Legal claims £m</b>	<b>Restruct- uring costs £m</b>	<b>Total £m</b>
As at 1 January 2022	(54.5)	(0.3)	(14.1)	(27.9)	(10.0)	(106.8)
Amounts (provided)/ released in the year	(5.9)	0.2	(3.7)	(17.9)	(2.3)	(29.6)
Amounts utilised in the year	11.8	0.1	2.0	20.7	2.8	37.4
FX Revaluation	(4.4)	-	-	0.5	-	(3.9)
At 31 December 2022	<b>(53.0)</b>	<b>-</b>	<b>(15.8)</b>	<b>(24.6)</b>	<b>(9.5)</b>	<b>(102.9)</b>
As at 1 January 2023	(53.0)	-	(15.8)	(24.6)	(9.5)	(102.9)
Amounts (provided)/ released in the year	(6.7)	-	(5.0)	(26.8)	(6.9)	(45.4)
Amounts utilised in the year	4.9	-	0.2	11.2	4.2	20.5
FX Revaluation	2.6	-	-	(0.4)	(0.1)	2.1
At 31 December 2023	<b>(52.2)</b>	<b>-</b>	<b>(20.6)</b>	<b>(40.6)</b>	<b>(12.3)</b>	<b>(125.7)</b>

	<b>Company</b>					
	<b>Maintenance £m</b>	<b>Onerous contracts £m</b>	<b>Leasehold dilapid- ations £m</b>	<b>Legal claims £m</b>	<b>Restruct- uring costs £m</b>	<b>Total £m</b>
As at 1 January 2022	(54.5)	(0.3)	(13.8)	(27.2)	(10.0)	(105.8)
Amounts (provided)/ released in the year	(5.9)	0.2	(3.1)	(18.2)	(2.3)	(29.3)
Amounts utilised in the year	11.8	0.1	1.9	20.7	2.8	37.3
FX Revaluation	(4.4)	-	-	0.5	-	(3.9)
At 31 December 2022	<b>(53.0)</b>	<b>-</b>	<b>(15.0)</b>	<b>(24.2)</b>	<b>(9.5)</b>	<b>(101.7)</b>
As at 1 January 2023	(53.0)	-	(15.0)	(24.2)	(9.5)	(101.7)
Amounts (provided)/ released in the year	(6.7)	-	(5.6)	(25.3)	(6.9)	(44.5)
Amounts utilised in the year	4.9	-	0.2	10.2	4.2	19.5
FX Revaluation	2.6	-	-	(0.2)	(0.1)	2.3
At 31 December 2023	<b>(52.2)</b>	<b>-</b>	<b>(20.4)</b>	<b>(39.5)</b>	<b>(12.3)</b>	<b>(124.4)</b>

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## Notes to the financial statements (continued)

### 22 Interest in subsidiaries

The Group consists of a parent company, Virgin Atlantic Airways, incorporated in the UK and a number of subsidiaries. The subsidiaries of the Company as at 31 December 2023 are:

Subsidiaries	Country of Incorporation or registration	Ordinary issued shares (%)	Principal activity
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
Fit Leasing Limited	Jersey	100	Leasing of aircraft
Virglease (3) Limited	England and Wales	100	Ceased trading
Virglease (4) Limited	England and Wales	100	Leasing of aircraft
Virgin Atlantic International Limited	England and Wales	100	Trading
Virgin Holidays Limited	England and Wales	100	Sale of holidays
Virgin Incoming Services Incorporated	United States of America	100	Tour operator

#### Subsidiary Registered Office Addresses

Entity	Registered office address
Fit Leasing Limited, VAA Holdings Jersey Limited	47 Esplanade, St Helier, Jersey, JE1 0BD
Virgin Incoming Services Inc.	5787 Vineland Road, Suite 204, Orlando, Florida, 32819
All other trading subsidiaries	The VHQ, Manor Royal, Crawley, West Sussex, RH10 9DF.

VA Cargo Limited ceased trading on 30 June 2020 and Virglease (3) Limited ceased trading on 31 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.

### 23 Related party transactions

The Group had transactions in the ordinary course of business during the year ended 31 December 2023 and 31 December 2022 with related parties.

	Group 2023 £m	2022 £m
<b>Parent</b>		
Purchases from parent	-	(0.4)
Amounts owed from parent	1.6	-
<b>Related parties under common control</b>		
Sales to related parties	74.6	40.9
Purchases from related parties	(35.4)	(47.6)
Amounts owed by the related parties	395.9	362.1
Amounts owed to the related parties	(23.7)	(19.8)



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## Notes to the financial statements *(continued)*

Revenue from related parties primarily relates to airline ticket sales. 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 £4.3m (2022: £5.3m) within deferred revenue at the balance sheet date. Revenue also includes £1.1m (2022: £1.0m) 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 until 2035. This joint arrangement, for which the Group received anti-trust immunity from the US Department of Transportation in November 2020, is an continuation, extension and expansion of the joint arrangement which previously existed between the Group and Delta Air Lines Inc that was due to expire in 2028. On transitioning to the expanded joint arrangement, the Group agreed to make a series of payments to Delta over the period 2020-2028. On the basis that the new arrangement represented a continuation of the existing arrangement these payments formed a cost to enter the expanded joint arrangement and the Group made a judgement to recognise an intangible asset to be amortised over the 15-year contract term (refer to note 11), and a corresponding liability representing the obligation to make the payments through to 2028. The liability contains a portion measured at amortised cost, and an embedded derivative measured at fair value representing the variable element of payments linked to fuel price. The net value of the liability was £101.2m at 31 December 2023 (2022: £125.6m).

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 £22.5m (2022: £4.7m); total purchases were £15.8m (2022: £25.0m). Outstanding receivable balances amounted to £20.9m (2022: £0.6m) and outstanding payables (excluding amounts owed under the joint arrangement) were £6.1m (2022: £33.2m). 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 Airlines 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 was initially 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 were initially recognised at fair value, with the difference between nominal and fair value resulting in a capital contribution of £241.6m.

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## Notes to the financial statements (continued)

### 24 Ultimate holding company

As at 31 December 2023, the largest group in which the results of the Group are consolidated is that headed by Virgin Atlantic Limited, a company registered in England and Wales.

Copies of the financial statements for Virgin Atlantic Limited may be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ.

As at 31 December 2023, the directors consider the ultimate holding company to be Virgin Group Holdings Limited, a company registered in the British Virgin Islands. The sole shareholder of Virgin Investments is Sir Richard Branson. Sir Richard Branson has interests directly or indirectly in certain other companies, which are considered to give rise to related party disclosures under IAS 24.

### 25 Commitments

#### a) Commitments under non-cancellable leases

As at 31 December 2023 the Group and Company had the following annual commitments under non-cancellable leases which are outside the scope of IFRS 16:

	Group and Company			
	2023		2022	
	Land and Buildings £m	Aircraft and other £m	Land and Buildings £m	Aircraft and other £m
<b>Commitments under non-cancellable leases</b>				
Not later than one year	1.5	-	1.6	-
Later than one year and not later than five years	1.8	-	3.4	-
	<b>3.3</b>	<b>-</b>	<b>5.0</b>	<b>-</b>

#### b) Capital commitments

	Group and Company	
	2023 £m	2022 £m
Capital commitments at the balance sheet date for which no provision has been made:	2,251.5	2,739.2

Capital commitments relate to aircraft and engine purchases and 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.

#### (c) Commitments under leases not yet commenced

As at 31 December 2023, the Group and Company had committed to lease agreements on future aircraft deliveries totalling £705.3m (2022: £744.0m) over the term of the leases.

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## Notes to the financial statements (continued)

### 26 Financial instruments

#### a) Financial instruments by category

	Group 2023 £m	2022 £m	Company 2023 £m	2022 £m
<b>Financial assets</b>				
Cash and cash equivalents	335.3	328.7	332.5	321.4
Restricted cash	70.8	70.4	37.2	39.2
Fair value through profit and loss:				
Derivative financial instruments	12.5	27.7	12.4	26.9
Loans and receivables at amortised cost:				
Investments	-	-	305.8	340.4
Trade and other receivables (excluding prepayments and accrued income)	579.0	719.1	584.4	774.2
	<b>997.6</b>	<b>1,145.9</b>	<b>1,272.3</b>	<b>1,502.1</b>
<b>Financial liabilities</b>				
Fair value through profit and loss:				
Derivative financial instruments	(51.1)	(30.0)	(47.6)	(29.1)
Other payables (i)	9.1	13.4	9.1	13.4
Financial liabilities at amortised cost:				
Borrowings (including lease liabilities)	(3,573.4)	(3,401.2)	(3,993.4)	(3,808.1)
Trade and other payables	(522.9)	(722.5)	(531.0)	(699.8)
	<b>(4,138.3)</b>	<b>(4,140.3)</b>	<b>(4,562.9)</b>	<b>(4,523.6)</b>

- (i) Other payables measured at fair value through profit or loss represent the joint arrangement embedded derivative (refer to note 23). The embedded derivative could be an asset or a liability and is presented net with the portion of the joint arrangement liability measured at amortised cost.

The carrying values of financial assets and liabilities are deemed to approximate their fair values.

#### b) Fair values of financial assets and liabilities

The fair values of the Group and Company 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 embedded derivative (refer to note 23). 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.

**Notes to the financial statements (continued)****27 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.

**a) 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:

	<b>Group and Company</b>	
	<b>2023</b>	<b>2022</b>
	<b>£m</b>	<b>£m</b>
Increase in fuel price by a fixed percentage	<b>30%</b>	30%
Increase in profit before tax	<b>110.8</b>	25.9
Decrease in fuel price by a fixed percentage	<b>(30%)</b>	(30%)
Decrease in profit before tax	<b>(104.0)</b>	(12.1)

**b) 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.

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## Notes to the financial statements (continued)

The Group has designated certain US dollar aircraft lease liabilities (the hedging instrument) to hedge exposure in highly probable forecast US dollar revenue (the hedged item). 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 carrying value of the hedging instruments as at 31 December 2023 was \$2,660.6m (2022: \$2,390.5m). Included within other operating and overhead costs are £4.5m of hedging losses (2022: £8.4m losses) reclassified from the hedging reserve.

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.

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.

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>£m</b>	<b>£m</b>
Strengthening in currency exchange rate by a fixed percentage	<b>10%</b>	<b>10%</b>
Decrease in profit before tax	<b>(47.4)</b>	<b>(2.6)</b>
Weakening in currency exchange rate by a fixed percentage	<b>(10%)</b>	<b>(10%)</b>
Increase in profit before tax	<b>57.9</b>	<b>19.9</b>
	<b>Company</b>	
	<b>2023</b>	<b>2022</b>
	<b>£m</b>	<b>£m</b>
Strengthening in currency exchange rate by a fixed percentage	<b>10%</b>	<b>10%</b>
Decrease in profit before tax	<b>(34.1)</b>	<b>-</b>
Weakening in currency exchange rate by a fixed percentage	<b>(10%)</b>	<b>(10%)</b>
Increase in profit before tax	<b>41.6</b>	<b>14.2</b>

### c) 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.

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## Notes to the financial statements (continued)

A global reform of interest rate benchmarks is underway, including the replacement of London interbank offered rates (LIBOR) with alternative risk-free rates. The Group has certain aircraft leases and a term loan indexed to US dollar LIBOR, which was withdrawn mid-2023. As such the Group transitioned to secured overnight financing rates (SOFR), an alternative benchmark, during 2023.

Aircraft leases are a mix of fixed and floating rates. Of the 41 leases in place at 31 December 2023 (2022: 38), 78% were based on fixed interest rates and 23% were based on floating interest rates (2022: 76% fixed, 24% floating).

### d) 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 15.

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.

### e) 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 18.

### f) 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 i.e. net debt to EBITDA. Net debt is defined as the total loans and borrowings, leases, (for calculation purposes) net of cash and cash equivalents.

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## Notes to the financial statements *(continued)*

### 28 Reconciliation between loss for the year and cash generated from operations

	Group 2023 £m	2022 £m
Loss for the period	(214.3)	(338.4)
Adjustments for:		
Depreciation (of owned and right-of-use assets)	227.3	188.3
Amortisation	45.1	49.9
Impairment	3.8	(0.1)
Loss/(gain) on unrealised FX	(23.1)	80.3
Loss/(gain) on unrealised items	(6.2)	15.4
Loss/(profit) on disposal of PPE and intangible assets	(0.9)	3.8
Taxation	0.9	0.2
Movement in provision for bad debts	(0.1)	0.8
Unrealised fair value movement in derivatives	36.3	3.8
Net finance costs	297.1	265.6
Movement in restricted cash	(0.4)	16.2
Working capital changes		
Inventory	(6.7)	(11.8)
Trade and other receivables	142.9	(137.9)
Trade and other payables	39.4	33.6
Deferred revenue on air travel and holidays	(19.5)	154.7
Provisions	16.6	(19.5)
Equity-settled share-based payment transactions	2.5	2.1
Interest paid	(208.0)	(191.8)
Income taxes (paid)/recovered	(0.2)	0.2
Net cash from operating activities	<u>332.5</u>	<u>115.4</u>

### 29 Subsequent events

The Group has taken delivery of one leased Airbus A350-1000 aircraft in March 2024.

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## 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.

### (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 has 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.



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## Alternative performance measures (continued)

The following table contains a reconciliation between PBTEI and the statutory income statement for the Group:

	For the year ended 31 December 2023			For the year ended 31 December 2022		
	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
<b>Total revenue</b>	<b>3,118.9</b>	<b>-</b>	<b>3,118.9</b>	<b>2,854.1</b>	<b>-</b>	<b>2,854.1</b>
Physical fuel	(841.0)	-	(841.0)	(902.4)	-	(902.4)
Fuel hedging (i)	(41.5)	41.5	-	18.1	(18.1)	-
Airline direct operating costs	(634.5)	-	(634.5)	(508.5)	-	(508.5)
Aircraft costs	(195.8)	-	(195.8)	(167.1)	-	(167.1)
Holiday distribution, marketing and selling costs (i)	(429.9)	6.3	(423.6)	(404.9)	(0.9)	(405.8)
Employee remuneration	(417.0)	-	(417.0)	(365.7)	-	(365.7)
Other operating and overhead costs (i), (ii), (iii)	(199.5)	29.1	(170.4)	(295.2)	4.0	(291.2)
Engineering and maintenance costs	(216.9)	-	(216.9)	(158.7)	-	(158.7)
Other depreciation and amortisation	(64.8)	-	(64.8)	(66.3)	-	(66.3)
(Profit)/Loss on disposal of property, plant and equipment	0.9	-	0.9	(3.5)	-	(3.5)
Restructuring (v)	-	(2.5)	(2.5)	-	(8.3)	(8.3)
Impairment of assets (vi)	-	(3.8)	(3.8)	-	0.1	0.1
Fair value gains/(losses) on derivative contracts (i)	-	(67.4)	(67.4)	-	(53.6)	(53.6)
Other income (iv)	0.6	0.9	1.5	-	4.2	4.2
<b>Operating profit/(loss)</b>	<b>79.5</b>	<b>4.1</b>	<b>83.6</b>	<b>(0.1)</b>	<b>(72.6)</b>	<b>(72.7)</b>
Finance income	27.1	-	27.1	10.4	-	10.4
Finance expense (vii)	(234.7)	(89.5)	(324.2)	(213.4)	(62.6)	(276.0)
Net finance costs	(207.6)	(89.5)	(297.1)	(203.0)	(62.6)	(265.6)
<b>Loss before tax</b>	<b>(128.1)</b>	<b>(85.4)</b>	<b>(213.5)</b>	<b>(203.1)</b>	<b>(135.2)</b>	<b>(338.3)</b>

The Group separately presents certain items as exceptional and non-underlying. These are items which in the judgment 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) Net losses of £73.3m (2022: £0.4m) are recognised in underlying activities on matured derivative contracts, including:

- Fuel hedging losses of £41.5m (2022: gains of £18.1m)
- Foreign exchange losses of £25.4m (2022: £19.4m) recognised in Other operating and overhead costs
- Foreign exchange losses of £6.3m (2022: gains of £0.9m) recognised in Holiday distribution, marketing and selling costs.

Net losses of £73.3m (2022: £0.4m) on matured derivative contracts have been reclassified against 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.

In addition, unrealised movements in relation to the Group's fuel and foreign currency derivatives totalling gains of £5.9m (2022: losses of £53.2m) are classified as an exceptional item through Fair value gains/(losses) as they do not reflect underlying performance.

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### Alternative performance measures (continued)

The net impact was a loss of £67.4m (2022: £53.6m) recognised in Fair value gains/(losses) on derivative contracts.

- (ii) Other operating and overhead costs include unrealised gains of £6.2m (2022: £15.4m) relating to fuel and foreign exchange on payables balances.
- (iii) Other operating and overhead costs includes £2.5m worth of exit costs related to leasehold properties vacated at Manchester Airport and London Gatwick Airport.
- (iv) A related party, Flybe Limited, entered administration in March 2020. At that date, the Group had advanced loans to Flybe Limited. The Group fully impaired the loans and has netted any amounts recovered against the write down. Amounts recovered in the year totalled £0.9m (2022: £4.2m).
- (v) The business undertook a restructuring and recapitalisation process in response to the impact of Covid-19 resulting in costs totalling £2.5m (2022: £8.3m). This amount relates primarily to severance, advisory and financing costs. In the prior year, costs were offset by fair value gains recognised as a result of renegotiation of debt terms.
- (vi) An impairment of Property, plant and equipment totalling £3.8m was recognised in the year following the decision to exit the Manchester Clubhouse. In the previous year, a reversal of an impairment of Property, plant and equipment totalling £0.1m was recognised.
- (vii) Interest expense totalling £89.5m (2022: £62.6m) arose on accounting for loans advanced from shareholders at fair value (refer to note 24). Management considers this expense to be non-underlying as it does not reflect the true cost of the arrangement.

**(b) Underlying EBITDA**

*profit/(loss) for the year/period before net finance costs, tax, depreciation, amortisation, exceptional items and unrealised foreign exchange gain/(loss)*

	Group	
	2023	2022
	£m	£m
Loss before tax	(213.5)	(338.3)
Add: Exceptional items	85.4	135.3
Add: Net finance costs	207.6	203.0
Add: Unrealised foreign exchange <sup>1</sup>	(26.0)	71.3
<b>Underlying EBIT</b>	<b>53.5</b>	<b>71.3</b>
Add: Depreciation and amortisation	272.4	238.2
<b>Underlying EBITDA</b>	<b>325.9</b>	<b>309.5</b>

<sup>1</sup>Unrealised foreign exchange is included within Other operating and overhead costs in the statement of comprehensive income

**(c) Underlying EBIT margin**

*Underlying EBIT divided by total revenue*

	Group	
	2023	2022
	£m	£m
Underlying EBIT	53.5	71.3
Total Revenue	3,118.9	2,854.1
<b>Underlying operating margin</b>	<b>1.7%</b>	<b>2.5%</b>

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## Alternative performance measures (continued)

(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 (ASKs).*

	Group	
	2023	2022
Airline passenger revenue (£m)	2,395.7	2,072.5
ASKs (km bn)	45.7	39.4
<b>PRASK (p)</b>	<b>5.24</b>	<b>5.26</b>

(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	
	2023	2022
Physical fuel (£m)	841.0	902.4
Fuel hedging (£m)	41.5	(18.1)
Fuel costs (£m)	882.5	884.3
ASKs (km bn)	45.7	39.4
<b>Fuel CASK (p)</b>	<b>1.93</b>	<b>2.25</b>

(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	
	2023	2022
	£m	£m
Total operating expenditure	3,035.3	2,926.7
Less: Exceptional items	4.1	(72.7)
Less: Fuel costs	(882.5)	(884.3)
Less: Non-flight costs <sup>1</sup>	(337.7)	(489.6)
Non-fuel costs	1,819.2	1,480.1
ASKs (km bn)	45.7	39.4
<b>Non-fuel CASK (p)</b>	<b>3.98</b>	<b>3.76</b>

<sup>1</sup>Non-flight costs are included within Holiday, distribution and marketing costs, Employee remuneration, Other operating and overhead costs, Other depreciation and amortisation and Profit on disposal of property, plant and equipment in the statement of comprehensive income.

(g) Net debt

*total borrowings, net of cash and cash equivalents and restricted cash*

	Group	
	2023	2022
	£m	£m
Total borrowings	(3,573.4)	(3,401.2)
Cash and cash equivalents	335.3	328.7
Restricted cash	70.8	70.4
<b>Net debt</b>	<b>(3,167.3)</b>	<b>(3,002.1)</b>

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## Alternative performance measures (continued)

(h) Adjusted net assets/ (liabilities)

*Net assets/(liabilities) shown on its consolidated statement of financial position, adjusted for the market value of Virgin Atlantic's slot portfolio (less cost). Per IFRS, landing rights, or slots, are recognised within intangible assets at cost, for which the majority of the Group's portfolio is £nil due to the allocation of slots at London Heathrow Airport. Net liabilities shown on the consolidated statement of financial position therefore excludes significant value in the landing rights portfolio, yet includes borrowings which are secured against these landing rights. Adjusted net liabilities is used by management as an indication of the Group's financial position which includes all material assets and liabilities.*

	Group	
	2023	2022
	£m	£m
Net assets/ (liabilities)	(1,172.8)	(1,100.4)
Market value adjustment <sup>2</sup>	625.6	541.0
<b>Adjusted net assets/ (liabilities)</b>	<b>(547.2)</b>	<b>(559.4)</b>

<sup>2</sup> The market value of the slot portfolio has been determined using a third-party valuation.