virgin atlantic

Born to fly

Annual Report 2022

Purpose and vision

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

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

Contents

The Red Spirit series recognises those who best personify the Virgin spirit, as nominated by their fellow colleagues.

Opposite - Red Spirit
Laura Watts a Flight Service Manager, who motivates her teams to deliver the most incredible customer service, whilst raising over £50,000 for charity as an ultramarathon runner.

Chairperson's statement

In 2022, our 39th year of operations, we experienced an extraordinary range of extreme and mainly adverse conditions. Nevertheless, we succeeded in delivering the first phase of our planned recovery from the devastation of the Covid-19 crisis which started at the beginning of 2020. Everyone at Virgin Atlantic can feel justly proud of their achievements and contribution. The financial year recorded our third consecutive year of pandemic-related losses, but our trading performance showed both the value of the restructuring work we undertook through the crisis, and a very pleasing recovery of passenger demand. Our brand and market position has come through the crisis stronger than they were in 2019.

We delivered this performance despite manifold challenges. We began the year in anticipation of, and fully prepared for, an immediate ramp up in trading. Our plans were overtaken by the rapid spread of the Omicron variant, which meant that we lost much of our first quarter business. At the end of February, Russia invaded Ukraine. The ramifications have been profound both politically and economically. There is no space to rehearse it all, but in brief, the immediate direct effects on our company were a huge increase in costs, as the oil price soared, and network disruption, as ability to overfly Russian airspace was curtailed. In the wider economy, inflation (even after adjusting for the invasion's effect on energy prices) reached levels not seen for many years. The policy response has been a rapid increase in interest rates and, in the UK in particular, cost of living concerns have dominated the national discourse and have led to a rolling wave of strikes in key sectors of the economy. To cap it all, the government at Westminster was roiled by instability, replacing its leadership twice in the year and serving up dramatic changes in core policies along the way.

Against this background, Shai and the team worked with exemplary dedication to stay on course. The ramp up in travel heralded by the re-opening of the US border at the end of 2021 was delayed, but we remained prepared and ready to cope. We delivered a safe and efficient return to more normal operations, notwithstanding continuing logistical problems at our Heathrow hub. Heathrow restricted capacity at the airport through the critical summer season. At times, certain areas of outsourced operation at the airport, such as baggage handling and border controls, were close to being overwhelmed. Virgin Atlantic, however, continued to safely deliver passengers where they needed to be and more punctually than our competitors. Our 99.5% completion factor over 2022 stands out and highlights our preparation over many months for the return of travel at scale.

Our powerful See the World Differently brand campaign in April, was highly successful, attracting new and diverse talent to Virgin Atlantic. We were fortunate to be able to bring back many of our frontline crew and pilots from the unique holding pools we had established in 2020 as part of our restructuring during the pandemic. Fulfilling our promise to our colleagues who were affected by that painful exercise that we would welcome back, when conditions allowed, as many of our people as possible, was a proud achievement for us all.

We believe that business is a force for good. In the spring, we partnered with Magen David Adom UK (Red Cross affiliate), Save a Child and Dnipro Kids by bringing 61 young vulnerable children from Ukraine to the UK, via Warsaw, on a humanitarian relief flight made available especially for the journey. The Virgin Atlantic plane carried vital aid including thermal blankets, hygiene packs, medical and surgical supplies, Personal Protective Equipment (PPE) and medicines. We are committed to supporting the innocent victims of the war in Ukraine and more recently, those devastated by earthquakes in Turkey and Syria.

The restructuring work which we undertook during the pandemic has stood us in very good stead as we confronted new problems in 2022, led by logistical disruption, high inflation and elevated energy costs. This enabled us to take full advantage of healthy levels of consumer demand as customers started travelling again post Covid. There remains significant pent-up demand for leisure travel into 2023. At the same time, business travel has begun to recover.

In May we launched a new route to Austin, Texas, and in November to Tampa, Florida, continuing expansion in our US

heartland, and offering new options to the corporate traveller in particular. In October, the arrival of the A330neo into our fleet was critically acclaimed for its leading cabin design and experience. Even more importantly, it enlarges our multibillion-dollar fleet transformation investment programme, which continues to significantly reduce our carbon emissions.

Our 2022 financial result showed the third year of pandemic-related losses, albeit much reduced in comparison to 2020 and 2021. Notwithstanding Omicron at the start of the year, and despite flying circa. 20% less capacity than in 2019, our airline revenues were actually higher than in 2019 at £2.5bn while our underlying EBITDA was only marginally lower, at £310m. The pre-tax result showed a statutory loss of £342m. We plan to return to profitability in 2024, driven by a return to full capacity, sustained demand in both leisure and corporate travel and continued benefit from more than £300m of annual cost savings achieved during our restructuring in 2020 and 2021.

Now that our expanded Joint Venture with Delta Air Lines, Air France and KLM is fully up and running, we decided that the time was right to join the Sky Team alliance. This was announced in September 2022 and took effect in March 2023. We are the alliance's first and only UK member airline. Customers will benefit from a consistent experience across more than 1,000 destinations, earning and burning loyalty points across member airlines, with access to more than 750 airport lounges spanning six continents.

Just before Christmas, I was delighted to learn that Virgin Atlantic had won the 100% sustainable aviation fuel (SAF) Transatlantic Flight Competition sponsored by the Department for Transport. Together with a consortium of partners including Boeing, Rolls Royce, Imperial College London, University of Sheffield, Rocky Mountain Institute (RMI) and ICF we will fly the first ever net zero transatlantic flight. This will be from London to New York in 2023 using 100% SAF. London to New York is one of our most important routes and it will be an honour to pave the way for this important business and leisure route to become even more sustainable. The research and results will be

Chairperson's statement *continued*

important in accelerating the use of SAF, and encouraging the investment, collaboration and urgency needed to produce SAF at scale. Our collective ambition of net zero by 2050 depends on initiatives like this.

On behalf of the Board and shareholders, I would like to thank our partners, the senior leadership team led by CEO Shai Weiss and every single employee of Virgin Atlantic. As they did throughout the pandemic, they continue to show belief in and commitment to the airline. In 2022, this enabled our successful ramp up which gives us every chance of a year of successful delivery for our customers in 2023. The year is obviously full of great challenges, given war in Europe continues and inflation and interest rates remain high. We have the people and the plan to navigate these difficulties and to take advantage of our opportunities. Next year we will be celebrating our Ruby (40^{th}) anniversary. Ahead of the celebrations, I look forward to a year full of success together as we continue our mission to become the most loved travel company and sustainably profitable.

Peter Norris

Opposite - Red Spirit
Imran Khan a truly inspirational member of our Cabin Crew, signed up to support the emergency services during the pandemic. He still does so today, putting his all into both roles with the passion and infectious energy he's become known for.

CEO review of 2022

A year of recovery in 2022 sets us up for a year of delivery in 2023 towards achieving our vision of becoming the most loved travel company and sustainably profitable.

Omicron, Ukraine, political upheaval, high Inflation, cost of living

2022 was Virgin Atlantic's year of recovery and ramp up, when we reached new heights. While the year ended positively, it began with Omicron, a new strain of the virus, becoming the dominant strain - potentially halting recovery overall. Aviation was faced with the return of restrictions on international travel. Thankfully, through the collective efforts of the aviation industry and UK government, it was possible to prove that international air travel was safe, resulting in the removal of all remaining UK travel restrictions on 18 March.

As Omicron waned, on 24 February Russia invaded Ukraine and a devastating and senseless war ensued, dramatically affecting fuel and energy prices and global supply chains. In parallel, inflation stoked a cost of living crisis, particularly felt by UK consumers as energy prices rocketed.

Return of demand, a rapid ramp up and performance that exceeded expectations

By Spring, robust customer demand returned, fuelled in part by "revenge travel" and the return of the corporate traveller, back to 81% of 2019 revenue levels, from SMEs to media giants and blue-chip companies. Failings at Heathrow including mandated capacity reductions, and the complexities of ramp up pushed our operation to its limits. Despite these challenges, we came through the summer period with industry-leading completion factors of 99.5%, getting customers to where they needed to be with fewer cancellations and delays than our competitors.

We remain a leader in customer satisfaction scores across the Atlantic with our crews consistently scoring a Net Promoter Score above 50. Once again, we were awarded a five-star global airline rating by Airline Passenger Experience Association (APEX) for the sixth year in a row. The only UK airline to achieve this status. Securing this rating during an intensely challenging year is testament to our talented teams on the ground and in the air, who go above and beyond to delight our customers day in, day out.

Two years after we officially expanded our joint venture with Delta Air Lines to include Air France and KLM, in 2022 we were able to re-launch our partnership. Unlocking a greater choice of routes and loyalty options for our customers, creating convenient connections in every corner of North America, Europe and the UK. Our expanded joint venture (EJV) offers more than 150 flights across the Atlantic, serving up to 220 destinations in North America and 120 destinations in the UK and Europe.

Capitalising on the strength of our EJV, as well as strong appeal to both premium leisure and business travellers, new routes were successfully launched from London Heathrow to Austin, Texas and Tampa, Florida, building our portfolio in our US heartland for the first time since 2015. With a return to Shanghai, China on 1 May 2023, Virgin Atlantic will be flying every route in its network for the first time since January 2020, a significant milestone. By Winter 2023, our route network will include new routes to the Maldives and Turks and Caicos Islands, further bolstering our premium leisure portfolio for customers looking for winter sun.

Growing profitably is at the core of our plan, Velocity$_x$. In defiance of a volatile start to the year, performance in 2022 exceeded expectations. Despite flying 20% less capacity than 2019, airline revenues were higher. Exceptional revenue performance alongside the structural changes to our cost base made during the pandemic enabled us to deliver underlying Earnings Before Tax Depreciation and Amortisation (underlying EBITDA or Core Profitability) of £310m, only 9% behind that of 2019. Despite strong underlying performance we posted a statutory loss of £342m which was materially better than in 2021, but unsatisfactory nonetheless.

Our people set us apart

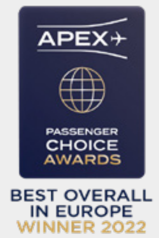
Throughout the year, our amazing people continued to set us apart, consistently delivering thoughtful experiences that feel brilliantly different to our customers and ensuring they can fly safely to their destinations, on time. In 2020, in response to the crisis, we reduced our workforce by over 45% and created industry first holding pools for our people. The goal was clear - to allow as many of our people to return to Virgin Atlantic once demand returned, which we expected it would. We were delighted to welcome back home so many of our people with more than 1,000 of our cabin crew and 300 pilots returning.

This year we celebrated the unique individuality and excellence of our colleagues through our Red Spirit series, asking colleagues to nominate people who are the best of Virgin Atlantic personified. We showcase some of these amazing people throughout this report. On the front cover is Turnaround Officer Shivonne Riley, who is training to be a midwife in parallel with her busy day job.

Our people are what make Virgin Atlantic special, and my heartfelt thanks goes to them all for their continued support and commitment in making our recovery a success.

Recent awards

Virgin Atlantic was incredibly proud to be awarded the APEX (Airline Passenger Experience Association) **2022 Passenger Choice Award for Best Overall Airline in Europe.**



We were also voted the **APEX Five Star Global Airline** for the sixth year in a row, whilst our A350 leisure space, 'The Booth', won the **APEX/IFSA award for Best Product or Service.**

Just a year after re-opening in Heathrow Terminal 3 our iconic Clubhouse won the 2022 Skytrax award for the **World's Best Business Class Lounge**, recognising the incredible product and service that our Clubhouse team delivers.

Our Premium cabin was awarded the **World's Best Premium Economy Class Airline** by Skytrax and as voted for by our customers. We were also awarded **Best Premium Economy Product** at the Business Traveller Awards.

CEO review of 2022 *continued*

See The World Differently
Three years of a global pandemic have fundamentally changed people's behaviours, reset consumer expectations, and even changed business models. To become the most loved travel company we must go further, faster.

To do this successfully, we must see the world differently.

In April, and in keeping with this spirit, we launched a new brand campaign celebrating the rich individuality of our people and customers, illustrating how we see the world differently. And we mean it.

With our people and our personalised experience at the heart of the campaign, it delivered a 1.1 point uplift in brand power. A feat that only 1% of brands achieve globally each year. Nominated by Marketing Society peers, the campaign aired throughout the year and was supported by our Be Yourself manifesto, encouraging all our people to be themselves at work. We pioneered new policies, from tattoos to gender identity and uniforms. These campaigns instil a sense of belonging, inclusion and diversity of perspective in everything we do. The embodiment of our purpose that "everyone can take on the world."

It's clear that our mindset is attracting new talent. After the launch of our new policies covering tattoo and gender identity, we saw a fivefold increase in searches for cabin crew roles and had over 10,000 applications for 700 new roles advertised during the year.

Our brand and our people are two of our greatest assets. We know that the experiences that differentiate us and the touchpoints that matter most to our customers are driven by our people. They are why customers return to us and it's why our people remain front and centre. Always. I'm proud that at the end of the year we were voted as number one Most Loved Workplace in the UK by Newsweek in their launch survey.

Business as a Force for Good
It was using the power of our people and our planes that allowed us to partner on an important humanitarian mission in March. Project Light saw Virgin Atlantic picking up 61 vulnerable Ukrainian children from Warsaw, flying them safely to the UK in the initial weeks after the Russian invasion of Ukraine.

Combatting global heating is the single biggest challenge of our generation. Virgin Atlantic has been pioneering sustainability leadership for more than 15 years, taking continuous action to reduce our emissions. We are committed to the industry wide goal set in 2021 of achieving Net Zero by 2050, so that travel can continue to connect and unite, to fuel growth and curiosity. It cannot be a choice between growth or green. It's growth and green. A future of sustainable travel.

On 12 July, the launch of our new Airbus A330neo set the standard going forward, both as a truly premium, personalised experience and its contribution to sustainability – 11% more fuel and carbon efficient than the A330-300s they replace.

CEO review of 2022 *continued*

Following a decade long, multi-billion-dollar fleet transformation, we operate one of the youngest and most efficient fleets across the Atlantic. 70% next generation, with an average fleet age of seven years compared to a competitor average of 13. In the last decade, we have reduced our absolute carbon emissions by 35%. And by 2027, once all of our 16 A330neos arrive, we will be 100% next generation emitting 18% less CO_2 per revenue tonne km than we did ten years ago, despite growing our capacity by 18%.

SAF and future technological advances will take us further still. SAF presents an immediate opportunity to deliver lifecycle carbon reductions of 70%, but there are barriers to investment and scaled production that can only be overcome with urgent collective action from government, oil majors, producers, airlines and corporate customers. We have committed to purchase 10m US gallons of SAF per year through Delta, and an option to buy a further 10m US gallons from Air Company as part of long term SAF agreements to begin fulfilling our commitment to reach 10% by 2030.

Towards the end of 2023, we will make aviation history by operating the first ever 100% SAF flight across the Atlantic, between London Heathrow and New York-JFK, leading a consortium of partners including Boeing, Rolls-Royce, Imperial College London, University of Sheffield, Rocky Mountain Institute (RMI) and ICF, with the support of £1 million UK government funding, which we will match. Once again, we will lead from the front with a first-of-its-kind flight.

By seeing the world differently, we have risen to the unrivalled challenges of the past few years, as our nation's flag carrier.

Velocity$_x$
2022 marked the first year of our Velocity$_x$ plan, powered by our vision to become the most loved travel company and sustainably profitable. Through Velocity$_x$ we harness the power of our brand and our people – to make us the airline of choice for every destination we serve. Living up to our brand promise of delivering thoughtful experiences through our end-to-end journeys while extending our reach and relevance through data, digitalization, and personalization. We prove that business can and should be a force for good. And for our people, fostering a sense of belonging and inclusion, that defines what it means to be part of Virgin Atlantic.

Our plan is working. 2023 is our year of delivery
As we look ahead to 2023, we recognise that we operate in a period of great uncertainty and volatility. A year that will see a senseless war continue, a lingering pandemic, inflation and a cost of living crisis, supply chain disruption, political turmoil and a looming UK recession. It is against this backdrop, faced with obstacles and challenges, especially those outside of our control, where belief, confidence, and conviction enables us to act and achieve. Building on momentum in 2022, we are poised for a year of delivery in 2023.

Our shareholders (Delta Air Lines and Virgin Group), our partners and suppliers, and most importantly our customers and our people, have shown their unwavering belief and conviction in all of us. They are a constant source of support and inspiration for which we owe them deep gratitude.

Belief, determination and conviction ensured our survival. In 2022, it allowed us to move into recovery by proving that our plan is working. In 2023, it will propel us into our year of delivery, when we deliver for our people and our customers, ensuring everyone can take on the world, driven by the vision of becoming the most loved travel company and sustainably profitable.

Shai Weiss

Opposite - Red Spirit
Brian Rose a member of our amazing cabin crew, who reminds us that sometimes the most valuable thing you can give is your time. Brian works in soup kitchens in his time down route, always going the extra mile.


Love
Profitability

CFO statement

Our financial results for 2022 reflect the long-awaited recovery in air travel demand seen across the airline industry coupled with the benefits of Virgin Atlantic's cost transformation, now fully realised with the return of flying at scale. Covid-19 posed an immense challenge to the airline industry. Despite a statutory loss for the year of £342m (2021: £486m), our rapid recovery of airline revenues, higher than in 2019 at £2.5bn, is down to the incredible fortitude of Virgin Atlantic people, consistently delivering for our customers and our business and ensuring that Virgin Atlantic is the preferred airline as passenger demand for travel returned with force.

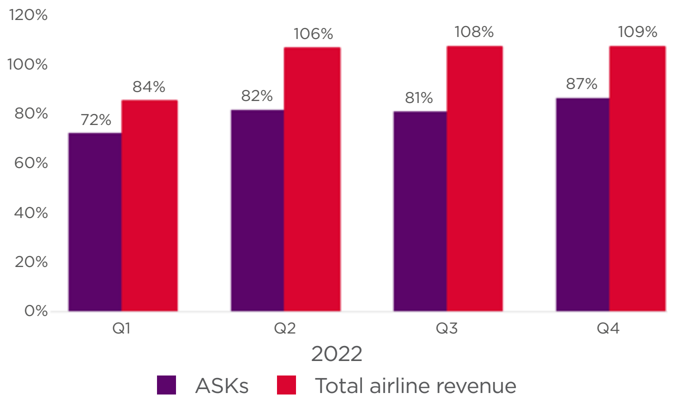
The difficult decisions we took in 2020 to transform our cost base have enabled us to temper the impact of high fuel prices and high inflation and to mitigate the inefficiencies of a steep operational ramp up. Our disciplined approach to capacity management and robust cost control has continued, allowing us to maintain a sharp focus on our cash flow in a period of ongoing volatility. With underlying EBITDA returning to 90% of 2019, our plan, Velocity$_x$, is working and Virgin Atlantic is on track to deliver sustainable profitability.

Overview of financial performance

In 2022, with six fewer aircraft in our fleet and over £160m of additional fuel costs, we delivered an underlying EBITDA of £310m, only 10% lower than 2019, our last full year of operations prior to the pandemic (2019: £338m). Our financial results, underpinned by a strong revenue performance, exceeded our expectations for the year and pay testimony to the resilience of our operation, our people and our financial discipline.

In the first quarter of the year we acted swiftly and dynamically to adjust our operational and financial plans to rapidly changing circumstances. With the emergence of the Omicron variant in late 2021, travel restrictions remained in place for much of the quarter. The tragic events that occurred in Ukraine, following Russia's invasion, drove severe economic volatility, with high fuel and energy prices, proceeded by high levels of inflation and political instability.

ASKs and total revenue as a % of 2019



Through the first half of the year, despite pressure on the broader aviation eco-system, we increased our number of passenger services significantly. Passenger sectors grew by 28% between January and July and passengers rose from 208,000 in January to 442,000 in July.

Exceptional passenger revenues characterised the second half of the year. A buoyant demand environment and a return to 2019 load factors generated unprecedented revenue results. On the flip side, we experienced record highs in the price of fuel and severe weakness in the strength of the pound against the US dollar.

Significant action was taken in 2020 to reduce our cost base, delivering a £300m, recurring reduction to operating costs. We have monitored and maintained these savings throughout 2021 and 2022:

- After consolidating our London network at Heathrow we welcomed over 7,000 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 2027
- Increases to our headcount were concentrated on our flying and customer facing teams, enabling us to meet operational requirements and improve customer service levels

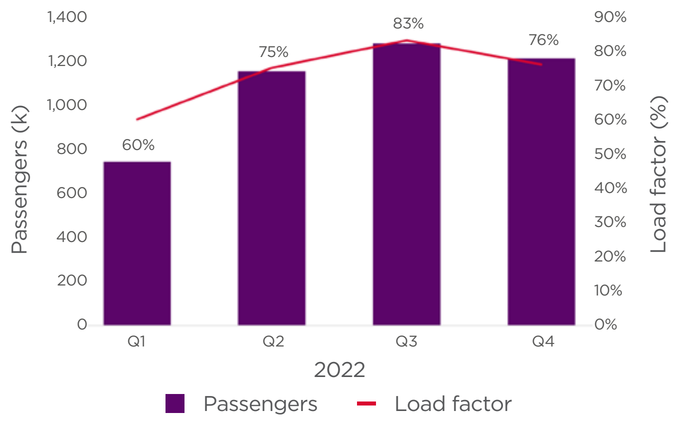
The speed with which we ramped up operations in 2022 led to natural inefficiencies, which will reduce going forward as ramp up activity completes.

For 2022 we recorded a loss before tax and exceptional items and interest of £206m, a £391m improvement on 2021 yet £184m worse than in 2019, and a statutory loss before tax of £342m.

Passenger revenue

The lifting of travel restrictions in March saw a resurgence in confidence and demand for travel, leading to a fivefold increase in full year passenger revenues (£2.1bn) versus 2021 (£410m). Passenger revenue returned to 2019 levels while flying 25% fewer passengers.

2022 Passengers and load factor



Whilst a difficult start to the year suppressed load factors and shortened the booking curve for the Easter and Summer peaks, strong demand enabled us to reach average Summer load factors above 80%, exceeding 90% on some routes.

Capacity constraints at Heathrow forced us to reduce flying between July and October, cancelling 280 sectors, although with fewer cancellations and delays than our competitors. Performance remained strong throughout H2, consistently outperforming previous PRASK records even as the macro environment deteriorated.

CFO statement *continued*

Cargo revenue
Our cargo operations delivered revenues of £377m, down 19% on 2021 (2021: £448m) and ahead of 2019 by 75% (2019: £214m). The addition of a wet leased freighter aircraft from May provided a temporary boost to cargo-only flying, enabling us to meet demand for short haul services between London Heathrow and Brussels.

Overall, cargo-only flights formed 5% of the 2022 flying programme (46% in 2021), of which over 40% flew in Q1, with the share of sectors reducing as passenger flying recovered from Q2.

The return of passenger belly capacity in the market led to a gradual normalisation of the cargo sector in H2, driving down tonnage from the highs of 2020. Whilst prices generally softened in the latter half of the year the highest demand routes continued to see prices significantly above 2019.

Financial results and Key metrics[1]

£m	2022	2021*	2020	2019
Revenue	2,854	928	868	2,927
Statutory loss	(342)	(486)	(864)	(55)
PBTEI	(206)	(597)	(655)	(22)
Underlying EBITDA	310	(161)	(321)	338
Underlying EBIT	71	(410)	(568)	71
Underlying EBIT Margin (%)	2	(44)	(65)	2
Total sectors	21,835	13,593	10,601	23,551
Cargo only sectors	1,117	1,633	3,897	0
ASK (km bn)	39.38	14.18	13.04	48.83
Passengers (000)	4,380	1,104	1,192	5,877
Load factor (%)	73.4	49.3	61.1	81.1
PRASK (p)	5.26	2.89	3.18	4.27

* The Group has restated comparative information (see note 5).
[1] Refer to Alternative Performance Measures on pages 22 and 23 for definitions and reconciliations of these metrics.

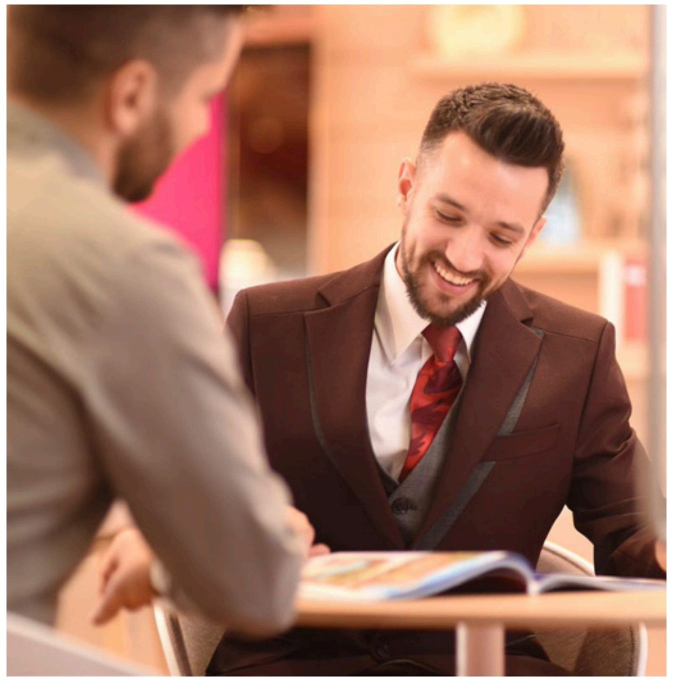
Virgin Atlantic Holidays[1]
A strong recovery in demand for holidays followed an extensive period of uncertainty which impacted the longer booking curves typically seen before the pandemic. Revenue reached 78% of 2019 at £487m (2019: £627m, 2021: £63m) as travel re-opened and Covid-19 testing and vaccination requirements were relaxed or removed across our destinations.

Overhead and distribution costs were over 30% lower than 2019 following actions taken in 2020 to rationalise our retail estate and streamline operations under the unified brand programme.

[2] Virgin Holidays Limited shall be trading as Virgin Atlantic Holidays under our unified brand.

Capital investment
Our total capital expenditure of £109m, relates principally to investment in our fleet. We are committed to flying one of the youngest and most fuel-efficient, long-haul fleets. In addition to our ninth Airbus 350-1000, 2022 saw the entry into service of our first two Airbus 330neos, quickly followed by the delivery of a further aircraft in January 2023.

To support our plans for growth we took the opportunity to purchase three additional slots at Heathrow. This increased capacity will enable us to further leverage the customer and operational benefits of a single London hub. A small proportion of our capital expenditure was also directed towards technology transformation, investment and activity that was paused during the pandemic.



Fuel costs
Physical fuel costs of £902m were up 31% on 2019 due to significant increases in the price of Brent and Jet crack. For instance, our A330neos deliver an 11% fuel efficiency saving compared to the A330-300s they replace. To provide further protection against adverse fluctuations in the price of Brent, our hedging cover was increased in line with pre-pandemic levels, resulting in hedging gains for the year of £18m.

Aircraft costs
Aircraft and engineering costs together totalled £326m, 29% higher than 2021 and 8% lower than 2019. Aircraft costs were up £11m on the £156m recorded in 2021, which included additional leasing costs associated with the cargo freighter and new aircraft deliveries. Engineering costs increased by £62m to £159m (2021: £97m), largely driven by higher maintenance 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 2022 were 19% lower than 2019 as the airline ramped up and responded to enforced capacity restrictions at Heathrow. Whilst lower capacity masked the full impact of cost savings, we delivered a non-fuel CASK for the year of 3.76p.

Finance costs
Finance costs of £276m were £71m higher than 2021, predominantly driven by increases in interest expense.

CFO statement *continued*

Results for the year

The statutory loss after tax for the year was £342m, an improvement of £144m on the losses recorded in 2021. Underlying EBITDA was £310m (2019: £338m) with an underlying EBIT that matched the £71m reported in 2019.

We are committed to becoming a sustainably profitable airline. The financial recovery seen in 2022 gives us renewed confidence that the actions we have taken to resize and reshape Virgin Atlantic will enable our future growth and success.

Balance sheet, cash flow and financing

£m	2022	2021*	2020*	2019
Cash from/(used in) operating activities	119	(84)	(713)	217
Cash from/(used in) investing activities	(100)	74	(23)	(558)
Cash from/(used in) financing activities	(217)	399	472	317
Cash increase/ (decrease)	(196)	388	(272)	(25)
Effects of exchange rate differences	23	(1)	15	(15)
Unrestricted cash	329	502	115	353
Total cash	399	589	191	449
Debt	(3,401)	(2,902)	(2,479)	(2,215)
Net debt	(3,002)	(2,314)	(2,288)	(1,766)
Net (liabilities)	(1,454)	(965)	(719)	(190)

Adjusted balance sheet metrics

£m	2022	2021*	2020*	2019
Reported net (liabilities)	(1,454)	(965)	(719)	(190)
Slot portfolio valuation (fair value, less cost)	541	407	437	350
Adjusted net (liabilities)/assets	(913)	(558)	(282)	160
Cash and cash equivalents	329	502	115	353
Unremitted cash	208	86	13	70
Adjusted free cash	537	588	128	423

* The Group has restated comparative information (see note 5, and consolidated statement of cash flows).

Total cash at the end of the year was £399m, including £70m (2021: £87m) of restricted cash, but excluded £208m (2021: £86m) of unremitted cash which is recognised within our receivables balances.

Net cash from operating activities of £119m (2021: net cash used in operating activities of £84m) was driven by a significant improvement in underlying EBITDA of £471m. Overall net cash decreased by a total of £196m, the most significant outflows relating to higher capital investment in the year (£109m), re-payment of leases (£139m) and re-payment of borrowings (£92m).

Long term borrowings rose as a result of new aircraft financing and interest accrued on shareholder loans agreed in 2020. Deferred revenue was up 33% on 2021 as booking curves normalised and customers felt confident to book their 2023 holidays. A portion of our long-term borrowings are secured against our UK slot portfolio which had a year-end market value of circa £500m.

Outlook

Demand for travel has remained strong through the first quarter of 2023, including record daily bookings in the winter sale and the return of pre-pandemic load factors. New aircraft will increase capacity in the year, as we add fresh routes to the network and further improve our productivity and cost efficiency.

However, the impact of the recessionary environment, the ongoing war with Ukraine and broader political instability create a significant uncertainty and Virgin Atlantic is therefore not able to provide certainty that the Plausible Worst Case scenario referenced in note 3 would not occur.

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

For our people, our customers and Virgin Atlantic 2023 will be another challenging year financially. We are resolutely focused on managing our costs, maximising liquidity, on serving our customers and our people, on fulfilling our vision of becoming the most loved travel company, as well as being sustainably profitable.

2023 is Virgin Atlantic's year of delivery. We are ready and eager to build on the solid foundations of our recovery, to deliver on a plan that is working.

Oliver Byers
Chief Financial Officer
28 April 2023

Our key performance indicators

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

Virgin Atlantic Airways

	2022	2021	2020	2019	YoY
Passenger numbers (m)	4.4	1.1	1.2	5.9	+297%

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

Performance: Passenger numbers tripled year on year as UK travel restrictions were lifted in early 2022. Pent up demand led to a strong recovery in passenger numbers, reaching 75% of 2019 despite the impact of Omicron in Q1 and 20% lower capacity than 2019.

	2022	2021	2020	2019	YoY
ASK (km m)	39,383	14,180	13,043	48,832	+178%

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

Performance: Operational ramp up led to a significant increase in ASKs versus 2021, just 19% lower than 2019. Recovery was impacted by Heathrow capacity restrictions through the Summer peak, plus changes to the network and aircraft gauge versus 2019.

	2022	2021	2020	2019	YoY
Sectors	21,835	13,593	10,601	23,551	+61%

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

Performance: Passenger sectors grew by 28% between January and July 2022, as passenger services recovered and cargo sectors declined (5% of the total flying programme). Despite six fewer aircraft in our fleet versus 2019 and a number of operational headwinds, passenger sectors reached 80% of 2019 and total sectors reached over 90% of 2019.

	2022	2021	2020	2019	YoY
PRASK (p)	5.3	2.9	3.2	4.2	+82%

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

Performance: The lifting of UK travel restrictions in March saw a resurgence in confidence and demand for travel, leading to a fivefold increase in full year passenger revenues vs 2021 and consistent outperformance versus previous PRASK records.

	2022	2021	2020	2019	YoY
Load factor (%)	73	49	61	81	+24pts

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

Performance: Load factors increased from 50-70% in Q1 to over 80% in the Summer months, with a strong performance continuing through Q4.

	2022	2021	2020	2019	YoY
Fuel CASK (p)	2.2	1.8	2.2	1.4	+27%

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

Performance: Record highs in the price of fuel and severe weakness in the strength of the pound against the US dollar led to a 27% increase YoY. Hedging cover was increased in the year to pre-pandemic levels to offer higher protection against adverse price fluctuations.

	2022	2021	2020	2019	YoY
Non-fuel CASK (p)	3.8	6.9	7.7	3.3	-46%

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

Performance: Cost savings delivered through restructuring undertaken during the pandemic continue to be closely monitored. Non-fuel costs, spread across fewer ASKs than 2019, were maintained below UK inflation to deliver a non-fuel CASK for the year of 3.8p.

Virgin Atlantic Holidays

	2022	2021	2020	2019	YoY
Total customers ('000)	250	33	59	390	+658%

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

Performance: Total customers increased by over 650% year on year as travel re-opened and Covid-19 testing and vaccination requirements were relaxed or removed across our destinations, reaching over 65% of 2019 levels.

	2022	2021	2020	2019	YoY
Contribution (£m)	2.8	(39.4)	(39.2)	5.5	+107%

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

Performance: After two years of losses during the pandemic, the business delivered a positive contribution, reaching 50% of 2019 as demand for holidays recovered.

Virgin Atlantic Cargo

	2022	2021	2020	2019	YoY
Tonnage (m)	191	207	156	227	-8%

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

Performance: The return of passenger belly capacity in the market led to a gradual normalisation of the cargo sector in H2, driving down tonnage from the highs of 2021 and resulting in a fall year on year.

	2022	2021	2020	2019	YoY
Yield (£/kg)	1.97	2.16	2.05	0.94	-9%

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

Performance: Cargo yields declined, as expected, versus 2021 as capacity returned to the market. The decline of 9% was better than plan, as we continued to see prices above 2019 levels on high demand routes.

Our business
Virgin Atlantic Limited comprises three principal lines of business:

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

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

Virgin Atlantic 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 91% of Virgin Holidays customers fly on Virgin Atlantic planes. As part of our unified brand ambition, Virgin Holidays trades as Virgin Atlantic Holidays.

Creating value for our stakeholders

Our people
At 31 December 2022 we had over 7,900 people based in the UK and in key destinations around the world. Of this, 11% were pilots and 46% cabin crew.

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

In 2022: Effective communication with our people has been critical as we've ramped up our operations at pace, onboarding new cabin crew and pilots and welcoming back many of our colleagues from the holding pool. The successful recovery of Virgin Atlantic has required an unprecedented level of commitment and collaboration from colleagues across the organisation.

To support our colleagues we have delivered an extensive programme of training to our flying teams and invested in a new learning and development platform (Learning Locker) to provide all colleagues with access to a comprehensive suite of materials at their point of need.

Delivering on our 'Be Yourself' strategy, we have taken tangible steps to improve diversity, equity and inclusion, including investment in our colleague networks and changes to our people policies. We are committed to creating a Virgin Atlantic where our people can proudly be themselves.

Customers
Our customers are at the heart of everything we do. We served over 4.4 million airline passengers and over 249,000 holiday makers.

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

In 2022: We have been resolutely focused on returning our customer journey to 2019 levels at every stage, whilst continuing to reimagine and lead the way with fresh ideas. We have re-instated our hot, multi-course meal services across all cabins and worked tirelessly to ensure we can respond to our customers' calls in the timeframes they expect of us. To support a more seamless departure experience, we implemented FlyReady, a digital tool developed by our Partner, Delta, to enable customers to pre-clear their covid travel documents.

Innovation within our travel journey is epitomised by our new A330neo fleet. The fleet offers a market-first by providing Bluetooth connectivity throughout the aircraft and a transatlantic-first in the 'Retreat Suite', which provides a more spacious Upper Class product.

Our passion is to always improve and innovate across all aircraft and all cabins. In 2022 we launched new pre-order functionality, initially to Upper and Premium customers between the UK and US, to enable customers to choose their meals in advance and, in doing so, to reduce food waste on every flight.

We've launched new menus and championed young brands at our flagship London Heathrow Clubhouse, recognised as 'the World's best business class lounge' at the 2022 Skytrax World Airline awards. To provide better value for our loyalty customers we are continually looking at new loyalty propositions and, this year, introduced Guaranteed Availability which guarantees a minimum number of reward seats on every flight.

Joint venture partners and other airline partners
Our airline partners include the expanded Joint Venture with Delta, Air France and KLM, together with 73 codeshare and interline partners. In 2022, we announced our intention to join SkyTeam, which has led us to implement 7 new airline partners and deepen our co-operation with existing partners in preparation for the start of our membership in 2023.

How we engage: Our Partnership with Delta is in its 9th year, and in 2020 we formed a new expanded Joint Venture with Delta, Air France and KLM. Whilst Covid-19 prevented us from starting this new partnership in full force, we have focused on ensuring strong engagement across the organisations.

In 2022: We reinstated full Joint Venture governance at a leadership and working level with in person and virtual meetings, collaborating effectively with our partners Delta, Air France and KLM on commercial, operational and strategic matters. We focused on ensuring that our collective customers were and continue to be able to experience aligned customer journeys despite the rapidly changing travel environment. We were able to learn from each other as our respective home countries recovered at different rates. We have also continued to work closely on our network plans, introducing new routes to Austin and Tampa, and are now excited to be working together in 2023 with further capacity increases planned.

Suppliers
Our suppliers make it possible to serve our customers with the flair and high standards that are akin to our brand, they are the backbone of our operation. We have a global supply base spanning airframe and engine manufacturers, airports and operational suppliers along with suppliers supporting our back-office infrastructures which enable our teams to operate at their best.

How we engage: We seek to maintain open and constructive relationships across our supplier network, recognising that the performance of our suppliers is integral to everything we do. We have a structured supplier relationship framework that supports engagement between our people and our suppliers. Policies and standards, including our Responsible Supplier Policy, are regularly reviewed to ensure they align with our supply chain sustainability criteria.

In 2022: The strength of our supplier relationships has been critical as we welcomed the ramp up of our passenger operations and the broader industry recovery. Against a backdrop of macro-economic challenges, we have collaborated on new ways to maintain high standards of service and delivery whilst managing a myriad of labour, supply and cost challenges.

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

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

Creating value for our stakeholders *continued*

In 2022: We worked with almost 400 young people across our base locations of Crawley and Swansea in the UK, together with Atlanta in the US. In partnership with Speakers for Schools (one of our three charity partners) we enjoyed the support of eighty passionate Virgin Atlantic mentors, who collectively volunteered over 600 hours of time to the programme. Alongside our partners, we are delivering a year-long programme of initiatives, reaching over 4,600 young people, and investing in the hearts and minds of the generation who will define our future.

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

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

In 2022: We have maintained regular and significant engagement with our shareholders and financial stakeholders.

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

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

In 2022: Our primary focus was working with the UK government to secure the end of international travel restrictions and supporting the ramp up of UK aviation, including the continuation of airport slot alleviations, and additional measures to support the recruitment of personnel across the aviation ecosystem to ensure operational resilience. We continued to engage with stakeholders for the removal of the remaining international travel restrictions for travel to the United States and other major overseas markets. We worked with the UK government, Parliamentary stakeholders and the CAA regarding the economic regulation of Heathrow airport, highlighting the material impact of the proposed H7 regulatory charges on airlines and consumers, and to advocate for a more competitive settlement.

Business as a force for good

Business as a force for good
At Virgin Atlantic, we put business as a force for good at the centre of everything we do. Supporting our belief that everyone can take on the world and our vision of becoming the most loved travel company.

In 2022 we reconfirmed our commitment to business as a force for good. Bringing together enterprise efforts to protect our planet, empower our people and to positively impact the communities we serve under the accountability of our CEO.

Building on our Sustainability, Be Yourself and Passport to Change manifestos and doubling down on action focused on pioneering change, we continue to work on increasing transparency and driving industry collaboration.

Supporting the UN Sustainable Development Goals
We are committed to supporting the UN Sustainable Development Goals (SDGs), which call for the universal end to poverty, protection of the planet and improvement in the lives and prospects of everyone by 2030.

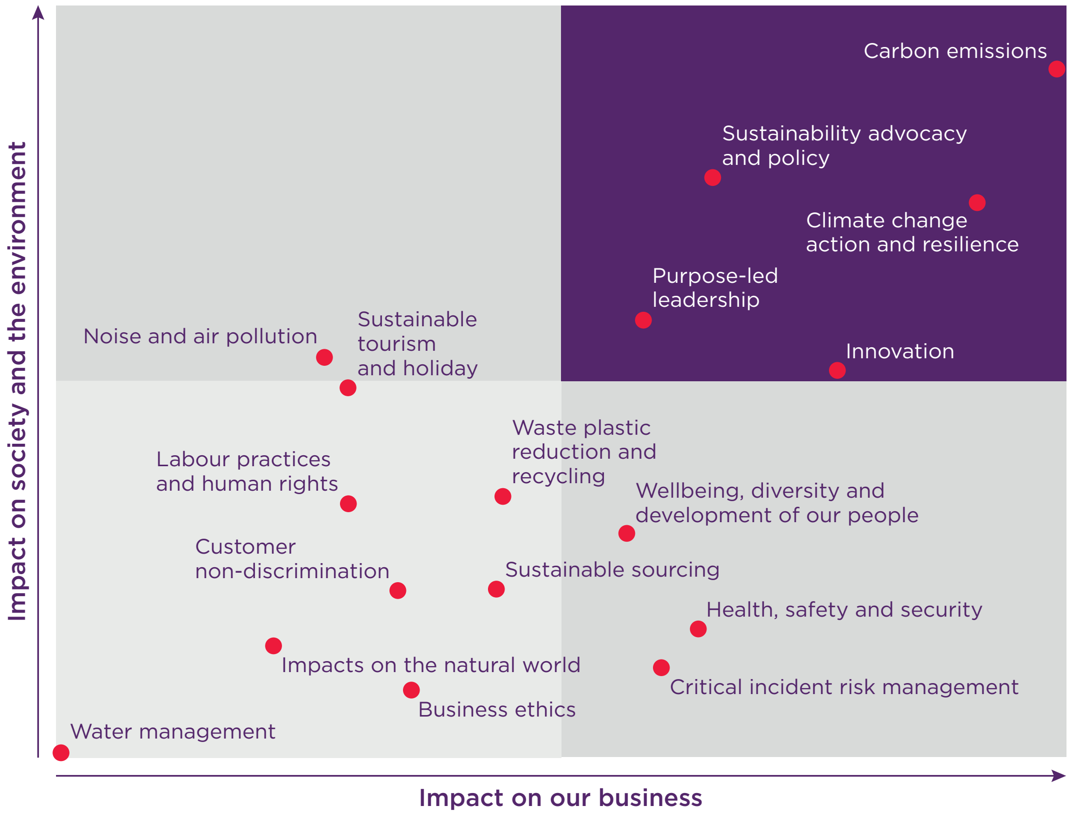
The 17 SDGs were adopted by UN Member States in 2015 and set out a 15 year action plan to achieve them. Our most loved pillars are mapped against the SDGs, with 10 goals aligned to our purpose and representing the areas where Virgin Atlantic can have a meaningful impact.

Materiality
In early 2022, we undertook our first Environmental, Social and Governance (ESG) double materiality assessment that simultaneously evaluates the issues that influence our business value whilst reporting on issues that are important to the market, the environment and our people. Working with an external expert in ESG reporting, we identified and assessed the environmental, social and governance priorities for the airline with our people, partners, suppliers, customers and investors.

The materiality assessment confirmed that our internal and external targets and areas of focus concerning the happiness of our people, our efforts on carbon reduction, climate change resilience, leadership, advocacy, and broader innovation are the right priorities for our business.

Governance
During the year we have taken steps to strengthen our oversight, reporting and delivery of business as a force for good across the Company. We measure, monitor and report quarterly to our Leadership Team on carbon emissions, colleague happiness, diversity and inclusion and community investment. Our senior leaders are incentivised and rewarded against carbon emission reduction targets and for the first time in 2022 on colleague inclusion scores.

Our current assessment and priorities



This year, an independent ESG maturity assessment was undertaken to benchmark our approach against our peers. Whilst no formal ratings were provided, the assessment highlighted good practice with reference to our policies, culture, monitoring and reporting.

Feedback from the assessment will be used to continually develop our approach to business as a force for good. In 2023 we committed to further developing our plans for business as a force for good, outlining a clear roadmap to meet expected external reporting and assurance requirements by the end of 2025.

most loved

velocity$_x$	Our People	Community	Planet
Pillars	Our people are at the heart of everything we do. We're committed to bringing together a workforce that reflects the society we live in, creating an environment that supports diversity, equity and inclusion, and allowing all our people to bring their whole selves to work.	We're passionate about empowering the next generation in our communities to reach their potential. Working closely with our charity partners, our community programme aims to inspire and empower young people from all corners of society.	We have a pivotal role to play in protecting the planet for future generations. We have been pioneering sustainability leadership for over a decade and continue to invest in new research, technologies and innovation to reduce our impact in the air and on the ground.
Manifesto	**Be Yourself**	**Passport to Change**	**Line in the Sand**
Key focus areas	• Diversity, Equity and Inclusion • Happiness • Learning	• Social mobility • Provide access to education for all/ address inequalities within educational learning • Bridge the gender gap within STEM	• Carbon emission reduction • Waste and plastics • Supply chain sustainability
SDG alignment	3 Good health and well-being 5 Gender equality 10 Reduced inequalities	1 No poverty 4 Quality education 8 Decent work and economic growth	7 Affordable and clean energy 9 Industry, innovation and infrastructure 12 Responsible consumption and production 13 Climate action
Velocity$_x$ target	• 46% females in leadership positions (recruitment at 50%) • 15% ethnic diversity across total workforce (recruitment at 20%) • 1 piece of feedback per eligible colleague per month	• £2.5m investment to support STEM education initiatives • Reach 20,000 children across 10 schools	• Interim carbon reduction targets on pathway to Net Zero 2050: 15% reduction in CO_2 per revenue tonne kilometre vs 2019 baseline
2022 progess	• 43%[Δ] females in leadership positions • 11.5%[Δ] ethnic diversity across total workforce • 10,000 pieces of feedback captured in second half of year (average 0.9 pieces per colleague per month)	• £250,000 investment in STEM • 4,636 children impacted • 80 Virgin Atlantic mentors • 600 hours of mentoring time given	• First delivery of SAF into London Heathrow • First long term commercial SAF offtake agreement • Awarded funding by UK government to fly first 100% SAF powered transatlantic flight in 2023 • 90% reduction in onboard single use virgin plastic

Our people

Our people
Our brand promise is to deliver thoughtful experiences that feel brilliantly different at every opportunity. We know that the touchpoints that matter most and the experiences that differentiate Virgin Atlantic are driven by our people. That's why our people remain front and centre. Always.

At Virgin Atlantic we say that we see the world differently, and we mean it. We champion the rich individuality of our customers and our own people, who continue to set us apart.

We've pioneered new policies, most recently with make-up, tattoos, and gender identity, so that everyone feels able to bring their true selves to work. "I am what I am" as Gloria Gaynor first sang in 1983, the backing music to our brand campaign. Centred around a sense of belonging, inclusion, and diversity of perspective, seeing the world differently.

Number One Most Loved Workplace in the UK

Ramp up
If 2021 was the year of recovery, then 2022 was the year of ramp up, with an 11% increase in our colleague numbers throughout the year, bringing the total number to 7,924. We onboarded 1,168 new hire cabin crew and 51 new pilots during the year, on top of 933 crew and 272 pilots already welcomed back to Virgin Atlantic from our industry leading holding pools.

We invited those from the holding pool to return on the same terms and conditions they held previously. We were delighted that the majority of our flying teams returned to us, enabling us to ramp up at speed, with minimal disruption, against a backdrop of challenges that included slow turnaround times for airport identity and referencing checks for new starters.

The depth of Virgin Atlantic experience we were able to retain through the holding pool perfectly positioned us to welcome back our customers in earnest post pandemic, providing the service and flair we are famous for.

For new positions we've been significantly oversubscribed; we received over 10,000 applications for 700 cabin crew roles which were advertised during the year, a stark contrast to the widely reported challenges faced by our competitors.

Cabin crew recruitment

18% of those hired **were from ethnic minority backgrounds**

5% of those hired **had disclosed a disability**

1% of those hired **identified as non-binary or genderfluid**

3% of those hired **were aged 50+**

[Δ] Only 2022 KPIs assured independently by KPMG, see limited assurance statement here: virginatlantic.com/businessforgood for more information.

Be Yourself

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

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

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

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

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

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

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

Our people *continued*

Be Yourself
At Virgin Atlantic, we have a rich history and a strong culture of embracing the human spirit without prejudice or boundaries. We want our people to proudly be themselves, regardless of gender, backgrounds, beliefs, race, physical ability or sexual orientation.

At the beginning of 2022, we refreshed our Diversity, Equity and Inclusion strategy, which we refer to as 'Be Yourself.' This focuses on curiosity, awareness, understanding and inclusion of all, recognising the value of difference and diversity to create a true sense of belonging. Throughout the year, we've gone further in challenging the status quo, breaking down barriers to deliver on our mantra to see the world differently. We know that there is much more to do, and we never want to stand still.

We've led the way in making changes to our people policies to be more inclusive, and to reflect the unique identities of our colleagues, which we believe better reflects the wider population and our customers. Building on the updates made to our makeup policies in 2018, whereby cabin crew are no longer mandated to wear specific make up styles, in June we updated our tattoo policy. Our cabin crew are no longer required to cover up their tattoos, allowing them to further express their personalities and individuality.

In August we launched our gender identity policy to go further in pursuit of making everyone feel that they belong. Importantly, our cabin crew are now able to wear the uniform which they best identify with, regardless of birth gender.

Opposite - Red Spirit
Andrew Hawksey a Manager in our Virgin Atlantic Holidays operations team, is a true ambassador for Be Yourself. He helps to super charge the Pride network, a true champion of the Virgin Atlantic spirit who encourages everyone to take on the world.

Our people *continued*

Diversity
It is our people that make us Virgin Atlantic, which is why we strive to build a diverse workforce that represents the communities that we serve. The more diverse our workforce, the more diversity of thought and experience we and our customers benefit from.

Aviation remains an exciting and dynamic sector, but gender imbalances remain and we know we must do more. Our 2025 target for females in leadership roles is 46%. By the end of 2022, we had achieved over 43%[Δ]. Our gender pay gap reporting for the year ended 5 April 2022 shows a median hourly gap of 34%, demonstrating the scale of the challenge ahead. Whilst this is a reduction against the gap of 42% published for 2021, this represented only 37% of colleagues due to the number on furlough during the last reporting period. When compared to 2019, our gap has reduced against 35%. The full gender pay gap report can be found at https://corporate.virginatlantic.com/content/dam/documents/Gender%20and%20Ethnicity%20Pay%20Gap%20Report%202022.pdf

The FTSE Women Leaders Review follows the Hampton-Alexander and Davies Reviews. It is the UK's independent, voluntary and business-led initiative, supported by government and aimed at increasing the representation of women on FTSE 350 Boards and in their Leadership teams. For the first time, in 2022, data from the Top 50 largest private companies was included in the report. The target is to reach 40% of women on boards and at senior leadership level by 2025. In this 2022 review, Virgin Atlantic has 38% women at executive level and was ranked fourth out of 21 companies in the travel and leisure sector, ahead of the other airlines listed. Our sector averaged 33% across both public and privately owned companies.

Our ethnic diversity target for 2025 is 15% (aligned with the UK national average) and by December 2022, our colleague representation in this group stood at 11.5%[Δ], up from 9% in 2021. We know we have further to go in this area and have therefore set a 20% ethnic diversity recruitment target, which we surpassed in 2022 at 24%. Virgin Atlantic is a founding member of the Women in Hospitality, Travel and Leisure (WiTHL) partnership and supports all the ethnic and female diversity programmes through participation in and executive mentoring of participants on the global, cross industry WiHTL programmes.

For the first time in 2022, we added questions relating to inclusion to our colleague happiness survey to provide us with an inclusion index, which we will measure going forward. We measured this twice during the year and saw a 6 point uplift in the score between surveys.

Winner of Greatest Impact Award and the Best Inclusive Recruitment Campaign at the Recruitment Industry Disability Initiative Awards.

Winner of Best Candidate Experience at the In-House Recruitment Awards.

Final shortlist for Diversity Team of the Year, Company of the Year, Marketing Campaign of the Year, and Social Mobility Project of the Year at the British Diversity Awards.

[Δ] Only 2022 KPIs assured independently by KPMG, see limited assurance statement here: virginatlantic.com/businessforgood for more information.

Our values

Think Red

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

Make Friends

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

Be Amazing

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

Our people *continued*

Reward and recognition
We recognise that during the pandemic we took difficult decisions that impacted reward and benefits. As we've ramped up, we've been pleased to reintroduce many of these as well as agreeing Company-wide pay rises. In recognition of the monumental efforts of our teams throughout the summer period, facing difficult working conditions at London Heathrow, we also paid a special summer award to all non-management colleagues.

Above - Red Spirit
Justin Ho Cabin Crew Trainer, taking the lead on customer service excellence, always ensuring he brings fun into his training and passionate about treating our people and our customers as individuals, Justin is also an important member of our incredible VALUED network - ensuring Virgin Atlantic is as diverse and inclusive as possible.

We've launched our Red Spirit series. Featured throughout this report, the series recognises those who best personify the Virgin spirit, as nominated by fellow colleagues. To recognise extraordinary performance and service in the moment, we also launched our instant recognition awards, a Red Moment, with over 1,000 awards made to colleagues across the organisation.

Learning and development
Clearly, training and re-training our flying teams during our ramp up phase was a key priority for us in 2022. More widely, we've re-invigorated learning and development across all workgroups, as well as launching a new approach to managing individual and team performance.

Linking everyone's contribution to our ambitions to be the most loved travel company and sustainably profitable is an important step in giving clarity and direction to our people.

During the year, most of our ground-based teams moved to quarterly objective setting with the launch of our new approach to performance, Your Performance Journey. The approach is driven by two key principles; belief in the power of the team and the importance of continuous conversations, always underpinned by feedback.

Our approach puts emphasis on team-based objectives and collaborative working to provide focus and clarity on what matters most, facilitated through our performance platform, Performance Locker. Through this platform, individuals and teams have complete clarity on their objectives and key results and can give and receive feedback to any colleague across the Company. We value and recognise the importance of feedback to our people so that they can continue to strive to be their best, learning along the way and enabling them to reach the highest levels of performance. Since its launch in July, over 10,000 pieces of feedback have been given and 8,000 team objectives have been logged, plus there have been positive uplifts in employee happiness scores around both receiving feedback which can help colleagues do their job and having clear and achievable goals at work.

As well as our physical training, we have re-evaluated our digital learning and launched the Learning Locker. This is a digital platform that hosts all learning content for our people, including compliance, operational, personal, professional, and leadership development learning, as well as signposting social and face to face learning activities. Over 3,700 of our people have used the in-house digital content, delivering bite sized learning at the point of need.

Winner of Cornerstone Remarkable Achievement and Visionary Excellence Award for learning and develpoment experience.

Learning Team of the Year Silver Winner at the Learning Awards.

Final shortlist for Digital Learning Transformation Award at the Learning Technologies Awards.

Springboard
At the beginning of the year, we relaunched our Springboard development programme. This programme supports women via professional and personal development in pursuit of increasing female representation in leadership positions. Fifty women took part in 2022 and we look forward to launching five more courses in 2023, reaching 125 women across the Company.

Our people *continued*

Apprenticeship programme
We restarted our apprenticeship programme in September 2021, and since then have grown the number of programmes offered across the Company from five to over thirty, with 133 apprentices – up from just 7 in 2021. In 2023 we plan to launch a further thirteen programmes and expect to have 200 apprentices by end of year.

Above - Red Spirit
Rebecca Hoibak Aircraft Maintenance Technician who joined us as an apprentice. When she's not working on aircraft engines, she's inspiring the next generation to consider STEM roles in aviation. That's alongside camping, fixing and riding motorbikes and other equally cool hobbies!

Networks
We have four colleague Belonging networks: Pride (LGBTQ+), Disability Engagement Network, VALUED (Virgin Atlantic Loves Unity and Ethnic Diversity) network and Scarlet (women's network).

As well as giving us an opportunity to build greater awareness and appreciation of the rich and diverse communities we all work in and the things that really matter to different individuals and groups, our Belonging networks help us to build inclusive policies that break down barriers and ensure that everyone is supported to be at their best. In doing so, we seek to build a sense of belonging at Virgin Atlantic for all.

Over 6,700 of our colleagues are now a member of a network, following a 120% uplift in network membership through 2022. The network committees contribute to any changes to our people policies to ensure that all voices are heard and respected. Each network has an executive sponsor, plus hands on senior leaders, who support, guide and champion them throughout the year.

Our Passport to Change manifesto

At Virgin Atlantic, we believe everyone can take on the world - whatever their background or starting point. We strive to create an inclusive environment where people feel a sense of belonging; where our people, our customers, our partners and our communities are united and minority groups are represented. We call this **Be Yourself**.

Passport to Change is how we achieve our Be Yourself ambitions in the long term. Through Passport to Change, we're **investing in the hearts and minds of the young people** who will define the future.

We recognise the urgency for a cleaner, greener future. So we put all our initiatives through a lens of **environmental sustainability**.

We know there's a huge gender gap in **STEM**, and that young people from disadvantaged backgrounds are disproportionately impacted.

So, we focus on **social mobility**, closing the gap between majority and minority groups and create opportunities to address inequality in educational learning.

Through Passport to Change, we show the world that Virgin Atlantic acts as a **force for good**.

Community

Passport to Change
We want future careers, whether at Virgin Atlantic or not, to be inclusive to all, regardless of gender, race, or socioeconomic background. Through Passport to Change, we set out to inspire, coach and support young people in the communities in which we operate. We work in partnership with local schools, Speakers for Schools (one of our three charity partners) and our own people, to deliver workshops, innovative learning and mentoring.

We focus on inspiring and encouraging young people in our communities in science, technology, engineering, and maths (STEM). We have engaged with three charity partners: Speakers for Schools, The Smallpeice Trust and the United Nations High Commissioner for Refugees. With them, we work with almost four hundred young people across our base locations of Crawley and Swansea in the UK, together with Atlanta in the US. We invested over £250,000 for the 2022 academic year, with eighty Virgin Atlantic mentors volunteering over 600 hours of time to the programme. This number will double in 2023. Alongside our partners, we are delivering a year-long programme of initiatives, reaching over 4,600 young people, and investing in the hearts and minds of the generation who will define our future.

As consumers re-took to the skies in 2022, our people have once again gone above and beyond in rising to the challenge of ramp up, in welcoming our customers back with open arms and in ensuring we remain on track to become the most loved travel company. Truly the embodiment of our purpose that everyone can take on the world, our people really do make us Virgin Atlantic, and for that we are very proud.

Line in the Sand

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

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

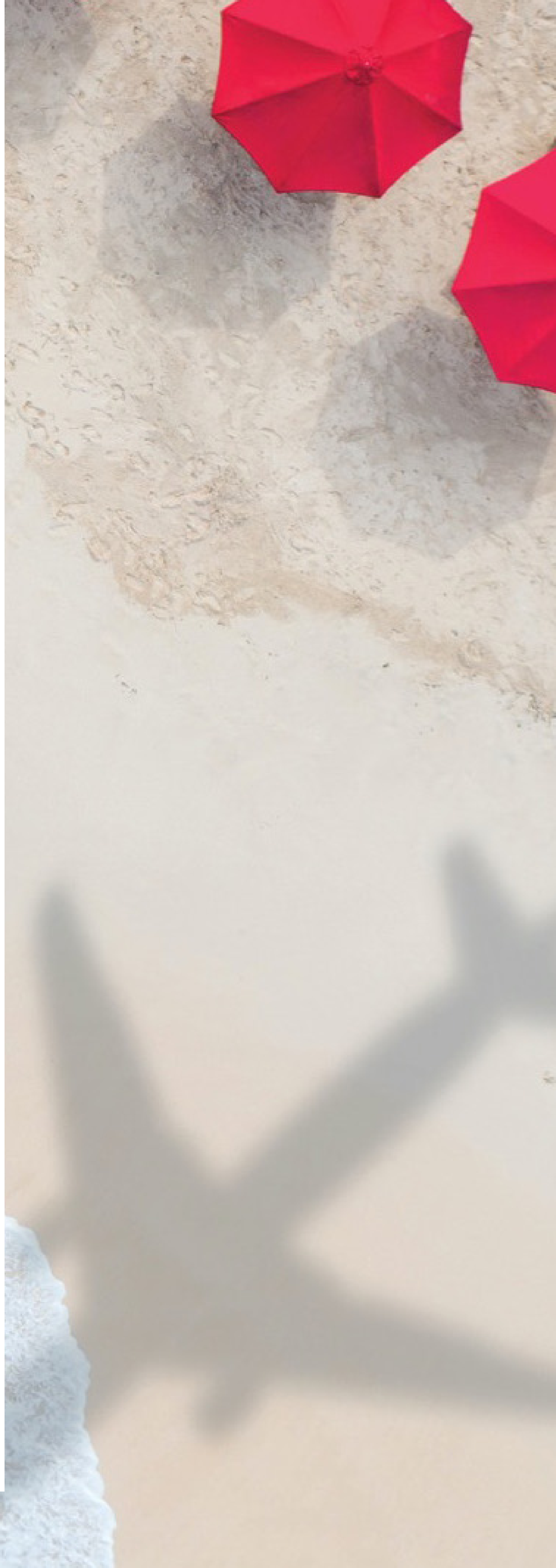
The way we travel must evolve faster than ever before to ensure the next generation also get to experience the very best the world has to offer. The sights and sounds of the unfamiliar and beautiful. A hug from the loved one you haven't seen in years or the handshake that speaks volumes. We know what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

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

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

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

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



Our planet

Without doubt the biggest challenge of our lifetime is in combatting global heating. Whilst global aviation contributes 2-3%[1] of carbon emissions we recognise the urgent need for action across our industry – both individually and collectively.

We reinforce our ambition and commitment to sustainability through innovation, transparency and accountability, with interim carbon targets as part of our roadmap to achieve Net Zero by 2050:

- By 2026: 15% gross reduction in CO_2/RTK achieved through continued fleet transformation and operational efficiency
- By 2030: 15% net reduction in total CO_2 emissions, including 10% of fuel sourced from sustainable aviation fuel
- By 2040: 40% net reduction in total CO_2 emissions

Aligned with expert industry views on the potential technologies that materially contribute towards decarbonisation, at Virgin Atlantic, we are focussed on three key areas that we can control to achieve our Net Zero ambition;

- Fleet renewal and fuel efficiency
- Sustainable aviation fuel
- Offsets and removals

During 2022, our fleet transformation programme and SAF strategy remained our priority focus areas to help in our transition towards Net Zero. In parallel to driving performance of our carbon ambitions is the emphasis we place on recognising the need to collaborate across the entire value stream and work together so that we can move forward faster.

Since announcing our interim targets on the way to Net Zero in 2021 we have;

1. Supported industry bodies such as IATA and Sustainable Aviation to develop and share the critical insights needed to advance aviation's Net Zero ambitions including continued lobbying to support the development of a UK SAF industry.
2. Contributed to the UK government's publication of the Jet Zero Strategy through our membership of the Jet Zero Council, welcoming their subsequent success in helping to achieve an agreement on a global Long Term Aspirational Goal (LTAG) for aviation.
3. Introduced the first two of our 16 A330neos, thereby furthering our position as having one of the youngest, most fuel efficient fleets across the Atlantic compared to our competitors.
4. Set out an internal SAF strategy to help deliver on our commitments to 10% SAF use by 2030 and successfully negotiated our first SAF offtake agreement through Delta alongside a non-binding memorandum of understanding with SAF power to liquid innovators, Air Company.
5. Been selected by the UK government as the recipient of a 2023 funding award to fly the first ever 100% transatlantic SAF flight in collaboration with our industry partners.

Fleet renewal

Fleet renewal currently delivers the largest carbon emission reduction of any action under the control of an individual airline and it's where we consistently lead the way. We already have one of the youngest, most fuel efficient fleets operating across the Atlantic.

At the end of 2022 we operated 38 twin engine aircraft with an average fleet age of 6.5 years and 74% next generation mix, representing ten years of investment into our fleet transformation programme. As a result, our carbon efficiency (CO_2/ASK) has improved by 20% over the last decade and our absolute carbon emissions have reduced from 4.75m metric tons (MT) of CO_2 to just over 3m MT CO_2 in 2022, an improvement of 35%.

[1] Shell – Decarbonising aviation: cleared for takeoff, published 2021 (executive summary and page 6) .

One of Virgin Atlantic's key interim targets on our journey towards Net Zero is a 15% reduction in CO_2 per revenue tonne kilometre (CO_2/RTK) by 2026 versus a 2019 baseline. This metric helps compare the relative performance of different airlines as it provides a consistent approach to measuring the carbon intensity of any airline's operations based on the CO_2 emitted for each tonne of revenue generating passenger or freight cargo carried every flown kilometre. Whilst fleet transformation is a key factor in delivering overall fuel efficiency and improving our CO_2 intensity, it is essential that we maximize the efficiency of the network and optimise our passenger and cargo load factors. In 2022, Virgin Atlantic achieved a 4% reduction in CO_2/RTK against our 2019 baseline. This is largely as a result of a more efficient fleet, but also reflects the opportunity that still exists to improve passenger and cargo load factors as we strive to meet our 2026 target.

Fleet transition case study

One of the biggest technology levers that all airlines can adopt to reduce carbon emissions is a more fuel-efficient fleet.

In October 2022, Virgin Atlantic took delivery of its first A330neo which flew in from Toulouse powered with 30% SAF. As the first of our 16 A330neos to be delivered over the next 5 years, this aircraft pairs customer innovation with carbon efficiency. Delivering a 11% fuel efficiency saving compared to the A330-300s it will replace as well as a reduced noise contour of 50%. It also represents the first of our aircraft to feature leather free seating in our Upper and Premium cabins, replacing our traditional leather seats and delivering a weight reduction of 1.5kg per seat.

Operational efficiencies

Route planning, weight reduction and constant review of waste carried are part of the day to day routine operations to minimise fuel burn.

In addition, we use behavioural economics and data science-based applications to provide the flight deck with both inflight and post flight feedback on how to fly more efficiently from a fuel burn perspective, while still complying with all standards of fuel management and flight safety.

In 2022, we saved almost 7,500 tonnes of jet fuel (23,600 tonnes of CO_2) through our operational efficiency initiatives, including pilot technique, ground operations, weight reduction and flight planning optimisation.

We continue to evolve our ground operations, with 93% of our car fleet and 11% of our non-specialist airport vehicles being petrol hybrid. Over 30% of ground service equipment is petrol hybrid or electric and, as technology and infrastructure evolve, we will work with our partners to pursue electrification. We are targeting 100% mix of electric or electric hybrid for all cars and light commercial vehicles by the end of 2023.

We've also joined a cross-section of airlines, academic institutions and technology experts to further understand the climate impact, formation and mitigation of contrails caused by commercial flying. The Contrail Impact Task Force will work to share and expand research, turning this into actionable changes such as incorporating contrail forecasting into flight planning.

Business as a force for good *continued*

Mission to Net Zero

First airline to fly a commercial aircraft using sustianable aviation fuel

2008

Sustainable aviation fuel partnership with Lanzatech

Founding member of Sustainable Aviation

2011

2011

First airline to fly a fully commercial flight using sustainable aviation fuel

2018

↓17%

17% reduction in CO_2 per revenue tonne kilometre vs 2007

Launched carbon offsetting scheme for passengers

30%

Airbus A350 enters into service bringing a 30% improvement in fuel efficiency

2019

2019

Founding member of the Jet Zero Council

All four-engine aircraft retired

2020

Partnership with the atmosFUEL project

eVTOL partnership with Vertical Aerospace

Member of Clean Skies for Tomorrow Coalition

Direct air capture partnership with Strega Geotechnologies

2021

2021

Announced as winner of DfT 100% SAF Flight Competition

11%

Airbus A330 Neo enters into service bringing an 11% improvement in fuel efficiency

2022

2022

↓20%

20% reduction in CO_2 per revenue tonne kilometre vs 2007

2026

↓15%

15% gross reduction in CO_2 per revenue tonne kilometre vs 2019 baseline

10m USG SAF p/a into VAA fuel mix in partnership with Delta and Gevo

2030

↑10%

15% net reduction in total CO_2 emissions vs 2019 baseline, with 10% of fuel consumption from sustainable aviation fuel

2040

40% net reduction in total CO_2 emissions vs 2019 baseline

2050

Net Zero

Business as a force for good *continued*

Our planet *continued*

Operational efficiency - Signol
In 2022 Virgin Atlantic continued its partnership with Signol who have developed an app that supports pilots in adopting the most efficient flight behaviours.

The Signol platform uses data analysis to provide recommendations on a personalised basis on how to fly more efficiently from a fuel burn perspective. Pilots are provided with individual feedback to reduce fuel usage based on optimised fuel efficiency behaviours, whilst complying with all standards of fuel management and flight safety.

In 2022, it is estimated that the carbon savings achieved with the use of Signol by our pilots was over 8000 t/CO_2, equivalent to 60 flights between London and New York.

Sustainable aviation fuel
The second biggest lever to decarbonisation after fleet transformation, SAF presents an immediate opportunity to reduce lifecycle carbon emissions by up to 70%. Virgin Atlantic has always recognised the importance of SAF, having been an early pioneer, working with producers such as LanzaTech and delivering industry firsts such as our commercial SAF flight in 2018. Our subsequent commitment to 10% SAF use by 2030 aligns with the targets of the broader aviation industry and specifically to that of the UK Jet Zero roadmap which will obligate fuel producers to supply the market with 10% of the overall fuel supply qualified as SAF.

Recognising the critical role that SAF has to play in decarbonising aviation, and the collective action needed to scale production, has been a critical part of our policy campaigning during 2022 where we have lobbied and advocated for UK Plc to remain competitive with other markets in terms of both the cost and energy security delivered through a UK based SAF supply.

However, significant challenges remain in order to meet our target of 10% SAF by 2030. To achieve this, the UK will require 1.2m tonnes of SAF[1]; a scale up of over 100 times the announced planned production. As at close of 2022, there were no SAF specific plants under construction and, taking into account all announced UK SAF capacity, by 2030 the anticipated output is only likely to total just 40%-50%[2] of the SAF required to deliver upon the UK government's 10% SAF mandate.

During 2022, Virgin Atlantic, alongside other UK industry bodies such as Sustainable Aviation and Airlines UK has lobbied the government and produced detailed evidence that demonstrates the gross added value and job opportunities that a UK SAF industry would deliver. Whilst the UK government has indicated its support for both a SAF mandate and the accelerated development of five SAF production plants via the administration of £165m, by comparison, the European Union and the United States are forging ahead and delivering policy mechanisms that de-risk early investment into first of a kind plants and providing the support signals needed to scale their industries.

With the need for collective action at the heart of our SAF strategy, we continue to work with industry partners and peers and to lobby the UK government to support and promote a UK domestic SAF industry. Our work with long-term partners is critical to this aspiration and whilst we were pleased to support their successful application for funding under the Advanced Fuel Fund in 2022, there is still a lot more to do in order to ensure that the UK develops a domestic SAF industry and avoids reliance, in a constrained supply environment, on imports at greater cost to UK aviation's competitiveness and reducing national energy security.

Whilst policy support is essential to help build a UK SAF industry, it is implicit that airlines send the demand signals to producers of the need for production. In 2022 we took the first commercial delivery of SAF into London Heathrow, partnering with Neste Oyi and Exxon Mobil for the supply of 2,000 metric tonnes. Whilst representing a step forward in our efforts to build towards 10% SAF mix in our fuel supply by 2030 we recognise that this only accounts for 140 flights between London. However, this represents a meaningful learning experience into the complexities of SAF procurement to further our understanding of what is needed to deliver our committed volumes of SAF in the next seven years.

Our SAF focus continued throughout the rest of 2022 as we negotiated a Gevo produced SAF supply of 10m USG per year for seven years with our airline partner, Delta. Gevo's production process separates sugars and proteins from non-edible industrial corn grown using climate smart agricultural practices. The sugars are then used to make SAF and the proteins are fed to livestock, whose manure can be used in biogas digestors to produce renewable natural gas and agricultural fertilizer.

Additionally, we also entered into a non-binding contract with US sustainable fuel start up, Air Company, which gives Virgin Atlantic the option to buy up to 10m USG over ten years. Air Company are focussed on developing a type of SAF that uses a different technology pathway to Gevo. Air Company produced SAF is intended to make use of excess carbon in the atmosphere to create fuel via a process called Power to Liquids (PtL). Diversifying the type of SAF and who we buy from is critical to broadening our portfolio of opportunities and we will continue to enter into contracts such as these to guarantee our supplies and ensure 10% of our fuel use is SAF by 2030.

As we increase these volumes, we have built our corporate SAF offering – partnering with our largest customers to support SAF uptake and enabling corporate customers to take action on their carbon footprint. Critical to our corporate SAF programme is the ability to provide historic passenger emissions data to corporate customers of their journeys with Virgin Atlantic to increase transparent reporting of their Scope 3 emissions. Our ability to provide non-generic emissions numbers has been built on sound management information data that has been collected in our Sustainability Warehouse.

Coalition of the willing
Knowing that our customers are holding us to account regarding our carbon commitments is increasingly important to Virgin Atlantic. To help engage and partner with our customers, we started offering a sustainable aviation fuel programme for our corporate customers to assist them in managing their emissions. The scheme has been designed with the airline's corporate customers in mind. It allows them to improve their insight into their Scope 3 emissions through a specialist CO_2 methodology, whilst also helping them to manage their emissions through the purchase of the environmental attributes associated with the SAF purchased by Virgin Atlantic.

Working together in this way is extremely important as it creates a broader industry coalition that can signal the demand and support needed to scale a SAF industry.

If the need to establish a secure supply of SAF is important, it is equally necessary to ensure that the UK aviation industry is contributing to the research and development into the safe use of SAF and to facilitate advancements in the approvals pathway of using 100% SAF in engines as a direct drop-in replacement for fossil fuels.

In 2022 we were awarded funding from the UK government to make aviation history, operating the first 100% SAF fuelled transatlantic flight between London and New York, leading a consortium of partners including Rolls-Royce, Boeing, Imperial College London, University of Sheffield, Rocky Mountain Institute (RMI) and ICF, with the support of UK government funding, which we will match or exceed.

This challenge recognises the critical role that SAF has to play in decarbonising aviation and the urgent collective action needed to scale production and use of SAF globally. The research and

[1] Department for Transport Sustainable Aviation Fuels Mandate- Summary of consultation responses and government response - Foreword from the Secretary of State for Transport p6.
[2] ICF Analysis, Press Announcements.

Our planet *continued*

results will be a huge step in fast-tracking SAF use across the aviation industry and supporting the investment, collaboration and urgency needed to produce SAF at scale.

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

Our net carbon emissions will be reduced by investing in carbon offset and removal projects and funding emissions reductions through the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) and applicable Emission Trading Schemes (ETS). Under the UK and EU ETS, airlines are required to report, verify and offset their emissions by submitting carbon allowances to the relevant Environment Agencies. In 2022, our EU and UK ETS obligation totalled 11,239 tons CO_2 of which 5,757 tons CO_2 was mitigated through our investment in sustainable aviation fuel. We did not incur a liability under CORSIA which was re-baselined in 2022 and is now expected to impact cash-flow in the First Phase (2024-2026) although any growth above the carbon baseline is linked to UK industry growth and not directly related to Virgin Atlantic specific carbon emissions.

Reducing plastic and waste
Whilst recognising that over 75% of our carbon footprint is related to our fleet and fuel use does not mean that we've stopped taking action across our customer journey touchpoints. Pairing customer led innovation with more sustainably conscious products, suppliers and ways of working becomes ever more important to us and our customers who hold us to account.

Through innovative product design, investing in reusable and smarter loading of products we are constantly finding ways to reduce the weight and waste on board. We work with suppliers to trial and test replacement products, using alternative materials, increasing the recycled content and moving to light-weight packaging where possible. We targeted the removal or replacement of 90% of raw (virgin) single use plastic inflight service items by weight by the end of 2022 versus 2019. Having achieved a 43% reduction by the end of 2021, we made significant progress in 2022 and met the 90% target by end of the year; the equivalent of 61.4m flown items per year.

7.3m **Plastic cutlery** items replaced with pressed cardboard/wood

9m **Individual water bottles** removed and replaced with canned water and crew pouring service

5.3m **Individual SUP wine bottles** removed and replaced with canned wine

25m **Plastic economy glasses** moved to 95% recycled content

5.3m **Hot meal containers** replaced with Bagasse, a material from sugarcane

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

Our supply chain is generally the most challenging part of our footprint to measure, monitor and improve performance as it sits outside our direct control. Effective supply chain engagement is fundamental to ensure we're making meaningful improvements, finding mutual opportunities to share knowledge, and supporting increased transparency.

We continue to work with EcoVadis, a collaborative platform that allows us to assess and encourage suppliers' sustainability performance. Suppliers submit questionnaires describing their policies and actions, together with supporting evidence. The analysis by EcoVadis creates a scorecard that allows us to understand performance and discuss areas for improvement with our suppliers as well as recognise best practice.

Whilst our sustainability performance in 2022 has delivered step improvements in our journey towards Net Zero, there is still much more work to be done. As a purpose led organisation on a mission to use our business as a force for good, we realise that we have a huge responsibility to our communities, our people, and the environment. In 2023 we will continue to build on our heritage of innovating and challenging the status quo to deliver unique customer experiences whilst facing up to tackling the challenges of decarbonising aviation.

Our planet *continued*

Greenhouse gas emissions data
Emissions calculation
Virgin Atlantic report Scope 1 and Scope 2 CO_2e emissions by multiplying the fuel and energy of Virgin Atlantic by the relevant conversion factors within the UK government Greenhouse Gas Reporting: Conversion Factors 2022.

Virgin Atlantic discloses CO_2, CH_4 and N_2O for all fuel and energy consumption across the organisation.

Scope 3 emissions have been reported using both UK government Greenhouse Gas Reporting: Conversion Factors 2022, and United States Environmental Protection Agency (US EPA) Supply Chain Greenhouse Gas Emission Factors where Virgin Atlantic felt it more appropriate to do so.

Our detailed emissions calculations methodology can be found within our 2022 Non-Financial Reporting. KPMG has provided limited assurance over selected 2022 emissions data which was prepared in line with this methodology.

Type of emissions	Activity	2019	2020	2021	2022 (tCO_2e)	2022 (%)	2022 vs 2019 change (%)	2022 vs 2021 change (%)
Direct (Scope 1)	Aircraft fuel	4,190,727	1,597,905	1,768,189	**3,090,836**	**75.9**	**-26**	**75**
	Natural gas	2,428	1,808	1,467	**1,244**	**0.03**	**-49**	**-15**
	Other fuels	498	164	232	**267**	**0.01**	**-46**	**15**
	Refrigerant	-	827	309	**246**	**0.01**	**N/A**	**-20**
	Ground fuels	575	229	235	**164**	**0.004**	**-71**	**-30**
	Subtotal	4,194,229	1,600,932	1,770,432	**3,092,757**Δ	**75.9**	**-26**	**75**
Indirect energy (Scope 2)	Purchased electricity Location based	3,225	2,101	1,440	**1,246**Δ	**0.03**	**-61**	**-13**
	Market based	-*	-*	-*	**0**Δ	**0.0**	**-**	**-**
Indirect other (Scope 3)	Category 1 Purchased goods and services	240,503	126,511	103,818	**108,067**	**2.7**	**-55**	**4**
	Category 2 Capital goods	211,469	39,099	10,401	**14,206**	**0.3**	**-93**	**37**
	Category 3 Fuel and energy related, well to tank (WTT)	869,019	331,601	366,922	**640,572**	**15.7**	**-26**	**75**
	Category 4-9	158,433	39,608	60,845	**127,907**	**3.1**	**-19**	**110**
	Category 11 Use of sold products	249,844	37,676	23,744	**86,262**	**2.1**	**-65**	**263**
	Subtotal	1,729,267	574,495	565,731	**977,014**Δ	**24.0**	**-44**	**73**
Total emissions location-based (tCO_2e)	Total	5,926,721	2,177,528	2,337,603	**4,071,016**	**100**	**-31**	**74**
Total emissions market-based (tCO_2e)	Total	N/A	N/A	N/A	**4,069,771**	**100**	**N/A**	**N/A**

* Market based emissions not previously reported.
Δ Only 2022 absolute emissions totals assured independently by KPMG, see assurance statement here: virginatlantic.com/businessforgood for more information.

Our planet *continued*

Sustainable Aviation Fuel (SAF)

2022 SAF (tonnes)	SAF emissions (tCO_2e)	SAF emissions reductions (tCO_2e)
1,952	**709**	**7,179**

Sustainability metric	2019 data	2020 data	2021 data	2022 data	YoY % change
Aircraft CO_2 (kg) per revenue tonne kilometre (CO_2/RTK)	0.723	0.826	0.8250	**0.695**	-15.8
Total CO_2 emissions (tonne) from aircraft operations	4,148,970	1,581,962	1,750,537	**3,059,981**	74.8
Aircraft CO_2 (g) per passenger kilometre	78.9	119	137.8	**77.0**	-44.1
Aircraft CO_2 (g) per cargo tonne kilometre	470	496	494	**460**	-6.9
Electricity use, kWh	12,409,002	9,011,904	6,606,327	**6,440,825**	-2.5
Gas use (excluding airport properties), kWh	8,524,419	8,749,654	6,415,359	**3,223,052**	-49.8
Combined Electricity and Gas, (tonnes) CO_2e (location-based)	4,739	3,710	2,615	**1,838**	-29.7
Average aircraft noise (decibels)	95.1	93.3	92.8	**93.0**	0.2

Further information on our greenhouse gas emissions data methodology and calculation can be found in our Greenhouse Gas Emissions Methodology Statement available on our website at: virginatlantic.com/businessforgood

Waste data

Operation	Activity	Source	Unit	Recycled	Landfill	Energy recovery	Total
Ground operations[1]	VHQ office and LHR hangar waste	CBRE	Tonnes	134 (61%)	-	84 (39%)	**218**
Aircraft onboard[2]	Onboard catering and production waste	Gate gourmet	Tonnes	158 (7%)	321 (13%)	1,826 (80%)	**2,306**
Aircraft onboard[3]	Cabin and amenities waste	MNH	Tonnes	398 (92%)	-	34 (8%)	**432**
Total	**Total**	**-**	**Tonnes**	**690 (23%)**	**321 (11%)**	**1,944 (66%)**	**2,956 (100%)**

[1] Data is provided for all sites from our waste contractor based on a mixture of actual weighed bins and industry averages.
[2] Data is provided by UK caterer Gate Gourmet based on our services at UK airports. Data is estimated apportioning weights based on Virgin Atlantic volumes at operating units. It includes waste generated during meal preparation at Gate Gourmet's facilities, as well as catering waste returned from the aircraft. Category 1 Purchased goods and services: By law, anything that touches meat or other animal products (such as dairy), which arrives in the UK from outside the European Union, is classified as Category 1 Purchased goods and services and has to be completely isolated and destroyed.
[3] Cabin waste collected from provider MNH Cabin Services. This data relates to specific cabin waste items collected and returned to MNH for refurbishment and recycling including headsets and amenity kits, plastics, cardboard, paper, fabrics and textiles.

Sustainability Accounting Standards Board (SASB)

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

Topic	Accounting metric	Category	Unit of measurement	Page reference or data
Greenhouse gas emissions	Gross global scope 1 emissions	Quantitative	Metric tonnes CO_2e	3,092,757
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Discussion and analysis	N/A	Pages 50-51
	(1) Total fuel consumed, (2) percentage alternative, (3) percentage sustainable	Quantitative	Metric tonnes CO_2e, Percentage (% of volume)	3,090,836, 0.2%
Labour practices	Percentage of active workforce covered under collective bargaining agreements	Quantitative	Percentage (%)	55%
	(1) Number of work stoppages and (2) total days idle	Quantitative	Number, days idle	0
Competitive behaviour	Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behaviour regulations	Quantitative	Reporting currency	£Nil
Accident safety & management	Description of implementation and outcomes of a Safety Management System	Discussion and analysis	N/A	Pages 64-67
	Number of aviation accidents	Quantitative	Number	0
	Number of governmental enforcement actions of aviation safety regulations	Quantitative	Number	0

Sustainability activity metric	Category	Unit of Measure	Page reference or data
Available seat kilometres (ASK)	Quantitative	ASK	39,644,002,218[1]
Passenger load factors	Quantitative	Rate	70.4%
Revenue passenger kilometres (RPK)	Quantitative	RPK	31,905,233,161
Revenue ton kilometres (RTK)	Quantitative	RTK	64,405,355,711
Number of departures	Quantitative	Number	22,774
Average age of fleet	Quantitative	Years	6.5

[1] Based on passenger flights and seats excluding cargo and ferry flights.

Task force on climate-related financial disclosures

This is Virgin Atlantic's first full Task Force on Climate-Related Financial Disclosure (TCFD) reporting, which is prepared on a voluntary basis and builds on the interim statement in 2021. The disclosure describes the potential impact of physical and transition risks associated with climate change, as well as the mechanisms and mitigations to support the transition to a lower carbon economy.

TCFD overview	Relevant TCFD disclosure	Current activity	Focus for 2023
Governance	Disclose the organisation's governance around climate-related risks and opportunities.	Board oversight through regular updates/ approvals at Quarterly Leadership Team meetings and Audit Committee.	Increase Board oversight and accountability for climate change risks.
Strategy	Disclose the actual/potential impacts of climate-related risks and opportunities on the businesses/strategy/ financial planning where such information is material.	Alignment with TCFD scenario analysis of climate change risks and opportunities. Integration of sustainability into annual and strategic business planning process.	Increase oversight on financial risks linked to long term climate change impacts. Continued focus on delivery of fleet transformation and SAF procurement.
Risk management	Disclose how the organisation identifies, assesses, and manages climate-related risks.	Climate-related risks and opportunities are identified and assessed on an ongoing basis and aligned with ourERM framework.	Greater definition of roles and responsibilities for climate change risk identification. Increased awareness and understanding of climate change risks and opportunities through training.
Metrics & targets	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Delivery against Net Zero roadmap. Clear metrics and targets in place for 2026, 2030 and 2040. CO_2/RTK metric reported and linked to Leadership performance targets. Disclosure of scope 1-3 (see page 51) and continued improvement of CO_2 emissions from flying improvement of scope 1-2 CO_2 performance. Sustainability KPIs including SAF procurement and weather-related disruptions are monitored on a quarterly basis by the Leadership Team.	Progress towards delivery of 2026 CO_2/RTK target and 2030 SAF target of 10% total fuel use.

We have reported against the 11 TCFD recommendations across four key pillars: Governance, Strategy, Risk Management and Metrics & Targets. We believe this is an important next step in our continued transparency on climate issues ahead of mandatory requirements to disclose for the 2023 financial year.

We engaged Agendi, a sustainability and climate consultancy, to conduct climate scenario analysis, utilising current best practice climate modelling to understand the risks, financial impacts and mitigations across different climate-related outcomes. This included internal stakeholder engagement across our Senior Leadership Group to strengthen business understanding, reliance and planning for climate change, including the maturity of existing tools and practices in place to enable timely risk identification, mitigation planning and action.

Next steps

As we move forward, Virgin Atlantic is committed to enhancing transparency and accountability both internally and externally utilising the TCFD framework and increasing our disclosure for 2023. We will continue to adopt best practice to embed climate-related risks and opportunities into our business decision-making, operational resilience, financial planning and risk management. As climate forecasting models and sector insight mature and develop, we will continue to evolve our approach.

Task force on climate-related financial disclosures *continued*

Climate change governance
Climate-related responsibilities are delegated in accordance with Virgin Atlantic's governance structure across the Leadership Team, with Board oversight (see pages 80-83). The associated climate-related responsibilities for the Board, Leadership Team and Sustainability teams are summarised below.

Board of Directors

Reviews and approves Enterprise Risk Management strategies and overall risk appetite, including those related to sustainability and climate change. The Board also reviews and approves Virgin Atlantic's strategic plan including Sustainability and associated targets and performance.

Audit committee

Reviews the key risks to the business including climate-related risks and determines principal risks and mitigation strategies. Provides quality control and approval of internal reporting and the control systems that support the oversight of the Board. The Audit Committee meets with the Board on a quarterly basis.

Leadership team

Business as a force for good and sustainability, alongside strategy, are under the direct accountability of the CEO. The CEO is ultimately responsible for Sustainability and updating the Board on material sustainability issues, decisions over major climate-related investments such as fleet acquisitions and retirements and climate-related targets. The CEO is Virgin Atlantic's representative on the UK's Jet Zero Council.

The Leadership Team are ultimately accountable for the sustainability programme and setting, delivery and reporting of climate-related targets. The Leadership Team meets with the Board on a quarterly basis to review progress.

Sustainability team

The VP Corporate Development sets the strategic direction of the Sustainability Team, holds line management responsibility for delivery and sponsorship of climate-related proposals at Leadership Team and Board meetings.

The Sustainability Team executes the sustainability strategy, advises the business on sustainability issues and manages the day-to-day delivery of priorities. The Sustainability Team works closely and meets regularly with the relevant members of the Leadership Team to ensure the sustainability strategy is aligned with our core values and business strategy.

Since 2020, our senior leaders have been incentivised and rewarded for achieving absolute carbon emission reductions measured against our CO_2/RTK performance – a measure of an airline's carbon intensity based on the CO_2 emitted for each tonne of revenue generating passenger or freight cargo carried.

Business as a force for good *continued*

Strategy
Climate-related issues are fundamental across the airline, influencing our operational performance, fuel procurement, network decisions, commercial optimisation and financial planning. Sustainability commitments, decision-making and investments are driven by identifying and assessing climate-related risks and opportunities. Key decisions focus on our fleet investment, utilisation and efficiency, and our commercial partnerships supporting breakthrough technologies such as SAF and carbon removals.

Scenario analysis methodology

	Transition risks	Focus for 2023
Definition	**Policy and legal:** Carbon pricing, regulatory requirements, exposure to litigation **Technology:** Lower carbon/sustainable technologies and innovation, including costs of transition **Market:** Changing customer behaviour, market signals and costs of raw materials **Reputation:** Consumer preferences, sector stigmatisation and increased stakeholder concern	Physical hazard impacts to operations and business model as a result of climate change including severe weather events such as: • Wildfires • Inland flooding • Heatwaves • Sea level rise • Water stress • Cyclones
Footprint assessed	Upstream, direct operations and downstream	14 key operational sites including airports, offices and Virgin Atlantic Holidays destinations
Scenarios	International Energy Agency (IEA) Net Zero by 2050 scenario: • Peaks at 1.6°C in 2040 and 1.5°C by 2050	Intergovernmental Panel on Climate Change (IPCC) Shared Socioeconomic Pathways (SSP): • **2-4.5:** mid-range temperatures. CO_2 emissions stay around current levels starting to fall mid-century, reaching net zero by 2100 • **5-8.5:** high temperatures. Current CO_2 emissions levels double by 2050. By 2100, the average global temperature is 4.4°C higher
Time horizons	**Short term:** 1-3 years **Medium term:** 3-14 years **Long term:** 14-35 years	
Assumptions	• Virgin Atlantic roadmap to Net Zero by 2050 and interim targets achieved • CORSIA offset obligations • UK's Jet Zero Strategy delivered	Physical risks are expected to materialise around 2030/2040 when scenario pathways diverge

Task force on climate-related financial disclosures *continued*

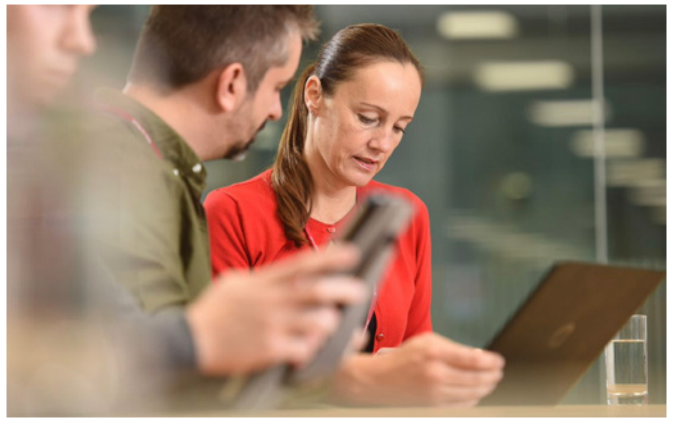
Transition risks

Transition risks were assessed using both qualitative and quantitative forward-looking analysis on emissions forecasting, SAF uptake and CORSIA compliance costs. Both Jet Zero and IEA's Net Zero by 2050 scenarios were applied to explore the range of potential carbon costs arising from decarbonisation. The IEA provides one of the most well known, widely used and reviewed scenarios for transition to a low carbon economy. The IEA Net Zero by 2050 scenario is consistent with limiting the global temperature rise to 1.5°C. Jet Zero sets out the strategy for the UK aviation industry to achieve Net Zero emissions by 2050.

During Q4 2022 - Q1 2023, we conducted internal stakeholder engagement sessions with members of our Senior Leadership Team on the TCFD framework and climate-related risks and opportunities. These sessions were held across key business segments to evaluate and consider the identified material transition risks and opportunities on the business.

Our Risk and Sustainability teams have reviewed a range of climate-risk scenarios based on specific drivers. Risks were assessed for probability and size of the impact on the business, mapped against short (1-3 years), medium (3-14 years) and long term (14-35 years) time horizons. These time horizons were selected to ensure alignment with Delta Air Lines, one of our shareholders and a leading US airline. In addition, these time horizons also ensure the capture of climate risks and opportunities of a high emissions scenario, expected to materialise around 2030-2040. Identified risks were assessed against our risk management framework to evaluate likelihood and impact, including mitigative measures.

Of the range of climate-related transition risks identified, material risks include increased compliance costs, fuel and energy sources relating to SAF procurement and changing customer behaviour regarding flight demand and preference.



Transition risks *continued*

Risk		Our resilience and mitigation measures
Policy	**Compliance costs** Increased exposure to carbon pricing mechanisms such as CORSIA (voluntary, sectoral) or the UK Emissions Trading Schemes resulting in a significant increase in operational costs and impacts to both passenger and cargo services.	• Continued investment in SAF and lower carbon energy technology as well as delivery of Net Zero carbon roadmap. • Engagement with government through industry forums such as IATA and Jet Zero Council. • Continued monitoring of regulatory environment. • Internal decarbonisation forecasting of future emissions and carbon pricing in the short, medium, and longer term, informed and updated by quarterly financial and operational forecasts, yearly budget forecasts and longer term business strategy forecasts. • Continued relationship building with carbon capture and storage technology companies as a future lever to decarbonise. • See Risk 4.2 of Top Risks identified within VAA ERM framework on page 73.
Policy, market & reputation	**Fuel and energy sources** Availability and cost of SAF may differ to forecasts, with limited domestic and global supply driving increased cost alongside the introduction of mandates. Higher fuel costs may force the potential early retirement of fleet.	• Continued support/lobbying for a UK SAF mandate and additional price support mechanisms to attract investment in a UK SAF industry. • Development of SAF strategy, market evaluation. • Early engagement with SAF producers and portfolio approach to offtakes. • One of the youngest and fuel efficient fleets in the sky, mitigating fuel cost and increasing fuel efficiency. • Continued monitoring of pricing and availability of SAF. • Continued involvement in industry forums such as Jet Zero Council and IATA to support and lobby UK government to further invest in the development of the UK SAF industry. • See Risk 4.2 of Top Risks identified within VAA ERM framework on page 73.

Task force on climate-related financial disclosures *continued*

Transition risks *continued*

Risk		Our resilience and mitigation measures
Market & reputation	**Customer behaviour** Changing customer behaviour, change in preference to competitors, shift to alternative modes of transport affecting all business segments resulting in reduced demand for destinations and reduced revenues.	• Delivery of decarbonisation and roadmap to Net Zero 2050. • Continued investment in SAF including launch of Corporate SAF programme. • Transparency of sustainability reporting and customer communications. • Continue to monitor customer and stakeholder preferences and expectations, tailoring our products and services where possible. • Cross-industry collaboration through forums and working groups to work towards meaningful progress and strategy. • Continuous review of network and destinations profitability as an indicator of changing customer behavior. • See Risk 4.1 of Top Risks identified within VAA ERM framework on page 72.

Additional resiliency and mitigation measures in place

Activity	Our resilience and mitigation measures
Engagement, collaboration and innovation	• UK government funded 100% SAF Net Zero flight to take place in 2023, providing valuable research into increasing the permitted blending ratio of SAF from 50%. • Strategic partnerships and regular engagement with key suppliers. • 76% next-generation (fuel efficient) fleet with a target of 100% by 2027. • Continued monitoring of customer needs and regulatory changes to enhance management and anticipate potential new risks.
Sustainability financing	• Climate financing strategy of high-quality and verified carbon removals and offsets.
Reporting and disclosure	• Annual progress reporting in place. • Engagement in voluntary reporting and disclosure frameworks. • Clear transparency of progress against carbon reduction targets. • Sustainability KPIs monitoring across carbon reduction, SAF procurement and weather-related disruptions. • Monitoring of stakeholder preferences and expectation. • Sustainability team oversight of messaging used in Communications, Sales and Customer Journey teams to ensure consistency.

Physical risks

Quantitative physical climate risk analysis was undertaken on a representative sample of Virgin Atlantic's operational sites and airports. Exposure was assessed under mid and high-range emissions scenarios against the Shared Socioeconomic Pathways Intergovernmental Panel on Climate Change (IPCC) 6th Assessment Report. IPCC Reports are widely recognised and provide the most up-to-date scenarios. The analysis was conducted across short, medium and long term horizons and based on the following assumptions:

SSP2-4.5 (mid-range):

- 'Middle of the road scenario', global average temperatures rise to 2.7°C from pre-industrial levels by 2100
- CO_2 emissions hovering around current emissions levels and falling by 2050, Net Zero by 2100 is not met
- No notable shifts in socioeconomic trends
- Decarbonisation progress is slow
- Growing gap between global development and income with some countries making greater progress than others.

SSP5-8.5 (high-range):

- 'Worst case' emissions scenario, global average temperature is predicted to be 4.4°C higher than pre-industrial levels
- Increased global population, slow income growth and moderate technological improvements
- High energy demand and fossil fuel based emissions due to lack of climate change policies.

Under a worst case scenario where SSP5-8.5 is applied, the net materiality levels of long term physical risk exposure affecting our operations both on the ground and in the air became more pronounced. The following geographical areas are significantly impacted:

- West Coast, US
- Las Vegas, US
- Caribbean
- Mumbai, India

Under the same high range temperature rises, the following physical risks across multiple sites became more apparent:

- Heatwaves
- Cyclones and hurricanes
- Water stress

The geographical risk type varied according to the specific location where, for instance, low lying countries such as the Maldives will be far more affected by sea level rises compared to inland areas. Physical risks may drive our future customer preferences and demand for destinations. We continue to track demand and trends as well as the commercial viability of new routes and destinations. The Operational teams utilise data on weather-related disruptions through business-as-usual practices, reporting reviews and trend analysis to identify any early warning signs of potential increased disruptions at specific locations.

In 2022, the Sustainabilty Team began regularly reporting this data as part of a suite of sustainability KPIs reviewed by the Leadership Team on a quarterly basis.

The physical impact of climate change on operations is also identified as a Top Risk within our Risk Management framework, see Risk 4.3 on pages 73 to 74.

Task force on climate-related financial disclosures *continued*

Opportunities

In addition to climate-related risks, we have also identified several climate-related opportunities, as summarised below:

Customer experience and resiliency	Energy sources, technology and increased efficiency	Participation in carbon markets
• Enhancement of customer experience through monitoring and addressing changing customer behaviour. • Reduced disruptions and improved customer journeys through increased resiliency and effective climate-related risk management.	• Harness new and innovative technologies and energy sources. • Utilise data and operational advancements to build resource efficiency and inform customers of our impact.	• Increased revenue opportunities driven by reputational benefits of being a carbon efficient airline.

The fulfilment of these opportunities and mitigation of the described risks are tracked through the use of metrics, as described under Metrics & targets.

Risk management

Climate-related risks and opportunities for Virgin Atlantic are identified and assessed on an ongoing basis (quarterly at a minimum), as part of our sustainability strategy, Corporate Risk Management process, ERM framework and risk governance model. Our risk management processes include adaptation plans regarding the impact on operations due to physical climate hazards.

Our general risk management framework incorporates climate-related risk identification, management, and processes. In addition to the information provided in the climate governance chart, further detail on climate risks related roles and responsibilities across the group, of the Board and management are set out on pages 64 to 65.

Metrics & targets

We've set ambitious carbon targets on the collective mission to Net Zero 2050:

- **By 2026:** 15% gross reduction in CO_2/RTK achieved through continued fleet transformation and operational efficiency (2019 baseline)
- **By 2030:** 15% net reduction in total CO_2 emissions, including 10% of fuel sourced from sustainable aviation fuel
- **By 2040:** 40% net reduction in total CO_2 emissions

Please see page 51 for information on our 2022 Scope 1-3 carbon emissions disclosure and progress against our 2019 baseline.

Further information on the 2022 intensity metrics and performance versus baseline year 2019 can be found on pages 51 to 52.

We report on our scope 1, 2 and 3 greenhouse gas emissions inline with the GHG Protocol, further information can be found on page 51 and in our Non-Financial Reporting Criteria at: virginatlantic.com/businessforgood

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

- Aircraft CO_2 (kg) per revenue tonne kilometre
- Total CO_2 emissions (tonnes) from aircraft operations
- Aircraft CO_2 (g) per passenger kilometre
- Aircraft CO_2 (g) per cargo tonne kilometre
- Electricity use (kWh)
- Gas use (kWh)
- Combined Electricity and Gas, (tonnes) CO_2e

Looking ahead

We will use the findings of the climate scenario analysis conducted to further incorporate specific climate-related physical and transition and opportunities into our governance model, reporting frameworks and business decision-making, including consideration of risk time horizons.

In the course of 2023, Virgin Atlantic is focused on increasing visibility and standardisation in customer emissions reporting building on our corporate and cargo customer emission forecasting and SAF programme to better surface the carbon impact for all customers choosing to fly with us.

Through our 100% SAF fuelled flight, we are also committed to collaborating with the aviation industry and contributing towards the vital research that is needed to accelerate the pace of change at which SAF is adopted whilst contributing to other important research topics such as non-CO_2 effects of flying. Our commitment is to do this work in the most accountable and transparent way.

We will continue to enhance our reporting and governance processes to ensure greater transparency and accountability. We will also review the feasibility of setting science-based targets following the publication of interim 1.5°C aviation pathway guidance issued by Science Based Target Initiative in early 2023.

Risk management

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

Our risk processes are focused on both (1) providing effective short term risk management in a dynamic macro-economic, political and operating environment, and (2) ensuring medium and longer term risk horizon scanning activity is identifying new and emerging threats in a timely manner. Throughout, we place the health and safety of our people, customers and partners at the heart of our decision making.

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

As health, safety and security is our number one priority, underpinning everything we do, this risk category has its own reporting structure and escalation procedures. These integrate with our corporate risk processes through shared membership, aligned frameworks and a cadence of regular meetings.
A number of additional risk committees and working groups have also been established where needed to provide additional governance over Top Risks, such as Information and Cyber Security, and Crisis Management.

Above - Red Spirit
Sorcha Didier A350 Pilot and advocate for equality in aviation, a champion for "achieving dreams" and a Passport to Change mentor.

Risk governance model

Board of Directors & Audit Committee
- Sets overall risk appetite in line with strategic objectives
- Assesses effectiveness of risk management systems
- Approves the risk framework and policy

CEO & Leadership Team
- Assesses risk landscape and identification of material risks
- Defines risk appetite and individual risk tolerance
- Reviews adequacy of mitigating actions and controls
- Ensures appropriate resource allocation

Corporate Risk Team
- Defines corporate risk policies and procedures
- Co-ordinates executive/board risk discussion
- Independently assesses and escalates significant risks
- Risk training and support to business

Safety & Security Review Board
- Independently chaired
- Interfaces with regulatory agencies
- Sets high level strategy and policy
- Monitors effectiveness of safety supervision

Operating Units
- Assesses localised risks and landscape
- Reports on key risk indicators
- Manages risks within defined tolerances
- Implements of risk response plans

Safety Groups
- Flight and cabin safety group
- Engineering safety group
- Security action group

Information Security Board
- Independently chaired
- Oversees data security and privacy
- Monitors cyber security risks and mitigations

Other Boards
- Financial Risk Committee
- Organisational Resilience Board
- Crisis Management function

Risk management *continued*

Principal risks and uncertainties
In 2022 we defined our Top Risks across seven categories, being (1) Health, safety and security (2) Financial and macro-economic (3) Third party relationships (4) Sustainability (5) Technology and cyber security (6) People and brand and (7) Regulatory and legislative.

The risk environment is continually evolving and consequently we need to remain alert to longer-term operational, economic, and financial factors that increase uncertainty; many outside of our control. However at the time of publication, the Directors believe that the risks and uncertainties which are described below are the ones which may have the most significant impact on our long-term performance.

Risk category 1: Health, safety and security

Risk 1.1: Major safety, terrorism or security incident

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

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

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

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

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

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

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

Risk 1.2: Significant health-related incident

Risk context
We have a critical and legal obligation to ensure we provide a safe working environment whether onboard, in our ground facilities or in our offices. Equally, ensuring that our aircraft are safe, hygienic environments, and are seen as such, is critical to supporting ongoing customer confidence especially following the heightened focus on such standards through the Covid-19 pandemic.

A further health emergency or new pandemic could emerge at short notice, affecting our workforce or our third party supplied workforces, and could have a significant detrimental impact on our ability to operate and generate revenue as well as impacting on our primary duty of care to our employees.

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

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

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

Our active monitoring includes the incorporation of additional resilience into our flying schedules with appropriate measures to have crew on standby should there be a health-related incident. Our resilience measures are designed to ensure customer and employee safety and to minimise any impact on operations.

The importance of ensuring a safe operating environment for our staff, and a safe transportation environment for our passengers, is an immediate priority. Many of our pandemic related health protection measures remain in place, including state of the art HEPA standard filtration in all aircraft and regular cleaning and disinfecting. We follow all relevant guidance and regulations, and regularly update our processes when the guidance or our own risk assessments changes.

Risk 1.3: Other high impact/low likelihood adverse events

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

- Significant weather events which impact our ability to operate aircraft or deliver our holiday packages;

Risk management *continued*

- Closure of airspace as a result of geopolitical tensions, regional disputes, wars between nations, and other humanitarian disasters;
- Worldwide fleet grounding events, including as a result of rapidly emerging airworthiness concerns on an engine or aircraft type; and
- Acts of terrorism or civil unrest in destinations that we serve, which lead to the inability to operate to these locations or prevent us from flying passengers, crew or aircraft out of such locations.

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

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

Main controls and mitigations

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

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

- We have a crisis management and resilience function which constantly and consistently manages the risk of major disruption from an operational perspective. This includes a dedicated crisis management centre, with an operational readiness state 24/7/365, together with clearly established protocols for engagement, escalation and closure of potential crisis events. We also have a team of volunteers trained in crisis management situations who can be called upon for support activity at short notice.
- We conduct company-wide business impact analysis, and have established Business Continuity Plans for all the critical areas of our operating and head office functions. These remain under continuous review. We test our crisis management processes regularly using a range of different and changing scenarios.
- Our Organisational Resilience Board and Safety and Security Board both meet regularly to assess the risks associated with crisis management and business continuity planning.
- We have a number of additional domain-specific controls established for other principal risks to the business which could be categorised as low likelihood/high impact, including for the failure of critical technology systems, and for health, safety and security events – as detailed in other sections of this risk disclosure.

Risk category 2: Financial and macro-economic factors

Risk 2.1: Liquidity risk

Risk context

Liquidity risk remained a key focus for 2022 as we emerged from the pandemic to face new challenges and uncertainties following Russia's invasion of Ukraine and resulting high energy prices, ongoing global supply chain issues and high inflation that has provoked a cost of living crisis. This year has seen a ramp up in our operations as passenger flying returned in earnest. However, there continues to be macro-economic volatility that means our laser focus on protecting liquidity remains.

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

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

Main controls and mitigations

The actions we took to protect our liquidity during the pandemic continue to play a significant role in the close and careful management of our cash position. These include an ongoing focus on maintaining the recurring cost savings we delivered in 2020 and 2021, obtaining additional liquidity through new card acquirer agreements, consolidating our network, and identifying new passenger route opportunities.

To strengthen our liquidity management and reporting processes we have established a cash committee to oversee cash management activity and support strategic cash decisions, which is in turn informed by robust cash modelling and cash forecasting activity. Enhancements to our capital governance and approval processes also ensure we maintain financial discipline in respect to prioritising and managing our capital expenditure.

The net exposure to movements in interest rates is calculated and managed with a view to reducing the impact of any potential rate increase. This being especially pertinent in the current economic climate. A mix of fixed and floating rate products are used to reduce exposure and where necessary we utilise financial instruments approved under our risk management policies. We maintain the majority of our debt at fixed rates to manage this exposure.

Any hedging activities are undertaken in line with our financial risk management policies to provide a degree of certainty for future financing costs and to reduce volatility of cash flows. During 2022, we re-activated our hedging positions on Fuel and FX. Please refer to the financial statements below for the latest position. We do not speculatively trade and use these instruments to manage the underlying physical exposures of the business.

Risk 2.2: Financing risk

Risk context

Financial leverage from operating leases, finance leases, secured loan facilities and other facilities remains of consequence and is a key area of focus for the business, with a range of potential negative implications if not carefully planned and managed. In common with the rest of the airline industry, the amount of financial leverage within the business increased in both 2020 and 2021 due to the additional debt that we took on to improve our liquidity position in response to the Covid-19 pandemic. In 2022, we also added two new aircraft which will be acquired through operating leases.

Main controls and mitigations

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

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

We regularly review the use of our assets, including securitisation options, to ensure we maintain our costs of borrowing and capital within our capital structure targets. We have an approved strategy and plan which is focused on ensuring our operations both resume and sustainably maintain at a healthy and cashflow positive position, and which includes detailed assessment of the most efficient use of revenue from operations – including re-investment and financing repayment opportunities.

Risk management *continued*

Risk management *continued*

Risk 2.3: Foreign currency and jet fuel risk

Risk context
We have significant exposure to US Dollar denominated costs, most significantly for jet fuel, aircraft financing and interest costs, but also for fleet maintenance and other US Dollar financing arrangements. Adverse movements in the US Dollar to Pound Sterling rate, as noted in the second half of 2022, can therefore significantly impact our financial position.

Repatriation may also be constrained in countries where exchange controls are imposed to regulate the flow of money, and in some such locations the risk of currency devaluation for unrepatriated balances can be high.

In addition, jet fuel comprises a significant and material element of our cost base. We therefore have considerable exposure to adverse movements in the base price of oil and jet fuel, independently of the foreign exchange risk outlined above.

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

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

Risk category 3: Third party relationships

Risk 3.1: Key supplier failure risk

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

2022 has highlighted the pressures on supply chains across a variety of industry sectors, including aviation and many of our suppliers. This has led to a heightened risk for many businesses we deal and transact with on a daily basis. In addition, inflationary pressures have compounded this risk meaning that elements of our supply chain could be more likely to experience financial distress as a result of the increased strain being placed on their costs and business models.

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

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

We monitor our supply chain to alert us to supply and inflationary pressures. We will look to take mitigating actions, such as maintaining a larger inventory, where appropriate and ensure the actions we are taking do not place unnecessary additional stress on our valued suppliers and counter-parties.

Risk 3.2 Fleet and engine suppliers

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

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

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

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

Risk 3.3: Airport infrastructure and slots

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

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

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

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

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

Risk management *continued*

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

To maintain rights and access to slots in the future we work closely with decision making bodies to continue to improve our slot management and ensure we have early sight of any upcoming changes.

Risk category 4: Sustainability

Risk 4.1: Consumer expectations on sustainable aviation

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

In 2022, flying has been recovering from two years of a greatly reduced operation which has not diminished the appetite for flying; however, our customers are increasingly expressing strong preferences for sustainable options. If we are not able to satisfy consumer expectations and travel choices then there is a risk that we will not be perceived as a travel company with whom they wish to transact.

Main controls and mitigations
Our actions to support technology innovation and SAF commercialisation, alongside onboard initiatives to reduce our plastic use and waste – are demonstrative of our ongoing commitment to sustainability leadership.

We have committed to Net Zero carbon emissions by 2050. To support this, we announced interim targets in October 2021, setting milestones against which to measure our progress and drive accountability on our pathway to Net Zero. We have developed more sophisticated measurement, metrics and reporting to give ourselves, our customers and our wider stakeholders visibility on the environmental impact we have and areas where we need to do more. As a result, we continuously work to find ways to improve efficiency across all our operations, and to provide greater transparency in our performance through independent auditing and verification of our carbon footprint.

We have transformed our fleet over the past decade from four-engine powered aircraft to more efficient twin-engine aircraft. Investing in a fleet transformation programme means we fly one of the youngest and most fuel efficient fleets. Since 2013 we have reduced our CO_2/RTK by 12%, with 2022 performance representing a further 4% improvement against 2019.

We have supported the development of SAF since 2011 working in partnership with a number of companies to make SAF a viable and affordable option for airlines. These partnerships are key to achieving our milestone of being ready to achieve 10% use of SAFs across our fleet by 2030. We have announced our intention to fly a 100% SAF flight during 2023. There remains a long way to go for SAF commercialisation to reach meaningful scale in the UK and we continue to support radical collaboration across industry and the energy value chain to finance, build and operate SAF plants.

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

Our TCFD disclosure in this year's Annual Report reports and discloses further details, including the climate-related risks and opportunities most relevant for Virgin Atlantic, with a focus on our preparedness for a Net Zero by 2050 scenario.

Risk 4.2: Financial challenges to achieving carbon reduction commitments

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

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

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

There are uncertain longer term costs and financial exposures as a result of market-based measures such as CORSIA (Carbon Offset and Reduction Scheme for International Aviation) and the UK Emissions Trading Scheme. Under CORSIA, airlines from participating states will be required to buy carbon offsets to compensate for the global growth in CO_2 emissions. Equally, changes to existing carbon trading schemes, or the implementation of new schemes, have the potential to create misaligned cost, price and regulatory incentives for global airlines.

Main controls and mitigations
We actively monitor policy, financing and commercial developments related to SAF in our home market as well as the largest destination markets we serve. This includes UK and EU SAF mandate proposals, treatment of SAF in CORSIA, through IATA and at ICAO as well as regulatory incentives and emission trading schemes. Through a range of industry forums and memberships we support a broad range of industry efforts to develop the right commercial and regulatory framework for SAF production, particularly in the UK.

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

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

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

Risk 4.3: Physical impact of climate change on operations

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

Directly, climate change has resulted in more volatile weather, such as a greater frequency and intensity of storms, which could disrupt operations by reducing handling capacity at airports. Changes in wind patterns and jet stream disruption as a result of climate change are also recognised as having the potential to increase turbulence on common flight paths. More extreme winter weather events also have the capability to increase the

Risk management *continued*

demand on winter planning activity, as well as critical services such as de-icing, which could result in delays and cancellations.

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

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

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

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

In our voluntary TCFD disclosure, we have described the climate-related risks and opportunities most relevant for Virgin Atlantic, with a focus on our preparedness for a Net Zero by 2050 scenario.

Risk category 5: Technology and cyber security

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

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

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

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

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

From a cyber-threat perspective, we deploy a wide range of preventative and detective controls, including technical solutions, to minimise the threat to our systems and services. Ongoing investment and efforts are directed to reflect the evolving nature of the threat landscape, including the purchase of insurance products when considered appropriate. We continuously develop playbooks for responding to events, and benchmark ourselves regularly using frameworks such as National Institute of Standards and Technology (NIST) and the CAA Civil Aviation Publication 1753 requirements to identify areas for further investment and improvement.

Our technology team works closely and diligently with key system suppliers to ensure that we are operating our critical systems in a risk appropriate manner. This is complemented by regular and mandatory training to raise awareness of cyber threats across our people.

Risk 5.2: Information security and compliance with data protection

Risk context
Unauthorised access or loss of customer or employee data could lead to significant reputational and financial damage. We have a duty and a requirement to ensure customer and employee data is only used within the legislative requirements of the Data Protection Act 2018 and the UK General Data Protection Regulation (UK GDPR). The legislation allows for potentially significant fines to be levied for cases of serious data breach or non-compliance.

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

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

Our Data Privacy Team and Data Protection Officer report to our General Counsel. The Data Protection Officer has a remit of oversight ensuring compliance with data protection regulations. The Data Privacy Team provides support to the business in the design and operation of processes, procedures, contracts, partnerships and campaigns that use personal data, as well as managing customer and employee privacy requests and complaints. There was no enforcement action in 2022 from any Data Protection Regulator.

Risk management *continued*

Risk category 6: Brand and people

Risk 6.1: Brand and reputational damage

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

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

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

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

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

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

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

Risk 6.2: Industrial relations

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

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

We have engaged fully and properly with all unions throughout 2022 to reach agreements on pay and conditions for our workforce. As a result of the goodwill and openness demonstrated from both the Group and the unions throughout these discussions, we feel confident that our working relationships with these critical groups remains one based on achieving mutual goals, underpinned by trust and respect.

Risk 6.3: Talent acquisition, management, development and retention

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

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

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

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

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

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

Above - Red Spirit
Martin Bryant Cabin Maintenance Supervisor who encourages anyone wanting to work on the aircraft "to be themselves, enjoy working on the aircraft and learn and grow".

Risk category 7: Regulatory and legislative

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

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

Main controls and mitigations
We have comprehensive training schemes and controls in place to both prevent and detect non-compliance. Mandated training courses for all employees cover topics including competition compliance, data protection and anti-bribery policy, and must be completed annually and on joining the company. For specific areas of higher inherent risk in the area of competition law we provide additional annual specialised training.

Risk management *continued*

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

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

Risk 7.2: Compliance with other aviation regulatory authorities and governments

Risk context

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

Main controls and mitigations

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

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

Globally, we continue to assess political risk and work with governments across the world to understand any potential regulatory impact on our operations. We retain legal counsel for all jurisdictions we operate in, as well as maintaining close relationships with our trading partners, government departments and through a network of trusted and professional advisors to ensure that our operations stay in compliance with all required legislation.

Corporate governance

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

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

The Board convenes regularly so that management can update the Board on the Group's performance. In addition, the Executive Directors have regular meetings with representatives of both shareholders as well as with their Board representatives.

Governance code
For the year ended 31 December 2022, under The Companies (Miscellaneous Reporting) Regulations 2019, we have applied the Wates Corporate Governance Principles for Large Private Companies ("Wates Principles"). We have adopted the Wates Principles as an appropriate framework for our corporate governance arrangements which are set out in more detail in various sections of this Report. Its key principles are reviewed in the table below.

Purpose and leadership, stakeholder engagement	Opportunities and risks; remuneration
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 Chief Executive Officer's report. 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.	Strategy The Board has provided ongoing support to the Leadership Team throughout the year, as operations have ramped up and the organisation has faced new challenges, such as the war in Ukraine and the difficult macro-economic climate.
Stakeholders The Board is responsible for overseeing meaningful engagement with stakeholders including the workforce, and having regard to their views when taking decisions. See pages 24 to 26 for a summary of our stakeholder engagement.	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. These are explained fully on pages 64 to 78. The Board is updated twice a year on the management of existing and emerging risks.
	Remuneration The Board promotes executive remuneration structures aligned to the achievement of KPIs required to deliver the long term sustainable success of the Group. Metrics which define executive director remuneration are closely aligned to key milestones and performance targets which are linked to the Group's strategy. These do not differ significantly from those of the wider leadership team.

Board composition
The Board of Directors comprises seven Non Executive Directors and two Executive Directors. Four of the Non Executive Directors are appointed by Virgin Group (51% shareholder), and three Non Executive Directors are appointed by Delta Air Lines, Inc. (49% shareholder). As set out in the company's Articles. A director may appoint another person as their alternate.

As at 31 December 2022, the two Executive Directors were the Chief Executive Officer and the Chief Customer & Operating Officer. In addition, the Chief Commercial Officer and the Chief Financial Officer each can act as Alternate Director to the two Executive Directors. All four are full-time employees of the Group.

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

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

Board composition and skills	Directors' responsibilities
Composition The composition of the Board is set out above and its subcommittees are set out on pages 82 to 83.	Responsibilities The Board and individual Directors have a clear understanding of their accountability and responsibilities (see page 87). These are underpinned by the Group's policies and procedures.
Skills The Board benefits from the significant experience of its members across a broad range of industries and disciplines. The Board representation during 2022 across five selected areas of particular importance, having identified those members who have held particular positions of significant relevant responsibility is as follows: Strategy – 100% Financial – 71% Airlines – 100% Customer – 57% Technology – 36	Areas of focus In 2022, 8 board meetings were held (2021: 16 meetings) providing support, review and challenge in a number of areas, in particular: • The airline's plans for recovery and growth following the challenges of the Covid-19 pandemic; • Options for further improving the Group's liquidity; and • The Group's strategic and route planning.

Corporate governance *continued*

Corporate governance *continued*

Audit Committee
Role of the Committee

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

Key responsibilities

- The approval of the Group's annual consolidated financial statements, including the appropriateness of accounting policies, compliance with accounting standards and material matters;
- The scope of work for external audit, actions required as a result of the Auditors' findings and conclusions, the Auditors' remuneration and the reappointment or replacement of the Auditors; and
- The adequacy and effectiveness of the Group's internal systems concerning reporting and control; including ensuring that the internal audit function is adequately resourced, has appropriate standing within the Company with a primary reporting line to the Chairperson of the Audit Committee, and to review and approve internal audit plans of activity.
- Consideration of correspondence from the Financial Reporting Council (FRC) with respect to the 2021 Annual report, including review of the Group's responses to correspondence and any actions required as a result of the FRC's enquiries and findings including note 5 to the financial statements. The FRC's review is based on the 2021 annual report and accounts and does not benefit from detailed knowledge of the business or an understanding of the underlying transactions entered into. The review provides no assurance that the report and accounts are correct in all material respects.

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

Members of the Committee

The Audit Committee comprises two Virgin appointed Non Executive Directors and two Delta appointed Non Executive Directors. As at 31 December 2022 the Committee members were Andreea Ene (Chairperson), Peter Norris, Peter Carter and Alain Bellemare.

Remuneration Committee
Role of the Committee

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

Key responsibilities

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

Members of the Renumeration Committee

The Remuneration Committee is made up of two Virgin appointed Non Executive Directors and two Delta appointed Non Executive Directors. As at 31 December 2022 the Committee members were Peter Norris (Chairperson), Luigi Brambilla, Ed Bastian and Alain Bellemare.

Safety and Security Review Board
Role of the Virgin Atlantic Safety and Security Review Board

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

Key responsibilities

- Setting the strategy and dealing with high level issues in relation to policies, resource allocation and safety and security performance monitoring.
- Proactively reviewing data and encouraging continuous improvement, to ensure the highest standards of safety and security assurance is maintained for our people and customers.
- Monitoring the effectiveness of the Group's safety supervision processes including oversight of subcontracted operations.
- Promotion of an open and honest reporting and discussion forum, to enable the airline to learn from both internal and industry incidents.
- Ensuring that the Group continues to adopt and makes use of effective industry recognised risk management principles, to evaluate safety and security risks though a transparent risk management framework.
- Checking to ensure the business develops, maintains, reviews and tests its emergency response, threat management and resilience plans on a regular basis.
- Providing the Board with regular updates and reports from both the Safety and Security Review Board and the Independent Chair in relation to airworthiness, safety and security standards and operations.

Members of the Safety and Security Review Board

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

Information Security Board
Role of the Virgin Atlantic Information Security Board (ISB)

The Information Security Board is responsible for information security oversight across the Group. As at 31 December 2022 the independent Chair was Stephen Head and the Executive Board member was Cornelis Koster.

Key responsibilities

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

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

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

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

Members of the Information Security Board

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

Directors' report

Registered number: 08867781

The Directors present their Annual Report and the audited financial statements for Virgin Atlantic Limited ("the Company") and subsidiary companies (together with the Company, "the Group") for the year ended 31 December 2022. The comparative amounts are stated for the year ended 31 December 2021.

Pages 1 to 89 inclusive of this Annual Report comprise the Directors' report that has been drawn up and presented in accordance with English company law and the liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

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

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

Directors and Directors' interests

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

Directors:

Sir Richard Branson	(President)
Peter Norris	(Chairperson)
Gordon McCallum	(resigned 8 June 2022)
Edward Bastian	
Glen Hauenstein	(resigned 6 May 2022)
Shai Weiss	
Cornelis Koster	(Executive Director)
Luigi Brambilla	(Virgin nominated Director)
Alain Bellemare	(Delta nominated Director)
Dwight James	(Delta nominated alternate resigned 8 June 2022)
Juha Jarvinen	(VAA executive alternate)
Oliver Byers	(VAA executive alternate)
Peter Carter	(Delta nominated Director appointed 6 May 2022)
Andreea Ene	(Virgin nominated Director appointed 8 June 2022)

VAA Independent Board observer

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

Share based payments: long term incentive plan

The Group has a Long Term Incentive Scheme for Executive Directors and other invited participants to incentivise and recognise execution of the Group's strategic plan. The details of this share appreciation rights (cash settled) scheme can be found in note 8.

Results, business review and future developments

The results of the Group for the period are set out on page 94 and are commented on within the Strategic Report which is set out on pages 4 to 63. 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 Directors did not declare or pay preference dividends in respect of the year ended 31 December 2022 (2021: paid £nil). The Directors did not declare or pay interim ordinary dividends in respect of the year ended 31 December 2022 (2021: paid £nil). The Directors recommend that no final ordinary dividend be paid in respect of the year ended 31 December 2022 (2021: £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 (2021: £nil).

Going concern

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

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:

- Likely consequences of any decisions in the long-term;
- Interests of the company's employees;

Directors' report *continued*

- Need to foster the company's business relationships with suppliers, customers and others;
- Impact of the company's operations on the community and environment;
- Desirability of the company maintaining a reputation for high standards of business conduct, and
- Need to act fairly as between members of the company.

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

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

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

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

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

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

By order of the Board

Julian Homerstone
Company Secretariat

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

28 April 2023

Registered number: 08867781

Directors' responsibilities statement

Statement of Directors' Responsibilities in Respect of the Annual Report, Strategic Report, The Directors' Report and the Financial Statements

The directors are responsible for preparing the Annual Report, Strategic Report, the Directors' Report and the 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 IFRS 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 IFRS;
- For the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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

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

Corporate structure

- **Virgin Atlantic Limited** (Company No. 08867781)
  - **Virgin Atlantic Two Limited** (Company No. 03553500)
    - **Virgin Travel Group Limited** (Company No. 02274332)
      - **Connect Airways Limited (30%)** In administration
      - **Virgin Atlantic Airways Limited** (Company No. 01600117)
        - **Fit Leasing Limited (Jersey)**
        - **VA Cargo Limited** (Company No. 02645535)
        - **VAA Holdings UK Limited** (Company No. 09744818)
          - **VAA Holdings Jersey Limited**
            - **Virgin Atlantic International Limited** (Company No. 09539561)
        - **Virglease (3) Limited** (Company No. 03791307)
        - **Virglease (4) Limited** (Company No. 12814173)
        - **Virgin Holidays Limited**[1] (Company No. 01873815)
          - **Virgin Incoming Services Inc (USA)**
          - **Virgin Vacations Inc (USA)**

[1] Virgin Holidays trades as Virgin Atlantic Holidays under our unified brand.
Notes: All companies are wholly owned by Virgin Atlantic Limited and are registered in England and Wales unless otherwise indicated.

Opposite - Red Spirit
Marc DeHaney a Heathrow Customer Services Agent fondly referred to as a "host with the most". Marc advises anyone who wants to work at Virgin Atlantic to "be yourself, come with confidence and with your flair because we love it here and it works".

Independent Auditor's report

Independent Auditor's Report to the Members of Virgin Atlantic Limited

Opinion

We have audited the financial statements of Virgin Atlantic Limited ("the Group") for the year ended 31 December 2022 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 2022 and of the Group's loss for the year then ended;
- The Group financial statements have been properly prepared in accordance with UK-adopted IFRS;
- The parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 3 to the financial statements which indicates that under certain severe but plausible downside scenarios such as further escalation in the ongoing war in Ukraine and its impact on fuel prices, sustained global recessionary environment and geopolitical instability, 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 stated above, they have concluded that a material uncertainty related to going concern exists. Our conclusion based on our financial statements audit work: we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

- Enquiring of directors, the audit committee, internal audit and inspection of policy documentation as to the company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the 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 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 recognizing 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.

Independent Auditor's report

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

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

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

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

Matters on which we are required to report by exception
Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities
As explained more fully in their statement set out on page 87, 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.

The purpose of our audit work and to whom we owe our responsibilities
This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Jeremy Hall
Senior Statutory Auditor
For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL

28 April 2023

Consolidated statement of comprehensive income

For the year ended 31 December 2022

	Note	For the year ended 31 December 2022 £m	For the year ended 31 December 2021 Restated* £m
Total revenue	6	**2,854.1**	928.0
Operating costs			
Physical fuel		**902.4**	269.7
Airline direct operating costs		**508.5**	282.3
Aircraft costs		**167.1**	156.4
Holiday distribution, marketing and selling costs		**405.8**	77.5
Employee remuneration	8	**365.7**	257.0
Other operating and overhead costs		**291.2**	48.3
Engineering and maintenance costs		**158.7**	97.2
Other depreciation and amortisation		**66.3**	66.0
Profit on disposal of property, plant and equipment		**3.5**	(3.0)
Restructuring		**8.3**	(14.8)
Impairment of assets		**(0.1)**	9.1
Fair value losses/(gains) on derivative contracts		**53.6**	(27.8)
Other income		**(4.2)**	(9.3)
Operating loss		**(72.7)**	(280.6)
Finance income		**7.0**	0.4
Finance expense		**(275.9)**	(205.3)
Net finance costs	9	**(268.9)**	(204.9)
Loss before tax	7	**(341.6)**	(485.5)
Tax (charge)/credit	10	**(0.1)**	0.9
Loss for the year		**(341.7)**	(484.6)
Other comprehensive income (items that may be subsequently reclassified to the income statement)			
Exchange translation differences		**-**	0.1
Losses arising during the year on cash flow hedges		**(173.3)**	(25.7)
Total comprehensive loss for the year		**(515.0)**	(510.2)

* The Group has restated comparative information (see note 5).
All amounts relate to continuing operations.
The notes on pages 100 to 153 form part of these financial statements.

Consolidated statement of financial position

As at 31 December 2022

	Note	As at 31 December 2022 £m	As at 31 December 2021 Restated* £m	As at 1 January 2021 Restated* £m
Non-current assets				
Intangible assets and goodwill	11	**388.6**	392.8	438.8
Property, plant and equipment	12	**2,171.2**	1,885.7	1,951.7
Deferred tax	13	**3.6**	4.0	2.9
Trade and other receivables	16	**28.0**	22.1	15.7
		2,591.4	2,304.6	2,409.1
Current assets				
Inventory	17	**38.1**	26.3	30.3
Trade and other receivables	16	**383.4**	249.1	162.0
Derivative financial instruments	15	**27.7**	1.5	2.0
Cash and cash equivalents	18	**328.7**	502.0	114.8
Restricted cash	18	**70.4**	86.5	76.6
		848.3	865.4	385.7
Total assets		**3,439.7**	3,170.0	2,794.8
Current liabilities				
Borrowings	19	**241.0**	190.0	110.8
Trade and other payables	20	**586.8**	500.9	374.0
Deferred revenue on air travel and holidays	21	**639.6**	482.8	263.4
Provisions	22	**35.6**	56.4	39.7
Derivative financial instruments	15	**30.0**	-	13.0
		1,533.0	1,230.1	800.9
Net current liabilities		**(684.7)**	(364.7)	(415.2)
Total assets less current liabilities		**1,906.7**	1,939.9	1,993.9
Non-current liabilities				
Borrowings	19	**3,160.2**	2,712.0	2,368.6
Trade and other payables	20	**131.7**	139.5	286.4
Deferred revenue on air travel and holidays	21	**1.3**	3.4	3.3
Provisions	22	**67.3**	50.4	54.6
		3,360.5	2,905.3	2,712.9
Net liabilities		**(1,453.8)**	(965.4)	(719.0)
Equity				
Ordinary share capital		**100.0**	100.0	100.0
Preference share capital		**157.9**	137.8	127.8
Share based payment reserve		**91.5**	109.5	119.5
Hedging reserve		**(116.7)**	56.6	82.3
Other reserves		**52.6**	28.1	(235.8)
Retained earnings		**(1,739.1)**	(1,397.4)	(912.8)
Total equity		**(1,453.8)**	(965.4)	(719.0)

* The Group has restated comparative information (see note 5).
The notes on pages 100 to 153 form part of these financial statements.
These financial statements were approved by the Board of Directors on 28 April 2023 and were signed on its behalf by:

Oliver Byers,
Director
28 April 2023
Registered number 08867781

Company statement of financial position

For the year ended 31 December 2022

	Note	As at 31 December 2022 £m	As at 31 December 2021 Restated* £m	As at 1 January 2021 Restated* £m
Non-current assets				
Investments in subsidiaries	14	**803.6**	542.1	519.9
		803.6	542.1	519.9
Current assets				
Trade and other receivables	16	**-**	0.1	0.1
		-	0.1	0.1
Total assets		**803.6**	542.2	520.0
Current liabilities				
Trade and other payables	20	**238.8**	0.9	0.9
		238.8	0.9	0.9
Net current liabilities		**(238.8)**	(0.8)	(0.8)
Net assets		**564.8**	541.3	519.1
Equity				
Ordinary share capital		**100.0**	100.0	100.0
Preference share capital		**157.9**	137.8	127.8
Share based payment reserve		**91.5**	109.5	119.5
Other reserves		**79.9**	55.4	33.2
Retained earnings		**135.5**	138.6	138.6
Total equity		**564.8**	541.3	519.1

* The Group has restated comparative information (see note 5).
The notes on pages 100 to 153 form part of these financial statements.
The loss for the Company for the year is £3.1m (2021: £nil).
These financial statements were approved by the Board of Directors on 28 April 2023 and were signed on its behalf by:

Oliver Byers,
Director
28 April 2023
Registered number 08867781

Consolidated statement of changes in equity

As at 31 December 2022

	Ordinary share capital £m	Preference share capital £m	Share based payment reserve £m	Hedging reserve £m	Other reserves £m	Retained earnings £m	Total £m
Balance as at 1 January 2021	100.0	127.8	298.1	82.3	(269.0)	(915.0)	(575.8)
Restatement (note 5)	-	-	(178.6)	-	33.2	2.2	(143.2)
Restated balance at 1 January 2021	100.0	127.8	119.5	82.3	(235.8)	(912.8)	(719.0)
Capital contribution	-	-	-	-	241.6	-	241.6
Increase in preference shares issuable	-	-	-	-	22.2	-	22.2
Preference share issue	-	10.0	(10.0)	-	-	-	-
Restated loss for the year	-	-	-	-	-	(484.6)	(484.6)
Other comprehensive income/(expense)	-	-	-	(25.7)	0.1	-	(25.6)
Total comprehensive income/(expense)	-	-	-	(25.7)	0.1	(484.6)	(510.2)
Balance at 31 December 2021	100.0	137.8	109.5	56.6	28.1	(1,397.4)	(965.4)
Capital contribution	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Increase in preference shares issuable	**-**	**-**	**-**	**-**	**24.5**	**-**	**24.5**
Preference shares issued	**-**	**20.1**	**(20.1)**	**-**	**-**	**-**	**-**
Equity settled share-based payment cost	**-**	**-**	**2.1**	**-**	**-**	**-**	**2.1**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(341.7)**	**(341.7)**
Other comprehensive income/(expense)	**-**	**-**	**-**	**(173.3)**	**-**	**-**	**(173.3)**
Total comprehensive income/(expense)	**-**	**-**	**-**	**(173.3)**	**-**	**(341.7)**	**(515.0)**
Balance at 31 December 2022	**100.0**	**157.9**	**91.5**	**(116.7)**	**52.6**	**(1,739.1)**	**(1,453.8)**

Allotted, called up and fully paid share capital includes 100,000,000 (2021: 100,000,000) ordinary shares of £1 each and 50,000 (2021: 50,000) preference shares of £1,000 each.

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

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

In 2020, as part of the Group's solvent recapitalisation, certain liabilities were novated to the Company by subsidiary entities, resulting in an increase in investments. The Company then exchanged preference shares issuable to its shareholders for payments of these liabilities over the period 2020–2025. At 31 December 2022, VAL had issued a total of £107.9m (2021: £87.8m) preference shares in respect of these liabilities. The remaining preference shares will be issued annually based on the actual amounts incurred in the preceding financial year.

At 31 December 2022, there are £89.3m of preference shares issuable included in the share based payment reserve, and £24.5m in other reserves. £21.6m were issued in February 2023 in relation to payments relating to 2022.

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

No loans from shareholders were received in 2022. In 2021 Virgin Investments Limited and Delta Air Lines Incorporated advanced loans to the Group (refer to note 24). These loans were recognised at fair value, with the difference between nominal and fair value resulting in a capital contribution of £241.6m.

Other reserves includes the merger reserve of £378.0m (refer to note 3). The notes on pages 100 to 153 form part of these financial statements.

Company statement of changes in equity

As at 31 December 2022

	Ordinary share capital £m	Preference Sshare capital £m	Share based payment reserve £m	Other reserves £m	Retained earnings £m	Total £m
Balance at 1 January 2021	100.0	127.8	298.1	-	138.6	664.5
Restatement (note 5)	-	-	(178.6)	33.2	-	(145.4)
Restated balance at 1 January 2021	100.0	127.8	119.5	33.2	138.6	519.1
Increase in preference shares issuable	-	-	-	22.2	-	22.2
Preference shares issued	-	10.0	(10.0)	-	-	-
Loss for the year	-	-	-	-	-	-
Balance at 31 December 2021	**100.0**	**137.8**	**109.5**	**55.4**	**138.6**	**541.3**
Decrease in preference shares issuable	**-**	**-**	**-**	**24.5**	**-**	**24.5**
Preference shares issued	**-**	**20.1**	**(20.1)**	**-**	**-**	**-**
Equity settled share-based payment cost	**-**	**-**	**2.1**	**-**	**-**	**2.1**
Loss for the year	**-**	**-**	**-**	**-**	**(3.1)**	**(3.1)**
Other comprehensive income/(expense)	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income/(expense)	**-**	**-**	**-**	**-**	**(3.1)**	**(3.1)**
Balance at 31 December 2022	**100.0**	**157.9**	**91.5**	**79.9**	**135.5**	**564.8**

The notes on pages 100 to 153 form part of these financial statements.

Consolidated statement of cashflows

As at 31 December 2022

	Note	For the year ended 31 December 2022 £m	For the year ended 31 December 2021* £m
Net cash from/(used in) operating activities	29	**118.8**	(84.4)
Purchase of property, plant and equipment		**(63.0)**	(13.0)
Purchase of intangible assets		**(45.8)**	(8.7)
Proceeds from sale of property, plant and equipment and intangible assets		**1.8**	95.3
Interest received		**7.0**	0.4
Net cash (used in)/from investing activities		**(100.0)**	74.0
Payment of long term borrowings		**(92.0)**	(87.5)
(Payment of)/drawn down from revolving credit facility		**-**	(9.6)
Payment of leases		**(139.4)**	(62.1)
New borrowings	19	**14.8**	557.8
Net cash (used in)/from financing activities		**(216.6)**	398.6
Net (decrease)/increase in cash and cash equivalents		**(197.8)**	388.2
Cash and cash equivalents at beginning of year	18	**502.0**	114.8
Effect of foreign exchange rate changes		**24.5**	(1.0)
Cash and cash equivalents at end of year	18	**328.7**	502.0

*The prior year comparative information has been restated to re-present the following items within operating activities: (i) restricted cash movements of £9.9m previously shown within financing activities have been re-presented within operating activities to more closely align with the nature of the restrictions over cash; and (ii) the interest component of lease repayments totalling £106.6m previously shown within financing activities has been re-presented as interest paid within operating activities to ensure consistency with the presentation of interest paid on borrowings.
The notes on pages 100 to 153 form part of these financial statements.

Notes forming part of the financial statements

As at 31 December 2022

1. General information
Virgin Atlantic Limited, (the 'Company') and its subsidiaries (the 'Group') is principally a passenger airline with a significant tour operations component, operating primarily from the United Kingdom. Further details on the nature of the Group's operations and its principal activities can be found within the Strategic Report on pages 4 to 63.

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 86.

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.

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

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

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

Basis of consolidation
The Group's consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company ('its subsidiaries') made up to 31 December each year. Control is achieved where the Company is exposed, or has the rights, to variable returns from an investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are deconsolidated from the date that control ceases. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Restatement of comparative information
The Group has reassessed the accounting treatment applied to certain obligations owed to shareholders which had been treated as share-based payments and were recognised within equity reserves. As a result, the prior year comparatives have been restated (refer to note 5).

Going concern
In determining the appropriate basis of preparation of the financial statements for the year ended 31 December 2022, the Directors are required to consider whether the Group and Company can continue in operational existence for at least the 12-month period from April 2023. The Board has concluded that it is appropriate to adopt the going concern basis, having assessed the financial forecasts with specific consideration to the trading position of the Group and Company in the context of the global recovery from the Coronavirus pandemic, the ongoing war in Ukraine and continuing economic pressures.

Passenger revenue performed increasingly strongly through 2022. Despite flying 25% fewer passengers, passenger revenue was only £20m below 2019. Capacity increased dramatically in the year as operations ramped up at pace, with ASKs over 250% higher than 2021. Despite industry-wide challenges we achieved completion factors of 99.5% through the summer period, with fewer cancellations and delays than our competitors. A high pricing environment drove record PRASK results through the Summer and into the fourth quarter, enabling us to recover a material portion of the higher fuel prices. 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 £399m, including £70m of restricted cash, and borrowings (including leases) totalled £3,401m (refer to note 19). There were no contractually available facilities which were not drawn down.

To assess Going Concern, the Directors have prepared two scenarios – the 'Plan of Record' and the 'Plausible Worst Case'. In assessing the Plan of Record, the Directors have considered the following assumptions:

- An increase in flying capacity, returning to 2019 levels by the end of the year;
- A c. 20% reduction in fuel cost;
- An easing of CPI inflation to 6.5%;
- Macroeconomic slowdown across principal markets (UK GDP to decrease 1% over the year from 3.5% growth in 2022; USD GDP to slow to 0.7% from 1.7% growth in 2022), negatively impacting yields;
- A stabilisation of USD/GBP foreign exchange rates at USD 1.22: GBP 1;
- Limited impact of border and travel restrictions;
- Continued recovery of corporate demand; and
- Easing of cargo demand across the year.

This scenario results in forecast 2023 passenger revenues improving 25% over 2022 performance, with unrestricted cash being sufficient to meet all Group liquidity and slot covenant requirements, ensuring the business is able to operate for at least the 12-month period from April 2023. This includes the ability to meet all creditor repayments.

The Directors have also modelled a Plausible Worst Case scenario, reflecting external factors that could have an acute impact on the Group's financial performance beyond the assumptions already built into the Base case. We have assessed the impact of a 10% increase in fuel prices, a 10% worsening of the USD/GBP exchange rate and the risk that cost of living pressures impact customer demand beyond the summer peak, leading to reduced passenger unit revenue per ASK through the winter season. This impact is incremental to the risk of a reduction in yields throughout the going concern period that is already incorporated into the Plan of Record. In this Plausible Worst Case scenario, free cash would breach current liquidity requirements (£150m cash required by the CAA) and covenant levels (EBITDA of £230m) in September 2023.

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

- Deferral of expenditure;
- Further shareholder support;
- Additional cost reduction activities; and
- Review of network and profitability.

Having reviewed the Plan of Record, the Plausible Worst Case scenario and additional sensitivities, the Directors have a reasonable expectation that the Group has adequate resources to be able to meet its current obligations for at least the 12-month period from April 2023, and therefore believe that it remains appropriate to prepare the financial statements on a going concern basis.

Financial statements *continued*

Notes forming part of the financial statements *continued*

However, a number of factors are not within the Group's control, including the war in Ukraine, the global recessionary environment and geopolitical instability. Should the Plausible Worst Case scenario occur as a result of these, additional funding would need to be secured. The Group's ability to obtain additional finance in the case of this severe scenario 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.

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

Revenue and revenue recognition
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business during the accounting period. Revenue is recognised net of discounts, air passenger duty, VAT and other sales-related taxes and comprises:

Passenger revenue
Passenger revenue encompasses passenger ticket sales, net of passenger taxes and discounts, together with revenue received from Virgin Red, the Virgin Group loyalty company. Passenger ticket sales are generally paid for in advance of travel, and are recorded within deferred income, until recognised as revenue when the transportation occurs. Unused tickets are recognised as revenue when the right to travel has expired, which is determined by the terms and conditions of the associated ticket.

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 are 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.

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

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

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

Compensation payments
Income resulting from claims for compensation payments/liquidated damages from suppliers is recognised as either income or as reduction of costs in the income statement. Income will be recognised where it is over and above the costs suffered, when all performance obligations are met, including when a contractual entitlement exists, it can be reliably measured and it is probable that economic benefits will accrue to the Group. When compensation is received to specifically cover additional costs suffered, it will be netted against applicable lines in the income statement. Where claims related to the acquisition of an asset (such as aircraft) do not relate to compensation for loss of income or towards incremental operating costs, the amounts are recorded as a reduction in the cost of the related asset to reflect the substance of the transaction.

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

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of operations, has been identified as the Virgin Atlantic Leadership Team. Regular reporting on both Virgin Atlantic Airlines and Virgin Atlantic Holidays is provided to the chief operating decision maker in order to make resource allocation decisions and, as such, management have identified each as a separate operating segment.

The Coronavirus Job Retention Scheme (CJRS)
The CJRS was implemented by the government of the United Kingdom to cover a portion of the wage costs of eligible employees designated as 'furloughed' through the Covid-19 pandemic. The scheme ended in September 2021.
Such costs were paid by the government to the Group in arrears. CJRS was recognised in the period to which the underlying furloughed staff costs related; this was recorded as a deduction and presented net of wages expenditure within employee remuneration in accordance with IAS 20.29.

Emissions trading scheme
The Group accrues for emissions allowances under the UK and EU Emissions Trading Schemes based on the market price of allowances required. 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, if any, are recognised in other comprehensive income and accumulated in shareholders' equity. On disposal of a foreign operation, all of the accumulated exchange differences in respect of that subsidiary, attributable to the Group are reclassified to the consolidated income statement.

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

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign

Financial statements *continued*

Notes forming part of the financial statements *continued*

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

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

Employee benefits

Pension

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

Share-based payments

Long-term incentive scheme

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

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

Equity-settled scheme

The Group operates an equity-settled share-based payment scheme under which the Group awards equity instruments in exchange for services rendered by Directors and employees. At the date of the grant, the fair value is based on a model provided by external valuation experts. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. The fair value at grant date is recognised as a cost in the income statement over the period from the grant date to the vesting date.

Preference shares issuable

In 2020 the Group agreed to exchange preference shares issuable to its shareholders to settle certain obligations falling due over the years 2020–2025. In accordance with IFRS 2, goods or services received as consideration for preference shares issuable have been recognised as an increase in the share-based payment reserve. At the point preference shares are issued to settle obligations that have fallen due, they are reclassified within equity to preference shares.

Taxation

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

Current tax

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

Deferred tax

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

- In respect of taxable temporary differences associated with investments in subsidiaries or associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- Deferred income tax assets are recognised only to the extent that it is probable (more likely than not) that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and it is the intention to settle these on a net basis.

Intangible assets

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

Landing rights

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

Goodwill

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

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

The cost of entering into an agreement which will give rise to future economic benefits 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 11 and note 24). The carrying value is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Software

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

Development expenditure on activities is capitalised if the product or process is technically and commercially feasible and the Group intends to, and has the technical ability and sufficient resources to, complete development and if the Group can measure reliably the expenditure attributable to the intangible

Notes forming part of the financial statements *continued*

asset during its development. The expenditure capitalised includes the cost of materials and direct labour. Other development expenditure is recognised in the income statement as an expense as incurred.

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

Property plant and equipment ('PPE')
Property, plant and equipment is held at cost. The Group has a policy of not revaluing property, plant and equipment. Depreciation is calculated to write off the cost less estimated residual value on a straight-line basis, over the economic life of the asset or the period of the underlying lease if shorter. wResidual values and useful economic lives of assets are reviewed annually against prevailing market values for equivalently aged assets and depreciation rates are adjusted accordingly on a prospective basis.

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

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

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

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

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

For installed engines maintained under 'pay-as-you-go' contracts, the 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 rotable spares purchased separately are carried as PPE and are generally depreciated in line with the fleet to which they relate. The Group depreciates such spares on a straight-line basis so as to reduce the cost or valuation to estimated residual value at the end of their useful lives. The effective depreciation rate per annum in respect of rotable spares is 7.25% or 12.5% dependent on type. Cabin interior modifications, including those required for brand changes and relaunches, are depreciated over six to eight years.

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

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

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

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

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 & software	8% – 33% on cost
Motor vehicles	25% on cost
Leasehold improvements	Lower of useful economic life or period of lease

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

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

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

Measurement of the right-of-use asset
Right-of-use assets are measured at cost and comprise the amount equal to the initial measurement of the lease liability, adjusted for (if applicable) lease incentives, initial direct costs incurred for the arrangement of the contract, estimated costs for returning the leased asset to the condition required by the terms of the contract, discounted to reflect the present value on initial recognition. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date over the useful life of the underlying asset (lease term for the rentals). The Group has included restoration costs in the right of use asset as required by IFRS 16 (see provisions policy).

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

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

Financial statements *continued*

Notes forming part of the financial statements *continued*

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

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

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

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
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.

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

Provisions
Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

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

To discharge these obligations, the Group will either need to compensate the lessor for the element of the life of the component or maintenance interval used, or carry out the maintenance check before return of the aircraft to the lessor. The provisions recorded and charged to the income statement are dependent on the life of the component or maintenance interval used and the individual terms of the lease:

- 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 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.

Maintenance deposits (supplemental rents) which are refundable are recorded as other receivables. Estimates are required to establish the likely utilisation of the aircraft, the expected cost of a maintenance check at the time it is expected to occur, the condition of an aircraft and the lifespan of life-limited parts.

Where such maintenance deposits are non-refundable and the likely utilisation of the aircraft is not expected to trigger a maintenance event, the balance is deemed irrecoverable and expensed as incurred with any associated maintenance provisions reduced to reflect the fact that the Group has already paid for the related maintenance work.

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

Restructuring provisions
Restructuring provisions are recognised when the Group has developed a detailed formal plan for the restructuring and has raised valid expectations in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

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

Passenger delay compensation
A provision is made for passenger compensation claims when the Group has an obligation to recompense customers under regulations. Provisions are measured based on known eligible flights delays and historic claim rates and are expected to unwind across the claim window, which is deemed to be six years. Compensation related to delayed or cancelled flights are treated

Notes forming part of the financial statements *continued*

as deductions from revenue in line with IFRS interpretation committee (IFRIC) conclusions pursuant to IFRS 15.

Financial instruments
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the relevant instrument. In accordance with IFRS 9 Financial Instruments, financial instruments are recorded initially at fair value. Subsequent measurement of those instruments at the balance sheet date reflects the designation of the financial instrument.

The Group determines the classification at initial recognition and re-evaluates this designation at each period end except for those financial instruments measured at fair value through the income statement.

Derivative financial instruments and hedging
The Group uses various derivative financial instruments to manage its exposure to foreign exchange, jet fuel price and interest rate risks. Derivative financial instruments are initially recognised and subsequently re-measured at fair value through profit or loss ('FVTPL'). The treatment of gains and losses arising from the revaluation of such instruments is accounted for through the income statement.

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

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

Non-derivative financial assets
Non-derivative financial assets are deemed to be assets which have no fixed or determinable payments that are not quoted in an active market and would therefore be classified as 'loans and receivables'. Such non-derivative financial assets are measured at amortised cost using the effective interest method, less any impairment and include trade and other receivables.
Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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

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

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

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

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

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

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

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

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

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

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

Preference shares
The Group's preference shares are either non-redeemable, or only redeemable with approval from the board of Directors. The terms and conditions of the preference shares do not create the automatic right of the holders to receive cumulative dividends. Instead, preference dividends may only be paid at the discretion of the Company and are based on the total capital outstanding. As such the preference shares have been presented within equity.

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

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

The following accounting policies are considered critical accounting policies as they require a significant amount of management judgement and the results are material to the Group's financial statements.

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

Notes forming part of the financial statements *continued*

Significant judgements
Income taxes
As at 31 December 2022 the Group recognised deferred tax assets of £3.6m (2021: £4.0m). 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.

Sale and leaseback transactions
The Group applies judgement as to whether finance raised for purchase of aircraft is treated as a lease per IFRS 16 or a financial liability per IFRS 9. In sale and leaseback transactions where the Group sells and then leases back aircraft, provided it meets the criteria of a sale per IFRS 15, the Group measures the right of use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Group. If a sale has not occurred, the asset is retained on balance sheet within property, plant and equipment with a corresponding finance liability recognised under IFRS 9. No sale and leaseback transactions occurred in the year ended 31 December 2022.

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.

Significant estimates
Impairment of non-financial assets (note 11)
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 11.

Residual value and useful economic lives of assets (note 12)
The carrying amounts of property, plant and equipment as at 31 December 2022 were £2,171.2m (2021: £1,885.7m). 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.

Maintenance provision
As at 31 December 2022 maintenance provisions totalled £53.0m (2021: £54.5m). The critical estimates required for the provision are; aircraft utilisation, the expected costs of maintenance checks, the condition of the aircraft, renegotiation of end of lease return conditions, increased or decreased utilisation and the lifespan of life-limited parts. The basis of all estimates are reviewed once a year and when information becomes available. If expected costs of maintenance were to escalate by 4% then this would result in an increase to the maintenance provision of £2.1m.

Impact of new International Financial Reporting Standards and interpretations not yet adopted
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:

- IFRS 17 Insurance Contracts, Amendments to IFRS 17 and Initial Application of IFRS17 and IFRS 9 – Comparative Information (effective date 1 January 2023).
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current (effective date to be confirmed).
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to introduce a new definition for accounting estimates (effective date 1 January 2024).
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statements 2 Making Materiality Judgements (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).

5. Restatement of comparative information
In late 2022, the Financial Reporting Council (FRC) submitted a request for further information on the Group's annual report and accounts (ARA) for the year ended 31 December 2021. The review conducted by the FRC was based solely on the Group's published ARA and does not provide any assurance that the ARA are correct in all material respects. In response to the FRC's request for further information, the Directors have reassessed the accounting treatment applied to certain obligations owed to shareholders which had been treated as share-based payments and were recognised within equity reserves.

In January 2020 the Group entered into a joint arrangement with Delta Air Lines Inc. and Air France-KLM S.A. (refer to note 24), expanding the joint arrangement which previously existed between the Group and Delta Air Lines Inc. An intangible asset representing access to the expanded joint arrangement and associated benefits expected to be gained, and a corresponding liability representing annual settlements due as a result of transitioning to the expanded joint arrangement was recognised. Subsequently during 2020 it was agreed that annual amounts for the years 2020-2024 would be settled in exchange for issue of preference shares rather than cash, and settlement amounts for years 2020-2024 were reclassified to equity. The annual settlements are variable per the terms of the contract, and as such do not meet the criteria to be recognised within equity; instead, the full obligation is recognised as a liability until the annual settlement crystallises at the end of each financial year, and the settlement for that year is no longer variable. The prior periods have been restated in order to remove these items from equity, and recognise a liability held at amortised cost, plus an embedded derivative held at fair value to account for the variable element of the contract. As the liability is held by a subsidiary of the Company, the corresponding adjustment to equity has reduced the investments in subsidiaries in the Company statement of financial position.

In reassessing the accounting treatment, the discount rate used to determine fair value at initial recognition was also re-visited and amended to reflect a market participant rate. The restatement also includes the impact of the updated discount rate which reduced the liability and corresponding intangible asset initially recognised in January 2020. In previous years, the equity balance was adjusted for the variability in settlement amounts. Under the revised accounting, the variability in settlement amounts is captured through fair value movements in the embedded derivative. In both cases these movements are included within the other operating costs line of the income statement. In addition, the change in initial value of the intangible asset reduces the annual amortisation charge and the change in initial value of the liability held at amortised cost increases the annual finance charge.

The following tables summarise the impacts of the restatement on the Group's statement of financial position and its statement of comprehensive income, and the Company's statement of financial position.

5. Restatement of comparative information *continued*

Consolidated statement of financial position

	1 January 2021 As originally presented £m	Change £m	1 January 2021 Restated £m	31 December 2021 As originally presented £m	Change £m	31 December 2021 Restated £m
Non-current assets						
Intangible assets and goodwill	460.0	(21.2)	**438.8**	412.5	(19.7)	**392.8**
Property, plant and equipment	1,951.7	-	**1,951.7**	1,885.7	-	**1,885.7**
Deferred tax	2.9	-	**2.9**	4.0	-	**4.0**
Trade and other receivables	15.7	-	**15.7**	22.1	-	**22.1**
	2,430.3	(21.2)	**2,409.1**	2,324.3	(19.7)	**2,304.6**
Current assets						
Inventory	30.3	-	**30.3**	26.3	-	**26.3**
Trade and other receivables	162.0	-	**162.0**	249.1	-	**249.1**
Derivative financial instruments	2.0	-	**2.0**	1.5	-	**1.5**
Cash and cash equivalents	114.8	-	**114.8**	502.0	-	**502.0**
Restricted cash	76.6	-	**76.6**	86.5	-	**86.5**
	385.7	-	**385.7**	865.4	-	**865.4**
Total assets	2,816.0	(21.2)	**2,794.8**	3,189.7	(19.7)	**3,170.0**
Current liabilities						
Borrowings	110.8	-	**110.8**	190.0	-	**190.0**
Trade and other payables	346.4	27.6	**374.0**	484.9	16.0	**500.9**
Deferred revenue on air travel and holidays	263.4	-	**263.4**	482.8	-	**482.8**
Provisions	39.7	-	**39.7**	56.4	-	**56.4**
Derivative financial instruments	13.0	-	**13.0**	-	-	**-**
	773.3	27.6	**800.9**	1,214.1	16.0	**1,230.1**
Net current liabilities	(387.6)	(27.6)	**(415.2)**	(348.7)	(16.0)	**(364.7)**
Total assets less current liabilities	2,042.7	(48.8)	**1,993.9**	1,975.6	(35.7)	**1,939.9**
Non-current liabilities						
Borrowings	2,368.6	-	**2,368.6**	2,712.0	-	**2,712.0**
Trade and other payables	192.0	94.4	**286.4**	105.4	34.1	**139.5**
Deferred revenue on air travel and holidays	3.3	-	**3.3**	3.4	-	**3.4**
Provisions	54.6	-	**54.6**	50.4	-	**50.4**
	2,618.5	94.4	**2,712.9**	2,871.2	34.1	**2,905.3**
Net liabilities	(575.8)	(143.2)	**(719.0)**	(895.6)	(69.8)	**(965.4)**
Equity						
Ordinary share capital	100.0	-	**100.0**	100.0	-	**100.0**
Preference share capital	127.8	-	**127.8**	137.8	-	**137.8**
Share based payment reserve	298.1	(178.6)	**119.5**	238.4	(128.9)	**109.5**
Hedging reserve	82.3	-	**82.3**	56.6	-	**56.6**
Other reserves	(269.0)	33.2	**(235.8)**	(27.3)	55.4	**28.1**
Retained earnings	(915.0)	2.2	**(912.8)**	(1,401.1)	3.7	**(1,397.4)**
Total equity	**(575.8)**	(143.2)	**(719.0)**	(895.6)	(69.8)	**(965.4)**

Notes forming part of the financial statements *continued*

5. Restatement of comparative information *continued*

Consolidated statement of comprehensive income

	For the year ended 31 December 2021		
	As originally presented £m	**Change £m**	**Restated £m**
Total revenue	928.0	-	**928.0**
Operating costs			
Physical fuel	269.7	-	**269.7**
Airline direct operating costs	282.3	-	**282.3**
Aircraft costs	156.4	-	**156.4**
Holiday distribution, marketing and selling costs	77.5	-	**77.5**
Employee remuneration	257.0	-	**257.0**
Other operating and overhead costs	53.1	(4.8)	**48.3**
Engineering and maintenance costs	97.2	-	**97.2**
Other depreciation and amortisation	67.5	(1.5)	**66.0**
Profit on disposal of property, plant and equipment	(3.0)	-	**(3.0)**
Restructuring	(14.8)	-	**(14.8)**
Impairment of assets	9.1	-	**9.1**
Fair value (gains)/losses on derivative contracts	(27.8)	-	**(27.8)**
Other income	(9.3)	-	**(9.3)**
Operating loss	(286.9)	6.3	**(280.6)**
Finance income	0.4	-	**0.4**
Finance expense	(200.5)	(4.8)	**(205.3)**
Net finance costs	(200.1)	(4.8)	**(204.9)**
Loss before tax	(487.0)	1.5	**(485.5)**
Tax credit/(charge)	0.9	-	**0.9**
Loss for the year	(486.1)	1.5	**(484.6)**
Other comprehensive income (items that may be subsequently reclassified to the income statement)			
Exchange translation differences	0.1	-	**0.1**
Losses arising during the year on cash flow hedges	(25.7)	-	**(25.7)**
Total comprehensive loss for the year	(511.7)	1.5	**(510.2)**

Notes forming part of the financial statements *continued*

5. Restatement of comparative information *continued*

Company statement of financial position

	1 January 2021 As originally presented £m	Change £m	1 January 2021 Restated £m	31 December 2021 As originally presented £m	Change £m	31 December 2021 Restated £m
Non current assets						
Investments in subsidiaries	665.3	(145.4)	**519.9**	615.6	(73.5)	**542.1**
Current assets						
Trade and other receivables	0.1	-	**0.1**	0.1	-	**0.1**
	0.1	-	**0.1**	0.1	-	**0.1**
Total assets	665.4	(145.4)	**520.0**	615.7	(73.5)	**542.2**
Current liabilities						
Trade and other payables	0.9	-	**0.9**	0.9	-	**0.9**
	0.9	-	**0.9**	0.9	-	**0.9**
Net current liabilities	(0.8)	-	**(0.8)**	(0.8)	-	**(0.8)**
Total assets less current liabilities	664.5	(145.4)	**519.1**	614.8	(73.5)	**541.3**
Net assets	664.5	(145.4)	**519.1**	614.8	(73.5)	**541.3**
Equity						
Ordinary share capital	100.0	-	**100.0**	100.0	-	**100.0**
Preference share capital	127.8	-	**127.8**	137.8	-	**137.8**
Share based payment reserve	298.1	(178.6)	**119.5**	238.4	(128.9)	**109.5**
Other reserves	-	33.2	**33.2**	-	55.4	**55.4**
Retained earnings	138.6	-	**138.6**	138.6	-	**138.6**
Total equity	664.5	(145.4)	**519.1**	614.8	(73.5)	**541.3**

6. Segment information
a) Business segments

Revenue

	For the year ended 31 December 2022			
	Airline £m	Holidays £m	Other Group companies/ eliminations £m	Total £m
Passenger	**2,072.5**	**-**	**-**	**2,072.5**
Cargo	**376.8**	**-**	**-**	**376.8**
Holidays	**-**	**487.1**	**-**	**487.1**
Other	**60.2**	**-**	**-**	**60.2**
Segment revenue	**2,509.5**	**487.1**	**-**	**2,996.6**
Revenue from transactions with other operating segments	**(142.5)**	**-**	**-**	**(142.5)**
External revenue	**2,367.0**	**487.1**	**-**	**2,854.1**
Depreciation and amortisation charge	**(228.0)**	**(10.2)**	**-**	**(238.2)**
Impairment credit	**-**	**0.1**	**-**	**0.1**
(Loss)/profit before exceptional items and tax	**(206.1)**	**2.9**	**(3.0)**	**(206.2)**
Exceptional items (refer to Alternative Performance Measures section)	**(130.3)**	**(5.0)**	**-**	**(135.3)**
Loss before tax	**(336.4)**	**(2.1)**	**(3.0)**	**(341.5)**

Financial statements *continued*

Notes forming part of the financial statements *continued*

6. Segment information *continued*
a) Business segments

	For the year ended 31 December 2021*			
Revenue	**Airline £m**	**Holidays £m**	**Other Group companies / eliminations £m**	**Total £m**
Passenger	410.1	-	-	410.1
Cargo	448.0	-	-	448.0
Holidays	-	63.2	-	63.2
Other	21.9	-	-	21.9
Segment revenue	880.0	63.2	-	943.2
Revenue from transactions with other operating segments	(15.2)	-	-	(15.2)
External revenue	864.8	63.2	-	928.0
Depreciation and amortisation charge	(233.5)	(13.0)	-	(246.6)
Impairment charge	(8.3)	(0.8)	-	(9.1)
Loss before exceptional items and tax	(558.6)	(38.9)	0.4	(597.1)
Exceptional items (refer to Alternative Performance Measures section)	111.7	(0.1)	-	111.6
Loss before tax	(446.9)	(39.0)	(0.4)	(485.5)

*The Group has restated comparative information (see note 5).

b) Geographical analysis

	Group	
Revenue by area of original sale	**For year ended 31 December 2022 £m**	**For year ended 31 December 2021 £m**
UK	**1,667.5**	447.7
US	**782.8**	181.5
Other	**403.8**	298.8
Total	**2,854.1**	928.0

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

The Company had no income in the current year (2021: £nil).

7. Loss before tax for the year
Loss for the year has been arrived at after charging the following:

	Group		Company	
	For year ended 31 December 2022 £m	**For year ended 31 December 2021* £m**	**For year ended 31 December 2022 £m**	**For year ended 31 December 2021 £m**
Depreciation of property, plant and equipment (note 12)	**(188.3)**	(194.6)	**-**	-
Amortisation of intangible assets (note 11)	**(49.9)**	(52.2)	**-**	-
Contribution to pension schemes	**(33.5)**	(16.0)	**-**	-
Remuneration of the auditors and their associates	**-**	-	**-**	-
Audit services	**(1.0)**	(0.7)	**(0.2)**	(0.2)
Other services	**(0.1)**	(2.2)	**-**	(2.1)

*The Group has restated comparative information (see note 5).

Fees payable to the Company's auditor and its associates for audit services are £0.2m (2021: £0.2m). Fees payable to the Group's auditor and its associates for services other than the statutory audit of the Company and subsidiaries are as follows;

Fees payable for:

	Group	
	For year ended 31 December 2022 £m	**For year ended 31 December 2021 £m**
Tax advice	**-**	(0.1)
Other non-audit services	**-**	(2.1)
Other assurance services	**(0.1)**	(0.0)
Total fees for other services	**(0.1)**	(2.2)

Notes forming part of the financial statements *continued*

8. Employee remuneration

a) Head count and total remuneration

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

	Group	
	2022 number	**2021* number**
Management and administration	**1,104**	1,036
Flight crew	**808**	673
Cabin crew	**2,711**	1,909
Reservations and sales	**1,252**	1,032
Engineering, cargo and production	**657**	633
	6,532	5,283

*Allocation between directorates has been amended for the prior year comparatives to ensure consistency with current year allocation and alignment with descriptions.

At 31 December 2022, total headcount was 7,924 (6,733 at 31 December 2021).

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

	Group	
	2022 £m	**2021 £m**
Wages and salaries	**302.7**	221.8
Social security costs	**35.0**	22.9
Other pension costs	**33.8**	16.0
	371.5	260.7

Included within Holiday distribution, marketing and selling costs within the Statement of Comprehensive Income are employee costs amounting to £5.8m (2021: £3.7m) which relate to retail staff costs.

The Virgin Atlantic Limited Group operates a defined contribution pension scheme. The pension cost charged to the income statement for the year represents contributions payable by the Group to the scheme. The assets of the schemes are held separately from those of the Group in independently administered funds. There were outstanding contributions of £5.8m at 31 December 2022 (2021: £4.7m).

During the previous year, the Group made use of the Coronavirus Job Retention Scheme implemented by the UK government, where those employees designated as being "furloughed workers" were eligible to have 80% of their salary costs paid up to a maximum of £2,500 per month. The total amount of such relief received by the Group amounted to £nil during the year (2021: £22.0m). In the previous year this amount was offset within employee remuneration within the statement of comprehensive income and within the wages and salaries figures above. The employee numbers above include those on furlough during the previous year.

The Company has no salaried employees (2021: nil).

b) Aggregate Directors' remuneration

During the year/period of their service, the emoluments of the 4 Directors (2021: 4) of the Group and Company were:

	Group	
	For year ended 31 December 2022 £m	**For year ended 31 December 2021 £m**
Total emoluments		
Aggregate emoluments	**3.6**	3.6
Company contributions to money purchase pension schemes	**0.2**	0.1
Aggregate amounts receivable under Long Term Incentive Scheme	**2.7**	1.6
	6.5	5.3
Highest paid Director		
Aggregate emoluments and other benefits	**2.0**	2.1
Company contributions to money purchase pension schemes	**0.1**	0.1
Aggregate amounts receivable under Long Term Incentive Schemes	**1.6**	1.0
	3.7	3.2

Retirement benefits are accruing to 4 (2021: 4) Directors under money purchase pension schemes. During the year an amount of £nil (2021: £nil) was paid to shareholders in respect of the services of certain shareholder-appointed Non-Executive Directors of the Company.

The charge to the income statement in respect of share-based payments attributable to Directors is £1.7m (2021: £nil) during the year.

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

c) 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 'Velocity$_X$' plan. The scheme consists of a cash payment at the end of the three year term of the grant. Payments are based on the Group's performance against pre-agreed financial and non-financial measures which are linked to the Group's long term objectives. Included above are cash payments made to Directors relating to services rendered during 2022.

d) 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 2022, 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 £2.1m has been recognised in the income statement in relation to the scheme.

Notes forming part of the financial statements *continued*

9. Net finance costs

	Group	
	For year ended 31 December 2022 £m	**For year ended 31 December 2021 £m***
Finance income		
Interest on bank deposits	**6.7**	0.2
Other finance income	**0.3**	0.2
	7.0	0.4
Finance expense		
Interest on leases (note 19)	**(127.9)**	(106.5)
Other finance charges	**(8.3)**	(6.7)
External loans (note 19)	**(141.1)**	(92.6)
	(277.3)	(205.8)
Interest capitalised on aircraft progress payments (note 12)	**1.4**	0.5
	(275.9)	(205.3)
Net finance costs	**(268.9)**	(204.9)

* The Group has restated comparative information (see note 5).

Financial statements *continued*

10. Tax

Analysis of the tax expense during the year:

	Group	
	For year ended 31 December 2022 £m	**For year ended 31 December 2021 £m**
Current tax		
Adjustments in respect of prior periods	**0.2**	(0.1)
Total current tax credit/(charge)	**0.2**	(0.1)
Deferred tax	**-**	-
Origination and reversal of timing differences	**2.2**	15.6
Adjustments in respect of prior periods	**(3.2)**	(14.6)
Effect of changes in tax rate	**0.7**	-
Total deferred tax (charge)/credit	**(0.3)**	1.0
Total tax (charge)/credit	**(0.1)**	0.9

The standard rate of UK corporation tax for the year is 19.0% (2021: 19.0%).

Notes forming part of the financial statements *continued*

10. Tax *continued*

The actual tax (charge)/credit for the year is lower than (2021: lower than) that computed by applying the standard corporation tax rate in the UK of 19% (2021: 19%). The differences are reconciled below:

	Group	
	For year ended 31 December 2022 £m	For year ended 31 December 2021* £m
Loss before taxation	**(341.6)**	(485.5)
Tax at the standard rate at 19.00% (2021: 19.00%)	**64.9**	92.2
Factors affecting the credit for the year		
Income not subject to corporation tax	**0.3**	3.3
Expenses not deductible for tax purposes	**(17.0)**	(21.9)
Effects of difference in deferred tax rate	**0.7**	1.3
Adjustments in respect of prior periods	**(3.0)**	(14.7)
Amounts not recognised on tax losses	**(46.0)**	(60.3)
Recognition of previously unrecognised deferred tax	**-**	1.0
Total tax (charge)/credit	**(0.1)**	0.9

* The Group has restated comparative information (see note 5).

The Finance Act 2021 (substantively enacted on 24 May 2021) set the main corporation tax rate at 25% from April 2023. The deferred tax asset at 31 December 2022 has been calculated based on 25%. This will increase the Group's future current tax charge accordingly.

11. Intangible assets and goodwill

	Group					
	Goodwill £m	DL AFKL transatlantic agreement and brand licence £m	Landing rights £m	Other intangibles £m	Assets under construction £m	Total £m
Cost						
At 1 January 2022*	6.8	293.5	94.2	263.4	14.8	672.7
Additions	-	-	26.7	-	20.4	47.1
Disposals	-	-	-	(6.0)	(1.4)	(7.4)
Reclassifications	-	-	-	7.4	(7.4)	-
At 31 December 2022	6.8	293.5	120.9	264.8	26.4	712.4
Amortisation						
At 1 January 2022*	2.9	52.6	12.6	211.8	-	279.9
Amortisation	-	33.5	-	16.4	-	49.9
Disposals	-	-	-	(6.0)	-	(6.0)
At 31 December 2022	2.9	86.1	12.6	222.2	-	323.8
Carrying amount						
At 31 December 2022	3.9	207.4	108.3	42.6	26.4	388.6
Carrying amount						
At 31 December 2021*	3.9	240.9	81.6	51.6	14.8	392.8

* The Group has restated comparative information (see note 5).

Notes forming part of the financial statements *continued*

11. Intangible assets and goodwill *continued*

	Group					
	Goodwill £m	**DL AFKL transatlantic agreement and brand licence £m**	**Landing rights £m**	**Other intangibles £m**	**Assets under construction £m**	**Total £m**
Cost						
At 1 January 2021*	**8.3**	**293.5**	**94.2**	**257.1**	**17.4**	**670.5**
Additions	-	-	-	-	8.8	8.8
Disposals	(1.5)	-	-	(2.5)	(2.6)	(6.6)
Reclassifications	-	-	-	8.8	(8.8)	-
At 31 December 2021	**6.8**	**293.5**	**94.2**	**263.4**	**14.8**	**672.7**
Amortisation						
At 1 January 2021*	4.4	19.0	12.6	195.7	-	231.7
Amortisation	-	33.6	-	18.6	-	52.2
Disposals	(1.5)	-	-	(2.5)	-	(4.0)
At 31 December 2021	**2.9**	**52.6**	**12.6**	**211.8**	**-**	**279.9**
Carrying amount						
At 31 December 2021*	**3.9**	**240.9**	**81.6**	**51.6**	**14.8**	**392.8**
Carrying amount						
At 31 December 2020*	**3.9**	**274.5**	**81.6**	**51.6**	**17.4**	**438.8**

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 2022, the carrying value of the joint arrangement asset was £142.4m with a remaining amortisation period of 12 years, and the carrying value of the brand asset was £44.7m with a remaining amortisation period of 3 years.

Landing rights with carrying value of £81.6m (2021: £81.6m) are pledged as security for certain borrowings.

* The Group has restated comparative information (see note 5).

11. Intangible assets and goodwill *continued*

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;

(ii) Its airline route network, comprising landing rights, access to the Virgin Atlantic brand, Delta Air France/KLM joint arrangement synergies, aircraft, spare engines and related assets and liabilities; and

(ii) The holidays business comprising access to the Virgin Atlantic Holidays brand, the sales channels including retail storesand any related goodwill.

The background macroeconomic 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 the indefinite life intangible assets allocated to the airline route network was £108.3m (2021: £81.6m) and the holidays business £3.9m (2021: £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 four-year period and an estimated terminal growth rate, and projections are in line with the Group's strategic plans and recovery from the Covid-19 pandemic. 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. The impairment review did not identify an impairment for either CGU as the value in use was greater than the carrying value (2021: no impairment).

Sensitivity analysis

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

Increase in discount rate	2 pts
Reduction in long term growth rate applied in terminal year	1 pts
Decrease in forecasted adjusted EBITDA in each year	20%
Increase in fuel price	10%

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

Assumptions	**Airline CGU**	**Holidays CGU**
Pre-tax discount rate	6% (2021: 8%)	4% (2021: 6%)
Terminal growth rate	2% (2021: 2%)	2% (2021: 2%)
No. years before terminal growth applied	4 (2021: 4)	4 (2021: 4)
Exchange rates USD	1.22 (2021: 1.37)	1.22 (2021: 1.37)
Fuel prices ($/bbl)	113.8 (2021: 94.6)	N/A

Notes forming part of the financial statements *continued*

12. Property, plant and equipment

	Group					
	Aircraft, rotable spares and ancillary equipment		Other		Assets under construction	Total
	Owned £m	Leased £m	Owned £m	Leased £m	£m	£m
Cost						
At 1 January 2022	1,294.7	1,533.1	154.8	166.5	18.3	3,167.4
Additions	72.5	304.6	(1.1)	4.2	11.7	391.9
Disposals	(17.9)	(28.1)	(14.5)	(21.1)	(0.4)	(82.0)
Reclassifications	3.5	-	3.2	-	(6.7)	-
Other movements	-	82.0	-	12.5	-	94.5
At 31 December 2022	**1,352.8**	**1,891.6**	**142.4**	**162.1**	**22.9**	**3,571.8**
Accumulated depreciation						
At 1 January 2022	310.3	738.7	133.5	99.2	-	1,281.7
Depreciation for the year	77.4	91.2	6.1	13.6	-	188.3
Impairments	-	-	-	(0.1)	-	(0.1)
Disposals	(12.4)	(28.9)	(11.1)	(16.9)	-	(69.3)
At 31 December 2022	**375.3**	**801.0**	**128.5**	**95.8**	**-**	**1,400.6**
Carrying amount						
At 31 December 2022	**977.5**	**1,090.6**	**13.9**	**66.3**	**22.9**	**2,171.2**
Carrying amount						
At 31 December 2021	**984.4**	**794.4**	**21.3**	**67.3**	**18.3**	**1,885.7**

12. Property, plant and equipment *continued*

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

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

Notes forming part of the financial statements *continued*

12. Property, plant and equipment *continued*
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 two spare Trent 7000 engines. Included in aircraft, rotable spares and ancillary equipment are progress payments of £22.6m (2021: £21.8m). These amounts are not depreciated.

Interest capitalised by the Group and Company on aircraft progress payments included in additions during the year amounted to £1.4m (2021: £0.5m). Owned aircraft and ancillary equipment with a carrying value of £977.5m (2021: £984.4m) is pledged as security for certain borrowings.

The Company did not have any property, plant and equipment (2021: £nil).

13. Deferred tax
The following are the material deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior year. Deferred taxation is provided for at 25% (2021: 25%):

	Group				
	Accelerated capital allowances £m	Other timing differences £m	UK tax losses £m	Holdover relief £m	Total £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**

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

Other timing differences includes £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 £1,825.5m, which equates to a deferred tax asset not recognised of £456.4m.

The Finance Act 2021 (substantively enacted on 24 May 2021) set the main corporation tax rate at 25% from April 2023.
The deferred tax asset as at 31 December 2022 has been calculated based on 25%. This will reduce the Group's future current tax charge accordingly.

The Company did not have any deferred tax (2021: £nil).

14. Investment in subsidiaries

	Company	
	For year ended 31 December 2022 £m	For year ended 31 December 2021* £m
Investment in subsidiaries	**803.6**	542.1
	803.6	542.1

	Company investment in subsidiaries £m
Balance at 1 January 2022	**542.1**
Additions during the year	**261.5**
Balance at 31 December 2022	**803.6**

* The Group has restated comparative information (see note 5).

For further information of the subsidiaries of the Company, refer to note 23. Additions during the year relate to capital contributions made into subsidiaries as a result of the novation of certain liabilities from the subsidiaries to the Company (see notes accompanying the Statement of Changes in Equity).

Notes forming part of the financial statements *continued*

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

	Group	
	For year ended 31 December 2022 £m	**For year ended 31 December 2021 £m**
Current assets		
Foreign currency	**7.6**	-
Fuel	**20.1**	1.5
	27.7	1.5
Current liabilities	**-**	-
Foreign currency	**(2.7)**	-
Fuel	**(27.3)**	-
	(30.0)	-
	(2.3)	1.5

	Group	
	2022 Quantity (million)	**2021 Quantity (million)**
Nominal amounts		
Foreign currency (USD)	**953.7**	-
Fuel (Barrels)	**5.6**	0.2

Financial statements *continued*

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

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

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

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

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

The Company did not hold any derivative financial instruments (2021: £nil).

Notes forming part of the financial statements *continued*

16. Trade and other receivables

	Group	
	For year ended 31 December 2022 £m	**For year ended 31 December 2021* £m**
Non-current		
Other receivables	**28.0**	22.1
	28.0	22.1
Current		
Trade receivables	**77.5**	87.9
Provision for doubtful receivables	**(3.5)**	(3.6)
Net trade receivables	**74.0**	84.3
Unremitted cash	**208.3**	85.7
Other receivables	**55.0**	31.0
Accrued income	**2.4**	8.9
Group relief receivables	**0.4**	-
Prepayments	**43.3**	39.2
	383.4	249.1

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.
Included within other receivables is £2.1m of lease receivable balances, which arose as a result of sub-letting certain overseas properties.

	2022 £m	**2021 £m**
Ageing of past due but not impaired receivables		
1-30 days	**27.2**	25.3
31-60 days	**5.2**	2.5
61-90 days	**0.5**	0.2
91-120 days	**0.4**	1.3
120+ days	**2.0**	7.2
	35.3	36.5

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.

17. Inventories

	For year ended 31 December 2022 £m	**For year ended 31 December 2021 £m**
Aircraft consumable spares	**29.4**	22.4
Inflight stock	**8.4**	3.7
Fuel	**0.3**	0.2
	38.1	26.3

The Company did not have any inventories (2021: £nil).

18. Cash, cash equivalents and restricted cash

	For year ended 31 December 2022 £m	**For year ended 31 December 2021 £m**
Cash at bank and in hand	**328.7**	502.0
Cash and cash equivalents	**328.7**	502.0
Restricted cash	**70.4**	86.5
	399.1	588.5

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 £208.3m of unremitted cash owed to the Group in transit at 31 December 2022 (2021: £85.7m) (refer to note 16).

The Company did not have any cash and cash equivalents (2021: £nil).

Notes forming part of the financial statements *continued*

19. Borrowings

	Group	
	For year ended 31 December 2022 £m	**For year ended 31 December 2021* £m**
Non-current		
Obligations under leases (i)	**(1,456.9)**	(1,101.1)
Senior Bonds – A1 (ii)	**(152.8)**	(163.2)
Senior Bonds – A2 (ii)	**(18.8)**	(20.8)
Senior Bonds – A3 (ii)	**(26.0)**	(27.8)
Senior Bonds – A4 (ii)	**(50.8)**	(55.7)
Other loans (iii)	**(1,454.9)**	(1,343.4)
	(3,160.2)	(2,712.0)
Current		
Obligations under leases (i)	**(144.3)**	(118.8)
Senior Bonds – A1 (ii)	**(10.4)**	(10.1)
Senior Bonds – A2 (ii)	**(2.0)**	(1.9)
Senior Bonds – A3 (ii)	**(1.8)**	(1.7)
Senior Bonds – A4 (ii)	**(4.7)**	(3.9)
Other loans (iii)	**(77.8)**	(53.6)
	(241.0)	(190.0)

(i) See below for a full breakdown of all commitments under leasing agreements. £334.1m (2021: £252.8m) of the obligations under leases have variable lease payments that depend on an index (such as LIBOR). Movements in the index rate will impact the value of these leases.

(ii) In December 2015, the Group issued £220m of Senior Bonds to bond investors (£190m Class A1 bonds and £30m of Class A2 bonds). The terms are such that repayment of the principal will occur in part over the life of the bonds such that £112m (£100m Class A1 bonds and £12m of Class A2 bonds) is only payable on the maturity of the bonds after 15 years. In January 2017, the Group issued an additional £32m of Senior Bonds to investors (Class A3). The maturation date of the bonds matches that of the A1 and A2 bonds, with repayment of the principal occurring in part over the life of the bonds and £16m payable after 14 years. The value of the bonds is stated after transaction costs. In September 2020, the Group issued £60m of Senior Bonds to investors (Class A4). The bonds mature after three years, with repayment of the principal occurring in part of the term and £50m repayable in 2023.

(iii) Other loans includes £426m (2021: £364m) of loans due to shareholders. During 2021, the Group raised £497m from shareholders. £241.6m of this has been accounted for as a capital contribution and is not included in the amounts above. Refer to the statement of changes in equity.

19. Borrowings *continued*

	Group					
	sterling £m	**US dollars £m**	**Chinese yuan £m**	**Hong Kong dollar £m**	**South African rand £m**	**Total £m**
Analysis of borrowings by currency as at 31 December 2022						
Obligations under leases	**(65.9)**	**(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)**
	(803.8)	**(2,596.4)**	**(0.4)**	**(0.2)**	**(0.4)**	**(3,401.2)**
Analysis of borrowings by currency as at 31 December 2021						
Obligations under leases	(76.7)	(1,142.1)	-	(0.4)	(0.5)	(1,219.7)
Senior Bonds - A1	(173.3)	-	-	-	-	(173.3)
Senior Bonds - A2	(22.7)	-	-	-	-	(22.7)
Senior Bonds - A3	(29.6)	-	-	-	-	(29.6)
Senior Bonds – A4	(59.6)	-	-	-	-	(59.6)
Other loans	(402.6)	(994.5)	-	-	-	(1,397.1)
	(764.5)	(2,136.6)	-	(0.4)	(0.5)	(2,902.0)

Notes forming part of the financial statements *continued*

19. Borrowings *continued*

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**
At 31 December 2022					
Loans	**(175.3)**	**(302.0)**	**(1,527.8)**	**(583.3)**	**(2,588.4)**
Leased aircraft, rotable spares and ancillary equipment	**(253.3)**	**(252.9)**	**(616.6)**	**(1,121.8)**	**(2,244.6)**
Leased other	**(18.8)**	**(13.6)**	**(32.8)**	**(37.0)**	**(102.2)**
	(447.4)	**(568.5)**	**(2,177.2)**	**(1,742.1)**	**(4,935.2)**
At 31 December 2021					
Loans	(137.7)	(239.0)	(1,381.7)	(617.6)	(2,376.0)
Leased aircraft, rotable spares and ancillary equipment	(205.8)	(185.4)	(495.8)	(810.9)	(1,697.9)
Leased other	(21.5)	(14.2)	(29.0)	(44.3)	(109.0)
	(365.0)	(438.6)	(1,906.5)	(1,472.8)	(4,182.9)

Analysis of change in borrowings:

	Group*			
	Loans £m	**Leased aircraft, rotable spares and ancillary equipment £m**	**Leased other £m**	**Total £m**
As at 1 January 2022	**(1,682.2)**	**(1,133.4)**	**(86.4)**	**(2,902.0)**
Proceeds from loans and borrowings	**(14.8)**	**-**	**-**	**(14.8)**
Repayment of borrowings	**92.0**	**-**	**-**	**92.0**
Payment of lease rental	**-**	**121.8**	**17.6**	**139.4**
Total changes arising from financing cash flows	**77.2**	**121.8**	**17.6**	**216.6**
Interest paid	**62.3**	**123.2**	**4.5**	**190.0**
Non-cash movements:				
New contracts and renewal of contracts	**-**	**(298.1)**	**(0.6)**	**(298.7)**
Other movements	**-**	**(80.0)**	**(8.8)**	**(88.8)**
FX Revaluation	**(116.2)**	**(131.8)**	**(1.3)**	**(249.3)**
Interest expense	**(141.1)**	**(123.3)**	**(4.6)**	**(269.0)**
As at 31 December 2022	**(1,800.0)**	**(1,521.6)**	**(79.6)**	**(3,401.2)**

19. Borrowings *continued*

Analysis of change in borrowings:

	Group*			
	Loans £m	**Leased aircraft, rotable spares and ancillary equipment £m**	**Leased other £m**	**Total £m**
As at 1 January 2021	**(1,403.7)**	**(982.3)**	**(93.4)**	**(2,479.4)**
Proceeds from loans and borrowings	**(557.8)**	**-**	**-**	**(557.8)**
Repayment of borrowings	**97.1**	**-**	**-**	**97.1**
Payment of lease rental	**-**	**45.7**	**16.6**	**62.3**
Total changes arising from financing cash flows	**(460.7)**	**45.7**	**16.6**	**(398.4)**
Interest paid	**39.8**	**101.4**	**5.0**	**146.2**
Non-cash movements:				
New contracts and renewal of contracts	**-**	**(190.3)**	**5.6**	**(195.9)**
Other movements	**243.6**	**2.8**	**(4.0)**	**242.4**
FX Revaluation	**(8.6)**	**(9.3)**	**-**	**(17.9)**
Interest expense	**(92.6)**	**(101.4)**	**(5.0)**	**(199.0)**
As at 31 December 2021	**(1,682.2)**	**(1,133.4)**	**(86.4)**	**(2,902.0)**

* The prior year comparative information has been restated to re-present aircraft sale and leaseback arrangements that did not meet the requirements to be recognised as a sale per IFRS 15. Previously these lease arrangements were shown under Leased aircraft, however to align with the treatment of the underlying asset as owned rather than leased in accordance with IFRS 16, these lease arrangements totalling £772.6m as at 31 December 2021 have been re-presented under Loans.

The Company did not have any borrowings (2021: £nil).

Notes forming part of the financial statements *continued*

20. Trade and other payables

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

	Group		Company	
	For year ended 31 December 2022 £m	For year ended 31 December 2021* £m	For year ended 31 December 2022 £m	For year ended 31 December 2021 £m
Non-current				
Other revenue received in advance	**(3.6)**	(3.6)	**-**	-
Trade payables	**(18.5)**	(23.3)	**-**	-
Other payables	**(109.6)**	(112.6)	**-**	-
	(131.7)	(139.5)	**-**	-
Current				
Trade payables	**(212.9)**	(188.0)	**-**	-
Other revenue received in advance	**(5.8)**	(14.2)	**-**	-
Flight and airport charges	**(138.6)**	(91.4)	**-**	-
Amounts owed to other Group companies	**-**	-	**(238.8)**	(0.9)
Other taxes and social security	**(15.3)**	(15.5)	**-**	-
Other payables	**(24.1)**	(20.0)	**-**	-
Accruals	**(190.1)**	(171.8)	**-**	-
	(586.8)	(500.9)	**(238.8)**	(0.9)

* The Group has restated comparative information (see note 5).

Other payables includes an embedded derivative asset of £13.4m (2021: asset of £15.1m) measured at fair value (refer to note 24).

21. Deferred revenue on air travel and holidays

	Group	
	For year ended 31 December 2022 £m	For year ended 31 December 2021 £m
Non-current	**(1.3)**	(3.4)
Current	**(639.6)**	(482.8)
Total deferred revenue on air travel and holidays	**(640.9)**	(486.2)

	Forward sales of passenger carriage and holidays £m
Balance at 1 January 2021	**(486.2)**
Revenue recognised in income statement	**2,559.6**
Cash received from customers	**(2,714.3)**
Balance at 31 December 2022	**(640.9)**

Cash received from customers is presented net of refunds.

Deferred revenue in respect of forward sales of holidays consists of revenue allocated to tour operations. These tickets can typically be purchased up to eighteen months in advance of the date of travel. The Company did not have any deferred income (2021: £nil).

Notes forming part of the financial statements *continued*

22. Provisions

	Group	
	2022 £m	**2021 £m**
Non-current		
Maintenance	**(43.6)**	(35.6)
Leasehold dilapidations	**(13.7)**	(9.9)
Legal claims	**(4.6)**	
Restructuring costs	**(5.4)**	(4.9)
	(67.3)	(50.4)
Current		
Maintenance	**(9.4)**	(18.9)
Onerous contracts	**-**	(0.3)
Leasehold dilapidations	**(2.1)**	(4.2)
Legal claims	**(20.0)**	(27.9)
Restructuring costs	**(4.1)**	(5.1)
	(35.6)	(56.4)

Maintenance included in provisions relates to the costs to meet the contractual return conditions on aircraft treated as right of use assets. Cash outflows on aircraft and engine maintenance occur when the maintenance events take place on future dates not exceeding November 2034. Maintenance provisions are discounted only when the interest rate has a deemed material impact on the provision.

22. Provisions *continued*

Leasehold dilapidations represent provisions held relating to leased land and buildings where restoration costs are contractually required at the end of the lease. Where such costs arise as a result of capital expenditure on the leased asset, the restoration costs are also capitalised.

Legal claims represent the estimated outstanding cost arising from the settlement of civil actions. Included within legal claims are compensation amounts due to customers whose flights were significantly delayed, unless the airline can prove that the delay was caused by circumstances beyond its control.

The Company did not have any provisions (2021: £nil).

	Group					
	Maintenance £m	**Onerous contracts £m**	**Leasehold dilapidations £m**	**Legal claims £m**	**Restructuring costs £m**	**Total £m**
As at January 2021	(49.3)	(0.4)	(15.3)	(14.4)	(14.9)	(94.3)
Amounts (provided)/released in the year	(6.8)	-	0.9	(20.5)	(0.3)	(26.7)
Amounts utilised in the year	1.5	0.1	0.3	6.2	5.2	13.3
Other movements	0.1	-	-	0.8	-	0.9
As at 31 December 2021	(54.5)	(0.3)	(14.1)	(27.9)	(10.0)	(106.8)
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**
Other movements	**(4.4)**	**-**	**-**	**0.5**	**-**	**(3.9)**
As at 31 December 2022	**(53.0)**	**-**	**(15.8)**	**(24.6)**	**(9.5)**	**(102.9)**

Notes forming part of the financial statements *continued*

23. Interest in subsidiaries and associates

The Group consists of a parent company, Virgin Atlantic Limited, incorporated in the UK and a number of subsidiaries and associates which operate and are incorporated around the world. The subsidiaries and associates of the Group as at 31 December 2022 are:

	Country of incorporation or registration	% Ordinary issued	Principal activity
Subsidiaries and associates			
Virgin Atlantic Two Limited	England and Wales	100	Holding company
Virgin Travel Group Limited	England and Wales	100	Holding company
Virgin Atlantic Airways Limited	England and Wales	100	Airline operations
Virgin Holidays Limited	England and Wales	100	Sale of holidays
Fit Leasing Limited	Jersey	100	Leasing of aircraft
VA Cargo Limited	England and Wales	100	Ceased trading
VAA Holdings Jersey Limited	Jersey	100	Holding company
VAA Holdings UK Limited	England and Wales	100	Holding company
Virgin Atlantic International Limited	England and Wales	100	Airline operations
Virgin Incoming Services Incorporated	United States of America	100	Tour operator
Virgin Vacations Incorporated	United States of America	100	Ceased trading
Virglease (3) Limited	United States of America	100	Ceased trading
Virglease (4) Limited	England and Wales	100	Leasing of aircraft
Connect Airways Limited	England and Wales	30	In liquidation

Subsidiary and Associates	Registered Office Addresses
Fit Leasing Limited, VAA Holdings Jersey Limited	47 Esplanade, St Helier, Jersey, JE1 0BD
Virgin Vacations Inc, Virgin Incoming Services Inc	5787 Vineland Road, Suite 204, Orlando, Florida, 32819
Connect Airways Limited	1 More London Place, London SE1 2AF
All other trading subsidiaries	The VHQ, Fleming Way, Crawley, West Sussex RH10 9DF

Virgin Vacations Incorporated ceased trading on March 2019. VA Cargo Limited ceased trading on 30 June 2020 and Virglease (3) Limited ceased trading on December 2020.

The Group consolidates the results of Barbados Enterprises plc, a special purpose vehicle set up to facilitate external capital raising activities, into the results of the Group. In accordance with IFRS 10, the Group is exposed, or has rights, to variable returns from its involvement and has the ability to affect those returns through its power over Barbados Enterprises plc.

The proportion of voting rights held by the Group in each of its subsidiaries is the same as the proportion of ordinary shares held. All subsidiaries have been included in the consolidation All entities in the consolidation have the same accounting reference date.

All subsidiaries other than Virgin Atlantic Two Limited are indirectly held.

24. Related party transactions

The Group had transactions in the ordinary course of business during the year ended 31 December 2022 and 31 December 2021 with related parties.

	Group		Company	
	For year ended 31 December 2022 £m	For year ended 31 December 2021 £m	**For year ended 31 December 2022 £m**	For year ended 31 December 2021 £m
Parent				
Purchases from parent	**-**	-	**-**	-
Purchases from associate	**-**	-	**-**	-
Related parties under common control				
Sales to related parties	**37.8**	15.3	**-**	-
Purchases from related parties	**(47.6)**	(10.0)	**-**	-
Amounts owed by related parties	**9.8**	16.0	**-**	-
Amounts owed to related parties	**(19.8)**	(30.7)	**-**	-
Subsidiaries				
Purchases from subsidiaries	**-**	-	**3.1**	-
Amounts owed to subsidiaries	**-**	-	**(237.3)**	(0.7)

Notes forming part of the financial statements *continued*

24. Related party transactions *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 £5.3m (2021: £6.3m) within deferred revenue at the balance sheet date. Revenue also includes £1.0m (2021: £1.1m) 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 £125.6m at 31 December 2022 (2021: £128.3m).

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 £4.7m (2021: £0.7m); total purchases were £25.0m (2021: £25.4m). Outstanding receivable balances amounted to £0.6m (2021: £2.1m) and outstanding payables (excluding amounts owed under the joint arrangement) were £33.2m (2021: £64.5m).

In March 2020, a £30.0m facility was made available by the Group's shareholders; Delta Air Lines committed 49% of this facility and Virgin Investments Limited committed 51%. This facility was fully drawn down in 2020 and the Group also accrued commitment fees of £0.4m to Delta Air Lines and £0.4m to Virgin Investments Limited in respect of this facility. During 2020, the facility was converted to preference shares.

In addition, the following liabilities were converted to preference shares:

- £56.1m for amounts owed to Delta Air Lines relating to the 2020 joint operation settlement, and other invoices payable; and
- £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.

Financial statements *continued*

25. Ultimate holding
The Directors consider that the Group's ultimate and immediate Parent Company and its controlling party is Virgin Group Holdings Limited, a company incorporated in the British Virgin Islands, the accounts of which are neither consolidated nor publicly available. The Directors consider that Sir Richard Branson is the ultimate controlling party of the Group.

26. Commitments
a) Commitments under non-cancellable leases
As at 31 December 2022, the Group had the following annual commitments under non-cancellable leases, which are outside the scope of IFRS 16:

	Group			
	2022		2021	
	Land and buildings £m	Aircraft and other £m	Land and buildings £m	Aircraft and other £m
Commitments under non-cancellable leases				
Not later than one year	**1.6**	**-**	1.7	-
Later than one year and not later than five years	**3.4**	**-**	0.4	-
	5.0	**-**	2.1	-

b) Capital commitments

	Group	
	2022 £m	2021 £m
Capital commitments at the balance sheet date for which no provision has been made	**2,739.2**	3,288.1

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.

Notes forming part of the financial statements *continued*

27. Financial instruments
a) Financial instruments by category

	Group	
	2022 £m	**2021 Restated* £m**
Financial assets		
Cash and bank balances	**328.7**	502.0
Restricted cash	**70.4**	86.5
Fair value through profit and loss:		
Derivative financial instruments	**27.7**	1.5
Loans and receivables at amortised cost:		
Trade and other receivables (excl. prepayments and accrued income)	**365.8**	223.1
	792.6	813.1
Financial liabilities		
Fair value through profit and loss:		
Derivative financial instruments	**(30.0)**	-
Other payables	**13.4**	15.1
Financial liabilities at amortised cost:		
Borrowings (including lease liabilities)	**(3,401.2)**	(2,902.0)
Trade and other payables	**(722.5)**	(637.7)
	(4,140.3)	(3,524.6)

* The Group has restated comparative information (see note 5).

Financial statements *continued*

b) Fair values of financial assets and liabilities
The fair values of the Group's financial instruments are disclosed in hierarchy levels depending on the nature of the inputs used in determining the fair values as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs for the asset or liability that are not based on observable market data.

The only instruments carried at fair value by the Group are the derivative financial instruments that consist of fuel, foreign exchange and interest rate swap derivatives, and joint arrangement embedded derivative (refer to note 24). 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 (a) above) approximate their fair values.

There were no transfers between levels during the year.

28. 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:

Notes forming part of the financial statements *continued*

a) Fuel price risk *continued*

	Group	
	2022 £m	**2021 £m**
Increase in fuel price by a fixed percentage	**30%**	30%
Increase in profit before tax	**25.9**	3.3
Decrease in fuel price by a fixed percentage	**(30%)**	(30%)
Decrease in profit before tax	**(12.1)**	(0.7)

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.

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 2022 was $2,390.5m (2021: $2,111.5m). Included within other operating and overhead costs are £8.4m of hedging losses (2021: £8.2m gains) 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.

	Group	
	2022 £m	**2021 £m**
Strengthening in the USD to GBP currency exchange rate by a fixed percentage	**10%**	10%
Decrease in profit before tax	**(2.6)**	-
Weakening in currency exchange rate by a fixed percentage	**(10%)**	(10%)
Increase in profit before tax	**19.9**	-

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.

Aircraft leases are a mix of fixed and floating rates. Of the 38 leases in place at 31 December 2022 (2021: 36), 76% were based on fixed interest rates and 24% were based on floating interest rates (2021: 75% fixed, 25% floating).

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 is expected to be withdrawn mid-2023. As such the Group anticipates transitioning to an alternative benchmark by 30 June 2023.

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 16.

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.

Notes forming part of the financial statements *continued*

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 a 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 19.

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

29. Reconciliation between loss for the year and cash generated by operations

	Group	
	2022 £m	**2021* £m**
Loss for the year	**(341.7)**	(484.6)
Adjustments for:		
Depreciation	**188.3**	194.6
Amortisation	**49.9**	52.0
Impairment	**(0.1)**	9.1
Loss/(gain) on unrealised forex	**80.3**	4.3
Loss/(gain) on other unrealised items	**15.4**	(114.0)
Loss/(profit) on disposal of property, plant and equipment and intangible assets	**3.8**	(3.0)
Taxation	**0.1**	(0.9)
Movement in provision for bad debts	**0.8**	(0.4)
Unrealised fair value movement in derivatives	**3.8**	(12.5)
Net finance costs	**268.9**	200.6
Movement in restricted cash	**16.2**	(9.9)
Working capital changes:		
Inventory	**(11.8)**	4.0
Trade and other receivables	**(134.5)**	(93.7)
Trade and other payables	**33.7**	97.6
Deferred revenue on air travel and tour operations	**154.7**	219.5
Provisions	**(19.4)**	(0.6)
Equity-settled share-based payment transactions	**2.1**	-
Interest paid	**(191.8)**	(146.4)
Income taxes recovered/(paid)	**0.1**	(0.1)
Net cash from/(used in) operating activities	**118.8**	(84.4)

* The Group has restated comparative information ((see note 5, and consolidated statement of cash flows).

30. Subsequent events
The Group has taken delivery of two leased Airbus A330-900 neo aircraft, one in January 2023 and the other in March 2023.

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 have not attempted to identify additional exceptional items as a direct or indirect result of Covid-19, other than those items which clearly meet our existing definition of exceptional, such as the restructuring and asset impairment.

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

	For the year ended 31 December 2022			For the year ended 31 December 2021*		
	Underlying activities before exceptional items £m	Exceptional items and non-underlying items £m	Total £m	Underlying activities before exceptional items £m	Exceptional items and non-underlying items £m	Total £m
Total revenue	**2,854.1**	**-**	**2,854.1**	928.0	-	928.0
Physical fuel	**(902.4)**	**-**	**(902.4)**	(269.7)	-	(269.7)
Fuel hedging (i)	**18.1**	**(18.1)**	**-**	18.5	(18.5)	-
Airline direct operating costs	**(508.5)**	**-**	**(508.5)**	(282.3)	-	(282.3)
Aircraft costs	**(167.1)**	**-**	**(167.1)**	(156.4)	-	(156.4)
Holiday distribution, marketing and selling costs (i)	**(404.9)**	**(0.9)**	**(405.8)**	(81.5)	4.0	(77.5)
Employee remuneration	**(365.7)**	**-**	**(365.7)**	(257.0)	-	(257.0)
Other operating and overhead costs (i), (ii), (iii), (iv)	**(295.2)**	**4.0**	**(291.2)**	(149.3)	101.0	(48.3)
Engineering and maintenance costs	**(158.7)**	**-**	**(158.7)**	(97.2)	-	(97.2)
Other depreciation and amortisation	**(66.3)**	**-**	**(66.3)**	(66.0)	-	(66.0)
Profit on disposal of property, plant and equipment (ix)	**(3.5)**	**-**	**(3.5)**	3.0	-	3.0
Restructuring (vi)	**-**	**(8.3)**	**(8.3)**	-	14.8	14.8
Impairment of assets (vii)	**-**	**0.1**	**0.1**	(6.0)	(3.1)	(9.1)
Fair value gains/(losses) on derivative contracts (i)	**-**	**(53.6)**	**(53.6)**	-	27.8	27.8
Other income (v)	**-**	**4.2**	**4.2**	0.7	8.6	9.3
Operating loss	**(0.1)**	**(72.6)**	**(72.7)**	(415.2)	134.6	(280.6)
Finance income	**7.0**	**-**	**7.0**	0.4	-	0.4
Finance expense (viii)	**(213.3)**	**(62.6)**	**(275.9)**	(182.3)	(23.0)	(205.3)
Net finance costs	**(206.3)**	**(62.6)**	**(268.9)**	(181.9)	(23.0)	(204.9)
Loss before tax	**(206.4)**	**(135.2)**	**(341.6)**	(597.1)	111.6	(485.5)

* The Group has restated comparative information (see note 5).

Alternative performance measures *continued*

The Group separately presents certain items as exceptional. These are items which in the judgement of the Directors need to be disclosed separately by virtue of their size or incidence in order for the reader to obtain a proper understanding of the financial information:

(i) *Fuel hedging* includes gains of £18.1m (2021: £18.5m) recognised on maturity of fuel derivative contracts. *Other operating and overhead costs* and *Holiday distribution, marketing and selling costs* include losses of £19.4m (2021: gains of £2.0m) and losses of £0.9m (2021: £4.0) respectively on maturity of foreign exchange derivative contracts. Net losses on matured derivative contracts totalling £0.4m (2021: net gains totalling £16.5m) have been reclassified against *Fair value gains/(losses) on derivative contracts*. In addition, fair value movements in relation to the Group's fuel and foreign currency derivatives are classified as an exceptional item through *Fair value gains/(losses) on derivative contracts*, to ensure that the operating costs of the Group can be reflected at an unhedged rate as the Group does not apply hedge accounting for derivative contracts. Fair value movements totalled losses of £53.6m (2021: gains of £11.3m).

(ii) *Other operating and overhead costs* include unrealised losses of £15.4m (2021 restated: gains of £98.4m) relating to fuel and foreign exchange on payables balances.

(iii) Support from trade creditor groups as part of the Group's solvent recapitalisation resulted in discounts of £nil (2021: £0.4m) being recognised in *Other operating and overhead costs*.

(iv) Gains of £nil (2021: £4.4m) were recognised in *Other operating and overhead costs* relating to ineffectiveness of cash flow hedges. Hedge ineffectiveness arose due to forecast revenue not materialising as a result of COVID-19.

(v) A related party, Flybe Limited, entered administration in March 2020. At that date, the Group had provided for loans and guarantees to Flybe Limited. The Group fully impaired the loans and has netted any amounts recovered against the write down. Amounts recovered in the year totalled £4.2m (2021: £8.6m).

(vi) The business undertook a restructuring and recapitalisation process in response to the impact of COVID-19 resulting in costs totalling £8.3m (2021: gains of £14.8m). 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.

(vii) A reversal of a prior year impairment of Property, plant and equipment totalling £0.1m was recognised in the current year. In the previous year, impairments to property, plant and equipment of £1.6m and to financial assets of £1.5m were recognised.

(viii) Interest expense totalling £62.6m (2021: £23.0m) arose on accounting for loans advanced from shareholders at fair value (refer to note 23). 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 and exceptional items and unrealised foreign exchange gain/(loss).

	Group	
	2022 £m	**2021* £m**
Profit/(loss) before tax	**(341.6)**	(485.5)
Less: Exceptional items	**(135.3)**	111.6
Less: Net finance costs	**(206.3)**	(181.9)
Less: Unrealised foreign exchange[1]	**(71.3)**	(4.9)
Underlying EBIT	**71.3**	(410.3)
Less: Depreciation, amortisation and impairment charge	**(238.2)**	(249.5)
Underlying EBITDA	**309.5**	(160.8)

c) Underlying EBIT margin

Underlying EBIT divided by total revenue.

	Group	
	2022 £m	**2021* £m**
EBIT	**71.3**	(410.3)
Total Revenue	**2,854.1**	928.0
Underlying EBIT margin	**2.5%**	(44.2)%

d) Passenger revenue per ASK (PRASK)

An industry measure of operational efficiency that encompasses both passenger yield and load factor performance. Calculated as total passenger revenue divided by total available seat kilometres (ASK).

	Group	
	2022 £m	**2021 £m**
Airline passenger revenue (£m)	**2,072.5**	410.1
ASKs (km bn)	**39.4**	14.2
PRASK (p)	**5.26**	2.89

* The Group has restated comparative information (see note 5).
[1] Unrealised foreign exchange is included within Other operating and overhead costs in the statement of comprehensive income.

Alternative performance measures *continued*

e) Airline fuel costs per ASK (Fuel CASK)
A key fuel metric, fuel CASK measures our unit fuel spend and assess our aircraft fuel efficiency and fuel hedging effectiveness. Calculated as the total fuel spend divided by total ASKs.

	Group 2022 £m	2021 £m
Physical fuel	**902.4**	269.7
Fuel hedging	**(18.1)**	(18.5)
Fuel costs	**884.3**	251.2
ASKs (km bn)	**39.4**	14.2
Fuel CASK (p)	**2.25**	1.77

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 2022 £m	2021* £m
Total operating expenditure	**2,926.8**	1,208.6
Less: Exceptional items	**72.7**	(134.6)
Less: Fuel costs	**884.3**	251.2
Less: Non-flight costs[1]	**489.6**	112.7
Non-fuel costs	**1,480.2**	979.4
ASKs (km bn)	**39.4**	14.2
Non-fuel CASK (p)	**3.76**	6.91

* The Group has restated comparative information (see note 5).
[1] 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 2022 £m	2021 £m
Total borrowings	**(3,401.2)**	(2,902.0)
Cash and cash equivalents	**328.7**	502.0
Restricted cash	**70.4**	86.5
Net debt	**(3,002.1)**	(2,313.5)

h) Adjusted net assets/(liabilities)
Net assets/(liabilities) shown on its consolidated statement of financial position, adjusted for the fair value[1] of Virgin Atlantic's slot portfolio (less cost).

	Group 2022 £m	2021* £m
Net liabilities	**(1,453.8)**	(965.4)
Fair value adjustment	**541.0**	406.8
Adjusted net liabilities	**(912.8)**	(558.6)

i) Adjusted free cash
Cash and cash equivalents adjusted for unremitted cash in transit.

	Group 2022 £m	2021 £m
Cash and cash equivalents	**328.7**	502.0
Unremitted cash	**208.3**	85.7
Adjusted free cash	**537.0**	587.7

* The Group has restated comparative information (see note 5).
[1] The fair value of the slot portfolio has been determined using a third party valuation.

Glossary

Airline Passenger unit revenue (PRASK)	Our total airline Passenger Revenue divided by the number of Available Seat Kilometres.
Airline Passenger Revenue per RPK or Yield	Our measure for yield, calculated as our total airline passenger revenue divided by the number of seats occupied by revenue customers multiplied by distance flown.
Available Seat Kilometre (ASK)	Our passenger carrying capacity, calculated by seats available multiplied by distance flown.
CGU	Cash generating unit.
Constant currency	The restatement of our prior year revenue and cost at the average IATA five-day exchange rate for the current year.
Cost per Available Seat Kilometre (CASK)	This is how much each seat on a flight costs us for every kilometre it operates.
DEFRA	UK Department for Environment, Food and Rural Affairs.
eVTOL	Electric vertical take-off and landing aircraft.
Exceptional Items and Non-Underlying Items	Items excluded from the profit measure PBTEI. Items excluded may result from one-off events which do not form part of business as usual, or are not reflective of the underlying trading performance of the business.
Flying Club	Our customer loyalty proposition.
IASA	International Aviation Safety Assessment Programme.
IOSA	The IATA Operational Safety Audit (IOSA) is an internationally recognised and accepted evaluation system designed to assess the operational management and control systems of an airline.
International Civil Aviation Organization (ICAO)	A specialised agency of the United Nations, the International Civil Aviation Organisation was created in 1944 to promote the safe and orderly development of international civil aviation throughout the world. It sets standards and regulations necessary for aviation safety, security, efficiency and regularity, as well as for aviation environmental protection.
IEA	International Energy Agency.
IPCC	Intergovernmental Panel on Climate Change.
Load factor	The proportion of seats filled by revenue passengers, weighted by distance flown.
OCI	Other Comprehensive Income.
Net Promoter Score (NPS)	The Net Promoter Score (NPS) is a metric based on survey responses to the 'likelihood to recommend' question and is calculated by subtracting the percentage of customers who are 'Detractors' (score 0-6, unlikely to recommend) from the percentage of customers who are 'Promoters' (score 9-10, likely to recommend).

Glossary *continued*

Non-fuel unit costs	This is how much each seat on a flight costs us for every kilometre it operates once the effect of fuel price and hedging is removed.
Profit Before Tax and Exceptional Items (PBTEI)	Our measure of profit, which excludes Exceptional Items and Non-Underlying Items thereby providing a better view of underlying performance.
Revenue Passenger Kilometre (RPK)	Our passenger revenue measure weighted for distance, calculated by seats occupied by revenue customers multiplied by the distance flown.
Revenue Tonne Kilometres (RTK)	The revenue load in tonnes multiplied by the distance flown.
RCF	Revolving Credit Facility.
SAF	Sustainable Aviation Fuels.
STEM	Science, technology, engineering and maths.
TCFD	Task force for climate-related financial disclosures.
Underlying Earnings Before Interest and Taxes (Underlying EBIT)	A measure of a company's operating income, equal to earnings before the deduction of net finance costs and taxes and before Exceptional Items and Non-Underlying Items.
Underlying Earnings Before Interest, Taxes, Depreciation and Amortisation (Underlying EBITDA)	A measure of a company's operating cash flow, equal to earnings before the deduction of depreciation, amortisation, net finance cost and taxes and before Exceptional Items and Non-Underlying Items.
VAT	Value added tax.
Year on Year (YoY)	Comparing two financial years.
Yield	A measure of financial return.

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