virgin atlantic

‘Sustainable flight is too difficult’

Challenge accepted

Annual Report and Accounts 2023

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

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Non-financial highlights

LOAD FACTOR
77%
FY 2022 73%

COMPLETION FACTOR
99.7%
FY 2022 99.5%

FEMALES IN LEADERSHIP ROLES
46%
FY 2022 43%

FIRST TRANSATLANTIC
100%
SAF FLIGHT

Financial highlights

REVENUE
£3.1bn
FY 2022 £2.9bn

CASH
£406m
FY 2022 £399m

EBITDA
£352m
FY 2022 £238m

Virgin Atlantic at a glance

5.3m
passengers flown annually

70
daily departures

150,000
tonnes of cargo carried annually

8,500
employees

Our fleet

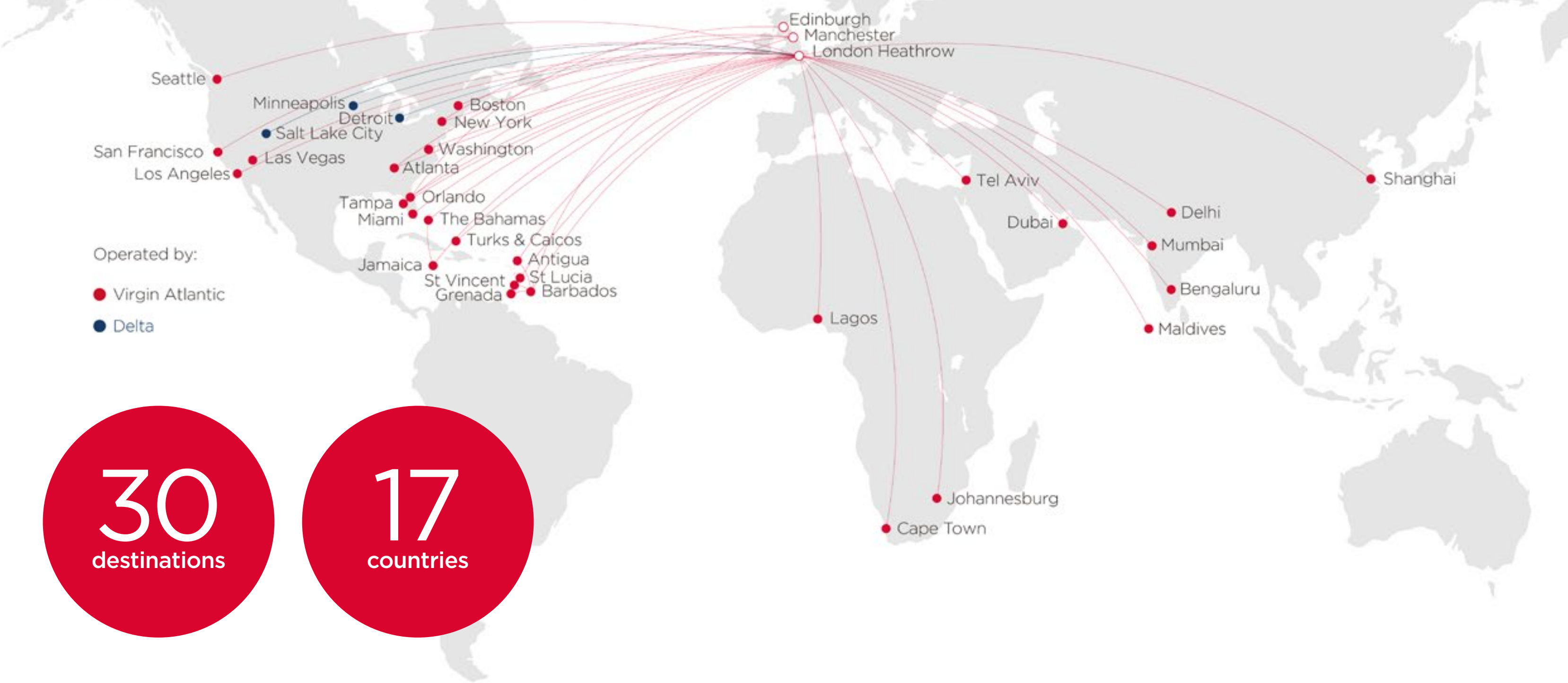
Virgin Atlantic has been pioneering sustainability leadership for more than 15 years, committing to Net Zero by 2050 and continuous action that reduces environmental impact. The airline operates one of the youngest and most fuel efficient fleets in the skies. 76% of our aircraft are next generation, with an average fleet age of just seven years compared to a competitor average of 13. By 2028, 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 capacity by 18%.

Boeing 787-9
x17

Airbus A330-300
x10

Airbus A350-1000
x9

Airbus A330neo
x4



30
destinations

17
countries

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.

Red Spirit

Siyab

Crew Performance Manager

Responsible for looking after 200 of our brilliant cabin crew. He's personable, inquisitive and commits to everything 100%, a trait that has shaped who he is and how he lives his life.

Our brand promise

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

A recipe for leadership

In 2023, I was challenged to distil my leadership principles and beliefs into something simple and intuitive that would connect with our people. Something that would create a common language and behaviours to help our leaders succeed in achieving our collective mission of becoming the *most loved travel company* and *sustainably profitable*.

Other businesses have their own brilliant and famous manifestos, but this is ours. Something for us, that distils what it means to be a Virgin Atlantic leader.

It's a recipe 30 years in the making, shaped by more than a decade at Virgin Atlantic and five years as our CEO. Observing, studying, and refining ideas from leaders both inside and outside of our Company.

20 ingredients we can all live by. Acknowledging that we can't be good at everything all the time. That's not the point, really.

Use the recipe to reflect, learn and ultimately spur you to become a better leader. Perhaps, it will inspire you to set out on your own journey.

This Recipe for Leadership is particularly relevant in our 40th year, as we take stock of where it all began, dare to imagine a bright and brilliant future and make it happen.

Here it is. Virgin Atlantic's Recipe for Leadership.

Shai Weiss

1. We are Virgin Atlantic, and we see the world differently. Which sets us apart.
2. Relentless in our desire to be the most loved travel company. What we do matters. How we do things, equally so.
3. Here we are free to be who we truly are. Proudly so.
4. Our customers mean the world to us. We are flying because of them and exist to make their journey safe and special.

   Do right by them. Make them smile. It's that simple.
5. Partnerships power our success allowing us to overcome scale limitations. We partner the right way.

   Demanding yet equitable in our approach to overcoming obstacles. Together, we go farther.
6. The big picture is made of details and patterns. Dig deep. Seek perspective.
7. Consensus is not a goal. Making the right call is. Once it's made, act as one.
8. Action over words. Get s_ _t done.
9. Recognise that doing too much may get in the way of doing.
10. Focus on what matters. Brutal prioritisation is crucial to success.
11. Excellence exists and it must be pursued and achieved. It's an obsession.
12. We love winning and achieving results. Celebrate success. But don't let it get to your head.
13. To win we must risk and fail. Own it. Learn from it.
14. Lead! From the front. For your people.
15. Our starting point must be to demand more from ourselves. So we can become better. Every day. A lifelong journey.
16. Raise your hand before you are called upon.
17. Build your team with the best and only the best.
18. Team above self. For as a team we fly higher.
19. We trust our colleagues to act the same. Demand this from them.
20. Dare to imagine a better future. Make it happen. We are Virgin Atlantic.

shai – June 2023

Chairperson's statement

40 years of challenging the status quo

The maiden flight of Virgin Atlantic took off from London Gatwick to Newark, New Jersey on June 22, 1984. A very small percentage of companies, let alone airlines, make it through 40 years in their original line of business. Virgin Atlantic has done so by staying true to its core objective of offering exceptional customer experience, delivered by people who want to make a difference through good times and bad. Covid was the worst of times, but that spirit is stronger than ever.

In 2023 we were finally able to put the pandemic behind us and concentrate fully on new challenges. Some of these will be with us for the next four decades, such as achieving our goals in inclusivity and sustainability. Every member of the team at Virgin Atlantic can feel rightly proud of the part they have played in getting us here and in setting us up for this next chapter.

Our plan is working

We have reached the midpoint of *Velocity*$_x$, Virgin Atlantic's four-year strategic plan conceived in the last year of Covid. We plan to become the *most loved travel company*, delivering *sustainable profitability*. The plan was intentionally stretching; keeping to it has been made particularly challenging by the conjuncture of external events.

Our plan assumptions did not forecast the scale of global inflation through 2022 and 2023 and the resulting rises in interest rates, which have directly affected consumers. Nor did we anticipate the outbreaks of war in eastern Europe and more recently the Middle East.

It is pleasing to be able to report that we have adapted successfully to these issues. Our plan is working. We are on track to return to bottom-line profitability, building on the foundation of our radical transformation in the pandemic. 2023 was a year of record revenues and EBITDA and narrowing bottom line losses. We were sustained by demand for premium leisure travel, strong performance in the US underpinned by operational excellence, and continued cost discipline, offsetting a slower than anticipated recovery in corporate demand. 2023 was a good year for us despite all the challenges.

2024 is a year of elections; in the UK, the US, India, Russia (!) and the European Parliament. It would be foolish to predict what these could mean in a geopolitical context and it is right to be apprehensive. However, I am confident that the airline, given its network and team, has become one of the most resilient in the sector and will perform well whatever the context.

A decade of partnership

We simply wouldn't be Virgin without the Atlantic; as ever. On January 2, 2024, we marked ten years of our immunised, metal neutral joint venture with Delta Air Lines. Since its launch the JV has grown our shared network, adding more routes and flights between the UK and the US carrying nearly 40 million customers seamlessly across the Atlantic.

Our partnership offers customers more choice, more flexibility, and greater reciprocity, with the ability to earn and redeem rewards across the combined network. We operate a joint schedule of 86 daily non-stop flights between the UK and the US – nearly 40% more than in 2014, including up to 34 peak-day departures from London Heathrow to 15 US gateways.

Our partnership grew stronger still with the inception of our expanded joint venture with Air France-KLM in 2020. This is now the leading joint venture between the UK, the EU and North America. In March 2023, Virgin Atlantic also joined SkyTeam, as the global alliance's first and only UK member airline, alongside Delta and Air France-KLM, further improving customer benefits when they choose to fly with Virgin Atlantic and our partners. Back in 2014, we said, "great minds fly alike" That is as true today as it was then.

> 'We will continue as the flag carrier, putting the premium, elevated experience of our customers first'

Chairperson's statement continued

Business as a force for good

In October 2021 we issued our "*line in the sand* manifesto" on sustainability. We set ambitious interim targets on our way to Net Zero 2050. As a responsible airline we have a pivotal role to play in protecting the planet, while connecting people across the globe and strengthening crucial trade and cultural connections.

On November 28, 2023, I was proud to join our founder, Sir Richard Branson, Shai Weiss, our CEO and a consortium of industry partners, experts and colleagues on board Flight100. The flight was the world's first commercial airline flight across the Atlantic (between London Heathrow and New York) fuelled only by Sustainable Aviation Fuel (SAF). SAF has a significant role to play in the decarbonisation of long-haul aviation, and the pathway to Net Zero 2050.

The fuel, made from waste products, delivers CO_2 lifecycle emissions savings of up to 70%, while performing like the traditional jet fuel it replaces.

The project came about by our winning a competition, sponsored by the Department for Transport. Our success is another example of the challenger mentality that sets Virgin Atlantic apart. As a proof-of-concept flight, it underlined the need for radical collaboration between industry participants and for vastly greater investment to achieve scale in SAF production. We will continue to do our part, in parallel with our continuing multi-billion-dollar fleet transformation programme, which significantly reduces our carbon emissions. Today Virgin Atlantic operates one of the youngest fleets in the sky, with an average age of just seven years and have reduced our absolute carbon emissions by c. 23% over the past decade.

The next 40 years

If we have learned anything in the last five years, it's that it is hard to predict the future in aviation and in business. However, when we dare to imagine the next 40 years of Virgin Atlantic, the things that set us apart will undoubtedly prevail.

We will continue as the flag carrier, putting the premium, elevated experience of our customers first. Our brilliant people and our purpose – to allow everyone to take on the world – at the heart of our business. Committed to showing leadership and finding new ways to make travel more sustainable. Innovating and seeing the world differently, as we have done since 1984.

Thank you

Thank you to the team on behalf of the Board and shareholders. In 2023, the Virgin Atlantic team delivered for our customers, as they intended to do, facing into challenges and seizing every opportunity. In our 40th year, we have the team in place to make every decision count, pushing ahead in 2024 to realise the airline's vision of becoming most loved and *sustainably profitable*.

Peter Norris

Recent awards

Virgin Atlantic was incredibly proud to be awarded the APEX (Airline Passenger Experience Association) **2023 APEX Passenger Choice Awards Best Airline in Europe** for the 3rd year in a row.

Virgin Atlantic received a **5* Global Airline Rating** in the **2023 APEX Official Airline Ratings** for the 7th year running, making us the only British airline to have achieved this milestone.

We won the **2023 World Travel Awards Best Economy Cabin in Europe** along with **The Business Traveller Awards Best Premium Economy Class.**

Virgin was awarded the Skytrax World Airline Award for **Best Business Class in Europe**, the **Best Premium Economy in Europe**, and the **Most Family Friendly Airline in Europe**, a new category for 2023.

CEO review of 2023

2023 was Virgin Atlantic's year of delivery. The achievements of our team are getting us closer to realising our vision of becoming the *most loved travel company* and *sustainably profitable*. 2024 is the year we make it count with an ambitious and achievable plan that sees us return to profitability.

Record revenues and narrowing losses

Results in 2023 reflect substantial progress made in a year of strong demand for premium leisure air travel and holidays. Our performance continued to improve, highlighted by record revenues and excellent operational performance. Done in the context of a challenging environment and slower corporate recovery, continued high inflation, rising interest rates and fluctuating fuel price, as well as a volatile geopolitical environment with the ongoing war in Ukraine and conflict in the Middle East. Despite the challenging environment our operational, commercial, and financial performance demonstrated that our plan is working, and Virgin Atlantic is on course to return to profitability in 2024.

A desire to delight our customers, combined with operational excellence, form the foundation upon which lasting success is built. We ended the year with a flight completion factor of 99.7% and customer satisfaction increasing year over year, exceeding our targets. At Heathrow, our punctuality score landed ten points ahead of industry average. Therefore, it is no surprise that for a seventh consecutive year, we received recognition as Britain's only Five Star airline for passenger experience from APEX. All of this is only possible thanks to the outstanding commitment of teams both in the air and on the ground. Our people continue to set us apart.

Nine new destinations have been announced since the beginning of *Velocity*$_x$. We continue to strengthen our transatlantic flying, building a strong portfolio of premium sun destinations and leading global cities in collaboration with our partners. We launched flights to Turks and Caicos and the Maldives, and we returned to Dubai, providing even more destinations for those looking for winter sun.

Sadly, we stopped flying to Austin, Texas as the tech slowdown hindered commercial performance. In 2024, customers at our home in the North will be able to fly direct from Manchester to Las Vegas once again, and expansion in India continues with the introduction of our third Indian destination after Delhi and Mumbai, with daily flights between London and Bengaluru. Known as India's Silicon Valley, Bengaluru represents an exciting opportunity to boost connectivity between India, the UK and tech hubs in the US.

In March, Virgin Atlantic joined SkyTeam, becoming the global airline alliance's first and only UK member airline. SkyTeam shares a customer-first ethos that mirrors our own, meaning customers will benefit from a seamless experience across 1,000 destinations in 170 countries. Our loyal Flying Club members will benefit from earning Virgin Points and Tier Points across member airlines, accelerating their rewards and tier status. This partnership builds on the success of our transatlantic joint venture with Delta Air Lines and Air France-KLM, each long established SkyTeam members and co-located at Heathrow Terminal 3.

In 2023 we posted record revenues of £3.1bn – eclipsing the previous record achieved in 2019 – but significantly we did this with four fewer planes. Illustrating how much more efficient we have become through our transformation. Strong revenue performance alongside relentless cost discipline resulted in record Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA or Core Profitability) of £352m, and Operating Profit of £84m, surpassing 2019 results.

Notwithstanding, we posted a loss of £139m before tax and exceptional items, partly as a result of servicing debt accrued during the pandemic, down from a loss of £206m in the previous year. Whilst unsatisfactory, we are on track to return to profitability in 2024 on the back of an ambitious yet achievable plan.

'Our commitment to our vision of becoming *most loved travel company* and *sustainably profitable* is unwavering'

CEO review of 2023 continued

Leading the way in sustainability
History was made in November on Flight100, the world's first flight across the Atlantic on 100% Sustainable Aviation Fuel (SAF), between London Heathrow and New York JFK. We demonstrated that SAF is a safe drop-in replacement for fossil-derived jet fuel, compatible with today's engines, airframes and fuel infrastructure and the only viable solution for decarbonising longhaul aviation.

It was a privilege to lead a consortium of partners including Boeing, Rolls-Royce, Imperial College London, University of Sheffield, Rocky Mountain Institute (RMI) and ICF, with the support of UK Government funding, matched by the consortium. It took radical collaboration, but the proof-of-concept flight demonstrated that if enough SAF can be made at scale, we can fly it. Gold rating by the Centre for Aviation (CAPA) followed in December in its 2023 Airline Sustainability Benchmarking.

Sustainable Aviation Fuel presents a near term opportunity to deliver lifecycle carbon reductions of c.70%, but barriers to investment and scaled production can only be overcome with urgent collective action from government, oil majors, producers, airlines and corporate customers. In July we launched a SAF certificate programme (SAFc), designed to help freight forwarders and shippers manage their carbon emissions.

Industry and government must go further now, with price certainty support, scale up of UK supply and the creation of a UK SAF industry. In the spring we will share the data collected and learnings derived from Flight100 so that the aviation industry, including competitors, can all benefit, in keeping with our *Line in The Sand* manifesto.

In parallel, following a multi-billion dollar fleet transformation, Virgin Atlantic now operates one of the youngest and most efficient fleets across the Atlantic: 76% next generation, with an average fleet age of just seven years.

By 2028, 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 capacity by 18%. Decarbonisation is the biggest challenge of our time and we are committed to achieving Net Zero by 2050, to connect and unite people in the most sustainable way possible.

CEO review of 2023 continued

Our people – the secret sauce that sets us apart
Our people are what makes Virgin Atlantic special, flying our customers safely and on time and always willing to go the extra mile to deliver special experiences.

At the end of 2022, I promised to spend more time listening and learning on the frontline. In January, I had the pleasure of operating VS45 from Heathrow to JFK as part of the cabin crew team. It was a special moment and true to form, the entire crew was kind and supportive. I spent my time serving in Economy and took part in every aspect of the service start to finish, from welcoming customers onboard to serving food and drinks, clearing away, and collecting change for charity as customers disembarked.

In May, I joined the Virgin Atlantic Holidays retail store at the Trafford Centre on the shop floor, and in July, during the peak holiday season, I worked a shift in our Heathrow Clubhouse, serving our customers. Each was an opportunity to wear my uniform with pride alongside our team.

To support our operation during these busy periods, our Friendly Faces volunteering initiative evolved, allowing the whole business to get vital frontline experience at the heart of our operation. Throughout this report, you'll see 16 extraordinary colleagues who were nominated by their peers as the best of Virgin Atlantic – our Red Spirit. Being brilliantly different is what we do.

Spending time with our fabulous teams was without doubt one of the most memorable experiences of my career. In the year ahead, when we celebrate our 40th anniversary, I am committed to meeting as many of our people as possible at their place of work. I can't wait to see them shine.

Each year Newsweek assesses companies for their commitment to equality, diversity and inclusion and dedication to employee growth and development. Our commitment to listening and taking meaningful action to create the best experience for our people was recognised for a second consecutive year, with a #1 ranking in the publication's Most Loved Workplaces for 2023. Recognition that is mirrored inside Virgin Atlantic with a material increase in the happiness scores in the first two years of *Velocity*$_x$.

***Velocity*$_x$**
2024 is the turning point for Virgin Atlantic, the culmination of effort over the last four years to return to *sustainable profitability*. As customer demand endures, we will go further, targeting record breaking revenues and operating profit. We will take delivery of six new aircraft and grow capacity further whilst continuing to maintain cost discipline and improve our balance sheet. By the end of the year, we will operate with 45 aircraft, the same number we had in 2019, yet flying 16% more. An indication of our transformation and how much more efficient our operation has become.

We built on structural transformation and doubled down on what we do best – delighting our customers. Meaningful customer and people journeys that differentiate Virgin Atlantic were created, extending our reach and relevance through data, digitalisation and personalisation. Underpinned by enhanced efficiency across our network, anchored at London Heathrow, with our transatlantic joint venture with Delta at its core.

To deliver this ambitious plan requires us to be at our best, building on our structural transformation and making us the airline of choice in every destination we serve. Increased reach will be achieved through network growth and SkyTeam membership, building relevance through our Flying Club loyalty programme and partnership with Virgin Red, and an expanded Virgin Atlantic Holidays hero product under the Virgin Atlantic master brand. Our digital first approach will deliver a new book flow and a unified, mobile-optimised homepage, improving personalisation of our retail experience, making direct the channel of choice for customers.

2024 is the year we make it count
Our shareholders, Delta Air Lines and Virgin Group, along with our partners, continue to show steadfast belief and confidence in our plan, which we're grateful for. As we rise to the challenge ahead, we are so fortunate to have such an amazing group of people to lead us forward. My sincere thanks go to our teams, who go above and beyond to deliver an unrivalled experience, making our customers smile every day.

Forty years ago, Virgin Atlantic flew our first customers between London and New York offering something different and realising our purpose to ensure everyone can take on the world. As we gear up to mark our Ruby anniversary in June, it's an opportunity to look ahead to the next 40 years. Our commitment to our vision of becoming the *most loved travel company* and *sustainably profitable* is unwavering. In 2023 we delivered for our people and our customers. 2024 will be the culmination of our transformation and the year we go further still. The year we make it count. And when we do, new possibilities will naturally emerge.

Shai Weiss

'We are so fortunate to have such an amazing group of people to lead us forward'

Red Spirit

Adeel

Atlanta Duty Manager

Adeel is Virgin Atlantic's Duty Manager at the busiest airport in the world, Atlanta. Working closely with our great partners Delta Air Lines, Adeel goes above and beyond to help customers and our teams every day.

Virgin Atlantic comprises the passenger airline and three hero products

virgin atlantic

virgin atlantic holidays

Delivering premium holidays to our fortress markets in Florida, the Caribbean and beyond

virgin atlantic cargo

Transporting freight in our aircraft throughout our network, including catering to specialist and time-sensitive cargo

virgin atlantic flyingclub

Rewarding our loyal customers with an elevated Virgin experience, Flying Club unlocks access to rewards across the Virgin family

Our strategy

With the belief that everyone can take on the world, Virgin Atlantic leads from the front. *Velocity*$_x$ is a transformational four-year plan built on the twin pillars of becoming the *most loved travel company* and *sustainable profitability*.

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. Creating meaningful customer and people journeys that differentiate us whilst extending our reach and relevance through data, digitalization and brand power growth. Delivered with purpose, personalization and a responsibility to do what's right for the communities we serve and the planet on which we all live. For our people, belonging and diversity of thought define what it means to be Virgin. Our business can and should be a force for good.

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

	2023	2022	2021	2020	2019	YoY
Passenger numbers (m)	**5.3**	4.4	1.1	1.2	5.9	+18%

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: Passengers numbers have increased year on year in line with our increased capacity, reflecting a full year of restriction free travel and the strength of post pandemic pent up demand. Numbers now reflect 88% of 2019.

	2023	2022	2021	2020	2019	YoY
ASK (km m)	**45,748**	39,383	14,180	13,043	48,832	+16%

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: Full year capacity in 2023 is just 6% behind that of 2019, largely due to tactical decisions taken and the impact of almost a full quarter of no flying to Tel Aviv.

	2023	2022	2021	2020	2019	YoY
Sectors	**23,720**	21,835	13,593	10,601	23,551	+9%

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

Performance: Sectors are up in line with increased capacity year on year, albeit skewed slightly due to a number of cargo only sectors flown in 2022 which did not occur in 2023.

	2023	2022	2021	2020	2019	YoY
PRASK (p)	**5.2**	5.3	2.9	3.2	4.2	-2%

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: Passenger unit revenues are flat on 2022 reflecting the relative increases in both revenue and capacity.

	2023	2022	2021	2020	2019	YoY
Load factor (%)	**77**	73	49	61	81	5%

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 remained strong throughout the year aligned with increased passenger numbers, consistently above 80% during the summer months.

	2023	2022	2021	2020	2019	YoY
Fuel CASK (p)	**1.9**	2.2	1.8	2.2	1.4	-14%

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: Fuel costs are down year on year due to the reduction in H1 in fuel price versus the record highs seen in 2022, as well as increases in our hedging cover.

	2023	2022	2021	2020	2019	YoY
Non-fuel CASK (p)	**4.0**	3.8	6.9	7.7	3.3	+8%

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: Ongoing cost savings from the restructuring undertaken during the pandemic, as well as continued focus on costs, has kept increases below inflation in 2023.

Our key performance indicators continued

Virgin Atlantic Holidays

	2023	2022	2021	2020	2019	YoY
Virgin Atlantic Holidays customers ('000)	**231**	250	33	59	390	-8%

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: Customer numbers are down year on year due to short-term boost in 2022 numbers from pandemic rebooks. Furthermore, capacity into key holiday destinations such as Orlando and some Caribbean destinations has reduced.

	2023	2022	2021	2020	2019	YoY
Virgin Atlantic Holidays contribution (£m)	**32**	13	(19)	(11)	44	+146%

Definition and purpose: A key metric highlighting underlying profitability of the core operation: gross margin less overheads.

Performance: Movement on 2022 driven by improvement on overall margins as well as in realised currency gains.

Virgin Atlantic Cargo

	2023	2022	2021	2020	2019	YoY
Cargo tonnage (m)	**158**	191	207	156	227	-17%

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

Performance: Tonnage has reduced in line with the cessation of cargo only flying in 2022 as well as normalisation in the market post pandemic.

	2023	2022	2021	2020	2019	YoY
Yield (£/kg)	**1.24**	1.97	2.16	2.05	0.94	-37%

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

Performance: As expected with the cargo market normalisation, yields are down but remain strong versus 2019 (up 32%).


Creating value for our stakeholders

Our people

At 31 December 2023 we had over 8,500 people based in the UK and in key destinations around the world. Of this, 12% were pilots and 43% cabin crew.

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

This year, 59% of our people took the time to share their views with us through our engagement survey. The questions asked provide a good indication of sentiment across belonging, wellbeing and overall happiness.

In 2023: Effective communication with our people has been critical as we've continued to ramp up, as well as to navigate ongoing geopolitical uncertainty and cost of living crisis.

To support our colleagues, we have provided opportunities for growth and have focused on enhancing our wellbeing offering, expanding the range of resources available for mental, physical and financial health.

This year we have continued to deliver on our '*Be Yourself*' strategy, accelerating our thinking on how we build an increasingly inclusive workplace and organisation. We have taken tangible steps to improve diversity, equity and inclusion, delivering some impactful initiatives and new policies to support our people during the moments that matter. We are committed to creating a workplace at Virgin Atlantic where everyone can thrive.

Customers

Our customers are at the heart of everything we do. We served over 5.2 million airline passengers and over 230,000 holidaymakers.

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 net promoter score (NPS) being a key measure of success used across the Company.

In 2023: We've continued to reimagine the customer journey and lead the way with fresh ideas. In 2023 we enabled our customers travelling in Upper, Premium and Economy Delight to pre-order their main meal choice, guaranteeing their selection whilst delivering on our inflight sustainability mission to reduce wastage. Customers travelling in Upper from our Heathrow hub can choose in advance from an expanded range (10+) of entrees.

We've refined and enhanced our suite of pre-departure communications, delivering information to our customers that is timely and relevant, tailored to whether they are travelling as a family, on a connecting leg with a SkyTeam partner, or on a business trip, to ensure they are fully prepared and to support a smooth and frictionless ground experience in our airports.

At Virgin Atlantic we believe everyone can take on the world, epitomised in the rollout of British Sign Language training for our cabin crew teams, as well as a new partnership with the British charity Guide Dogs, to ensure an inclusive and accessible onboard experience for all our customers.

2023 was also a year of strong growth for Flying Club with member acquisition increasing by over 50% vs 2019 and redemption flights flown growing by almost a third.

Creating value for our stakeholders continued

Joint Venture partners, SkyTeam members and other airline agreements

Our airline partnerships include the expanded Joint Venture with Delta Air Lines, Air France, and KLM, together with 72 codeshare and interline partners. In March 2023, we became the first and only UK member of the SkyTeam Global Alliance, which has generated new codeshare partnerships with China Eastern, Kenya Airways, Korean Air and Vietnam Airlines, with more to be developed during 2024, and which offer our customers the ability to travel to 1,100 destinations on 10,000 daily flights. Our customers have also benefited from the development of bilateral loyalty partnerships with SkyTeam members Frequent Flyer Programmes, including SkyPriority benefits which provide access to over 750 SkyTeam lounges for Flying Club Gold members.

How we engage: Our partnership with Delta is in its 12th year, and in 2020 this expanded into a new Joint Venture between Delta, Air France, and KLM. Our Joint Venture focused on an aligned Flight Plan which aimed to make it the most preferred and the most profitable Transatlantic Joint Venture through focus on our customers, our employees, and our sustainability. We aimed to reinvest our success to strengthen the Joint Venture network and products long-term by focusing on the key pillars within the partnership.

In 2023: Throughout the year, we continued our full Joint Venture governance at leadership and working group levels with both in person and virtual meetings, collaborating effectively with our partners on strategic, commercial, and operational deliverables. We focused on ensuring that our collective customers were and are continuing to experience aligned customer journeys, despite the rapidly changing travel environment. We were able to share knowledge of passenger trends and patterns, as our respective home countries' travel demands recovered at different rates, which provided insights into strategic commercial decisions across Network Plans and Revenue Management resulting in more access to destinations where our customers desire to travel.

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 that 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 2023: Our supplier relationships expanded during 2023 alongside the introduction of three new routes into our network. The macro-economic climate created challenges and put more focus on strengthening our supplier relationships, to ensure we collaborated to maintain the high standards of service and delivery we are known for.

Creating value for our stakeholders continued

Communities

We engage with the local communities in each of our major locations, partnering with local schools, business groups and community organisations.

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

In 2023: We worked with almost 700 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 and The Smallpiece Trust and the United Nations High Commissioner for Refugees (our Passport to Change charity partners) we enjoyed the support of 173 passionate Virgin Atlantic mentors, who collectively volunteered over 1,000 hours of time to the programme. Alongside our partners, we are delivering a year-long programme of initiatives, reaching over 3,500 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 2023: We have maintained regular and significant engagement with our shareholders and financial stakeholders.

‘We engage with the local communities in each of our major locations, partnering with local schools, business groups and community organisations’

Regulators and governments

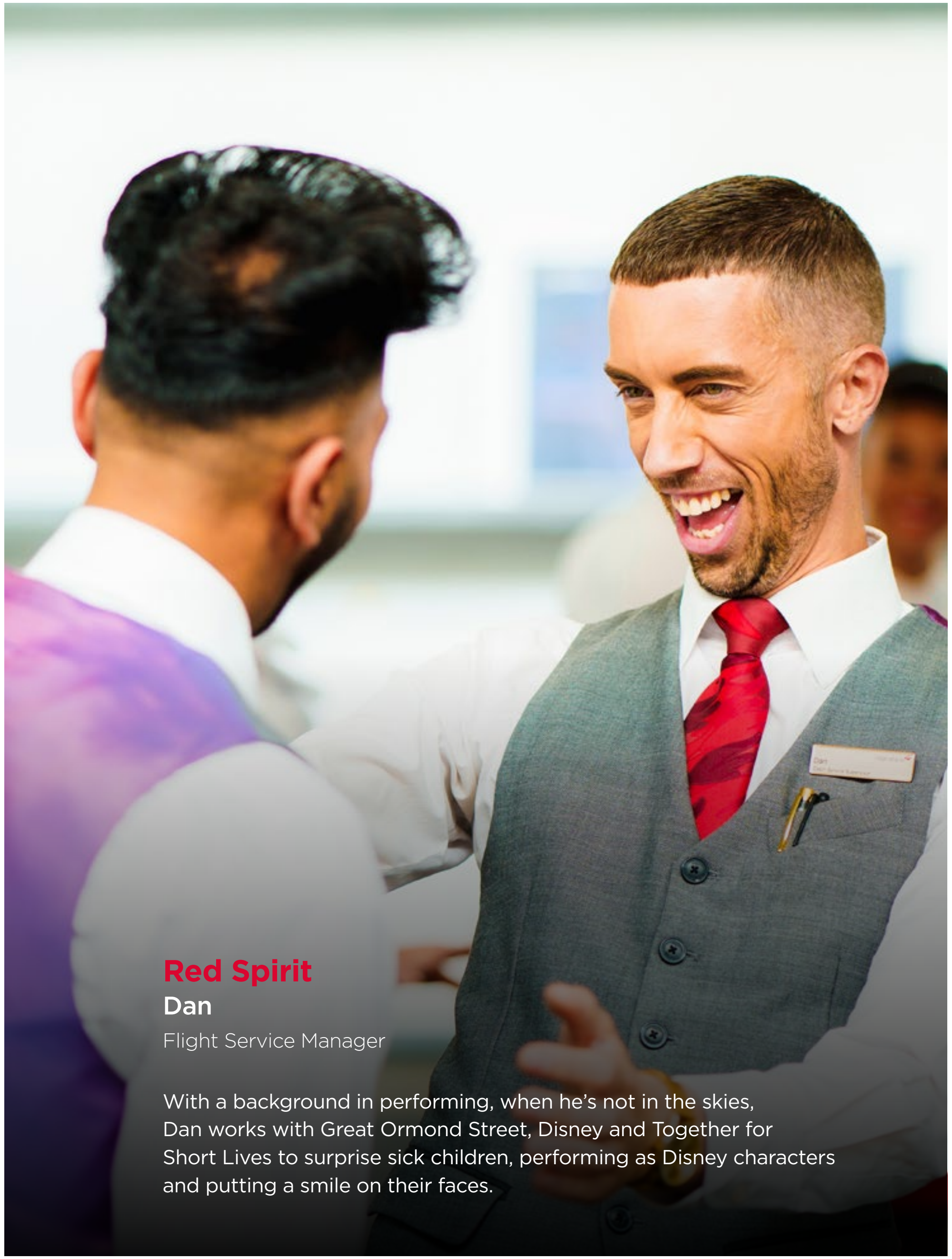
In the UK, we are regulated by the Civil Aviation Authority (CAA) and regularly engage with governments, policy makers, airline trade associations and tourism bodies both in the UK and overseas.

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

In 2023: Our engagement with the UK Government and political stakeholders was primarily focused on sustainability issues, where we have campaigned for greater and more urgent policy support to enable commercial production and usage of sustainable aviation fuel (SAF) in the UK. Our leadership on SAF was exemplified through our delivery of the world’s first 100% SAF-powered transatlantic flight by a commercial airline in November.

Working throughout the year, in partnership with the UK Government and a consortium of industry partners, we achieved landmark regulatory approvals from the CAA that demonstrated the contribution SAF can make to aviation decarbonisation. We also helped to secure Government commitment to enact a revenue certainty mechanism to attract investment into a UK SAF industry via amendments to the Energy Act 2023.

We continued to engage with the UK Government, Parliamentary stakeholders and the CAA on the economic regulation of Heathrow Airport, including participation in the Newman Review which recommended undertaking a further review of the H7 process to ensure future settlements are in the interests of consumers. We also engaged with the CAA on its proposal for a new accessibility framework as well as reform of The Air Travel Organisers’ Licensing (ATOL). We continue to engage with the Home Office on its implementation of a new Electronic Travel Authorisation for all non-visa nationals visiting the UK, which is expected to be rolled out to US nationals during 2024.



Red Spirit
Dan
Flight Service Manager

With a background in performing, when he's not in the skies, Dan works with Great Ormond Street, Disney and Together for Short Lives to surprise sick children, performing as Disney characters and putting a smile on their faces.

CFO statement

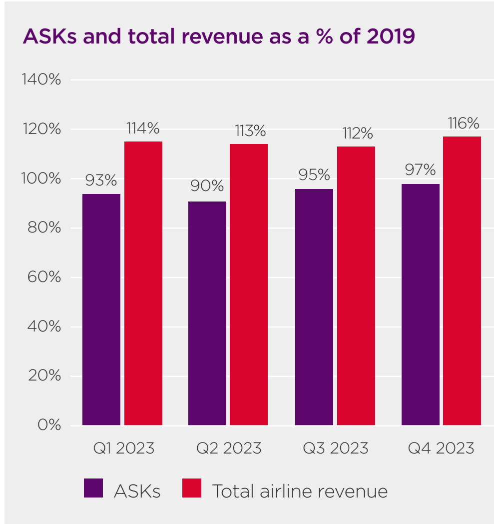
Our financial results for 2023 reflect another year of substantial progress towards our goal of *sustainable profitability*. We entered the year predicting a loss based on the cost of living crisis', fuel volatility and geopolitical uncertainty and with this in mind we took a cautious approach to our planning and network growth. Our discipline towards capacity management and robust cost control has continued, and as ever we have maintained a sharp focus on our cash flow.

Against this backdrop, we increased capacity by 16% up on 2022, delivered record revenues of £3.1bn and maintained cost discipline and the benefits of the Covid-19 transformation to our cost base. As a result, Virgin Atlantic delivered an operating profit before exceptional items of £80m (2019: £73m), returning to pre-pandemic levels of performance.

We recorded a Loss Before Tax and Exceptional Items of £139m, improving year on year performance (2022: £206m) and we remain on track to return Virgin Atlantic to profitability in 2024.

Overview of financial performance

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



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

CFO statement continued

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

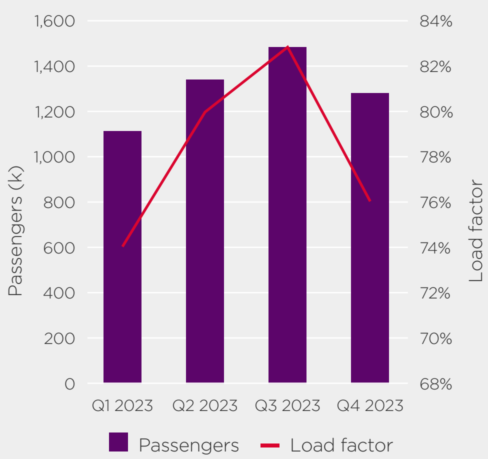
Having already taken significant action in 2020 to reduce our cost base, delivering a £300m, recurring reduction to operating costs, we have continued to closely monitor and maintain these savings:

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

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

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

2023 passengers and load factor



Passenger revenue

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

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

Financial results and key metrics[1]

£m	**2023**	2022	2021	2020	2019
Revenue	**3,119**	2,854	928	868	2,927
Statutory loss	**(226)**	(342)	(486)	(864)	(55)
PBTEI	**(139)**	(206)	(597)	(655)	(22)
Underlying EBITDA	**326**	310	(161)	(321)	338
Underlying EBIT	**54**	71	(410)	(568)	71
Underlying EBIT Margin (%)	**2**	2	(44)	(65)	2
Total sectors	**23,720**	21,835	13,593	10,601	23,551
Cargo only sectors	**7**	1,117	1,633	3,897	0
ASK (km bn)	**45.75**	39.38	14.18	13.04	48.83
Passengers (000)	**5,285**	4,380	1,104	1,192	5,877
Load factor (%)	**76.6**	73.4	49.3	61.1	81.1
PRASK (p)	**5.24**	5.26	2.89	3.18	4.27

[1] Refer to Alternative Performance Measures on pages 119 to 121 for definitions and reconciliations of these metrics.

'Premium leisure destination performance remained strong throughout the year, boosted by our new routes to the Maldives and Turks and Caicos'

CFO statement continued

Cargo revenue

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

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

Virgin Atlantic Holidays

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

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

Capital investment

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

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

Fuel costs

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

Aircraft costs

Aircraft and engineering costs together totalled £413m, 27% higher than 2022 and 18% higher than 2019. Aircraft costs were up £29m on the £167m recorded in 2022, which included additional leasing costs associated with the three new aircraft deliveries.

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

Other non-fuel costs

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

CFO statement continued

Finance costs

Finance costs of £308m were £39m higher than 2022, predominantly driven by interest rate increases on leases and on external and shareholder debts, in line with inflation.

Results for the year

The statutory loss after tax for the year was £225m, an improvement of £117m on the loss recorded in 2022. Underlying EBITDA, which excludes exceptional items, was £326m (2019: £338m) with an underlying EBIT of £54m versus £71m in 2019.

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

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

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

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

Financial results and key metrics

£m	**2023**	2022	2021	2020	2019
Cash from/(used in) operating activities	**332**	119	(84)	(713)	217
Cash from/(used in) investing activities	**(98)**	(100)	74	(23)	(558)
Cash from/(used in) financing activities	**(215)**	(217)	399	472	317
Cash increase/(decrease)	**19**	(198)	388	(272)	(25)
Effects of exchange rate differences	**(12)**	25	(1)	15	(15)
Unrestricted cash	**335**	329	502	115	353
Total cash	**406**	399	589	191	449
Debt	**(3,573)**	(3,401)	(2,902)	(2,479)	(2,215)
Net debt	**(3,167)**	(3,002)	(2,314)	(2,288)	(1,766)
Net (liabilities)	**(1,538)**	(1,454)	(965)	(719)	(190)

Outlook

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

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

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

Oliver Byers
Chief Financial Officer

27 March 2024

Adjusted balance sheet metrics[1]

£m	**2023**	2022	2021	2020	2019
Reported net (liabilities)	**(1,538)**	(1,454)	(965)	(719)	(190)
Slot portfolio valuation (fair value, less cost)	**626**	541	407	437	350
Adjusted net (liabilities)/assets	**(912)**	(913)	(558)	(282)	160
Cash and cash equivalents	**335**	329	502	115	353
Unremitted cash	**70**	208	86	13	70

[1] Refer to Alternative Performance Measures on pages 119 to 121 for definitions and reconciliations of these metrics.

s172(1) statement

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

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

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

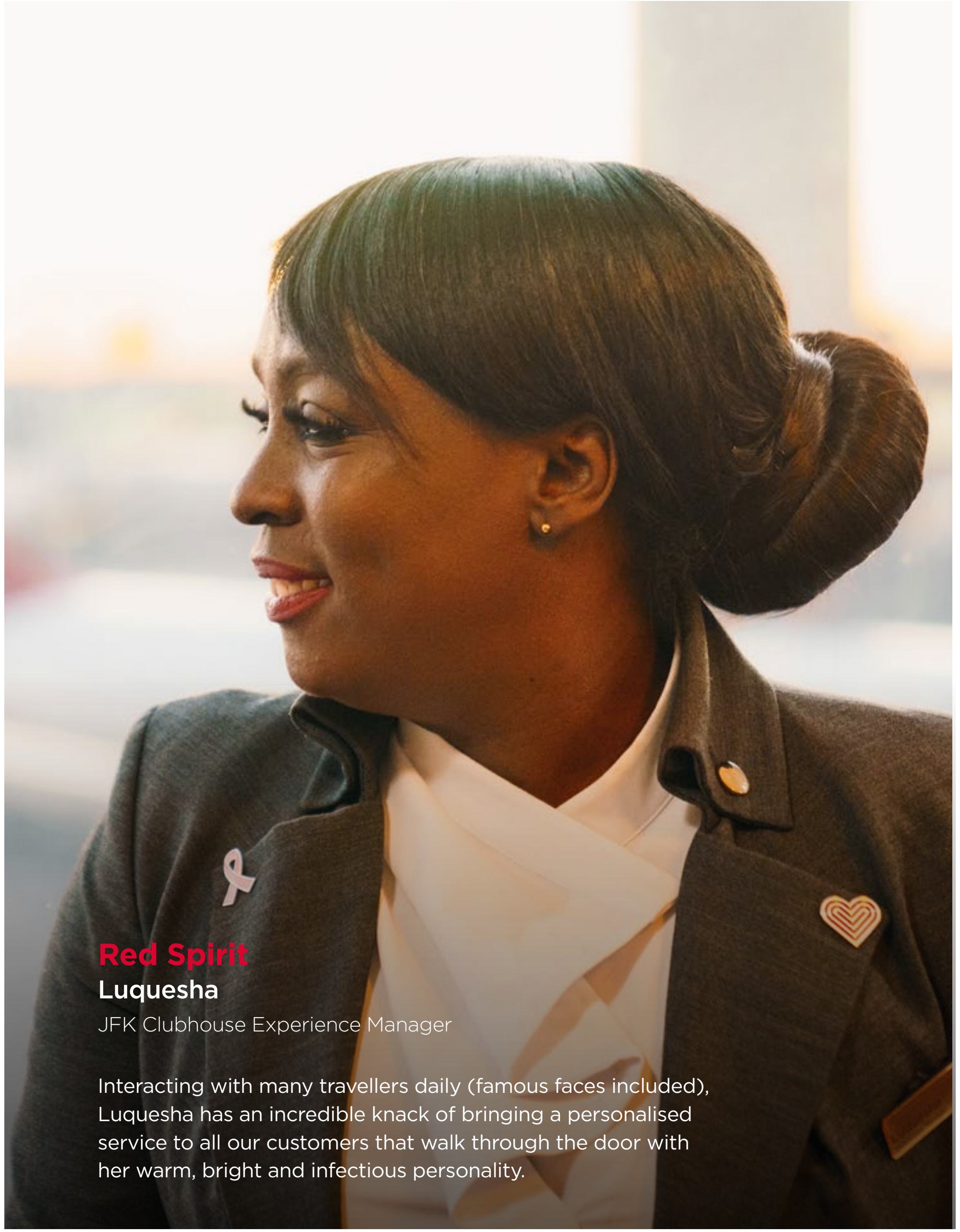
We believe that productive business relationships with our suppliers, customers and other key stakeholders are key to the ongoing success of the Group and that the interests of relevant parties should be considered when making decisions that may impact them.

Though engagement is carried out by those most relevant to the stakeholder or issue in question, the Directors receive updates on the engagement that has been undertaken, the reoccurring questions, concerns raised and the feedback provided by the Group's key stakeholders.

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

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

We set out throughout the Strategic Report some examples of how the Directors have had regard to the matters set out in section 172(1) (A) to (F) when discharging their section 172 duty and the effect of that on certain of the decisions taken by them, in particular on pages 17-19.



Red Spirit

Luquesha

JFK Clubhouse Experience Manager

Interacting with many travellers daily (famous faces included), Luquesha has an incredible knack of bringing a personalised service to all our customers that walk through the door with her warm, bright and infectious personality.

Non-financial and sustainability statement

The table below sets out where information relating to non-financial and sustainability matters can be found in our Annual Report.

All policies are available on the intranet for all employees to view.

Reporting requirements	Relevant initiatives and policies	Where to read more in this report about our impact, including principal risks relating to these matters	Page (s)
Climate change and sustainability	Commitment to Net Zero by 2050 Radical collaboration to promote policy and development of SAF at commercial scale (page xx) Responsible supplier policy Member of: Jet Zero Council Cleaner Skies for Tomorrow Aviation Climate Taskforce Sustainable Aviation	Climate-related Financial Disclosures (Companies Regulations 2022) Task Force on Climate-related Financial Disclosures Sustainability approach, strategy, focus and targets Risk – sustainability Modern Slavery Act statement	51-62 51-62 37-50 54-55, 71-72 Link
Employees	Employee handbook 'Red Book' Equal opportunities and anti-discrimination policy Data protection policy Travel and expenses policy	Diversity, equity and inclusion Employee wellbeing and happiness Talent acquisition, management, development and retention Gender pay gap reporting Purpose and vision Risk – Brand and People Risk – Health, safety and security Modern Slavery Act statement	29-31 29-31 29-31 30, Link 1 73 67-68 Link
Human rights	Employee handbook 'Red Book' Responsible Supplier policy	Modern Slavery Act statement	Link
Social matters	Passport to change Humanitarian relief efforts Gifts and hospitality policy	Communities	33-36
Compliances	Civil Aviation Authority licensing compliance Anti-bribery and corruption policy Competition law compliance Whistleblowing policy Anti-Facilitation of Tax Evasion policy	Risk – Health, safety and security Risk – Regulatory & legislative	67-68 74
Business model		Our business model *Velocity*$_x$	3, 13 14
Non-financial metrics		Operations Scope 1-3 Greenhouse Gas emissions	2 63-65

Business as a force for good

Red Spirit
Simina
Heathrow Clubhouse Experience Executive

Simina is a shining example of positivity, going above and beyond, building true and caring relationships with customers and is always ready to greet people with a hug and a big smile.

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 2023 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.

In 2023, we have continued to build on our Sustainability, Be Yourself and Passport to Change manifestos and double down on action focused on pioneering change. We have continued 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 11 goals aligned to our purpose and representing the areas where Virgin Atlantic can have a meaningful impact.

UN SDGs aligned with most loved pillars

Materiality

In early 2022, we undertook our first Environmental, Social and Governance (ESG) 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.

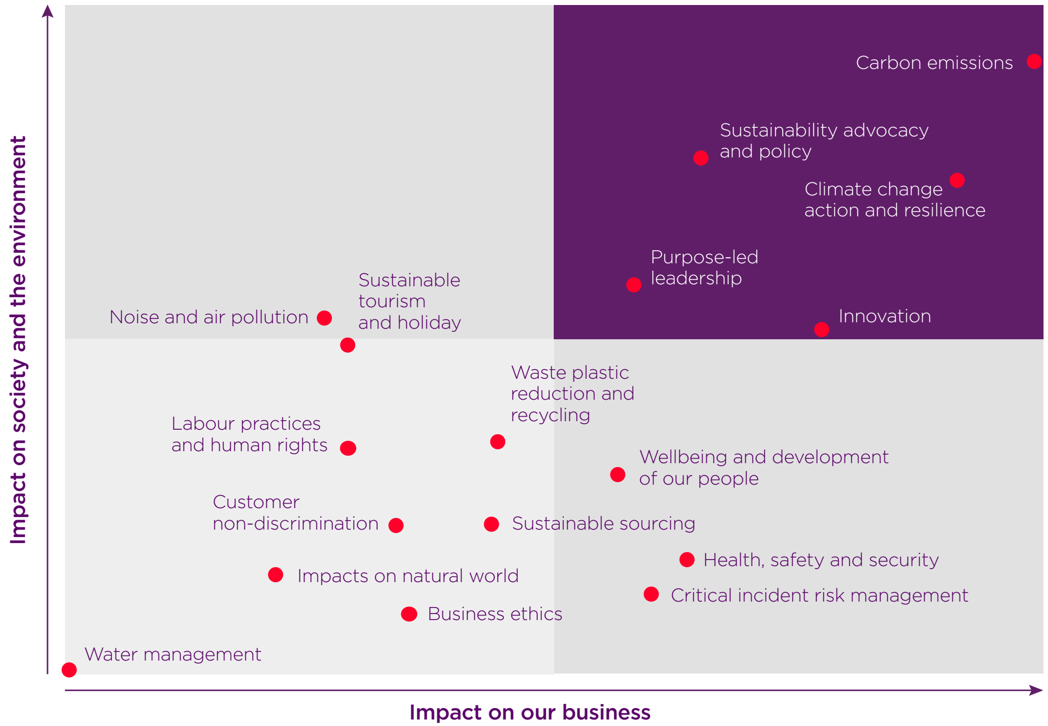
Governance

During the year we have continued to take 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 on colleague inclusion scores.

In 2022 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.

We have continued to develop our approach in 2023, outlining a clear roadmap to improving governance of business as a force for good.

Our current assessment and priorities



Our people

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

Key focus areas

Diversity, equity and inclusion
Happiness
Learning

2023 progress

46%▲
females in leadership positions

12%▲
ethnic diversity across total workforce

27,000
pieces of feedback captured in second half of year (average 0.5 pieces per colleague per month)

SDG alignment

▲ KPIs assured independently by KPMG, see ISAE (UK) 3000 & ISAE 3410 limited assurance statement Link

***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

Our people continued

Our people

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 pride ourselves on delivering thoughtful experiences that feel brilliantly different, at every opportunity. This ensures that our people can be their authentic selves at work and perform to their highest level. When we bring together our carefully created people and customer touchpoints, it forms a recognisable and emotional spark that defines our brand's essence: this is our double helix, and it remains the primary driver in defining our people journey.

To accomplish this, our people must remain front and centre. That's why continuing to create the environment for everyone to thrive has remained core to our people strategy this year.

To support our colleagues, we have enhanced our wellbeing offering, expanding the range of resources available and staying focused on building an even more inclusive culture where everyone feels they belong. In order to enhance development and performance we set ourselves an ambitious annual target of sharing 30,000 pieces of feedback across the Company, ultimately to provide opportunities for growth.

Diversity

Our identity at Virgin Atlantic is shaped by our people, which is why we aim to build a workforce that represents the communities we serve. A more diverse workforce enriches our collective perspectives and enhances the experiences both for us and our customers.

This year, through collaboration with our belonging networks and external partners, we've broken down barriers throughout our candidate journey, and transformed our award-winning recruitment process. With the introduction of new tools and an updated digital offering, we are now assessing talent against our values, hiring for mindset and creating more inclusive hiring experiences.

We continue to evolve our employer brand and proactively look at ways to attract and retain under-represented talent. We are a Disability Confident Employer which reaffirms our commitment to supporting those with a disability within the workplace. We are a founding member of WiHTL (Women in Hospitality, Travel & Leisure) and continue to partner with them to improve ethnic and gender diversity within leadership. We are founding signatories of the Women in Aviation Charter, and signatories of the Business in the Community Race at Work Charter.

This is shown in the progress that we have made on our diversity targets.

	Ambition	As at 31 Dec 2023▲	As at 31 Dec 2022▲
Women in leadership roles	46% by 2025	46%	43%
Ethnic diversity	15% by 2025	12%	11%

▲ KPIs assured independently by KPMG, see ISAE (UK) 3000 & ISAE 3410 limited assurance statement Link.

Gender pay gap 2023

(For the year ended 5 April 2023)

Median gender

28.4%

Mean gender

56.1%

Aviation remains an exciting and dynamic sector, but gender imbalances remain and we are committed to leading from the front. In 2023 we achieved our 2025 target for females in leadership roles of 46%. The full gender pay gap report can be found here. Results demonstrate there is still more that we can do.

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. Since 2022, data from the top 50 largest private companies has also been included in the report. The target is to reach 40% of women on boards and at senior leadership level by 2025. In their 2023 review, Virgin Atlantic has 38% women at executive level and was ranked fifth out of 20 companies in the travel and leisure sector, ahead of the other airlines listed. Our sector averaged 34% across both public and privately owned companies.

We are delighted to have received the following awards for recruitment during 2023:

Most Effective Employer Brand – 2023 Recruiter Awards

Excellence in Specialist Assessment & Selection 2023 – Association for British Psychology Awards

Best Candidate Experience – 2023 FIRM Awards

We're pleased to have been named the UK's Most Loved workplace for 2023, for the second year in a row.

Springboard

This programme supports women via professional and personal development in pursuit of increasing female representation in leadership positions. This year we have supported more than 100 women with their personal development through our Springboard Women's Development programme.

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. Since launching 'Be yourself', 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 make-up policies in 2018, whereby cabin crew are no longer mandated to wear specific make-up styles, we have 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 2022 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.

Our people continued

Driving belonging

Our belonging networks continue to perform critical work to help us better understand and improve colleague experiences and the drive for equity. This year, we introduced a fifth colleague Belonging network, Family First, to support our people to balance life outside of work. Since the launch of this new network, we have updated and introduced new family related policies including our Fertility, Baby-loss and Compassionate leave policy to allow for more flexibility and to ensure people feel supported in the moments that matter. We have introduced a new platform, giving all our people direct access to personal support for the menopause, and we have launched our first Menopause Champions meeting, to build momentum and seek feedback into the changes we are driving.

In addition to Family First, we continue to work with our other Belonging networks to ensure that all voices are heard and represented, and that our processes and policies are reflective of our people and of society today. Our other networks are Pride (LGBTQ+), Disability Engagement Network, VALUED (Virgin Atlantic Loves Unity and Ethnic Diversity) and Scarlet (women's network), and have a combined membership of over 7,000 from across Virgin Atlantic.

All our belonging networks also have an executive ally, which is a member of our leadership team to advocate for change and to demonstrate leadership commitment.

We were proud this year to continue to celebrate and acknowledge dates in the calendar that are important to our people. We celebrated Black History Month in the UK with a flight from London to Atlanta fully operated by members of our VALUED network, came together to celebrate PRIDE events within our local communities, sponsoring Swansea PRIDE, and connected with schools across the UK to mark Disability History Month.

IATA Diversity and Inclusion Team of the Year 2023

Burberry British Diversity Awards 2023 – Marketing Campaign of the Year

European Business Travel Awards – Achievement to Diversity and Inclusion

Happiness of our people

Our bi-annual happiness check-in provides our people with the opportunity to feel heard, valued and empowered. It also gives us an understanding of colleague sentiment across the Company and allows us to take proactive measures to increase happiness levels. We continue to measure happiness, retention and inclusion, but for the first time this year we also introduced a new wellbeing measure.

Wellbeing has been a core goal in our people plan this year, ensuring that we have the fundamentals in place so that our people know we care. From our happiness survey, we have seen a five point uplift in our wellbeing index scores over a 12-month period, which our Happiness partner confirmed is well above the average increase from their cross industry participating companies.

Learnings from the pandemic have taught us how to continually challenge ourselves and recognise the impact that external constraints have on our people, both socioeconomically and emotionally. Through our wellbeing strategy, we aim to respond to what really matters to our people through the development of experiences, the creation of impactful polices, and the introduction of new tools that support, inspire, and show we really care.

We've continued with the success of 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 continued to reward our people with instant recognition awards, a Red Moment, with almost 2,000 awards made to colleagues across the organisation during 2023.

This year, we have also been able to better connect with the Virgin Group, through the new online platform, 'Virgin Family'. This new platform provides a space for all Virgin colleagues to connect, build new networks and collaborate, making our colleagues feel even more a part of the Virgin Family community.

'Our belonging networks continue to perform critical work to help us better understand and improve colleague experiences and the drive for equity'

Our people continued

A place to learn and grow

Throughout 2023, we have re-invigorated learning and development across all workgroups, striving to be a performance-led Company. We launched our updated approach to performance in 2022 and we began quarterly objective setting with our platform, Your Performance Journey. In 2023 we have rolled this out further across the Company to our customer facing and flying teams. 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.

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. In 2023, we gave over 27,000 pieces of feedback, as well as over 20,000 objectives being logged and over 17,000 conversations held between leaders and their people. In our November 2023 Happiness survey, we saw a significant uplift of 3 points year-on-year in our people saying that at work, they receive feedback that helps them improve in their job, which supports the continued roll out of the platform. We expect the numbers of feedback, objectives and conversations to continue to increase as more colleagues have access.

As well as our practical training, we have re-evaluated our digital learning and continued to invest in personal development through the Learning Locker. This provides bite-sized digital learning for our people, wherever and whenever they need them. It serves as a centralised repository for all learning materials, encompassing compliance, operational, personal and leadership development. Since the beginning of the year, we have received over 30,000 visits to our Learning Locker.

This year we have also made substantial investment within our leader community. We have received overwhelmingly positive feedback from the 218 leaders who have participated in one of our five new leadership programmes. Similarly, we launched our new pilot learning portal to support our First Officers on their road to Command. Between the launch in November and the end of the year, 80% of our pilots benefited from their new learning portal.

Apprenticeships

As the landscape of work changes, it's vital we ensure our people remain skilled and equipped to deliver against our future ambitions. Alongside our digital learning and leadership training, we expanded our apprenticeship offering this year to create a pipeline of diverse talent for the future, which supports our social mobility and diversity targets.

We've seen how nurturing young talent through an apprenticeship develops a sense of loyalty to the Company, creates an engaged workforce, and increases belonging.

At Virgin Atlantic, 80% of the current engineering leadership team started as an apprentice and are now mentoring the next generation.

This year, we were purposeful about the range of programmes and levels we would offer, investing in 'homegrown' talent to fill critical skills gaps and align to the future of work.

During 2023, we grew our apprenticeship portfolio from five to 31 programmes and apprentice numbers from eight to over 120.

The majority of our apprentices are existing colleagues either upskilling or reskilling. However, this year we turned our focus to developing an early career pipeline of new apprenticeships, following on from the successful relaunch of our Engineering apprenticeship programme in 2022. We onboarded ten new hires to the team this year, with women making up 40% of this year's cohort. We expanded this model and replicated the success of our approach within engineering into other areas, recruiting our first six apprentices in our Operational Control Centre, who will benefit from a rotational programme equipping them with skills for the future. Apprentices are now represented in all areas of our business.

Our community

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.

Key focus areas

Social mobility
Provide access to education for all/address inequalities within educational learning
Bridge the gender gap within STEM

2023 progress

£300,000+
investment in STEM

3,500
young people impacted

173
Virgin Atlantic mentors

1,000 hours
of mentoring time given

SDG alignment

1 NO POVERTY
4 QUALITY EDUCATION
8 DECENT WORK AND ECONOMIC GROWTH

Velocity$_x$ target

£2.5m
investment to support STEM education initiatives

Reach 20,000
young people across 10 schools

80
Virgin Atlantic mentors

600 hours
of mentoring time given

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 view 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.

Our community continued

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 partnering with The Virgin Atlantic Foundation, our Passport to Change programme sets out to inspire, coach and support young people in the communities in which we operate. The Virgin Atlantic Foundation work in partnership with local schools, Speakers for Schools (one of three charity partners) and Virgin Atlantic colleagues, to deliver workshops, innovative learning and mentoring. The programme focuses on inspiring and encouraging young people in science, technology, engineering, and maths (STEM).

The Virgin Atlantic Foundation support three charity partners: Speakers for Schools, The Smallpiece Trust and the United Nations High Commissioner for Refugees. With them, The Virgin Atlantic Foundation reached almost 400 young people across Virgin Atlantic base locations of Crawley and Swansea in the UK, together with Atlanta in the US, alongside 3,500 refugee students based in Delhi, India. The Virgin Atlantic Foundation invested over £300,000 for the 2022/23 academic year, with 173 Virgin Atlantic mentors volunteering over 1,000 hours of time to the programme. With our support, The Virgin Atlantic Foundation is delivering a year-long programme of initiatives, investing in the hearts and minds of the generation who will define our future.

Burberry British Diversity Awards – Social Mobility Initiative of the Year

‘We want future careers, whether at Virgin Atlantic or not, to be inclusive to all, regardless of gender, race, or socioeconomic background’

Red Spirit
Chris
Training Captain

Starting Virgin Adventures back in 2008, Chris has created a legacy, spearheading over 80 adventures alongside friends, colleagues and even our founder Richard Branson, raising over £1m for deserving causes.

Using our business as a force for good
Following the devastating earthquakes that hit Turkey and Syria in February 2023, Virgin Atlantic partnered with Magen David Adom UK to deliver much needed humanitarian aid to the affected region.

Collaborating across multiple agencies, governments and business areas, within eight days our first flight was airborne. Providing vital supplies including blankets, sleeping bags and duvets as well as baby formula, water purifying tablets, medication and medical equipment. Within days of our first flight we sent a second relief flight, again full of much needed supplies.

Virgin Atlantic was also taking donations onboard our regular flights, with all donations going towards the Save the Children's humanitarian campaign.

Where we can, we'll continue to look for other opportunities to help where needed, using our business as a force for good, made possible through the collaboration of our teams both internally and across industry.

Our planet

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

Key focus areas

Carbon emission reduction
Waste and plastics
Supply chain sustainability

2023 progress

First 100% SAF fuelled

transatlantic flight

First corporate SAF sale

under SAF certificate programme

16% reduction

in absolute Scope 1 carbon emissions vs 2019

SDG alignment

***Velocity**$_x$* **target**

15% reduction in CO_2

per revenue tonne kilometre vs 2019 baseline

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 continued

In the year we flew the world's first transatlantic flight using 100% Sustainable Aviation Fuel (SAF) by a commercial airline, 2023 was also a year that reinforced the scale of the challenge ahead. It is one that should not be underestimated. But Virgin Atlantic remains committed to taking the action that it can now, to deliver Net Zero 2050[1]. Success requires collaboration. Not just within industry but across the energy and aviation value chain. Clearly policy makers have a role to play but that must be in concert and collaboration with airlines, airports, oil majors and new technology companies. If Flight100 demonstrated that the use of SAF at 100% is operationally feasible in today's engines, airframes and infrastructure it also showed that it takes a concerted, and collaborative, effort to make it happen. And whilst only a single flight, it reinforces our commitment to Net Zero and interim targets, integrating carbon and environmental risk and opportunities into our strategic and day-to-day business activities, and underlining the increasing importance of holding ourselves to account through greater transparency and maturity across our governance, risk and reporting frameworks.

As we work towards meeting our climate-related targets (see page 43) in 2021, Virgin Atlantic carried out a double materiality assessment to validate that the activities we undertake in relation to our environmental, social and governance strategy are aligned with the issues that matter most to our stakeholders. In 2023, Virgin Atlantic voluntarily disclosed climate change risks and opportunities through the Task Force on Climate-related Financial Disclosures (TCFD) reporting and participated in the voluntary Carbon Disclosure Project (achieving a score of B). From 2024 (relating to financial year 2023), Virgin Atlantic's disclosures comply with The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, also known as the 'CFD'.

Our strategy

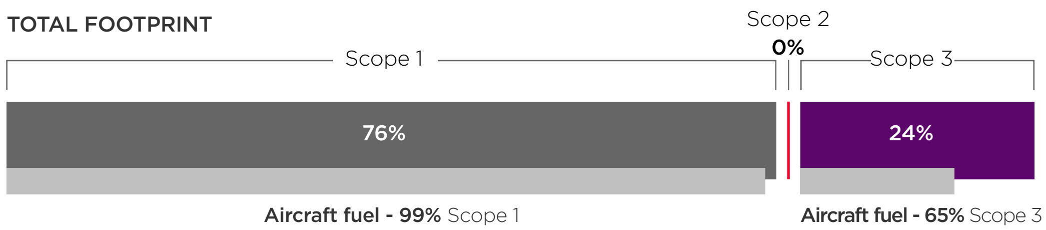
For over a decade, we have been committed to innovation, action, and transparency to reduce our environmental impact. Despite the achievements of the past 10 years, we must go further and faster. Bringing an enterprise focus on action, from small changes to step change breakthroughs that will redefine how we fuel our planes, partner with customers, and collaborate across industry.

Aviation fuel accounts for 91% of our Scope 1 and 3 carbon emissions, representing our single biggest cost, as well as our single biggest environmental impact. As a result, our relentless focus in the last decade has been leading the industry on fleet renewal. After fleet, the use of SAF at scale is the primary lever to reduce carbon emissions for long-haul aviation which drives our efforts to support production and scale up through procurement, advocacy and demonstrating the safe drop in potential of SAF within today's aircraft, engines and fuel infrastructure.

As a hard to abate sector, we recognise that, beyond fleet and fuel, aviation will require out-of-sector mechanisms to achieve Net Zero 2050. Whilst our priority is to reduce our direct emissions, we know there will be a role for offsets and removals. As a result, and with the mandatory phase of aviation's Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) coming into force in 2024, we are developing longer-term strategies to address our CORSIA financial exposure (see pages 41, 56 and 58).

Alongside the carbon impact of flying, we know there is a broader environmental footprint of our airline, holidays and cargo businesses. Into 2024 and beyond, we are committed to taking action across all touchpoints of our customer journey. Bringing a sustainability mindset to everything we do and working with partners, suppliers and customers to raise awareness, drive action and invest in new products and innovation.

Aircraft fuel well-to-wake makes 91% of overall footprint



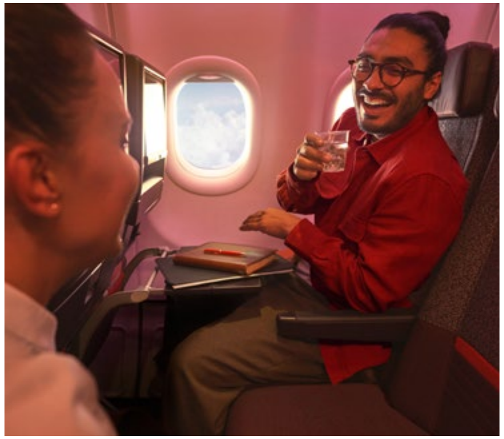
Jet fuel accounts for over 91% of our Scope 1 to 3 emissions when including the well-to-wake impacts of jet fuel production and use.

[1] Relates to Scope 1 CO_2 emissions associated with jet fuel use, Virgin Atlantic's single biggest source of carbon emissions.

Our planet continued

Fleet

In 2023 **87%** of our overall capital expenditure **related to new fleet and engine investment**



In the short term, the greatest lever airlines have to decarbonise operations is the fleet they fly. Our fleet transformation started in 2017, when we placed orders for 12 A350s and 16 A339s. The transition to a 2-engine fleet was expedited through Covid, with all 4-engine aircraft retired by 2021. As we move towards the tail end of our fleet programme, we already operate a 76% next generation fleet (i.e. aircraft with new composite materials or new engine technology). In 2023 our average fleet age was seven years.

At the end of 2023 our fleet comprised 17 Boeing 787s, 10 Airbus A350s, four A339s and 10 A333s. In the year we took deliveries of one A350 and two A339s. In the year ahead, we will reach a full complement of A350s, taking our final two deliveries and build our total fleet count from 41 to 45 with four further A339s entering the fleet and retirement of two of our A333s. We had previously planned to retire all of our A333s by 2026, transitioning to 100% next generation in the same year as A339s replaced the A333s. Due to phasing of aircraft deliveries and retirements, in line with delivering our *Velocity*$_x$ strategic plan, the eight A333s that we currently operate are now planned to exit the fleet by the end of 2028, pushing back our transition to a 100% next generation fleet.

Sustainable Aviation Fuel

In 2023 Virgin Atlantic took delivery of **1,671 tonnes of SAF** into LHR with a **greenhouse gas reduction of 94%** compared to the fossil jet fuel it replaced[1]

Zero emission aircraft technologies such as electric and hydrogen remain decades away and, for long-haul aviation, are unlikely to play a role in achieving Net Zero 2050. By contrast SAF can be used now, presenting long-haul operators, such as Virgin Atlantic, with an opportunity to continue to drive in sector emission reductions post fleet renewal.

As we work towards our 10% SAF target in 2030, we've committed to purchasing 10 million USG from Gevo through our partnership with Delta, and we have non-binding MOUs with LanzaTech and Air Company for a further 13m USG and 10m USG respectively. This gives us an on-hand position for 65% of the volume needed to hit our 10% target. However, given the policy uncertainty (and resulting price and production uncertainty) risk remains on our ability to procure sufficient volume, at an economically viable price, particularly in the UK.

In the last two years (2022 and 2023) we have taken delivery of almost 4,000 tonnes of SAF into the network. Supported by the current Heathrow incentive and Corporate SAF certificate programme (SAFc), which allows us to share the price premium across other key players in the value chain committed to supporting SAF adoption. Heathrow provides a rebate under its emissions charges regime for the use of SAF and our corporate and cargo customers benefit from the Scope 3 emission reductions, enabling them to account to a reduction in their own environmental footprint from travel and/or airfreight. In 2023, DB Schenker became Virgin Atlantic's first SAFc partner and it is through collaborations such as this that we will be able to find less carbon intensive ways to fly. We had originally intended to take higher volumes in 2023 but due to supply constraints were unable to do so. This underlines the scale up and supply challenges faced which will only increase in the timeframe out to 2030 without greater policy intervention (see page 56).

1 This information is based on the proof of sustainability evidence, provided by our fuel suppliers through the product transfer documents and International Sustainability and Carbon Certification (ISCC) EU certification evidence.

Our planet continued

Out of sector carbon mitigation
Our priority will always be to reduce in sector carbon emissions from fleet, fuel, and operational efficiencies as far as is reasonably possible. However, we recognise that aviation is a hard to abate sector, with long asset cycles and a dependency on technology innovation to achieve true zero emission flight. As a result, it is inevitable that there will be a role for carbon offsets and removals across the sector to achieve Net Zero 2050.

From 2024, the mandatory phase of CORSIA comes into force, requiring airlines to offset emissions growth above 85% of 2019 global emissions. The baseline, and an individual airlines' liability, is measured against industry growth. For emissions from operations to be included in CORSIA both countries of a route flown must have opted into the intergovernmental agreement (set through the International Civil Aviation Organisation (or ICAO). For Virgin Atlantic, CORSIA exposure includes 70% of our network in 2024, increasing to 90% from 2027 (reflecting certain carve outs and phasing in periods for smaller countries that we operate to). In summary our liability is calculated on the following basis: total industry growth x Virgin Atlantic CORSIA eligible emissions = offset requirement.

Virgin Atlantic has been a strong supporter of the CORSIA framework as a starting point for action in the short term to achieve carbon neutral growth. Making 2019 the peak year for the sector's carbon emission profile. The scheme runs in phases with the first phase being 2024-2026. At present there remains uncertainty on the emissions growth of the industry (at a total level), the price of carbon within the scheme and eligibility criteria for projects. Whilst that makes it difficult to fullly quantify financial impact, we have built a number of scenarios and continue to monitor and manage the associated financial costs. Based on our current modelling, we expect Virgin Atlantic's exposure to be 1 million tonnes of carbon under the first phase of CORSIA.

As carbon costs become an increasingly material financial and environmental cost to aviation, we have built sophisticated forecasting through our carbon model

Virgin Atlantic's carbon model has been used across the business since 2020. In 2023, its ownership was moved into our Financial Planning and Analysis Team. Ensuring that the carbon impact of financial, strategic and business planning decisions is increasingly integrated across the airline. In 2022 we evolved the sophistication of our model to track the carbon impact of network, fleet and operational decisions in the year and longer term out to 2050. The carbon model now holds the ability to run various scenarios across levers to reduce our carbon impact (including CORSIA and SAF) tied to financial management and risk outputs. In 2023 the model was reviewed by our internal audit team, with a high level of assurance given on the controls in place but noting an action to review fleet efficiency degradation factors over time.

Our planet continued

SAF policy landscape

Globally, there is consensus across all published roadmaps that SAF needs to make the single biggest contribution to Net Zero 2050. Accounting for more than 40% of emission reductions. The greater the ambition for in sector reductions, the greater the dependency on SAF production at scale in the next 25 years.

Compared to conventional jet fuel, SAF presents an immediate opportunity to deliver lifecycle carbon reductions of more than 70% (compared to fossil jet) but there remain significant barriers to investment and scale up. The nature and complexity of the challenge can only be overcome with collective action from government, oil majors, producers, airlines, and corporate customers.

The UK Government (HMG) has set a target of 10% SAF by 2030, requiring c.1.2m tonnes of SAF supply in the UK. The mandate is due to enter into force from 2025, the same year as the Government set ambition to have five domestic SAF plants in construction. As of today, no planned plants have reached final investment decision. Less than 12 months out from the introduction of the mandate, the exact terms of the mandate have not been set with details on targets, sustainability criteria and operational mechanisms still outstanding. At the same time, having recognised in 2023 that a form of price stability mechanism is likely required, industry is awaiting a first round consultation, despite several producers having been clear that final investment decisions turn, in large part, on such a mechanism.

Given the continued delay to SAF policy, and despite best efforts from industry to demonstrate support for SAF through purchasing and policy input, the UK risks falling behind other countries like the US and Europe who have adopted incentive structures to drive investment and production.

Policy decisions that relate to SAF and CORSIA have been identified as transition risks, more detail of their impact can be found on page 56.

Our partners

At Virgin Atlantic we are committed to extending our reach, relevance and impact through partnership. In the context of decarbonisation, collective action and collaboration across stakeholders could not be more important. We work alongside Government and industry, as a founding member of the Jet Zero Council, working to accelerate the commercialisation and uptake of SAF in the UK. We are members of Clean Skies for Tomorrow, Sustainable Aviation and the Aviation Climate Taskforce, cross industry forums focused on overcoming the technology, innovation and commercialisation challenges to deliver SAF and decarbonise our sector, at scale. In 2023, we completed our first full year as members of the Contrails Impact Taskforce, an initiative led by Rocky Mountain Institute with the objective of addressing the non-CO_2 impacts of flying.

Additionally Virgin Atlantic plays an active role within IATA's Sustainability and Environmental Advisory Council, made up of 19 experts from IATA's member airlines, appointed by IATA's Director General and advising the IATA Board and Director General on matters related to the sustainable development of aviation.

Sustainable Airlines Initiative

In 2023, Virgin Atlantic along with Delta Airlines and Air France-KLM launched the Sustainable Airlines Initiative (SAI) in partnership with EcoVadis. Driven by members' commitment to improve sustainability performance, the SAI will work to accelerate sustainable practices through close collaboration with trading partners to build transparency and scale positive impact across their value chains.

SAI seeks to solve core sustainability challenges faced by its value chain, including strengthening supplier engagement rates, accelerating suppliers' performance improvement curve, and enhancing supplier engagement with a focus on key industry categories.

The SAI collectively rated more than 700 suppliers since March 2023, and plan to expand this number in 2024 to gain greater insight into the sustainability performance of our supply chain and drive maximum improvement.

Our planet continued

Metrics and targets

In 2021, we set and announced our interim and long-term carbon targets out to 2050 (set out right). By reference to our carbon model and forward scenarios at the time, our targets are set against a 2019 baseline (the latest available year of operation before Covid) and reflect: (i) the hard to abate nature of our industry and (ii) the need to deliver change at a faster pace. Since setting our targets, they have been assessed against our materiality assessment (undertaken in 2021), used as a reporting baseline to track progress and performance and engaged senior leaders across the airline through our annual remuneration targets (see 'Climate change governance' on page 53). Virgin Atlantic's most material climate risks are managed, in part, through the creation and monitoring of our metrics and targets and from the insight provided by our carbon model which helps predict a future state based on operational plans and assumptions on efficiencies and carbon prices.

By 2026:

15%

gross reduction in Carbon Dioxide (CO_2)/Revenue Tonne Kilometre (RTK)

through continued fleet transformation and operational efficiency vs a 2019 baseline.

By 2030:

15%

net reduction in total CO_2 emissions vs 2019 baseline and 10% SAF

By 2040:

40%

net reduction in total CO_2 emissions vs 2019 baseline

Please see page 44 for information on our progress against our targets and page 63 where we report on our Scope 1, 2 and 3 greenhouse gas emissions in line with the Greenhouse Gas (GHG) Protocol. Further information can also be found at virginatlantic.com/. Our methodology for calculating Scope 1 to 3 emissions can be found Link.

In addition to our carbon targets, we also monitor and report against the following metrics:

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

Virgin Atlantic's key climate-related metrics are published each year in our Annual Report along with current progress towards our climate targets. Metrics such as fuel and operational energy use are recorded and published to determine and disclose absolute emissions, whilst passenger and cargo revenues per kilometre are needed to calculate our operational efficiency. CO_2/RTK, the unit efficiency metric we adopt, reflects the GHG emissions per unit of revenue generating passenger and cargo payload. In Virgin Atlantic's view this metric represents the best measure of relative carbon performance, and the standard measure of fuel efficiency used by the airline industry. Providing Virgin Atlantic with means of a comparable assessment of our performance versus others in our sector.

Our planet continued

Performance vs targets

Although our targets have been set against a 2019 baseline, we track relative carbon performance over time. In the absence of SAF volumes at scale and, as noted in section on pagec 40, fleet and operational efficiencies have driven our emission reductions in the last 10 years. Offset against this, particularly post Covid, is the improved network utilisation and fleet efficiency performance which is driving, alongside a structurally transformed cost base, a path back to sustainable profitability for the airline.

In 2023 our CO_2/RTK performance declined versus 2022. This was driven by a return to full scale operations post Covid combined with lower than forecast passenger load factor and cargo volumes. In the cargo markets, we saw the normalisation of cargo performance, following the high level of market activity during the Covid pandemic. Our passenger load factors were affected by a slower than anticipated return of corporate travellers.

We have been prudent in our approach to recovery in our 2024 planning, alongside the continued strength of premium leisure demand. In 2024 we expect to see a return to improving CO_2/RTK performance with an outlook of c.0.692g CO_2/RTK. However, our performance versus our 2019 baseline year, against which all our targets are set, continues to improve with a 16% reduction in absolute Scope 1 carbon emissions and 2% improvement of our efficiency metric CO_2/RTK.

‘fleet and operational efficiencies have driven our emission reductions in the last 10 years’

Metric	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Sectors flown	21,397	28,602	29,910	27,094	22,645	22,080	23,323	24,514	11,053	13,987	22,774	24,689
tCO_2	4,848,962	4,697,728	4,556,957	4,355,398	4,041,749	3,939,407	4,069,873	4,148,970	1,581,962	1,750,537	3,059,981	3,486,894
$kgCO_2$/RTK	0.823	0.793	0.783	0.791	0.724	0.711	0.712	0.723	0.826	0.825	0.695	0.708▲

▲ Only 2023 CO_2/RTK intensity metric assured independently by KPMG, see ISAE (UK) 3000 & ISAE 3410 limited assurance statement Link

Flight100

A blueprint for our Net Zero strategy
On 28 November 2023, Virgin Atlantic successfully operated Flight100, the world's first transatlantic flight using 100% SAF by a commercial airline.

A project more than a year in the making, Virgin Atlantic led a consortium of industry experts to deliver the flight, including Boeing, Rolls-Royce, University of Sheffield, Imperial College London, ICF and the Rocky Mountain Institute. The project was supported and part funded by the Department for Transport (DfT).

The use of 100% SAF required a robust process of risk assessment, technical reviews and analysis across fuel, engine and aircraft tests. With support across Flight100 consortium members and working closely with the Civil Aviation Authority, the flight operated under a one-off Permit to Fly (PtF) and overflight approvals from the US Federal Aviation Administration, Irish Aviation Authority, Irish and Canadian Transport Authority.

Flight100 resulted from a DfT competition launched in May 2022 and awarded to the Virgin Atlantic consortium in November 2022. Demonstrating that 100% SAF can be flown safely in today's engines, airframes and existing infrastructure. Whilst there are technical challenges to overcome for use at scale, the primary challenge is one of supply.

The efforts behind Flight100 went beyond demonstrating that SAF can operate today, as a 100% drop-in replacement for fossil jet fuel. The consortium undertook extensive research and testing across a number of broader sustainability initiatives, covering end to end Life Cycle Analysis, non-CO_2 research and scalable operational initiatives to minimise the environmental impact of long-haul flight.

Flight100 continued

Sustainable Aviation Fuel

Flight100 marked another significant milestone in advancing the use of 100% SAF, proving compatibility with today's engines, airframes and fuel infrastructure, reinforcing that the challenge of SAF is not operational, but one which requires industry and UK Government to go further and faster in the creation of a UK SAF industry. Simply put, there is not enough SAF and in the UK price certainty and a clear policy framework is urgently needed if we are to scale up UK supply and the creation of a UK SAF industry.

The Flight100 fuel was comprised of a blend of two SAFs: 87% Hydro Processed Esters and Fatty Acids (HEFA) using Category 1 waste animal fat and tallows and 13% dextrose derived Synthetic Aromatic Kerosene (SAK). Both types of SAF were imported to the UK (from the EU and US respectively), symptomatic of the current availability of SAF in the UK. Initial outputs (to be fully verified in H1 2024) indicate that the CO_2 lifecycle saving of the SAF blend achieved a reduction of 64% against the CORSIA baseline of 89g CO_2e/MJ compared to fossil derived jet fuel.

This has been assessed by an independent third party, based on all available proof of sustainability data using an industry standard lifecycle assessment methodology.

Current limitation for a single SAF blend with kerosene jet fuel is 50% and nil for two blended SAF's at any percentage, with or without traditional kerosene jet. In the UK, the compatibility of the aircraft and engines with kerosene jet fuel is established by the CAA during the aircraft or engine certification process. Therefore, when assessing the acceptability of a new fuel the focus is on its conformity to the global standards for jet fuel, which has already been determined to be safe for use. Numerous quality checks were performed on the fuel at various stages of production and blending to ensure that they matched the properties under ASTM D7566 in addition to technical tests to determine the compatibility of the fuel with the engine and aircraft.

> 'There is not enough SAF and in the UK price certainty and a clear policy framework is urgently needed'

Red Spirit
Ian
Fleet Programmes and Reliability Manager

With a passion for sustainability Ian is a strong believer that if small changes are made en masse then it will make a really big difference in the world.

Flight100 continued

Operational efficiencies

Across our operational teams and supply chain, there are opportunities to deliver small but important reductions in CO_2 on the ground and in the air. The Sustainable Aviation Roadmap, published in 2023 estimated that the contribution of business as usual operational efficiencies, such as route and fuel planning and weight reduction minimise fuel burn. Applying these and additional measures (such as flight path cooperation with air traffic control) during Flight100 contributed 4.2% carbon reduction vs a standard flight.

During Flight100, the following fuel efficiencies were implemented:

- Weight reduction: reducing contingency fuels and water on board both require utilisation of specific data tools during the flight planning to accurately predict the amount of fuel and the amount of water needed for drinks and toilet operations. The reduction in weight drives overall fuel reduction.
- FliteDeck Advisor (FDA): mobile flight optimisation application that gives pilots an optimum Cost Index (CI) to fly in cruise depending on the flight conditions (pressure, temperature etc) and the performance of the specific aircraft that is flying. A new CI function within the FDA was added to the system, allowing a similar optimal approach to be taken by pilots during the climb phase of the flight.
- Reduced engine taxi: Single engine only taxi into the arrival gate at the airport.
- Continuous descent approach (CDA): aircraft descent from the top of approach path into runway without having to level off during the runway approach. Local air traffic control (ATC) are responsible for implementing these controls to ensure that sufficient spacing between aircraft is maintained during landing.
- Minimising Auxiliary Power Unit (APU) use: reduced fuel burn on the ground by using ground-based equipment that is more energy efficient vs fuel burn.
- Direct routing: working closely with ATC to support route optimisation. Flight100 was able to fly the most efficient path across the Atlantic. Efficient routing aims to reduce fuel burn of the aircraft in flight, and in-flight route optimisation allowed Virgin Atlantic to re-submit the route plan to take account of the specific conditions during the flight.

Early results from Flight100 indicate that the combined fuel saving of these initiatives totalled over 2 tonnes, equivalent to a CO_2 reduction of 6.2 tonnes. Whilst the conditions under which Flight100 operated were one off, these savings are indicative of the opportunity for emissions reduction across the sector through operational optimisation, although challenges remain to implement at scale.

During 2023, our fuel efficiency team routinely implemented fuel saving initiatives with the help of our pilots, engineers and ground operations teams. In total these **saved 7,500 tonnes** of jet fuel, equivalent to **23,700 tonnes of CO_2**

Flight100 continued

Non-CO_2 effects

Particulates

Whilst the shift from fossil-based jet fuel to SAF results in a reduction of CO_2 across all lifecycle emissions, there are other potential benefits of using SAF which relate to non-CO_2 emissions. In addition to CO_2, aircraft engines emit other gases such as nitrous oxide, sulphur dioxide, water, and soot in the form of particulate matter. Whilst it is commonly recognised that non-CO_2 emissions at altitude can have a detrimental impact on climate warming, more research is required to determine when and how much certain contrails effect the warming of the atmosphere. Local or ground-based non-CO_2 emissions can cause increased local air pollution with potential health implications.

During Flight100, the University of Sheffield carried out particulate tests on the fuel in laboratory conditions using an Auxiliary Power Unit (APU). The test allowed a comparison between the emissions of the SAF used to traditional fossil Jet. Whilst the SAF used for Flight100 contained a similar amount of aromatic content to traditional jet fuel, necessary for drop in engine performance, the properties of the aromatics differs. Initial findings indicate that this reduced particulate emissions by between 50%-60%.

Whilst these finding need further validation and peer review; the consortium expects to publish the verified results and conclusions in H1 2024. However, it is encouraging that SAF may have an equally important ability to reduce the impact on local air quality.

Contrails

As no reduction in nitrous oxide was expected as a result of using SAF, the consortiums working assumption was that SAF still had the potential to create contrails under the right atmospheric conditions and that further studies could be implemented as part of Flight100 to measure and mitigate warming contrails. Working with Imperial College London (ICL) during Flight100, we tracked a baseline sample of 10 Virgin Atlantic London Heathrow to New York – JFK flights between 2019 and 2021 to support validation of RMI's contrail forecasting model vs in flight satellite observations. Additional visual processes were also created whereby RMI developed a pilot reporting form (PIREP), allowing pilots to report observed contrails in flight.

Virgin Atlantic manually integrated the Breakthrough Energy contrail forecasting model into existing flight planning process, enabling our flight plans to identify contrail formation and to take evasive, mitigating, action where necessary. These were subject to diversion parameters to limit additional fuel burn within a tolerance. Avoiding incremental CO_2 emissions as a result.

Whilst the creation of contrails was not forecast on the day of the flight and therefore contrail mitigation did not need to be put into effect, future business as usual flights now have the ability to undertake more testing and validation of contrail mitigation techniques.

Contrail Impacts Taskforce

Virgin Atlantic recognise the importance of better understanding the impact of aviation-induced contrails which are formed when small exhaust particles help to condense water in ice saturated areas of the sky at high altitude. The contrail clouds that form can have both a warming and cooling effect and, since 2022, Virgin Atlantic have been a founding partner of the Contrail Impact Taskforce which seeks to hep understand the impact of these contrails and to help explore possible solutions, while potential solutions have been largely unavailable to the industry.

Lifecycle Analysis

Working with ICF, Virgin Atlantic conducted a first-of-a-kind Life Cycle Analysis of the end-to-end journey of Flight100. In collaboration with ICF, we tracked the emission profile across Flight100 in full. Including emissions associated with travel to airport, operational, cargo, fuel (burn, production, transport) inflight and down-route crew transport, aircraft embodied emissions and waste as well as associated non-CO_2 impacts.

Baselining took place on London Heathrow to New York - JFK flights in normal operation between September and November 2022. We believe this is the first-of-its-kind, end-to-end lifecycle analysis. A process we then replicated for Flight100 to measure and quantify impact. Initial results indicate that fossil fuel burn account for 96% of the emissions from a conventional flight, reinforcing our strategic focus on fleet renewal and SAF commercialisation.

Flight100 continued

Biochar carbon removals

The use of a SAF today, even at 100%, still creates a carbon emission footprint. As explained in section 'Flight 100 - Sustainable Aviation Fuel' (page 46) the fuel mix of Flight100 delivered a lifecycle reduction of approximately 64%. Across the flight itself, as well as all testing, transportation and supporting operations throughout the project, we estimate Flight100 had a total carbon impact of c.66 tonnes of residual CO_2 which were mitigated through an equivalent amount of biochar removals purchased through our climate mitigation partners, Supercritical, (see case study). Recognising the role of out of sector offset and removals in achieving Net Zero 2050, Virgin Atlantic continues to advocate for the inclusion and use of high-quality carbon removals in CORSIA. The main distinction between carbon offsets and carbon removals, as a general rule of differentiation although not in every case, is the concept whereby offsets avoid emissions whereas removal credits take carbon out of the atmosphere and lock it away for long periods of time. Carbon removals can be classified into two main types, engineered and nature based. Whilst certain engineered removals such as Direct Air Capture are some years away from scale, solutions such as Biochar are available today.

Biochar

Biochar is a form of charcoal that is produced through the process of pyrolysis, which involves heating biomass in the absence of oxygen. The resulting biochar is a stable form of carbon that can be added to soil to improve its fertility and sequester carbon. This biomass contained temporarily stored carbon that was removed from the atmosphere by plants through photosynthesis. Without undergoing the pyrolysis process, this carbon would be re-released through the burning or decomposition of waste biomass. When biochar is added to soils, most of the carbon can remain there for decades to millennia, given the right conditions. Spreading of biochar on farmland brings additional co-benefits, such as yield improvements and reduced need for fertilisers. Biochar improves soil quality by helping to restore degraded soils, improving agricultural productivity, and helping soils retain water.

Virgin Atlantic selected Biochar credits from Carbon Hill, a small-scale biochar producer owned by the Jones family. Located in Caebardd farm, near Welshpool in mid-Wales, Carbon Hill is just a few hours' drive from our Swansea customer call centre. Carbon Hill use waste biomass from hedge cuttings and green waste from local parks and gardens and their proprietary pyrolysis thermal combustion system to produce biochar. These credits are certified by Puro.earth, a leading crediting platform for carbon removals, and assessed to have a durability of 100+ years, and are of a 2023 vintage to align with the same year as Flight100.

Flight100 continued

Customer initiatives

Although a non-commercial flight, 96 observers joined us on-board for Flight100 and Virgin Atlantic took this as an opportunity to test and trial a number of different inflight initiatives. For example the use of reusable cups as a replacement for our economy cold beverage glasses. Despite having already introduced our newest range of glasses made from 95% recycled plastic material, we compared all environmental impacts associated with a reusable alternative. Switching from single-use to reusable cups sounds like the quick fix, however, there are a range of considerations that may mean reusable cups actually have a poorer lifecycle analysis vs the single-use cups we currently use. Results will be as part of the final lifecycle analysis later this year.

Single use and plastic

In 2023, we continued to make small changes to onboard product to reduce single-use plastic use. In our Upper Class cabin, we swapped our REN Upper Class Cosmetics from plastic to aluminium tubing – saving approximately 2.4m units per year. Our Upper Class Hot Towel Tongs have also been changed from a plastic to a corn starch alternative, removing approximately 43,000 plastic tongs every year. In our Premium and Economy cabins, we have replaced our pillows to use a filling with a recycled polyethylene (PET) filling – changing approximately 6,000 pillows in Premium and 85,000 in Economy per 12-month cycle to a more sustainable alternative.

Waste

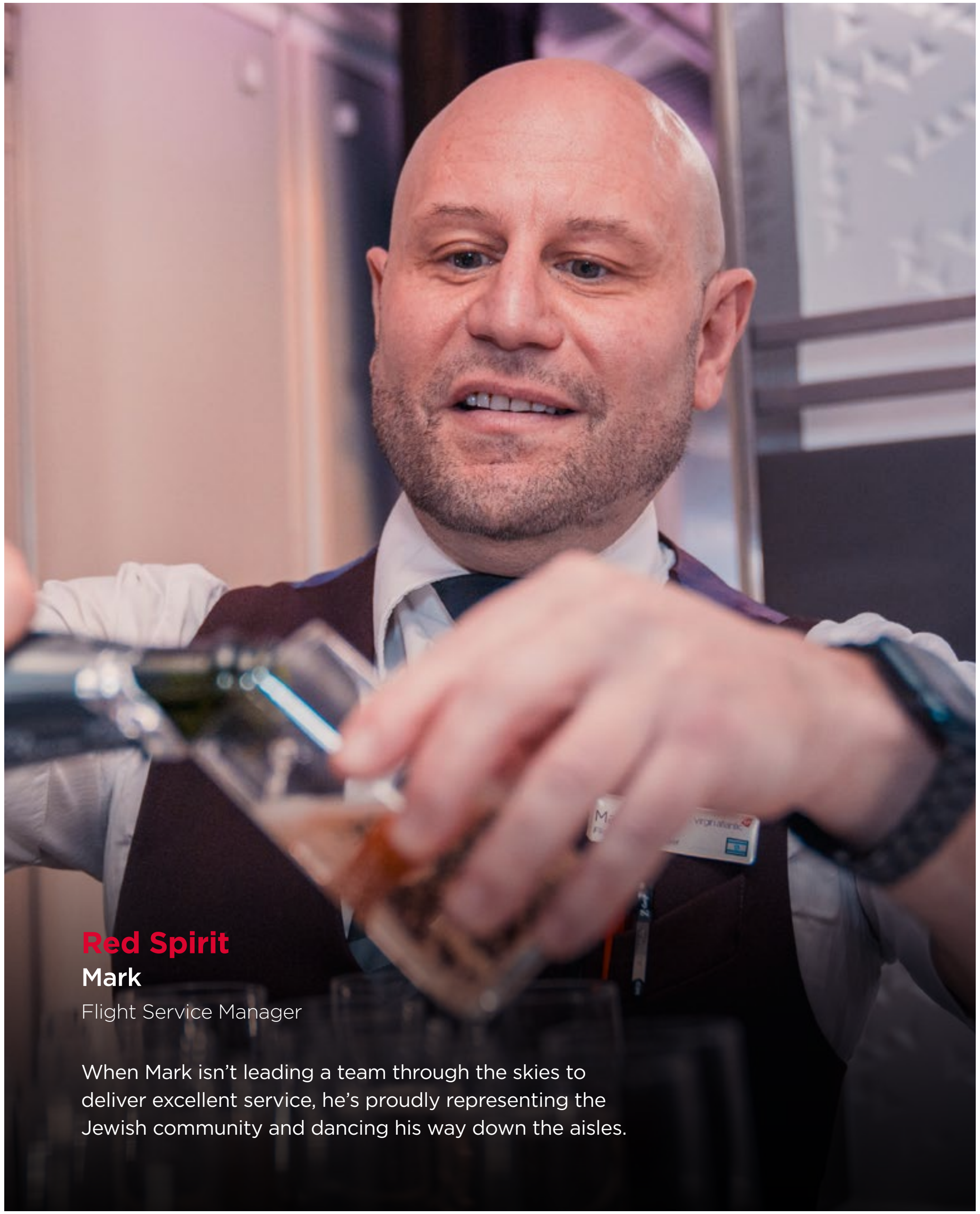
In December 2023, Virgin Atlantic participated in an IATA led waste segregation trial on 86 flights from London Heathrow into New York - JFK airport. Building data points to support a change to current waste regulations that restrict our ability to recycle onboard catering waste. Working with our caterers and United States Department of Agriculture, who oversee the regulation of waste entering the United States, we demonstrated processes that reduce the risk of contamination whilst allowing a higher level of down route recycling post flight. The results of our trial have been added to a pool of other airline data by IATA, and we are continuing to work with them to understand what else we can do to accelerate change.

In 2023, we added the clubhouse to our Thoughtful Food programme, which provides our caterers with our requirements as they relate to people and the planet in all our onboard meal offering, and we introduced food from Full Circle Farms who provide fresh produce from their regenerative farm in West Sussex.

Climate-related financial disclosures

This is Virgin Atlantic's second voluntary Task Force on Climate-Related Financial Disclosures (TCFD), building on the 2022 TCFD disclosure. From this year, we are also required to comply with The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, (CFD). The combined 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. Additionally, Virgin Atlantic also reports on our Climate Strategy through the CDP submission (see page 56).

Non-Financial and Sustainability Information Statement (NFSIS)	Relevant TCFD disclosure	Relevant CFD disclosure	Current activity	Focus for 2024	Page ref
Governance	**A.** Disclose the organisation's governance around climate-related risks and opportunities **B.** Describe management's role in assessing and managing climate-related risks and opportunities	**A.** A description of the company's governance arrangements in relation to assessing and managing climate-related risks and opportunities	Board oversight through regular updates/approvals at quarterly Leadership Team meetings and Audit Committee. Senior leadership assessment of priority and material risk impacts.	Increase Board oversight and accountability for climate change risks and strategy through a formal recommendation to convene an ESG sub-committee to the Board.	53-54
Strategy	**A.** Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term **B.** Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning **C.** Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	**A.** A description of i. the principal climate-related risks and opportunities arising in connection with the company's operations, and ii. the time periods by reference to which those risks and opportunities are assessed **B.** A description of the actual and potential impacts of the principal climate-related risks and opportunities on the company's business model and strategy **C.** An analysis of the resilience of the company's business model and strategy, taking into consideration different climate-related scenarios	Alignment with CFD and TCFD scenario analysis of climate change risks and opportunities. Integration of sustainability into annual and strategic business planning process. Financial impact modelling of risks and opportunities through our Carbon Model.	Embed carbon costs into long-term strategic planning and decision making, covering price impact, elasticity of demand, hedging and operating model analysis.	54-58
Risk management	**A.** Describe the organisation's processes for identifying and assessing climate-related risks **B.** Describe the organisation's processes for managing climate-related risks **C.** Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	**A.** A description of how the company identifies, assesses, and manages climate-related risks and opportunities **B.** A description of how processes for identifying, assessing, and managing climate-related risks are integrated into the company's overall risk management process	Climate-related risks and opportunities are identified and assessed on an ongoing basis and aligned with our ERM framework.	Greater definition of roles and responsibilities for climate change risk management. Increased awareness and understanding of climate change risks and opportunities through training and moving towards decentralised risk management.	53-58, 72
Metrics and targets	**A.** Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process **B.** Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks **C.** Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	**A.** The key performance indicators used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and a description of the calculations on which those key performance indicators are based **B.** A description of the targets used by the company to manage climate-related risks and to realise climate-related opportunities and of performance against those targets	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 to 3 (see page 63). Sustainability KPIs including SAF procurement and weather-related disruptions are reported on a quarterly basis and core CO_2/RTK metric is reported monthly to all senior leaders across the business as part of our Reported Business Performance.	Progress towards delivery of 2026 CO_2/RTK target and 2030 10% SAF.	43, 63-64



Red Spirit
Mark
Flight Service Manager

When Mark isn't leading a team through the skies to deliver excellent service, he's proudly representing the Jewish community and dancing his way down the aisles.

Climate-related financial disclosures continued

We have disclosed against the 8 CFD recommendations and 11 TCFD recommendations across four key pillars: Governance, Strategy, Risk Management and Metrics & Targets. Building upon our 2022 disclosure we continue monitoring our climate risks and opportunities and our business strategy resilience to them through our Carbon Model. This tool is an important part of forecasting against short, medium and long term risks and informing strategic planning and network/fleet business case assessments.

In 2023, we engaged a sustainability and climate change consultancy to review our Climate Scenario Analysis (CSA) and business resilience against our most material risks. This included internal stakeholder engagement across our Senior Leadership Group to strengthen business understanding and planning for climate change. We engaged stakeholders from across the business through workshops to build on the CSA we undertook in 2022. Driving alignment on key priority climate-related risks and opportunities and their interrelated impacts across the business. The results of this review will form the basis of our 2024 focus areas regarding governance, strategy and metrics.

Next steps

As we move forward, Virgin Atlantic is committed to enhancing transparency and accountability both internally and externally utilising the CFD and TCFD frameworks. We will continue to adopt best practice to embed climate-related risks and opportunities further into our business decision making, operational resilience, financial planning and risk management. As climate forecasting models and sector insight mature, we will continue to evolve our approach. As we build towards our next strategic planning cycle out to 2030, the risks and opportunities of climate change scenario analysis forms a key pillar in forecasting demand, cost and operating model impacts.

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. The associated climate-related responsibilities for the Board, Leadership Team and Sustainability teams are summarised right.

Board of Directors: 10 times in 2023	Virgin Atlantic takes a top down approach to the management of climate change, with Board level holding ultimate oversight. The Board recognises climate risks as principal business risks and reviews and approves enterprise risk management (ERM) strategies and overall risk appetite. The Board met 10 times in 2023, with sustainability strategy, exposures and approach tabled once as an agenda item in 2023. As we build into 2024, this cadence will increase to twice annually upon creation of an ESG sub-committee in 2025. Four out of nine Board members have held particular positions of significant relevance to sustainability and climate risk (see pages 77 for more details on the Board composition).
Audit Committee: Quarterly Meetings	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. In 2023, climate related risks were reviewed through our ERM four times and presented to the Audit Committee twice. In addition, the 2022 voluntary TCFD report was subject to Audit Committtee review and CORSIA compliance cost review, leading to a full update to the Board on carbon costs and mitigation from 2024 onwards. As a minimum, the Audit Committee meets on a quarterly basis.
Leadership team: Bi-Weekly meetings	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 is ultimately accountable for the sustainability programme and setting, delivery, reporting of climate-related targets and contributing to the identification of our most material climate-related risks and opportunities. The CFO is accountable for carbon model and managing financial risk and the CCCO for delivery of operational efficiencies. The Vice President, Corporate Development provides updates to the Leadership Team and recommendations on action, tracking and progress. The Leadership Team reviewed the ERM level climate risks 4 times during 2023.
Sustainability team	The Vice President, 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. In 2023, the sustainability team was responsible for the identification, monitoring and management of climate-related risks (alongside contribution from wider stakeholders), including the Financial Planning teams who take ownership of the carbon model and Treasury Team's role in monitoring costs and strategy associated with out of sector mechanisms such as EU and UK Emissions Trading Schemes.
Internal Audit Team	Internal Audit are responsible to the Audit Committee for their activities. The team is accountable to the Board and are independent of reporting into the management team. Its responsibilities include identifying material climate-related risk and opportunities aligning to Virgin Atlantic's ERM framework. The team reviews the ERM framework and all top risks within the business, not only those relating to climate, and in 2023 the Internal Audit team was responsible for the audit of the Carbon Model.
Remuneration Committee: Bi-annual meetings	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. The team sets and monitors a fair and appropriate remuneration policy and its application for senior management. 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. In 2023, the LTIP's CO_2/RTK target (minimum – maximum) was 0.73g CO_2/RTK – 0.70g CO_2/RTK and achieved through a relative business performance of 0.708g CO_2/RTK.

Climate-related financial disclosures continued

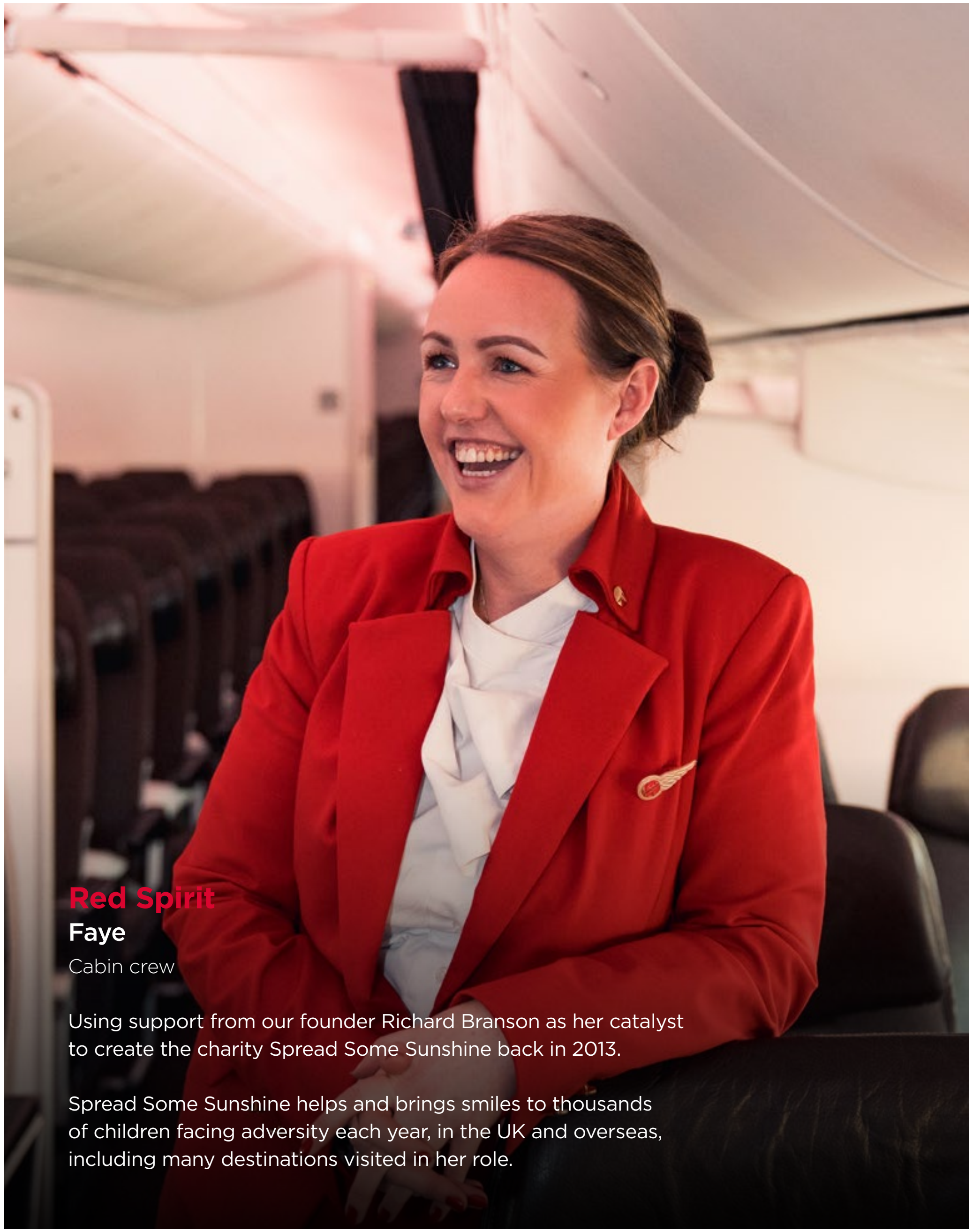
Our approach to assessing climate-related risks and opportunities

Climate-related issues are fundamental across the airline, influencing our operational performance, fleet and 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.

In 2022, we engaged Agendi to conduct a climate scenario analysis (CSA), utilising current best practice climate modelling. This included 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.

We built on this further in 2023, through engaging a climate consultancy to review our CSA and material risks and facilitate engagement with our stakeholders. Through this Virgin Atlantic has a better understanding of the interconnectivity of our risks and impacts and next steps for its management.

	Transition risks	Physical risks
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	Short term: 1-3 years Medium term: 3-14 years Long term: 14-35 years
Rationale	Transition risks and time horizons chosen based on industry risks, current SAF regulation and changing public perception of both the industry and climate change. Time horizons for transition risks in the medium and long term align with the lifetime of our assets.	Physical hazards chosen based on those with highest exposure in Virgin Atlantic's assessed footprint. Time horizons for physical risks align to our long-term strategic planning and targets. This also aligns with long-term climate science outlooks as used by IPCC. Undertaking analysis of contrasting scenarios allows us to understand the worst case and best-case future scenarios to ensure that the impacts we may face are managed under both plausible scenarios. Our time horizons also align to the IEA Aviation and Shipping Net Zero Emissions Guide which looks out to 2050.
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.
Impact outcome	Transition risk impacts are expected to materialise across all time horizons, but differing between material risks.	Physical risks will have the greatest impact in the medium to long time horizons, dependent on location and mitigation measures.



Red Spirit
Faye
Cabin crew

Using support from our founder Richard Branson as her catalyst to create the charity Spread Some Sunshine back in 2013.

Spread Some Sunshine helps and brings smiles to thousands of children facing adversity each year, in the UK and overseas, including many destinations visited in her role.

Transition risks

Transition risks were assessed using both qualitative and quantitative forward-looking analysis at Group level 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 with a specific narrative for aviation. 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 2023, we conducted an internal stakeholder engagement workshop with members of our Senior Leadership Team, on the CFD and TCFD frameworks and climate-related risks and opportunities. This workshop was cross-functional to bring key business segments together to evaluate and consider the identified material transition risks and opportunities on the business, as well as mitigation measures currently in place. The outcome of this highlighted priority material risks for Virgin Atlantic taking into account CSA exposure, potential impact on Virgin Atlantic's business strategy and financial planning and mitigations to reduce impact.

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 align with the lifespan of our assets and the long-term outlook projected by the IPCC. 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 where physical hazards increase in impact. Identified risks were assessed against our risk management framework to evaluate likelihood and impact, including mitigative measures. These transition risks were assessed against enterprise risk management thresholds Virgin Atlantic assessed the financial impact of our transition risks against our Company threshold for what constitutes a risk of severe or above i.e. substantive financial or strategic level of impact. This metric is defined as greater than a £25m loss. Given the variety of activities occurring in the business it is not possible to be entirely prescriptive at department level of financial impact, and a substantive impact can also be considered severe due to reputational, compliance or operational considerations.

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.

Climate-related financial disclosures continued

Transition risks

Risk type	Most material time horizon	Business area most impacted	Potential financial impact	Our resilience and mitigation measures	Responsible stakeholders
Carbon pricing: A direct tax which sets a price on carbon	Short - medium term	Products and services	**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.	Risk mitigation linked to all Virgin Atlantic's carbon targets. See page 43. 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 Virgin Atlantic ERM framework on page 72.	Sustainability, Fleet, Fuel, Treasury and Financial Planning teams
Policy, market & reputation: Policy implementation that can drive cost, both directly and indirectly and in doing so, effect change in the market conditions and/ or demand for prod-ucts and services.	Short - medium term	All business segments	**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.	Risk mitigation linked to all Virgin Atlantic's carbon targets. See page 43: 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 most fuel efficient fleets in the sky, mitigating fuel cost and increasing fuel efficiency. ▪ 76% next-generation (fuel efficient) fleet, building to 100% by 2027. ▪ 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 Virgin Atlantic ERM framework on page 72.	
Market & reputation: Changes in consumer sentiment and opinion that can directly or indirectly result in changing customer behaviours	Short - medium term	All business segments	**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.	Risk mitigation linked to all Virgin Atlantic's carbon targets. See page 43: ▪ 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 including voluntary reporting through CDP and clear transparency of progress against carbon reduction targets. ▪ 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 behaviour. ▪ Continued monitoring of customer needs and regulatory changes to enhance management and anticipate potential new risks. ▪ See Risk 4.1 of Top Risks identified within Virgin Atlantic ERM framework on page 72.	Sustainability, Brand and Marketing, Commercial and Operations teams

Climate-related financial disclosures continued

Physical risks

Quantitative physical climate risk analysis was undertaken on a representative sample of Virgin Atlantic's operational sites and airports. Locations were selected based on frequency and geographical diversity, and climate-related hazards both chronic (longer-term shifts in climate patterns) and acute (event driven) were assessed and selected via qualitative exploration. 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 SSP2-4.5 and SSP5-8.5 scenarios. More details on the scenarios can be found on page 54. 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 become more pronounced.

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.

Since 2022, the Sustainability Team have been 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 4.2 on page 72.

Physical risks

Risk type	Most material time horizon	Business area most impacted	Potential financial impact	Our resilience and mitigation measures	Responsible teams
Routes and destinations impacted by climate change (both chronic and acute)	Medium - long term	West Coast US, Las Vegas, Caribbean, Mumbai, India, Maldives	**Destinations** Our holiday destinations could be exposed to physical climate risks such as heatwaves, hurricanes, monsoons and flooding. Financial impacts may arise from decreased tourism in some regions as a result of coastal erosion from sea level rise, biodiversity loss and heat-related illnesses. **Routes** Our flight routes could be impacted by changing wind patterns, storms, cyclones, volcanic activity and temperature. Financial impacts can be linked to increased fuel prices from route diversion, and fuel unavailability in some regions.	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. Impact to destinations is expected to be minimal as local precautions are in place and risks are seasonal. For flight routes, Virgin Atlantic are in a strong position to adapt routes when necessary to reduce impact from weather. Additionally, we track and monitor against all weather-related disruption.	Commercial, Operations, Networks
Extreme weather impacting operations	Medium - long term	LAS, LAX, CPT, BOM, Delhi, NAS and BGI	Our scenario analysis identified physical risk impacts to operational sites and airports, such as delays and runway damage. Financial impacts include revenue loss from delayed or cancelled air travel, re-routed flights increasing fuel cost, and runway closure or damage incurring additional costs.	Virgin Atlantic are able to mitigate the operational impact from extreme weather through route planning, fleet resiliency and long term monitoring of weather trends causing disruptions.	Operations

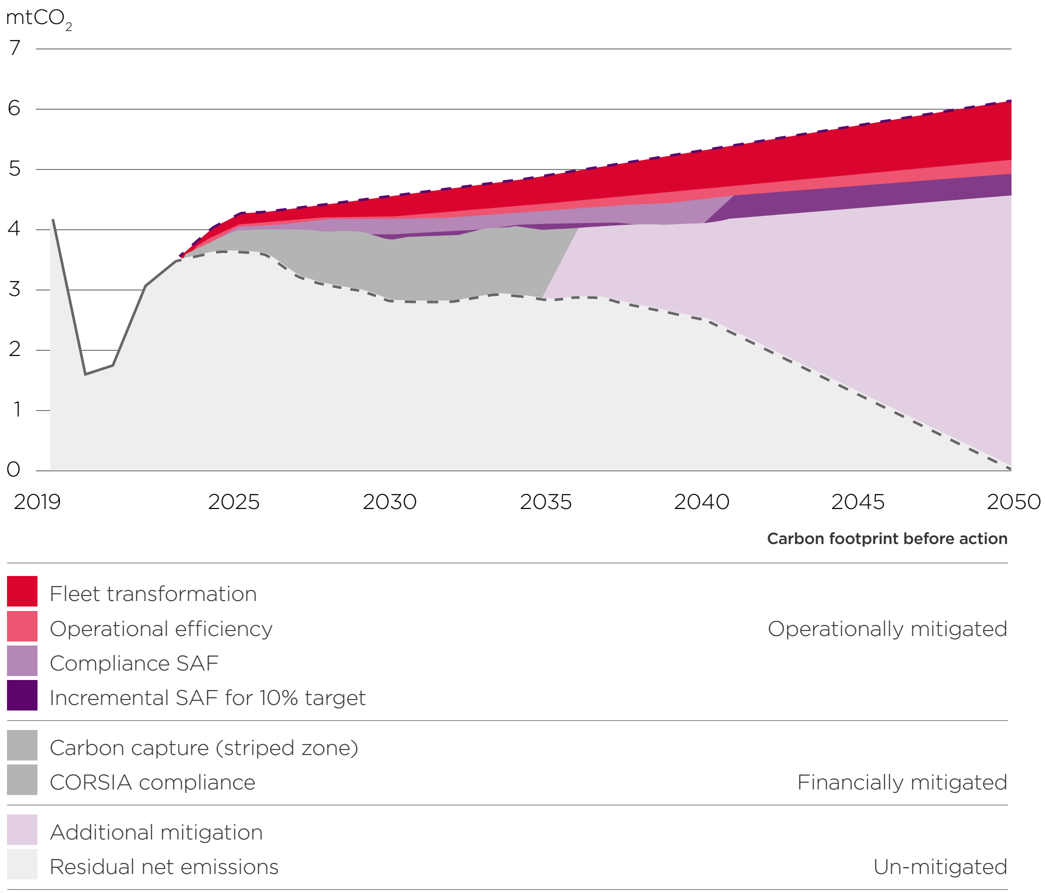
Climate-related financial disclosures continued

Impact on financial planning – Carbon Model
Our material climate-related risk scenarios are modelled through our Carbon Model (see pages 55-57). We regularly update, project and monitor these risks to inform business decision making and impact, as well as forecasting future carbon emissions and financial impacts. Two of our most material financial risks, SAF mandate in the UK and CORSIA compliance, form the basis of our financial cost modelling and are integrated into both Virgin Atlantic's future business planning and our financial planning decisions.

Inputs to the tool include known fleet and network positions, as well as assumed forward rates of growth. Fleet transition and fuel efficiency form key drivers, as well as expected and targeted volumes and pricing for SAF and CORSIA. This allows us to correlate a weighted cost of carbon range to support financial modelling. Carbon model impacts and outputs feed into key business areas such as long-term budgeting, fleet decision, reward targets for our senior leaders and progress against our climate-related metrics and targets.

As noted above, CORSIA and SAF pricing assumptions are used to provide a spread for the cost of carbon across a lower, upper and central case. Our current weighted carbon cost range is $80 – $110 per tonne in 2024.

Path to Net Zero



In the short to medium-term, our transition wedge and inputs from the carbon model allow us to calculate the relative cost of transitioning to Net Zero by 2050 using SAF and CORSIA pricing.

Red Spirit

Steve

Crew Experience Senior Manager

As a mental health first aider with a background in care where he trained as a nurse, Steve has compassion, care, and empathy in abundance, managing to always make time to connect with our people.

Climate-related financial disclosures continued

Next steps

In 2024, we will utilise our carbon model to provide more accurate information relating to:

1) Costs associated with meeting our targets
2) Cost associated with potential SBTi goal

Whilst we have already built in the functionality to assess these costs, much uncertainty still exists owing to incomplete frameworks, pricing uncertainty and policy uncertainty. (See pages 41, 42 and 58).

Opportunities

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

Opportunity type	Potential financial/operational Impact	Most material time horizon	Management strategies
Customer experience and resiliency	Enhancement of customer experience through monitoring and addressing changing customer behaviour. Low emission travel providing financial and competitive edge. Reduced disruptions and improved customer journeys through increased resiliency and effective climate-related risk management.	Short, Medium & Long	Fleet transition provides more efficient flights and a lower Scope 3 along with a superior product to the aircraft they replace. Increased customer information at time of booking that reflects Virgin Atlantic's actual CO_2 emissions per passenger.
Participation in carbon markets	Increased revenue opportunities driven by reputational benefits of being a carbon efficient airline.	Medium & Long	Continue to explore carbon efficient options such as integration of SAF.
Fleet efficiency	Technological improvements in our young fleet result in improved aircraft fuel efficiency which reduces fuel expenses.	Short, Medium & Long	Virgin Atlantic already has a young fleet with fuel efficient planes. We have a fleet renewal plan where we will retire our less efficient technology over time. Virgin Atlantic stays abreast of emerging technologies in order to incorporate them when necessary. Our advanced fleet transition programme provides Virgin Atlantic with a structural advantage on CO_2 emissions per passenger over the next five to ten years versus our competitors but impact of fleet efficiency will peak in 2028 due to long asset lifecycle.
Fuel and energy sources	Harness new and innovative technologies and energy sources. Utilise data and operational advancements to build resource efficiency and inform customers of our impact. Opportunities from SAF industry such as route network adaptability and jobs.	Medium & Long	Virgin Atlantic is investing in SAF technology to realise SAF related opportunities. 10% SAF by 2030 target. Creation of a corporate and cargo SAF certificate programme to assist the reduction of Scope 3 travel emissions for our corporate customers. This will enable us to share the SAF premium and to facilitate partnering with wider stakeholders to drive commercialisation and scale up of SAF.

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

Red Spirit
Steve
JFK Check In Agent and Clubhouse Crew

As one of our JFK Check In Agents and Clubhouse Crew, Steve is no stranger to going above and beyond to provide excellent customer service.

Climate-related financial disclosures continued

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, enterprise risk management 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 risk related roles and responsibilities across the Group, of the Board and management are set out on page 77 'Board composition'.

This activity takes place once per quarter. Scenarios are discussed for a range of identified risks and scored for both likelihood and potential impact and also reviews how the business would respond to the risk. Risks which are deemed to be most significant or material from a Group perspective, which achieve the threshold of being a material risk for the business of over £25-50m, are then escalated to the Leadership Team Group Risk Register, which is reviewed by the CEO and the C-Suite quarterly. Twice a year, the Leadership Team Group Risk Register is presented and discussed at the Audit Committee Board Meeting.

Annually, we disclose our most material risks; please see the governance section for key responsibilities. Sustainability is considered a Top Risk which includes consumer expectations on sustainable aviation, financial challenges to achieving carbon reduction commitments and physical impact of climate change on operations.

Focus for 2024

During 2024 we plan to assign responsibility to individual risks within the respective teams who manage the mitigations of each risk. This will provide a more integrated governance structure with which to manage risks. Additionally, we aim to further integrate our risks assessments into the business' wider Enterprise Risk Management process. In 2024, we anticipate a continuation of policy uncertainty around a SAF mandate and price support mechanism in the UK. However, a clearer policy environment will help Virgin Atlantic to establish a more accurate view of the financial exposure to the SAF mandate, which, combined with the strength of our carbon model, will allow us to better understand the resultant price elasticity of demand.

Climate-related financial disclosures continued

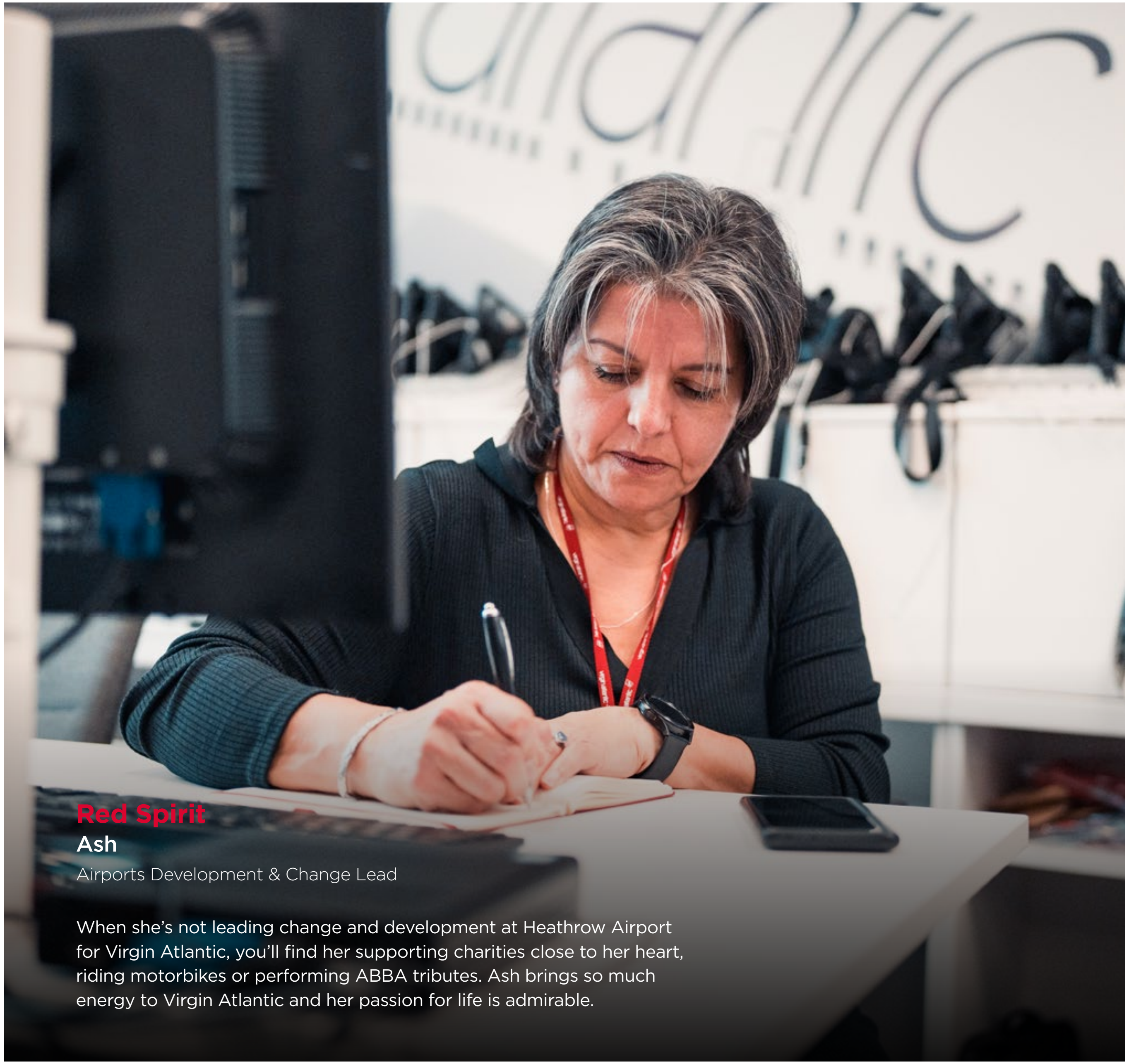
Looking ahead

We will use the findings of the climate scenario analysis conducted to further incorporate specific climate-related physical and transition opportunities into our governance model, reporting frameworks and business decision making, including consideration of risk time horizons. We will update our scenario analysis at least every three years to ensure our risks are reviewed and mitigated appropriately.

In the course of 2024, 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 transatlantic 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.



Red Spirit

Ash

Airports Development & Change Lead

When she's not leading change and development at Heathrow Airport for Virgin Atlantic, you'll find her supporting charities close to her heart, riding motorbikes or performing ABBA tributes. Ash brings so much energy to Virgin Atlantic and her passion for life is admirable.

GHG tables

Type of emissions	Activity	2019	2020	2021	2022	2023	2023 (%)	2023 vs. 2019 change (%)	2023 vs. 2022 change (%)
Direct (Scope 1)	Aircraft fuel	4,190,727	1,597,905	1,768,189	3,090,836	3,518,666	75.6	-16	14
	Natural gas	2,428	1,808	1,467	1,244	822	0.0	-66	-34
	Ground vehicles	575	229	235	164	206	0.0	-64	-23
	Refrigerant	0	827	309	246	33	0.0	N/A	-87
	Other fuels	498	164	232	267	366	0.0	-26	37
	Subtotal	4,194,229	1,600,932	1,770,432	3,092,757▲	3,520,093▲	75.6	-16	14
Indirect energy (Scope 2)	Location-based	3,225	2,101	1,440	1,246 ▲	1,326 ▲	0.0	-59	6
	Market-based	-*	-*	-*	-▲	-▲	-	-	-
Indirect other (Scope 3)	Category 1 - Purchased goods and services	240,503	126,511	103,818	108,067	153,418	3.3	-36	42
	Category 2 - Capital goods	211,469	39,099	10,401	14,206	15,645	0.3	-93	10
	Category 3 - Fuel and energy related, well to tank (WTT)	869,019	331,601	366,922	640,572	733,437	15.8	-16	14
	Category 4 - 9	158,433	39,608	60,845	127,907	143,366	3.1	-10	12
	Category 11 - Use of sold products	249,844	37,676	23,744	86,262	88,001	1.9	-65	2
	Subtotal	1,729,267	574,495	565,731	977,014▲	1,133,867▲	24.4	-34	16
Total emissions location-based (tCO_2e)	**Total**	**5,926,721**	**2,177,528**	**2,337,603**	**4,071,016**	**4,665,287**	**100**	**-21**	**14**
Total emissions market-based (tCO_2e)	**Total**	**N/A**	**N/A**	**N/A**	**4,069,771**	**4,653,960**	**N/A**	**N/A**	**14**

* Market based emissions not previously reported
▲ 2022 and 2023 absolute emissions totals assured independently by KPMG, see ISAE (UK) 3000 & ISAE 3410 limited assurance statement Link

GHG tables continued

Sustainable Aviation Fuel (SAF)

	2022 SAF tonnes	2022 SAF emissions (tCO_2e)	2022 SAF emissions reductions (tCO_2e)	2023 SAF tonnes	2023 SAF emissions (tCO_2e)	2023 SAF emissions reductions (tCO_2e)
VS sustainable aviation fuel purchases	1,952	709	7,179	1,671	393	6,519

Footnote on SAF LCA assessment, default values, supplier info, feedstock etc.

Sustainability metric	2019 data	2020 data	2021 data	2022 data	2023 data	YoY % change
Aircraft CO_2 (kg) per revenue tonne kilometre (CO_2/RTK)	0.723	0.826	0.8250	0.695	0.708▲	1.9
Total CO_2 emissions (tonne) from aircraft operations	4,148,970	1,581,962	1,750,537	3,059,981	3,486,899	14.0
Aircraft CO_2 (g) per passenger kilometre	78.9	119	137.8	77	76.3	-0.9
Aircraft CO_2 (g) per cargo tonne kilometre	470	496	494	460	449	-2.3
Aircraft fuel, tonnes	1,317,271	502,263	555,784	971,524	1,107,068	14.0
Electricity use, kWh	12,409,002	9,011,904	6,606,327	6,440,825	6,405,319	-0.6
Gas use (excluding airport properties), kWh	8,524,419	8,749,654	6,415,359	3,223,052	3,448,457	7.0
Vehicle, kWh	2,217,604	886,916	925,624	659.875	829,676	25.7
Combined electricity and gas, (tonnes) CO_2e (location-based)	4,739	3,710	2,615	1,838	2.149	16.9
Average aircraft noise (decibels)	95.1	93.3	92.8	93.0	93.0	0.0

▲ Only 2023 CO_2/RTK intensity metric assured independently by KPMG, see ISAE (UK) 3000 & ISAE 3410 limited assurance statement Link

Waste data

Operation	Activity	Source	Unit	Recycled	Landfill	Energy Recovery	Anaerobic digestion	Total
Ground operations[1]	VHQ office and LHR hangar waste	CBRE	Tonnes	91 (39%)	-	139 (59%)	5 (2%)	**235**
Aircraft - onboard[2]	Onboard catering and production waste	Gate Gourmet	Tonnes	380 (12%)	252 (8%)	2,444 (79%)	-	**3,076**
Aircraft - onboard[3]	Cabin and amenities waste	MNH	Tonnes	592 (96%)	-	25 (4%)	-	**617**
Total			**Tonnes**	**1,063 (27%)**	**252 (6%)**	**2,608 (66%)**	**5 (1%)**	**3,928 (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. Cat 1 waste: By law, anything that touches meat or other animal products (such as dairy), which arrives in the UK from outside the European Union, is classified as Cat 1 waste and has to be completely isolated and destroyed.

[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.

GHG tables continued

Sustainability Accounting Standards Board (SASB)

SASB is a not-for-profit, independent standards setting organisation to assist companies in disclosing financially material, decision-useful sustainability information to investors. We're disclosing metrics in line with their 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	3,520,093
	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 39-44
	(1) Total fuel consumed, (2) percentage alternative, (3) percentage sustainable	Quantitative	Gigajoules (GJ), Percentage (% of volume)	48,629,064, <1%, <1%
Labour practices	Percentage of active workforce covered under collective bargaining agreements	Quantitative	Percentage (%)	56%
	(1) Number of work stoppages and (2) total days idle	Quantitative	Number, days idle	0, 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 66-67
	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	Data
Available seat kilometres	Quantitative	ASK	49,515,063,450
Passenger load factors	Quantitative	Rate	77.8[1]
Revenue passenger kilometres	Quantitative	RPK	38,410,797,825
Revenue ton kilometres	Quantitative	RTK	4,924,995,019
Number of departures	Quantitative	Number	24,689
Average age of fleet	Quantitative	Years	7

[1] Includes non revenue passengers

Risk management

Our risk management philosophy

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

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.

We have continued to develop and mature our risk processes during 2023 with enhancements made to enable our management team and the Board to better appreciate the state of the risk landscape using quantifiable data.

Risk management model & risk processes

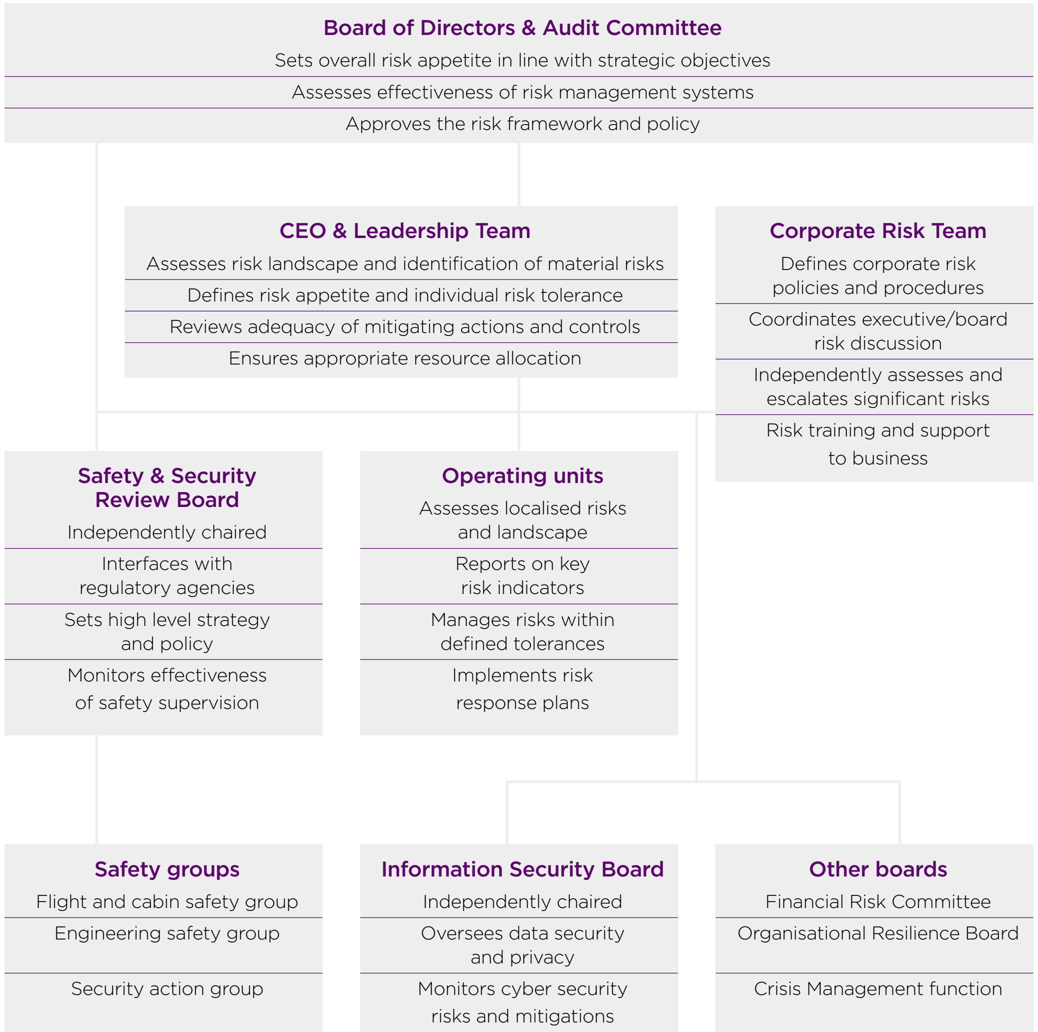
Our risk processes enable risk escalation and de-escalation from divisional, programme and process risk registers into a central Top Risk Register. We assess risks for likelihood of occurrence, and impact on our corporate objectives and strategy by using a number of lenses. We align and deploy risk taxonomy, risk language and risk assessment scales consistently across the business. This provides a reliable and comparative method to focus our management team's 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.

2023 saw an evolution of our approach to our risk management with the introduction of three new elements, all designed to enhance understanding and measurement of risks, and help focus risk discussions on adequacy and urgency of mitigation plans. These changes have improved our risk awareness, allowing management to better demonstrate progress being made with risk mitigation.

Key risk indicators against all our top risks now provide quantitative data on how these risks are being managed and to track movement and progress over time. We have defined a 'risk appetite' scale to supplement the existing impact and likelihood rating scales, which are a guide into the level of risk we believe we are willing to tolerate in the achievement of our strategic objectives. Finally, for each of our top risks there is now a stated target set for the eventual, desired permanent positioning of the risk.

The improvements made have resulted in our risk governance processes focusing on the primary risks the organisation is managing, which enables the adequacy of our current risk mitigations plans to be assessed.



Risk management continued

Principal risks and uncertainties

In 2023 we defined our Top Risks across seven categories, being (i) Health, Safety and Security (ii) Financial & Macro-Economic (iii) Third Party Relationships (iv) Sustainability (v) Technology and Cyber Security (vi) People and Brand and (vii) Regulatory and Legislative.

Our 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. 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 UK Civil Aviation Authority (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 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 our Safety and Security Review Board.

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

Risk management continued

Risk category 1: Health, safety and security

Risk 1.2: Other high impact/low likelihood adverse events

Risk context:

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

- Significant weather events which impact our ability to operate aircraft or deliver our holiday packages;
- Operational disruption as a result of geopolitical tensions, regional disputes, conflicts, wars between nations, public health emergencies and other humanitarian disasters;
- Worldwide fleet grounding events, including as a result of rapidly emerging airworthiness concerns about an engine or aircraft type; and
- Acts of terrorism or civil unrest in destinations that we serve, which lead to the inability to operate in/to or from these 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.

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:

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.
- 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 scenarios.
- Our Organisational Resilience Board and Safety and Security Board meet regularly to assess the risks associated with crisis management and business continuity.
- Our active monitoring includes the incorporation of additional resilience into our operations with appropriate measures to have staff on standby should there be an incident. Our resilience measures are designed to ensure customer and employee safety and to minimise any impact on operations.

Risk Category 2: Financial and macro-economic factors

Risk 2.1: Liquidity risk

Risk context:

Liquidity risk continued to be a key focus for 2023 especially given the challenges and uncertainties arising from conflicts in Ukraine and the Middle East, high fuel prices, ongoing global supply chain issues and a higher inflationary environment. The macro-economic volatility 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.

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 during volatile market conditions.

Main controls and mitigations:

The actions we took to protect our liquidity during the pandemic continue to play a significant role in the careful management of our cash position. These include an ongoing focus on maintaining the recurring cost savings we have delivered in the past, obtaining additional liquidity through new card acquirer agreements, and raising finance from the market, developing our network, and identifying new revenue opportunities.

To strengthen our liquidity management and reporting processes we have established specific governance to oversee cash management activity and support strategic cash decisions, which is in turn informed by robust cash modelling and cash forecasting activities. 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 mitigate the impact of rate increases; 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. We do not speculatively trade and use these instruments to manage the underlying physical exposures of the business.

Risk management continued

Risk Category 2: Financial and macro-economic factors

Risk 2.2 Financing risk

Risk context:

Financial leverage from operating leases, finance leases, secured loan facilities and other facilities 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 due to the additional debt that we took on in response to the Covid-19 pandemic. In 2023, we also added three new aircraft which have been financed using operating leases and three new engines, of which two have been financed through debt instruments.

Main controls and mitigations:

The Board regularly reviews our capital structure and approves 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. This allows us to proactively engage with financing parties at an early stage and achieve optimal solutions. We maintain close and strong relationships with key financing stakeholders to ensure 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 maintain a healthy, cashflow positive position and includes a detailed assessment of the most efficient use of revenue – including re-investment and financing repayment opportunities.

Risk Category 2: Financial and macro-economic factors

Risk 2.3: Foreign currency and jet fuel risk

Risk context:

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

Repatriation may also be constrained in countries where exchange controls are imposed to regulate the flow of money, and in 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, and 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 risk to 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.

Risk management continued

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 our operational performance and customer delivery.

2023 has continued to highlight the pressures on our 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 with. 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.

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, and any failure or non-performance of aircraft and engine manufacturers to deliver new aircraft or engines could lead to operational disruption and additional costs.

Main controls and mitigations:

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 we 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.

We maintain strong strategic relationships with all our fleet and engine suppliers, which includes holding regular service delivery reviews to identify risks and emerging issues, review supply chain planning and component delivery dates, and to secure resilience. Where issues do impact us, we work proactively with our partners to identify solutions.

Our fleet and network planning activities are kept under close review. 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 category 3: Third party relationships

Risk 3.2 Airport infrastructure and slots

Risk context:

We depend on a number of UK and overseas airport hubs, and certain holiday destinations, for our operations. We can therefore be affected by airport infrastructure decisions or changes in infrastructure policy by governments, regulators or other entities, which are often outside of our control.

In order to utilise our UK and overseas airport hubs, we 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.

Airports require airlines to hold slots in order to land and depart. Slots can be lost for future seasons, if not operated in compliance with 'use it or lose it' rules and/or grandfathering regulations. A loss of slots could impact Virgin Atlantic's financing arrangements, and its ability to fly to key destinations.

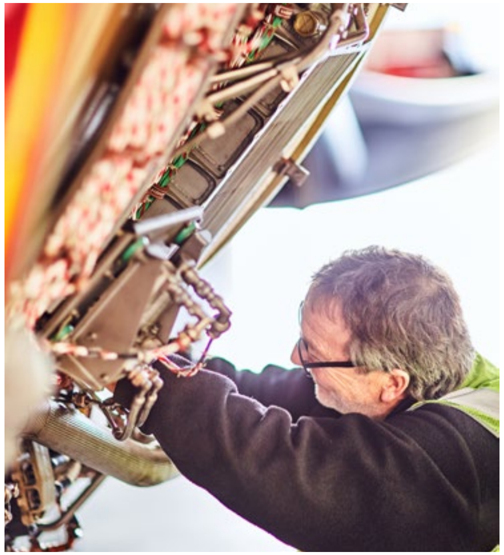
Main controls and mitigations:

When changes are proposed to airport 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 slot usage versus the requirements of slot utilisation at coordinated airports, to ensure that we protect our historic precedents over our slots. If necessary, we identify options to lease or lend slots to other operators to ensure that low utilisation 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 management continued



Risk category 4: Sustainability	
Risk 4.1: Sustainable aviation and associated challenges	
Risk context: Consumer expectations are changing, with social responsibility towards the environment playing an increasingly strong role in determining preference. 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. Regulations are in place that oblige us to reduce carbon usage in the aviation sector in the longer term. The challenges to our carbon reduction efforts include price premium above traditional jet fuel, any material delay in the commercial availability of appropriate sustainable aviation fuel supply or carbon offset projects and/or trading schemes, as well as the risk of increased carbon-related taxes across the markets we serve. The timetable for development and commercial availability of sustainable aviation fuel remains uncertain, particularly in the UK, and the aviation industry recognises that market-based measures are also going to play a part in mitigating carbon emissions, particularly for long-haul flights in the medium term. Whilst our internal carbon models are maturing, providing better insight into future emissions, financial exposures remain uncertain as a result of the ambiguous UK SAF policy landscape and as a result of a lack of eligible credits that comply with the CORSIA (Carbon Offset and Reduction Scheme for International Aviation) scheme. See pages 41, 56 and 58.	**Main controls and mitigations:** Our actions to support technology, innovation and sustainable aviation fuel (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. 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 in the skies. 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. In 2023 we operated the world's first 100% SAF flight across the Atlantic on a commercial aircraft which demonstrated that 100% SAF can be flown safely in today's engines, airframes and existing infrastructure. Whilst there are technical challenges to overcome for use at scale, the primary challenge is one of supply. We successfully operated a 100% SAF flight in 2023. Whilst there remains a long way to go for SAF commercialisation to reach meaningful scale in the UK, we continue to support radical collaboration 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. And we intend to continue our focus on investing in robust carbon reduction projects with strong community benefits.

Risk management continued

Risk category 4: Sustainability

Risk 4.2: Physical impact of climate change on operations

Risk context:

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

Climate change has resulted in more volatile weather, which could disrupt our operations. Changes in wind patterns and jet stream disruption as a result of climate change are also recognised as having the potential to increase turbulence on common flight paths. More extreme winter weather events also have the capability to increase the demand on winter planning activity, as well as critical services such as de-icing, which could result in delays and cancellations.

Main controls and mitigations:

Quantitative physical climate risk analysis was undertaken on a representative sample of Virgin Atlantic's operational sites and airports and ascertained where we are likely to see the greatest physical risks in the long term, and our commercial teams constantly track demand and trends as well as the commercial viability of new routes and destinations

We maintain robust monitoring across our operations to ensure that sources of disruption and potential disruption are being closely followed including adverse weather conditions. Where necessary, our operations will be re-planned to minimise any adverse effects on our operations. There are well rehearsed planning scenarios to manage major disruption from an operational perspective. This includes a dedicated crisis management centre, with an operational readiness state 24/7/365, and clearly established protocols for engagement, escalation and closure of potential crisis events. We also have a team of volunteers that can be deployed at short notice in the event of a weather-related disruption.

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 rely on technology systems to conduct our principal business processes. A compromise, loss of integrity, or loss of availability of these systems could cause significant operational disruption, financial loss, reputational damage, or regulatory non-compliance.

Financially motivated crimes such as ransomware and data extortion are currently the most likely types of cyber-attack that may impact us, whether directly or through our supply chain. Third party threats such as supply chain and software compromises have increased in likelihood since the last reporting period, as has the cyber security threat associated with the current geopolitical landscape.

Main controls and mitigations:

The Information Security Board (ISB) has improved governance, set risk appetite, validated the security plans, and reviewed security investments as part of its revised role.

Our three year Information and Security plan is delivering benefits and risk reduction through a number of control activities. These include the development of new InfoSec Baseline Controls Framework that will drive internal control effectiveness and reporting. We have migrated security services to a next generation security platform and supporting services with additional capabilities. Enhancements to our scanning services means that exploitable vulnerabilities can be detected and remediated expeditiously.

We continue to drive and deliver regulatory compliance for Information Security under the CAA's Civil Aviation Publication (CAP) 1753, and PCI-DSS payment card standard.

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

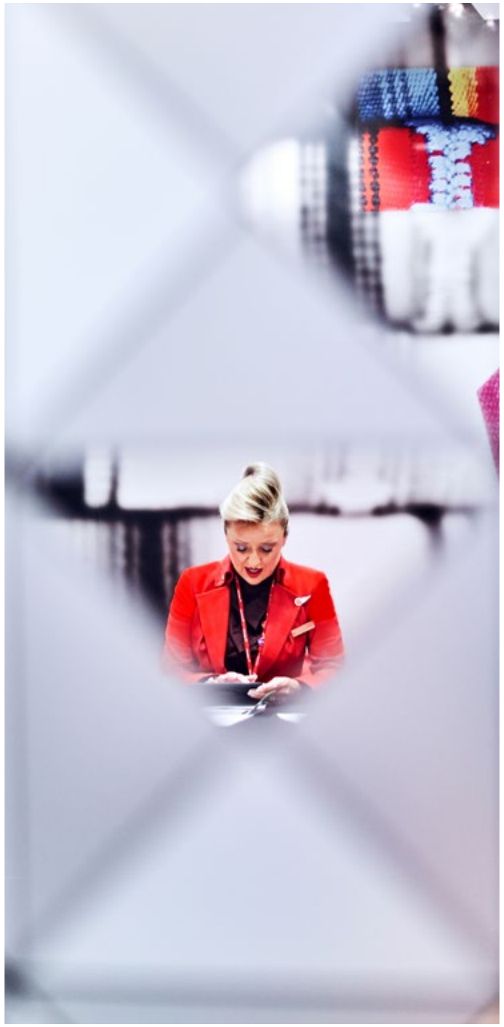
Risk management continued

Risk category 6: Brand & 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. 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.	**Main controls and mitigations:** Our brand is one of our greatest assets, and we treat it with great care and consideration. We focus 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 NPS and other survey 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 unionised workforce represented by trade unions. Whilst Virgin Atlantic has not experienced industrial action in its history, it is a known and recognised risk. Industrial action by employees or by key third party service providers could have adverse operational and/or financial impacts on the business.	**Main controls and mitigations:** We recognise the following trade unions: Unite the Union and BALPA. Virgin Atlantic continues to engage regularly and meaningfully with recognised trade unions, as we do with colleague committees in areas not represented by trade unions. We continually take steps to build positively on our working relationships, which are underpinned by trust and respect in order to benefit our people.

Risk category 6: Brand & people	
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 the performance of our business.	**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. 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 people. We have ambitious ethnic diversity 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. We also have specific initiatives in place to ensure that the mental health, wellbeing, and occupational health of our people is maintained, including actively managing fatigue risks; and to provide additional support, resources, and other corrective actions as and when necessary.

Risk management continued

Risk category 7: Regulatory & legislative	
Risk 7.1: compliance with corporate and aviation regulations	
Risk context: The aviation and tour operator industries are highly regulated. Key regulations cover many of our activities, including safety, security, route flying rights, airport slot access, data protection, environmental controls, government taxes and levies. Compliance with these regulations is critical to the maintenance of mandatory licences and to avoid, reputational damage, sanctions, fines, or losses. Additionally, there is a significant number of regulatory compliance requirements arising from our obligations as a corporation. Failure to comply with these regulations risks reputational damage, sanctions, fines, or losses to our business.	**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 a 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. For proposed new or amended regulations, we continue to engage with the UK Government to understand how its objectives are expected to impact our 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 are compliant with all required legislation. 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 and corruption policy, and must be completed annually and on joining the Company. For our third-party relationships, all our suppliers and general sales agents agree in their written contracts with us that they will comply with all applicable laws and regulations, together with adherence to our anti-bribery and ethical business policy. We maintain right-to-audit clauses in all our key and critical supplier contracts, giving us the ability to inspect records and assure compliance where (or if) we have any concerns about supplier compliance with laws and regulations.



Governance

Red Spirit

Sulaimon

Turnaround Officer

When he isn't monitoring our aircraft on the ground and ensuring our customers get away on time from London Heathrow, Sulaimon can be found mixing on the decks – getting everyone on the dance floor.

With an infectious energy, big heart, and positive outlook on life he truly exudes what our Red Spirit awards are all about.

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 2023, under The Companies (Miscellaneous Reporting) Regulations 2019, we have applied the Wates Corporate Governance Principles for Large Private Companies ("Wates Principles"). We have adopted the Wates Principles as an appropriate framework for our corporate governance arrangements which are set out in more detail in various sections of this Report. Its key principles are reviewed in the table opposite.

Purpose & leadership, stakeholder engagement	Opportunities and risks; remuneration
Purpose & leadership Our corporate vision, values and strategy are described throughout this Annual Report and set out in detail in the Chairperson's statement and the CEO review. The Group purpose is 'Everyone can take on the World' – reflecting both our business activities and our corporate culture of inclusivity, activism and challenger spirit which has defined Virgin Atlantic throughout its existence.	**Strategy** The Board has provided ongoing support to the Leadership Team throughout the year, to ensure the organisation dealt with the various challenges in 2023 in a manner which continued to position it towards reaching profitability in 2024.
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 17 to 19 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 66 to 74. The Board, through the Audit Committee, is updated twice a year on the management of existing and emerging risks.
	Remuneration The Board promotes executive remuneration structures aligned to the achievement of KPIs required to deliver the long-term sustainable success of the Group. Metrics which define Executive Director remuneration are closely aligned to key milestones and performance targets which are linked to the Group's strategy. These do not differ significantly from those of the wider leadership team.

Corporate governance continued

Board Composition

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

As at 31 December 2023, 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 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 and its sub-committees is set out on pages 77 to 78.	**Responsibilities** The Board and individual directors have a clear understanding of their accountability and responsibilities (see page 81). 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 2023 across five selected areas of particular importance, having identified those members who have held particular positions of significant relevant responsibility as follows: Strategy 11 - 100% Financial 8 - 73% Airlines 11 - 100% Customer 5 - 45% Technology 3 - 27% ESG 4 - 36%	**Areas of focus** In 2023, 10 board meetings were held providing support, review and challenge in a number of areas, in particular: ■ The airline's financial performance and plans for revenue growth and positioning the Company for a return to profitability in 2024 ■ Options for further improving the Group's liquidity ■ The Group's strategic planning

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 and delivery of the external and internal audit plans.

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 Auditor's findings and conclusions, the Auditor's remuneration and the reappointment or replacement of the Auditors; and
- The adequacy and effectiveness of the Group's internal systems concerning reporting and control; including ensuring that the internal audit function is adequately resourced, has appropriate standing within the Company with a primary reporting line to the Chairperson of the Audit Committee, and to review and approve internal audit plans of activity.

The Committee meets a minimum of three times a year and receives regular updates on the 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 Audit Committee

The Audit Committee comprises two Virgin appointed Non Executive Directors and two Delta appointed Non Executive Directors. As at 31 December 2023 the Committee members were Andreea Ene (Chairperson), Peter Norris, Peter Carter and Alain Bellemare.

Corporate governance continued

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 2023 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[1].

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 are 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; and
- 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 2023 the independent Chair was Stephen Head and the Executive Board member was Oliver Byers.

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 Group's practices and policies relating to data protection; and
- Providing an oversight of the Group's practices and policies relating to the protection of physical assets used to process information.

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

- An appetite has been set and clearly communicated, by which all Information and Cyber Security risks will be managed;
- Information and Cyber Security programmes and investments are reviewed and endorsed on an annual basis;
- Compliance with all Information and Cyber Security regulations, such as GDPR, PCI, NISD and CAP 1753 is monitored and reported; and
- Response procedures are in place to manage all aspects of a serious information security incident; and to have 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 Financial Officer. It is supported by representatives from the Leadership and Technology teams.

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

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 2023. The comparative amounts are stated for the year ended 31 December 2022.

Pages 1 to 82 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)
Edward Bastian	(Delta nominated Director)
Shai Weiss	(Executive Director)
Cornelis Koster	(Executive Director)
Luigi Brambilla	(Virgin nominated Director)
Alain Bellemare	(Delta nominated Director)
Juha Jarvinen	(Virgin Atlantic executive alternate)
Oliver Byers	(Virgin Atlantic executive alternate)
Peter Carter	(Delta nominated Director)
Andreea Ene	(Virgin nominated Director)

Virgin Atlantic Independent Board observer

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

Share-based payments: long-term incentive plan

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

Results, business review and future developments

The results of the Group for the period are set out on page 87 and are commented on within the Strategic Report which is set out on pages 2 to 25. The Strategic Report also contains a review of the business and 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 2023 (2022: paid £nil). The Directors did not declare or pay interim ordinary dividends in respect of the year ended 31 December 2023 (2022: paid £nil). The Directors recommend that no final ordinary dividend be paid in respect of the year ended 31 December 2023 (2022: £nil).

Overseas branches

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

Political contributions

No company in the Group made any political donations or incurred any political expenditure during the year (2022: £nil).

Directors' report continued

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

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

Disclosure of information to Auditor
The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board

Julian Homerstone
Company Secretary

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

27 March 2024

Registered number: 08867781

Red Spirit
Ceri
Customer Centre Manager

As a member of our internal Pride Network and advocate for the broader LGBTQIA+ community, this year Ceri represented us on stage at Swansea Pride. Ceri's positive mindset and compassion for others are just a few of the qualities which make her an invaluable asset to the Virgin Family, and a core member of our customer service leadership team.

Directors' responsibility statement

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

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

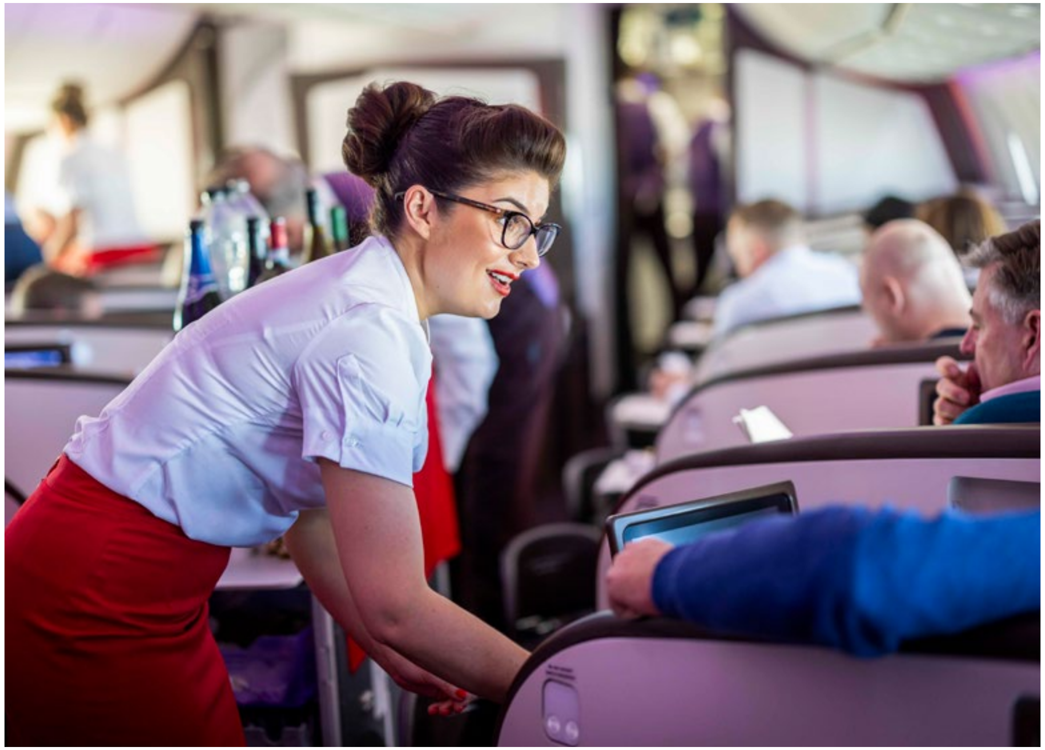
Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare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

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

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

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

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



Corporate structure

- **VIRGIN ATLANTIC LIMITED** (Company No. 08867781)
  - **Virgin Atlantic Two Limited** (Company No. 03553500)
    - **Virgin Travel Group Limited** (Company No. 02274332)
      - **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** (Jersey)
            - **Virgin Atlantic International Limited** (Company No. 09539561)
        - **Virglease (3) Limited** (Company No. 03791307)
        - **Virglease (4) Limited** (Company No. 12814173)
        - **Virgin Holidays Limited** (Company No. 01873815)
          - **Virgin Incoming Services, Inc (USA)**

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

Red Spirit

Alex

Heathrow Clubhouse Experience Executive

With an incredible 12 years of experience at Virgin Atlantic, there isn't much Alex doesn't know about providing amazing customer service and support at our London Heathrow Clubhouse. Alex's infectious positive energy is a testament to her words 'Bringing fun, love, and joy to work makes the day go better'.

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 2023 which comprise the Consolidated statement of comprehensive income, Consolidated statement of financial position and Company statement of financial position, Consolidated statement of changes in equity and Company statement of changes in equity, Consolidated statement of cash flows and related notes, including the accounting policies in note 3.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 3 to the financial statements which indicates that under plausible worst case scenarios such as further escalation in the ongoing war in Ukraine and the conflict in the Middle East and their impact on fuel prices and ongoing geopolitical uncertainty , there is a risk as to whether the group and parent company would be able to secure additional funding to be able to meet liquidity requirements, such that they can continue to operate as a going concern. These events and conditions, along with the other matters explained in note 3, constitute a material uncertainty that may cast significant doubt on the group's and the parent company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Going concern basis of preparation

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company, or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic for at least a year from the date of approval of the financial statements ("the going concern period"). As stated above, they have also concluded that there is a material uncertainty related to going concern.

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

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

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

Independent auditor's report continued

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

We performed the following procedures:

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

Our conclusions based on this work:

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

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

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

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

We did not identify any additional fraud risks.

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, those which are unusual pairings and those posted with descriptions that could be indicative of a risk of fraud.
- Assessing whether the judgments made in making accounting estimates are indicative of potential bias.

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

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

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

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

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

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

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

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

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

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

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

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

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

We have nothing to report in these respects.

Directors' responsibilities
As explained more fully in their statement set out on page 81, 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

27 March 2024

Financial statements

Red Spirit

Holly

Virgin Atlantic Holidays Area Manager

Based in our home in the north, Holly heads up two incredible teams at our Virgin Atlantic Holiday's stores, helping our customers with finding their dream holidays on the ground before they head to the skies.

Consolidated statement of comprehensive income

For the year ended 31 December 2023

	Note	For the year ended 31 December 2023 £m	For the year ended 31 December 2022 £m
Total revenue	5	**3,118.9**	2,854.1
Operating costs			
Physical fuel		**841.0**	902.4
Airline direct operating costs		**634.5**	508.5
Aircraft costs		**195.8**	167.1
Holiday distribution, marketing and selling costs		**423.6**	405.8
Employee remuneration	7	**417.0**	365.7
Other operating and overhead costs		**170.4**	291.2
Engineering and maintenance costs		**216.9**	158.7
Other depreciation and amortisation		**64.8**	66.3
(Profit)/loss on disposal of property, plant and equipment		**(0.9)**	3.5
Restructuring		**2.5**	8.3
Impairment of assets		**3.8**	(0.1)
Fair value losses on derivative contracts		**67.4**	53.6
Other income		**(1.5)**	(4.2)
Operating profit/(loss)		**83.6**	(72.7)
Finance income		**16.0**	7.0
Finance expense		**(324.2)**	(275.9)
Net finance costs	8	**(308.2)**	(268.9)
Loss before tax	6	**(224.6)**	(341.6)
Tax charge	9	**(0.9)**	(0.1)
Loss for the year		**(225.5)**	(341.7)
Other comprehensive income			
(items that may be subsequently reclassified to the income statement)			
Exchange translation differences		**(0.2)**	-
Gains/(losses) arising during the year on cash flow hedges		**115.0**	(173.3)
Total comprehensive loss for the year		**(110.7)**	(515.0)

All amounts relate to continuing operations.

The notes on pages 90 to 118 form part of these financial statements.

Consolidated statement of financial position

As at 31 December 2023

	Note	As at 31 December 2023 £m	As at 31 December 2022 £m
Non-current assets			
Intangible assets and goodwill	10	**388.4**	388.6
Property, plant and equipment	11	**2,451.0**	2,171.2
Deferred tax	12	**3.3**	3.6
Derivative financial instruments	14	**1.1**	-
Trade and other receivables	15	**26.5**	28.0
		2,870.3	2,591.4
Current assets			
Inventories	16	**44.8**	38.1
Trade and other receivables	15	**228.0**	383.4
Derivative financial instruments	14	**11.4**	27.7
Cash and cash equivalents	17	**335.3**	328.7
Restricted cash	17	**70.8**	70.4
		690.3	848.3
Total assets		**3,560.6**	3,439.7
Current liabilities			
Borrowings	18	**392.4**	241.0
Trade and other payables	19	**640.6**	586.8
Deferred revenue on air travel and holidays	20	**619.6**	639.6
Provisions	21	**55.7**	35.6
Derivative financial instruments	14	**45.0**	30.0
		1,753.3	1,533.0
Net current liabilities		**(1,063.0)**	(684.7)
Non-current liabilities			
Borrowings	18	**3,181.0**	3,160.2
Trade and other payables	19	**86.4**	131.7
Deferred revenue on air travel and holidays	20	**1.8**	1.3
Provisions	21	**70.0**	67.3
Derivative financial instruments	14	**6.1**	-
		3,345.3	3,360.5
Net liabilities		**(1,538.0)**	(1,453.8)
Equity			
Ordinary share capital		**100.0**	100.0
Preference share capital		**179.6**	157.9
Share-based payment reserve		**72.3**	91.5
Hedging reserve		**(1.7)**	(116.7)
Other reserves		**76.4**	52.6
Retained earnings		**(1,964.6)**	(1,739.1)
Total equity		**(1,538.0)**	(1,453.8)

The notes on pages 90 to 118 form part of these financial statements.

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

Oliver Byers,
Director

27 March 2024

Registered number 08867781

Company statement of financial position

As at 31 December 2023

	Note	As at 31 December 2023 £m	As at 31 December 2022 £m
Non-current assets			
Investments in subsidiaries	13	**830.5**	803.6
Total assets		**830.5**	803.6
Current liabilities			
Trade and other payables	19	**250.1**	238.8
Net current liabilities		**(250.1)**	(238.8)
Net assets		**580.4**	564.8
Equity			
Ordinary share capital		**100.0**	100.0
Preference share capital		**179.6**	157.9
Share-based payment reserve		**72.3**	91.5
Other reserves		**103.9**	79.9
Retained earnings		**124.6**	135.5
Total equity		**580.4**	564.8

The notes on pages 90 to 118 form part of these financial statements.

The loss for the Company for the year is £10.9m (2022: £3.1m).

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

Oliver Byers,
Director

27 March 2024

Registered number 08867781

Consolidated statement of changes in equity

For the year ended 31 December 2023

	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 at 1 January 2022	100.0	137.8	109.5	56.6	28.1	(1,397.4)	(965.4)
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)**
Increase in preference shares issuable	-	-	-	-	24.0	-	24.0
Preference shares issued	-	21.7	(21.7)	-	-	-	-
Equity settled share-based payment cost	-	-	2.5	-	-	-	2.5
Loss for the year	-	-	-	-	-	(225.5)	(225.5)
Other comprehensive income/ (expense)	-	-	-	115.0	(0.2)	-	114.8
Total comprehensive income/ (expense)	-	-	-	115.0	(0.2)	(225.5)	(110.7)
Balance at 31 December 2023	**100.0**	**179.6**	**72.3**	**(1.7)**	**76.4**	**(1,964.6)**	**(1,538.0)**

Allotted, called up and fully paid share capital includes 100,000,000 (2022: 100,000,000) ordinary shares of £1 each and 50,000 (2022: 50,000) preference shares at £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 (formally Virgin Atlantic Limited). The rights of each class of share are set out in the Company's Articles as 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 2023, VAL had issued a total of £129.6m (2022: £107.9m) 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 2023, there are £67.6m of preference shares issuable included in the share-based payment reserve, and £48.6m in other reserves. £24.7m were issued in February 2024 in relation to payments relating to 2023. 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.

Other reserves includes the merger reserve of £378.0m (refer to note 3), as well as the foreign currency translation reserve of £0.6m.

The notes on pages 90 to 118 form part of these financial statements.

Company statement of changes in equity

For the year ended 31 December 2023

	Ordinary share capital £m	Preference share capital £m	Share-based payment reserve £m	Other reserves £m	Retained earnings £m	Total £m
Balance at 1 January 2022	100.0	137.8	109.5	55.4	138.6	541.3
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	-	-	-	-	(3.1)	(3.1)
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**
Increase in preference shares issuable	-	-	-	24.0	-	24.0
Preference shares issued	-	21.7	(21.7)	-	-	-
Equity settled share-based payment cost	-	-	2.5	-	-	2.5
Loss for the year	-	-	-	-	(10.9)	(10.9)
Total comprehensive income/(expense)	-	-	-	-	(10.9)	(10.9)
Balance at 31 December 2023	**100.0**	**179.6**	**72.3**	**103.9**	**124.6**	**580.4**

The notes on pages 90 to 118 form part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2023

	Note	**For the year ended 31 December 2023 £m**	For the year ended 31 December 2022 £m
Net cash from operating activities	28	**332.4**	118.8
Purchase of property, plant and equipment		**(72.8)**	(63.0)
Purchase of intangible assets		**(44.9)**	(45.8)
Proceeds from sale of property, plant and equipment and intangible assets		**3.4**	1.8
Interest received		**16.0**	7.0
Net cash used in investing activities		**(98.3)**	(100.0)
Payment of borrowings		**(98.1)**	(92.0)
Payment of leases		**(158.3)**	(139.4)
New borrowings	18	**41.0**	14.8
Net cash used in financing activities		**(215.4)**	(216.6)
Net increase/(decrease) in cash and cash equivalents		**18.7**	(197.8)
Cash and cash equivalents at beginning of year	17	**328.7**	502.0
Effect of foreign exchange rate changes		**(12.1)**	24.5
Cash and cash equivalents at end of year	17	**335.3**	328.7

The notes on pages 90 to 118 form part of these financial statements.

Notes forming part of the financial statements

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 2 to 25.

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 80.

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

a) 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. 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.

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.

Going concern

In determining the appropriate basis of preparation of the financial statements for the year ended 31 December 2023, the Directors are required to consider whether the Group and Company can continue in operational existence for at least the 12-month period from the date of approval of the financial statements. The Board has concluded that it is appropriate to adopt the going concern basis, having assessed the financial forecasts with specific consideration to the trading position of the Group and Company in the context of continuing economic uncertainty driven by softer corporate demand, particularly in the tech sector, high interest rates and fuel prices and ongoing geopolitical uncertainty in Ukraine and the Middle East.

Notes forming part of the financial statements continued

3. Accounting policies *continued*

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

To assess Going Concern, the Directors have prepared two scenarios - the 'Base Case' and the 'Plausible Worst Case'. In assessing the Base Case, the Directors have considered the following assumptions:

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

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

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

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

- Deferral of expenditure;
- Further shareholder support;
- Additional cost reduction activities;
- Review of network and profitability; and
- Opportunities to raise additional financing utilising equity value in the Group's slot portfolio.

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

However, the mitigations listed above are not fully within the Group and Company's control, and could also be influenced by the macroeconomic environment. This represents a material uncertainty that could cast significant doubt on the Group's and parent Company's ability to continue as a going concern. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

b) Revenue and revenue recognition (note 5)

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

Notes forming part of the financial statements continued

3. Accounting policies *continued*

Passenger revenue

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

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

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

Holidays revenue

The Group records revenue on a net basis after deducting customer discounts and VAT. Holiday sales are paid for in advance of travel, and are recorded within deferred revenue until the performance obligation has been satisfied. For revenue relating to travel services arranged by the Group's travel providers, the performance obligation is the provision of a holiday package. This is treated as a single performance obligation which is delivered over the duration of the holiday, and as such revenue is recognised in the income statement pro rata across the duration of the holiday. The Group considers whether it is an agent or a principal in relation to package holiday services by considering whether it has a performance obligation to provide services to the customer or whether the obligation is to arrange for the services to be provided by a third party. Where the Group's role in the transaction is that of an agent, revenue is recognised on a net basis with revenue representing the margin earned. This revenue is recognised on the date of booking at which point the performance obligation has been met.

Cargo revenue

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

Other revenue

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

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

c) 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 Airways and Virgin Atlantic Holidays is provided to the CODM in order to make resource allocation decisions and, as such, management have identified each as a separate operating segment.

d) Emissions trading schemes

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

e) Translation of foreign currencies

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

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

Notes forming part of the financial statements continued

3. Accounting policies *continued*

Transactions arising, other than in the functional currency, are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated using the rate of exchange ruling at the balance sheet date. Profits or losses arising on translation are reported within other operating and overhead costs in the income statement.

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

f) Employee benefits (note 7)

Pension

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

g) Share-based payments (note 7)

Long-term incentive scheme

The Group operates a cash-settled long-term incentive scheme (LTIP); a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. The Group accrues for any element of foreseeable future awards for employees and Directors under LTIPs which have been agreed by the Board of Directors, and which are deemed to have been earned in the current period. At each balance sheet date until the liability is settled and at the date of settlement, the fair value of the liability is re-measured, with any changes in fair value recognised in the income statement for the year.

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 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. 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.

h) 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.

i) Taxation

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

Current tax (note 9)

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

Deferred tax (note 12)

- Deferred tax is provided in full on all temporary differences relating to the carrying amount of assets and liabilities, where it is probable that the recovery or settlement will result in an obligation to pay more, or a right to pay less, tax in the future, with the following exceptions:
- In respect of taxable temporary differences associated with investments in subsidiaries or associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- Deferred income tax assets are recognised only to the extent that it is probable (more likely than not) that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

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

The Group is adopting the mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules.

Notes forming part of the financial statements continued

3. Accounting policies *continued*

j) Intangible assets (note 10)

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

Landing rights

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

Goodwill

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

Agreements: Delta and Air France-KLM transatlantic contract and brand 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 10 and note 23). The carrying value is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Software

The cost of purchase or development of computer software that is separable from an item of related hardware is capitalised separately. Core system assets are amortised over a period of 12 years; other software is amortised over a period not exceeding six years on a straight-line basis.

Development expenditure on activities is capitalised if the product or process is technically and commercially feasible and the Group intends to, and has the technical ability and sufficient resources to, complete development and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. The expenditure capitalised includes directly attributable costs and direct labour.

Other development expenditure is recognised in the income statement as an expense as incurred.

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

k) Property plant and equipment (PPE) (note 11)

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

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

Fleet

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

The balance of aircraft and engine cost is depreciated on a straight-line basis over periods of up to 20 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%.

Notes forming part of the financial statements continued

3. Accounting policies *continued*

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 included as part of the aircraft cost.

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	10% - 25% on cost
Leasehold improvements	Lower of useful economic life or period of lease

Impairment of non-current assets

At each balance sheet date, the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

Aircraft deposits

Aircraft deposits are capitalised and represent deposits made with aircraft manufacturers for future delivery of aircraft or deposits made with aircraft financiers or operating lessors to provide security for future maintenance work or lease payments. Upon delivery of aircraft, these are transferred to leased or owned aircrafts and subsequently depreciated.

l) Leases

Measurement of the right-of-use asset (note 11)

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

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

Notes forming part of the financial statements continued

3. Accounting policies *continued*

Measurement of the lease liability (note 18)
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease if readily available, or otherwise the Group's incremental borrowing rate.

The lease liability is subsequently measured based on a process similar to the amortised cost method. The liability is increased by accrued interest resulting from the discounting of the lease liability at the beginning of the lease period and the liability is reduced by lease payments made.

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

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

When there is a change in the lease term, change in assessment of purchase option or change in floating interest rate, a revised discount rate is applied, resulting in an adjustment to the right-of-use asset and lease liability. The Group presents lease liabilities in 'borrowings' in the statement of financial position.

Sale and leaseback
The Group applies judgement as to whether finance raised for purchase of aircraft is treated as a lease per IFRS 16 or a financial liability per IFRS 9. In sale and leaseback transactions where the Group sells and then leases back aircraft, provided it meets the criteria of a sale per IFRS 15, the Group measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Group. If a sale has not occurred, the asset is retained on balance sheet within property, plant and equipment with a corresponding finance liability recognised under IFRS 9. No sale and leaseback transactions occurred in the year ended 31 December 2023.

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

m) Inventories (note 16)
Inventories are stated at the lower of cost and net realisable value. Provision is made for obsolete, slow-moving or defective items where appropriate. Any full write off for a specific fleet type is considered to be an impairment charge. Aircraft inventory includes aircraft parts which are expendable and non-renewable.

n) Unremitted cash (note 15)
Unremitted cash comprises amounts owed by card acquirers for flights sold.

o) Provisions (note 21)
The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation as a result of a past event at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

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

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

Notes forming part of the financial statements continued

3. Accounting policies *continued*

Where maintenance is provided under 'power by the hour' contracts and maintenance is paid to maintenance providers to cover the cost of the work, these payments are expensed as incurred. The basis of all estimates are reviewed once each year and also when information becomes available that is capable of causing a material change to an estimate, such as renegotiation of end of lease return conditions, increased or decreased utilisation, or unanticipated changes in the cost of heavy maintenance services.

Restructuring provisions

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

Leasehold dilapidations provisions

On inception of a new lease, where there is an obligation to restore the property to its original condition, a leasehold dilapidation provision is recognised amounting to the estimated cost of restoration. Leasehold dilapidations are discounted only when the interest rate has a material impact on the provision. Any associated unwinding of the discount is taken to the income statement.

Passenger delay compensation

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

p) Financial instruments

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

Financial instruments are recorded initially at fair value, subsequent measurement of those instruments at the balance sheet date reflects the designation of the financial instrument. The Group determines the classification at initial recognition and re-evaluates this designation at each period end except for those financial instruments measured at fair value through the income statement.

Derivative financial instruments and hedging (note 14)

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

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

Hedge accounting

The Group applies cash flow hedging to certain financial liabilities held in foreign currency in accordance with IFRS 9. The Group determines the existence of an economic relationship between the hedging instruments and hedged item based on the currency, amount and timing of their respective cash flows. The hedge ratio applied is 1:1. Gains and losses arising from the foreign currency revaluation of these financial liabilities are accounted for through the hedging reserve, to the extent the hedge is effective. The ineffective portion of gains and losses is recognised as an exceptional item in the income statement.

Non-derivative financial assets

Non-derivative financial assets are deemed to be assets which have no fixed or determinable payments that are not quoted in an active market and would therefore be classified as 'loans and receivables'.

Such non-derivative financial assets are measured at amortised cost using the effective interest method, less any impairment and include trade and other receivables. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Cash and cash equivalents (note 17)

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

Restricted cash (note 17)

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

Notes forming part of the financial statements continued

3. Accounting policies *continued*

Impairment of non-derivative financial assets (note 26)

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

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

De-recognition of non-derivative financial assets

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

Non-derivative financial liabilities (note 26)

Non-derivative financial liabilities are initially recorded at fair value less directly attributable transaction costs, and subsequently at amortised cost. These include trade and other payables, borrowings and provisions. Interest expense on borrowings is recognised using the effective interest method.

Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

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

De-recognition of non-derivative financial liabilities

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

q) Investments in subsidiaries (note 13)

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

r) 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. Material judgements and estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The following accounting policies are considered critical accounting policies as they require a significant amount of management judgement and the results are material to the Group's financial statements. The estimates and assumptions that affect the current year or have a significant risk of causing a material adjustment within the next financial year are as follows:

a) Significant and material judgements

Income Taxes

As at 31 December 2023 the Group recognised deferred tax assets of £3.3m (2022: £3.6m). The Group recognises deferred income tax assets only to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised. Management considers the operating performance in the current year and the future projections of performance laid out in the approved business plan in order to assess the probability of recoverability. The business plan relies on the use of assumptions, estimates and judgements in respect of future performance and economics.

Determining the lease term of contracts with renewal and termination costs

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

Notes forming part of the financial statements continued

4. Material judgements and estimates *continued*

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.

b) Significant estimates

Maintenance provision (note 21)

As at 31 December 2023 maintenance provisions totalled £52.2m (2022: £53.0m). The critical estimates required for the provision are: 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.

c) Other sources of estimation uncertainty

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

The carrying amounts of property, plant and equipment as at 31 December 2023 were £2,451.0m (2022: £2,171.2m). The Group estimates useful lives and residual values of property, plant and equipment, including fleet assets. Useful lives and residual values are reassessed annually taking into consideration the latest fleet plans and other business plan information.

Impairment of non-financial assets (note 10)

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

Revenue recognition (note 5)

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

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

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

IFRS 17 Insurance Contracts, Amendments to IFRS 17 and Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective date 1 January 2023).

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

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

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

Notes forming part of the financial statements continued

5. Segment information

a) Business segments

	For the year ended 31 December 2023			
	Virgin Atlantic Airways £m	Virgin Atlantic Holidays £m	Other companies/ eliminations £m	Total £m
Revenue				
Passenger	**2,395.7**	**-**	**-**	**2,395.7**
Cargo	**196.2**	**-**	**-**	**196.2**
Holidays	**-**	**471.0**	**-**	**471.0**
Other	**192.2**	**-**	**-**	**192.2**
Segment revenue	**2,784.1**	**471.0**	**-**	**3,255.1**
Revenue from transactions with other operating segments	**(136.2)**	**-**	**-**	**(136.2)**
External revenue	**2,647.9**	**471.0**	**-**	**3,118.9**
Depreciation and amortisation charge	**(263.4)**	**(9.0)**	**-**	**(272.4)**
Impairment expense	**(3.8)**	**-**	**-**	**(3.8)**
Profit/(loss) before exceptional items and tax	**(171.1)**	**31.8**	**0.1**	**(139.2)**
Exceptional items (refer to Alternative Performance Measures section)	**(85.5)**	**0.1**	**-**	**(85.4)**
Profit/(loss) before tax	**(256.6)**	**31.9**	**0.1**	**(224.6)**

a) Business segments *continued*

	For the year ended 31 December 2022			
	Virgin Atlantic Airways £m	Virgin Atlantic Holidays £m	Other companies/ eliminations £m	Total £m
Revenue				
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
Profit/(loss) 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)
Profit/(loss) before tax	(336.4)	(2.1)	(3.0)	(341.5)

b) Geographical analysis

Revenue by area of original sale	**For the year ended 31 December 2023 £m**	For the year ended 31 December 2022 £m
UK	**1,736.6**	1,667.5
US	**1,033.1**	782.8
Other	**349.2**	403.8
Total	**3,118.9**	2,854.1

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

The Company had no income in the current year (2022: £nil).

Notes forming part of the financial statements continued

6. Loss before tax for the year

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

	Group		Company	
	For the year ended 31 December 2023 £m	For the year ended 31 December 2022 £m	**For the year ended 31 December 2023 £m**	For the year ended 31 December 2022 £m
Depreciation of property, plant and equipment (note 11)	**(227.3)**	(188.3)	**-**	-
Amortisation of intangible assets (note 10)	**(45.1)**	(49.9)	**-**	-
Contribution to pension schemes	**(32.6)**	(33.5)	**-**	-
Remuneration of the auditors and their associates				
Audit services	**(1.0)**	(1.0)	**(0.2)**	(0.2)
Other services	**(0.1)**	(0.1)	**-**	-

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 the year ended 31 December 2023 £m	For the year ended 31 December 2022 £m
Other assurance services	**(0.1)**	(0.1)
Total fees for other services	**(0.1)**	(0.1)

7. Employee remuneration

a) Headcount and total remuneration

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

	Group	
	For the year ended 31 December 2023	For the year ended 31 December 2022
Management and administration	**1,194**	1,104
Flight crew	**892**	808
Cabin crew	**3,180**	2,711
Reservations, sales and retail staff	**1,381**	1,252
Engineering, cargo and production	**695**	657
	7,342	6,532

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

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

	Group	
	For the year ended 31 December 2023 £m	For the year ended 31 December 2022 £m
Wages and salaries	**351.3**	302.7
Social security costs	**39.2**	35.0
Other pension costs	**32.6**	33.8
	423.1	371.5

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

The Virgin Atlantic Limited Group operates a defined contribution pension scheme. The pension cost charged to the income statement for the year represents contributions payable by the Group to the scheme. The assets of the schemes are held separately from those of the Group in independently administered funds. There were outstanding contributions of £4.8m at 31 December 2023 (2022: £5.8m).

The Company has no salaried employees (2022: nil).

Notes forming part of the financial statements continued

7. Employee remuneration *continued*

b) Aggregate Directors' remuneration

During the year/period of their service, the emoluments of the 4 Directors (2022: 4) of the Group and Company were:

	Group	
	For the year ended 31 December 2023 £m	For the year ended 31 December 2022 £m
Total emoluments		
Aggregate emoluments	**3.6**	3.6
Company contributions to money purchase pension schemes	**0.2**	0.2
Aggregate amounts receivable under Long Term Incentive Scheme	**3.7**	2.7
	7.5	6.5
Highest paid Director		
Aggregate emoluments and other benefits	**1.8**	2.0
Company contributions to money purchase pension schemes	**0.1**	0.1
Aggregate amounts receivable under Long Term Incentive Scheme	**2.1**	1.6
	4.0	3.7

Retirement benefits are accruing to 4 (2022: 4) Directors under money purchase pension schemes. During the year an amount of £nil (2022: £nil) was paid to shareholders in respect of the services of certain shareholder-appointed Non Executive Directors of the Company.

The charge to the income statement in respect of share-based payments attributable to Directors is £2.2m (2022: £1.7m) 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 series of three-year rolling grants, with a cash payment at the end of each grant. Payments are based on the Group's performance against pre-agreed financial and non-financial measures which are linked to the Group's long-term objectives. Included above are cash payments made to Directors relating to services rendered during 2023.

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 2023, 13,879,645 shares had been issued, and the weighted average fair value of these shares at grant date was £0.49. During the year a charge of £2.5m (2022: £2.1m) has been recognised in the income statement in relation to the scheme.

8. Net finance costs

	Group	
	For the year ended 31 December 2023 £m	For the year ended 31 December 2022 £m
Finance income		
Interest on bank deposits	**15.8**	6.7
Other finance income	**0.2**	0.3
	16.0	7.0
Finance expense		
Interest on leases (note 18)	**(137.1)**	(127.9)
Other finance charges	**(7.3)**	(8.3)
Interest on external loans (note 18)	**(183.5)**	(141.1)
	(327.9)	(277.3)
Interest capitalised on aircraft progress payments (note 11)	**3.7**	1.4
	(324.2)	(275.9)
Net finance costs	**(308.2)**	(268.9)

Notes forming part of the financial statements continued

9. Tax

Analysis of the tax expense during the year:

	Group For the year ended 31 December 2023 £m	Group For the year ended 31 December 2022 £m
Current tax		
Adjustments in respect to prior periods	**(0.6)**	0.2
Total current tax (charge)/credit	**(0.6)**	0.2
Deferred tax		
Current year	**(0.3)**	-
Origination and reversal of timing differences	**(0.3)**	2.2
Adjustments in respect of prior periods	**0.3**	(3.2)
Effect of changes in tax rate	**-**	0.7
Total deferred tax credit/(charge)	**(0.3)**	(0.3)
Total tax charge	**(0.9)**	(0.1)

The standard rate of UK corporation tax for the year is 23.5% (2022: 19.0%).

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

	Group For the year ended 31 December 2023 £m	Group For the year ended 31 December 2022 £m
Loss before taxation	**(224.6)**	(341.6)
Tax at the standard rate at 23.5% (2022: 19.0%)	**52.8**	64.9
Factors affecting the credit for the year		
Income not subject to corporation tax	**0.9**	0.3
Expenses not deductible for tax purposes	**(21.3)**	(16.7)
Effects of difference in deferred tax rate	**-**	0.7
Adjustments in respect of prior periods	**(2.6)**	(3.0)
Amounts not recognised on tax losses	**(3.3)**	(46.0)
Fixed asset timing differences	**(24.7)**	(0.3)
Non-qualifying assets	**(2.7)**	-
Total tax charge	**(0.9)**	(0.1)

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

The OECD Pillar Two GloBE Rules introduce a global minimum corporation tax rate of 15% applicable to multinational enterprise groups with global revenue over €750m. All participating OECD members are required to incorporate these rules into national legislation. The Pillar Two Globe Rules will apply to the Group for its accounting period commencing 1 January 2024. On 23 May 2023, the International Accounting Standards Board (IASB) amended IAS 12 to introduce a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules. On 19 July 2023 the UK Endorsement Board adopted the IASB amendments to IAS 12.

The Group has performed an assessment of its potential exposure to Pillar Two income taxes based on 2023 financial data and considers that the rules will not result in a material impact to the Group ETR for 2024.

10. Intangible assets and goodwill

	Group Goodwill £m	DL AF KL transatlantic agreement and brand licence £m	Landing rights £m	Other intangibles £m	Assets under construction £m	Total £m
Cost						
At 1 January 2023	6.8	293.5	120.9	264.8	26.4	712.4
Additions	-	-	26.8	-	18.1	44.9
Disposals	-	-	-	(3.7)	-	(3.7)
Reclassifications	-	-	-	9.6	(9.6)	-
At 31 December 2023	**6.8**	**293.5**	**147.7**	**270.7**	**34.9**	**753.6**
Amortisation						
At 1 January 2023	2.9	86.1	12.6	222.2	-	323.8
Amortisation	-	33.5	-	11.6	-	45.1
Disposals	-	-	-	(3.7)	-	(3.7)
At 31 December 2023	**2.9**	**119.6**	**12.6**	**230.1**	**-**	**365.2**
Carrying amount						
At 31 December 2023	**3.9**	**173.9**	**135.1**	**40.6**	**34.9**	**388.4**
At 31 December 2022	3.9	207.4	108.3	42.6	26.4	388.6

Notes forming part of the financial statements continued

10. Intangible assets and goodwill *continued*

	Group					
	Goodwill £m	DL AF KL 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**
At 31 December 2021	3.9	240.9	81.6	51.6	14.8	392.8

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 five years. As at 31 December 2023, the carrying value of the joint arrangement asset was £130.5m with a remaining amortisation period of 11 years, and the carrying value of the brand asset was £43.4m with a remaining amortisation period of two years.

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

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:

(i) 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 stores and any related goodwill.

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

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

The discount rate has been calculated based on the weighted average cost of capital of the Group, using external inputs where relevant and adjusted to reflect the relevant debt structure in place to support each CGU. The Group has adjusted the cash flows for any uncertainties rather than the discount rate.

The terminal growth rate represents an estimation of average long-term economic growth rates for the principal countries in which the Group operates. The future impact of climate change on the Group has been incorporated into strategic plans, the estimated financial impact of which is included within approved forecasts. Considerations of the costs expected to be incurred to reach the Group's long-term sustainability strategy of being net zero by 2050, to comply with the introduction of future SAF mandates and to meet the Group's CORSIA obligations, have been embedded into the financial forecasts. The impairment review did not identify an impairment for either CGU as the value in use was greater than the carrying value (2022: no impairment).

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

Notes forming part of the financial statements continued

10. Intangible assets and goodwill *continued*

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	2pts
Reduction in long-term growth rate applied in year	1pts
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	7% (2022: 6%)	5% (2022: 4%)
Terminal growth rate	2% (2022: 2%)	2% (2022: 2%)
No. years before terminal growth applied	3 (2022: 4)	3 (2022:4)
Exchange rates USD	1.27 (2022: 1.22)	1.27 (2022: 1.22)
Fuel prices ($/bbl)	112.7 (2022: 113.8)	N/A

11. Property, plant and equipment

	Group					
	Aircraft, rotable spares and ancillary equipment		Other		Assets under construction	
	Owned £m	Leased £m	Owned £m	Leased £m	Owned £m	Total £m
Cost						
At 1 January 2023	1,352.8	1,891.6	142.4	162.1	22.9	3,571.8
Additions	60.4	309.8	1.5	2.3	14.5	388.5
Disposals	1.9	(2.6)	(1.7)	(2.2)	(3.8)	(8.4)
Reclassifications	6.6	-	3.4	-	(10.0)	-
Other movements	-	91.0	-	33.6	-	124.6
At 31 December 2023	**1,421.7**	**2,289.8**	**145.6**	**195.8**	**23.6**	**4,076.5**
Accumulated depreciation						
At 1 January 2023	375.3	801.0	128.5	95.8	-	1,400.6
Depreciation for the year	81.2	123.2	5.9	17.0	-	227.3
Impairments	-	-	-	-	3.8	3.8
Disposals	3.4	(2.7)	(1.6)	(1.5)	(3.8)	(6.2)
At 31 December 2023	**459.9**	**921.5**	**132.8**	**111.3**	**-**	**1,625.5**
Carrying amount						
At 31 December 2023	**961.8**	**1,368.3**	**12.8**	**84.5**	**23.6**	**2,451.0**
At 31 December 2022	977.5	1,090.6	13.9	66.3	22.9	2,171.2

Notes forming part of the financial statements continued

11. Property, plant and equipment *continued*

	Group					
	Aircraft, rotable spares and ancillary equipment		Other		Assets under construction	
	Owned £m	Leased £m	Owned £m	Leased £m	Owned £m	Total £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**
At 31 December 2021	984.4	794.4	21.3	67.3	18.3	1,885.7

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

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

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

Included in aircraft, rotable spares and ancillary equipment are progress payments of £38.5m (2022: £37.3m). These amounts are not depreciated.

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

The Company did not have any property, plant and equipment (2022: £nil).

12. Deferred tax

The following are the material deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior year.

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

	Group				
	Accelerated capital allowances £m	Other temporary 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

Other temporary differences includes £32.4m (2022: £39.7m) of deferred tax assets which arose on transition to IFRS 16. The Group has restricted its recognition of deferred tax assets to equal the amount of deferred tax liabilities at the period end, as required by IAS 12. The gross temporary differences not recognised by the Company total £1,889.3m (2022: £1,825.5m), which equates to a deferred tax asset not recognised of £472.3m (2022: £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 2023 has been calculated based on 25% (2022: 25%).

The Company did not have any deferred tax (2022: £nil).

Notes forming part of the financial statements continued

13. Investment in subsidiaries

	Company 2023 £m	Company 2022 £m
Investment in subsidiaries	**830.5**	803.6

	Company Investment in subsidiaries £m
Balance as at 1 January 2023	803.6
Additions during the year	26.9
Balance as at 31 December 2023	**830.5**

For further information of the subsidiaries of the Company, refer to note 22. 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).

14. 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 2023 £m	Group 2022 £m
Non-current assets		
Foreign currency	**0.1**	-
Fuel	**1.0**	-
	1.1	-
Current assets		
Foreign currency	**3.6**	7.6
Fuel	**7.8**	20.1
	11.4	27.7
Non-current liabilities		
Foreign currency	**(0.2)**	-
Fuel	**(5.9)**	-
	(6.1)	-
Current liabilities		
Foreign currency	**(22.3)**	(2.7)
Fuel	**(22.7)**	(27.3)
	(45.0)	(30.0)
	(38.6)	(2.3)

	Group 2023 m	Group 2022 m
Nominal amounts		
Foreign currency (USD)	**665.0**	953.7
Fuel (Barrels)	**7.2**	5.6

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

Notes forming part of the financial statements continued

14. Derivative financial instruments *continued*

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.

	Gross amount £m	Amount not set-off £m	Net amount £m
As at year ended 31 December 2023			
Assets	**12.5**	**(9.1)**	**3.4**
Liabilities	**(51.1)**	**9.1**	**(42.0)**
	(38.6)	**-**	**(38.6)**
As at year ended 31 December 2022			
Assets	27.7	(19.5)	8.2
Liabilities	(30.0)	(19.5)	(10.5)
	(2.3)	-	(2.3)

The Company did not hold any derivative financial instruments (2022: £nil).

15. Trade and other receivables

	Group	
	2023 £m	2022 £m
Non-current		
Other receivables	**26.5**	28.0
Current		
Trade receivables	**65.8**	77.5
Provision for doubtful receivables	**(3.3)**	(3.5)
Net trade receivables	**62.5**	74.0
Unremitted cash	**69.7**	208.3
Other receivables	**55.1**	55.0
Accrued income	**2.8**	2.4
Group relief receivables	**-**	0.4
Prepayments	**37.9**	43.3
	228.0	383.4

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

Included within other receivables is £nil of lease receivable balances (2022: £2.1m), which arose as a result of sub-letting certain overseas properties.

The Company had no trade and other receivables (2022: £nil).

	2023 £m	2022 £m
Ageing of past due but not impaired receivables		
1-30 days	**19.2**	27.2
31-60 days	**0.5**	5.2
61-90 days	**-**	0.5
91-120 days	**-**	0.4
120+ days	**1.0**	2.0
	20.7	35.3

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.

16. Inventories

	2023 £m	2022 £m
Aircraft consumable spares	**37.7**	29.4
Inflight stock	**6.8**	8.4
Fuel	**0.3**	0.3
	44.8	38.1

Inventories recognised as an expense in the year amounted to £836.5m (2022: £911.1m). The Company did not have any inventories (2022: £nil).

Notes forming part of the financial statements continued

17. Cash, cash equivalents and restricted cash

	2023 £m	2022 £m
Cash at bank and in hand	**335.3**	328.7
Cash and cash equivalents	**335.3**	328.7
Restricted cash	**70.8**	70.4
	406.1	399.1

Cash and cash equivalents comprise of cash and short-term bank deposits with maturity of three months or less. The carrying amount of these assets is equal to their fair value. Restricted cash includes liquidity reserves relating to collateralised borrowings and cash collateral relating to finance and merchant banking facilities.

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

The Company did not have any cash and cash equivalents (2022: £nil).

18. Borrowings

a) Non-current and current balances

	Group	
	2023 £m	2022 £m
Non-current		
Obligations under leases (i)	**(1,607.0)**	(1,456.9)
Senior Bonds - A1 (ii)	**(142.1)**	(152.8)
Senior Bonds - A2 (ii)	**(16.8)**	(18.8)
Senior Bonds - A3 (ii)	**(24.1)**	(26.0)
Senior Bonds - A4 (ii)	**-**	(50.8)
Other loans (iii)	**(1,391.0)**	(1,454.9)
	(3,181.0)	(3,160.2)
Current		
Obligations under leases (i)	**(173.7)**	(144.3)
Senior Bonds - A1 (ii)	**(10.8)**	(10.4)
Senior Bonds - A2 (ii)	**(2.0)**	(2.0)
Senior Bonds - A3 (ii)	**(1.9)**	(1.8)
Senior Bonds - A4 (ii)	**(50.8)**	(4.7)
Other loans (iii)	**(153.2)**	(77.8)
	(392.4)	(241.0)

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

(ii) In December 2015, the 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 2024.

(iii) Other loans includes £515.9m (2022: £426.0m) of loans due to shareholders.

Notes forming part of the financial statements continued

18. Borrowings *continued*

b) Analysis of borrowings by currency represented in GBP

	Group						
	Sterling £m	US dollars £m	Chinese yuan £m	Hong Kong dollar £m	South African rand £m	Indian rupee £m	Total £m
As at 31 December 2023							
Obligations under leases	**(73.0)**	**(1,707.1)**	**(0.2)**	**-**	**(0.2)**	**(0.2)**	**(1,780.7)**
Senior Bonds - A1	**(152.9)**	**-**	**-**	**-**	**-**	**-**	**(152.9)**
Senior Bonds - A2	**(18.8)**	**-**	**-**	**-**	**-**	**-**	**(18.8)**
Senior Bonds - A3	**(26.0)**	**-**	**-**	**-**	**-**	**-**	**(26.0)**
Senior Bonds - A4	**(50.8)**	**-**	**-**	**-**	**-**	**-**	**(50.8)**
Other loans	**(566.4)**	**(977.8)**	**-**	**-**	**-**	**-**	**(1,544.2)**
	(887.9)	**(2,684.9)**	**(0.2)**	**-**	**(0.2)**	**(0.2)**	**(3,573.4)**
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)

c) Analysis of contractual undiscounted cash flows by maturity

	Group				
	Within 1 year £m	1-2 years £m	2-5 years £m	Over 5 years £m	Total £m
Loans	**(233.6)**	**(289.5)**	**(1,377.5)**	**(297.6)**	**(2,198.2)**
Leased aircraft, rotable spares and ancillary equipment	**(273.0)**	**(255.1)**	**(604.0)**	**(1,278.4)**	**(2,410.5)**
Leased other	**(20.3)**	**(14.7)**	**(42.7)**	**(38.7)**	**(116.4)**
As at 31 December 2023	**(526.9)**	**(559.3)**	**(2,024.2)**	**(1,614.7)**	**(4,725.1)**
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)
As at 31 December 2022	(447.4)	(568.5)	(2,177.2)	(1,742.1)	(4,935.2)

d) 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 2023	**(1,800.0)**	**(1,521.6)**	**(79.6)**	**(3,401.2)**
Proceeds from loans and borrowings	**(41.0)**	**-**	**-**	**(41.0)**
Repayment of borrowings	**98.1**	**-**	**-**	**98.1**
Payment of lease rental	**-**	**141.7**	**16.6**	**158.3**
Total changes arising from financing cash flows	**57.1**	**141.7**	**16.6**	**215.4**
Interest paid	**80.5**	**131.6**	**5.5**	**217.6**
Non-cash movements:				
New contracts and renewal of contracts	**-**	**(305.0)**	**(0.7)**	**(305.7)**
Other movements	**-**	**(92.9)**	**(28.7)**	**(121.6)**
FX Revaluation	**53.2**	**88.6**	**0.9**	**142.7**
Interest expense	**(183.5)**	**(131.6)**	**(5.5)**	**(320.6)**
As at 31 December 2023	**(1,792.7)**	**(1,689.2)**	**(91.5)**	**(3,573.4)**

Notes forming part of the financial statements continued

18. Borrowings *continued*

	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)

The Company did not have any borrowings (2022: £nil).

19. Trade and other payables

	Group		Company	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Non-current				
Other revenue received in advance	**(2.4)**	(3.6)	**-**	-
Trade payables	**-**	(18.5)	**-**	-
Other payables	**(84.0)**	(109.6)	**-**	-
	(86.4)	(131.7)	**-**	-
Current				
Trade payables	**(249.8)**	(212.9)	**-**	-
Other revenue received in advance	**(5.8)**	(5.8)	**-**	-
Flight and airport charges	**(122.0)**	(138.6)	**-**	-
Amounts owed to other Group companies	**-**	-	**(250.1)**	(238.8)
Other taxes and social security	**(25.5)**	(15.3)	**-**	-
Other payables	**(32.5)**	(24.1)	**-**	-
Corporate tax payable	**(0.4)**	-	**-**	-
Accruals	**(204.9)**	(190.1)	**-**	-
	(640.6)	(586.8)	**(250.1)**	(238.8)

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

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

Notes forming part of the financial statements continued

20. Deferred revenue on air travel and holidays

	Group 2023 £m	2022 £m
Non-current	**(1.8)**	(1.3)
Current	**(619.6)**	(639.6)
Total deferred revenue on air travel and holidays	**(621.4)**	(640.9)

	Forward sales of passenger carriage and holidays £m
Balance at 1 January 2023	**(640.9)**
Revenue recognised in income statement	**3,118.9**
Cash received from customers	**(3,099.4)**
Balance as at 31 December 2023	**(621.4)**

Cash received from customers is presented net of refunds.

Deferred revenue in respect of forward sales of holidays consists of revenue allocated to tour operations. These tickets can typically be purchased up to 18 months in advance of the date of travel. Of the prior year deferred balance brought forward, £628.8m was recognised in the income statement during the year (2022: £401.3m). The Company did not have any deferred income (2022: £nil).

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

21. Provisions

a) Non-current and current balances

	Group 2023 £m	2022 £m
Non-current		
Maintenance	**(42.4)**	(43.6)
Leasehold dilapidations	**(17.7)**	(13.7)
Legal claims	**(3.1)**	(4.6)
Restructuring costs	**(6.8)**	(5.4)
	(70.0)	(67.3)
Current		
Maintenance	**(9.8)**	(9.4)
Leasehold dilapidations	**(2.9)**	(2.1)
Legal claims	**(37.5)**	(20.0)
Restructuring costs	**(5.5)**	(4.1)
	(55.7)	(35.6)

Maintenance included in provisions relates to the costs to meet the contractual return conditions on aircraft treated as right-of-use assets. Cash outflows on aircraft and engine maintenance occur when the maintenance events take place on future dates, typically covering the leased aircraft term, not exceeding May 2035. Maintenance provisions are discounted only when the interest rate has a deemed material impact on the provision.

Leasehold dilapidations represent provisions held relating to leased land and buildings where restoration costs are contractually required at the end of the lease, with dates not exceeding 2032. Where such costs arise as a result of capital expenditure on the leased asset, the restoration costs are also capitalised.

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

The Company did not have any provisions (2022: £nil).

Notes forming part of the financial statements continued

21. Provisions *continued*

b) Analysis of change in provisions

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

22. 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 2023 are:

Subsidiaries and associates	Country of incorporation or registration	% Ordinary issued	Principal activity
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
Virglease (3) Limited	United States of America	100	Ceased trading
Virglease (4) Limited	England and Wales	100	Leasing of aircraft

Subsidiaries and associates	Registered Office Addresses
Fit Leasing Limited, VAA Holdings Jersey Limited	47 Esplanade, St Helier, Jersey, JE1 0BD
Virgin Incoming Services Incorporated	5787 Vineland Road, Suite 204, Orlando, Florida, 32819
All other trading subsidiaries	The VHQ, Fleming Way, Crawley, West Sussex RH10 9DF

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.

Notes forming part of the financial statements continued

23. Related party transactions

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

	Group 2023 £m	Group 2022 £m
Parent		
Purchases from parent	-	-
Purchases from associate	-	-
Related parties under common control		
Sales to related parties	63.5	37.8
Purchases from related parties	(35.4)	(47.6)
Amounts owed by related parties	32.5	9.8
Amounts owed to related parties	(19.9)	(19.8)

Revenue from related parties primarily relates to airline ticket sales. Purchases from related parties represent goods and services purchased for use within the business. All of the above transactions are on an arm's length basis.

Not included in the table above is a balance of £4.3m (2022: £5.3m) within deferred revenue at the balance sheet date. Revenue also includes £1.1m (2022: £1.0m) of sales to the related party Virgin Money UK PLC. These transactions were at arms' length.

In 2013, Delta Air Lines Inc. acquired a 49% equity stake in Virgin Atlantic Limited from Singapore Airlines. From 1 January 2014 the Group entered into a joint arrangement with Delta Air Lines Inc.

In January 2020, the Group entered into a joint arrangement with Delta Air Lines Inc. and Air France-KLM S.A., which provides for the sharing of revenues and costs, as well as joint marketing and sales, coordinated pricing and revenue management, network planning and scheduling and other coordinated activities with respect to the parties' operations on joint arrangement routes until 2035. This joint arrangement, for which the Group received anti-trust immunity from the US Department of Transportation in November 2020, is a continuation, extension and expansion of the joint arrangement which previously existed between the Group and Delta Air Lines Inc. that was due to expire in 2028.

On transitioning to the expanded joint arrangement, the Group agreed to make a series of payments to Delta over the period 2020-2028. On the basis that the new arrangement represented a continuation of the existing arrangement these payments formed a cost to enter the expanded joint arrangement and the Group made a judgement to recognise an intangible asset to be amortised over the 15 year contract term (refer to note 11), and a corresponding liability representing the obligation to make the payments through to 2028. The liability contains a portion measured at amortised cost, and an embedded derivative measured at fair value representing the variable element of payments linked to fuel price. The net value of the liability was £101.2m at 31 December 2023 (2022: £125.6m).

Costs incurred in relation to the joint arrangement are presented within other operating and overhead costs. Total sales to Delta Air Lines, Inc. during the year amounted to £22.5m (2022: £4.7m); total purchases were £15.8m (2022: £25.0m). Outstanding receivable balances amounted to £20.9m (2022: £0.6m) and outstanding payables (excluding amounts owed under the joint arrangement) were £6.1m (2022: £33.2m).

In March 2020, a £30.0m facility was made available by the Group's shareholders; Delta Air Lines committed 49% of this facility and Virgin Investments Limited committed 51%. This facility was fully drawn down in 2020 and the Group also accrued commitment fees of £0.4m to Delta Air Lines and £0.4m to Virgin Investments Limited in respect of this facility. During 2020, the facility was converted to preference shares.

In addition, the following liabilities were converted to preference shares:

- £56.1m for amounts owed to Delta 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.

Notes forming part of the financial statements continued

24. 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.

25. Commitments

a) Commitments under non-cancellable leases

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

	Group			
	2023		2022	
	Land and buildings £m	Aircraft and other £m	Land and buildings £m	Aircraft and other £m
Not later than one year	**1.5**	**-**	1.6	-
Later than one year and not later than five years	**1.8**	**-**	3.4	-
	3.3	**-**	5.0	-

The Company has no commitments under non-cancellable leases (2022: nil).

b) Capital commitments

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

Capital commitments relate to aircraft and engine purchases and are stated at escalated list price less progress payments. It is intended that these purchases will be financed partly through cash flow and partly through external financing and leasing arrangements.

The Company has no capital commitments (2022: nil).

c) Commitments under leases not yet commenced

As at 31 December 2023, the Group had committed to lease agreements on future aircraft deliveries totalling £705.3m (2022: £744.0m) over the term of the leases. The Company has no commitments under leases not yet commenced (2022: £nil).

26. Financial instruments

a) Financial instruments by category

	Group	
	2023 £m	2022 £m
Financial assets		
Cash and bank balances	**335.3**	328.7
Restricted cash	**70.8**	70.4
Fair value through profit and loss:		
Derivative financial instruments	**12.5**	27.7
Loans and receivables at amortised cost:		
Trade and other receivables (excluding prepayments and accrued income)	**213.8**	365.8
	632.4	792.6
Financial liabilities		
Fair value through profit and loss:		
Derivative financial instruments	**(51.1)**	(30.0)
Other payables (i)	**9.1**	13.4
Financial liabilities at amortised cost:		
Borrowings (including lease liabilities)	**(3,573.4)**	(3,401.2)
Trade and other payables	**(522.9)**	(722.5)
	(4,138.3)	(4,140.3)

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

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: 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.

Notes forming part of the financial statements continued

26. Financial instruments *continued*

The only instruments carried at fair value by the Group are the derivative financial instruments that consist of fuel, foreign exchange and interest rate swap derivatives, and joint arrangement embedded derivative (refer to note 23). These are listed at level 2 on the fair value hierarchy. Discounted cash flow is the valuation technique used to arrive at fair value. Future cash flows are estimated based on forward exchange rates and forward fuel price rates (from observable rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

For all other financial instruments that are not measured at fair value on a recurring basis, the Directors consider that the carrying amounts of financial assets and financial liabilities (as disclosed in (a) above) approximate their fair values.

There were no transfers between levels during the year.

27. Financial risk management

The Group is exposed to a variety of financial risks including: market risk (including foreign currency risk, interest rate risk and fuel price risk), credit risk, capital risk and liquidity risk.

The overall financial risk management processes focus on managing the exposures arising from unpredictable financial markets, to keep them within the Group's risk appetite, and to minimise potential adverse effects on financial performance.

The Group's financial risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate limits and controls and to monitor risks and adherence to limits.

The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investment of excess liquidity.

The Treasury function of the Group implements the financial risk management policies, under governance approved by the Board, and overseen by the Financial Risk Committee.

The Group's Treasury function also identifies, evaluates and hedges financial risks within the appetite and boundaries established by the financial risk committee and financial risk policies. The Group does not speculatively trade and when instruments are used, this is to manage the underlying physical exposures of the business.

a) Fuel price risk

The Group is exposed to fuel price risk. The Group's fuel hedging policy aims to protect the business from significant near-term adverse movement in the jet fuel price. The policy allows the Group to hedge within bands up to 18 months out with declining percentages. In implementing the strategy, the fuel hedging policy allows for the use of a number of derivatives available on the over-the-counter (OTC) markets with approved counterparties and within approved limits.

The following table demonstrates the sensitivity of financial instruments to a reasonably possible change in fuel prices, with all other variables held constant, on profit before tax and equity:

	Group	
	For the year ended 31 December 2023 £m	For the year ended 31 December 2022 £m
Increase in fuel price by a fixed percentage	**30%**	30%
Increase in profit before tax	**110.8**	25.9
Decrease in fuel price by a fixed percentage	**(30%)**	(30%)
Decrease in profit before tax	**(104.0)**	(12.1)

b) Foreign currency risk

The Group is primarily exposed to fluctuations in the US dollar which can significantly impact financial results and liquidity. The Group has substantial liabilities denominated in US dollars, due to engineering maintenance provisions and aircraft leases. A significant proportion of these are matched with US dollar cash.

Currency risk is reduced through the matching of receipts and payments in individual currencies and holding foreign currency balances to meet future obligations. In addition, the Group designates certain aircraft lease contracts as cash flow hedges.

Any exposure that cannot be naturally hedged, or is not designated in a cash flow hedge, is managed through application of the foreign exchange hedging policy.

Notes forming part of the financial statements continued

27. Financial risk management *continued*

The Group has designated certain US dollar aircraft lease liabilities (the hedging instrument) to hedge exposure in highly probable forecast US dollar revenue (the hedged item). The probability of such transactions arising is based on past performance (USD revenues received in prior years), forecast cash flows and the Group's business model (i.e. an emphasis on transatlantic flying). These are designated as cash flow hedges, and the hedge ratio applied is 1:1. The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the aircraft lease designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method. In these hedge relationships, the main sources of ineffectiveness are:

- Changes in the timing of the hedged transactions; and
- Non-alignment between the exchange rate ruling at the balance sheet date and the exchange rate ruling at the date the forecast revenue is recognised.

The carrying value of the hedging instruments as at 31 December 2023 was $2,660.6m (2022: $2,390.5m). Included within other operating and overhead costs are £4.5m of hedging losses (2022: £8.4m losses) reclassified from the hedging reserve.

The foreign exchange hedging policy aims to protect the business from significant near-term adverse movement in exchange rates. The policy allows the Group to hedge within bands up to 18 months out with declining percentages. In implementing the strategy, the foreign exchange hedging policy allows for the use of a number of derivatives available on the over the counter (OTC) markets with approved counterparties.

The following table demonstrates the sensitivity of the US dollar foreign exchange derivative exposure to a reasonably possible change in the US dollar exchange rates, with all other variables held constant, on profit/(loss) before tax and equity.

	Group	
	For the year ended 31 December 2023 £m	For the year ended 31 December 2022 £m
Strengthening in the currency exchange rate by a fixed percentage	**10%**	10%
Decrease in profit before tax	**(47.4)**	(2.6)
Weakening in currency exchange rate by a fixed percentage	**(10%)**	(10%)
Increase in profit before tax	**57.9**	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 41 leases in place at 31 December 2023 (2022: 38), 78% were based on fixed interest rates and 23% were based on floating interest rates (2022: 76% fixed, 24% floating).

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

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

27. Financial risk management *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 18.

f) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors its leverage ratio 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.

28. Reconciliation between loss for the year and cash generated by operations

	Group	
	For the year ended 31 December 2023 £m	For the year ended 31 December 2022 £m
Loss for the year	**(225.5)**	(341.7)
Adjustments for:		
Depreciation	**227.3**	188.3
Amortisation	**45.1**	49.9
Impairment	**3.7**	(0.1)
Loss/(gain) on unrealised FX	**(23.1)**	80.3
Loss/(gain) on other unrealised items	**(6.2)**	15.4
Loss/(profit) on disposal of property, plant and equipment and intangible assets	**(0.9)**	3.8
Taxation	**0.9**	0.1
Movement in provision for bad debts	**(0.2)**	0.8
Unrealised fair value movement in derivatives	**36.3**	3.8
Net finance costs	**308.2**	268.9
Movement in restricted cash	**(0.4)**	16.2
Working capital changes:		
Inventory	**(6.7)**	(11.8)
Trade and other receivables	**153.9**	(134.5)
Trade and other payables	**40.1**	33.7
Deferred revenue on air travel and tour operations	**(19.5)**	154.7
Provisions	**16.6**	(19.4)
Equity-settled share-based payment transactions	**2.5**	2.1
Interest paid	**(219.1)**	(191.8)
Income taxes (paid)/recovered	**(0.6)**	0.1
Net cash from operating activities	**332.4**	118.8

29. Subsequent events

In February 2024 £24.7m of preference shares were issued in relation to payments relating to 2023.

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

Alternative performance measures

The performance of the Group is assessed using a number of alternative performance measures (APMs) as outlined below.

These measures are not defined under International Financial Reporting Standards (IFRS) and should be considered in addition to IFRS measurements.

The definition of each APM, together with a reconciliation to the nearest measure prepared in accordance with IFRS, is presented below.

a) (Loss)/profit before tax and exceptional items

The Group seeks to present a measure of underlying performance which is not impacted by material non-recurring items or items which are not considered to be reflective of the trading performance of the business. This measure of profit is described as 'profit before tax and exceptional items' (PBTEI) and is used by the Directors to measure and monitor performance. The excluded items are referred to as 'exceptional items and non-underlying items'.

Exceptional items may include impairments, expenditure on major restructuring programmes and other particularly significant or unusual non-recurring items. Non-underlying items may include fair value adjustments on financial instruments and items not considered to be reflective of the trading performance of the business. Items relating to the normal trading performance of the business will always be included within the underlying performance.

Judgement is required in determining the classification of items between exceptional/non-underlying and underlying. In line with Financial Reporting Council (FRC) guidance the Group has not attempted to identify additional exceptional items as a direct or indirect result of Covid-19, other than those items which clearly meet our existing definition of exceptional.

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

	For the year ended 31 December 2023			For the year ended 31 December 2022		
	Underlying activities before exceptional items £m	**Exceptional items and non-underlying items £m**	**Total £m**	Underlying activities before exceptional items £m	Exceptional items and non-underlying items £m	Total £m
Total revenue	**3,118.9**	**-**	**3,118.9**	2,854.1	-	2,854.1
Physical fuel	**(841.0)**	**-**	**(841.0)**	(902.4)	-	(902.4)
Fuel hedging (i)	**(41.5)**	**41.5**	**-**	18.1	(18.1)	-
Airline direct operating costs	**(634.5)**	**-**	**(634.5)**	(508.5)	-	(508.5)
Aircraft costs	**(195.8)**	**-**	**(195.8)**	(167.1)	-	(167.1)
Holiday distribution, marketing and selling costs (i)	**(429.9)**	**6.3**	**(423.6)**	(404.9)	(0.9)	(405.8)
Employee remuneration	**(417.0)**	**-**	**(417.0)**	(365.7)	-	(365.7)
Other operating and overhead costs (i), (ii), (iii)	**(199.5)**	**29.1**	**(170.4)**	(295.2)	4.0	(291.2)
Engineering and maintenance costs	**(216.9)**	**-**	**(216.9)**	(158.7)	-	(158.7)
Other depreciation and amortisation	**(64.8)**	**-**	**(64.8)**	(66.3)	-	(66.3)
Profit on disposal of property, plant and equipment	**0.9**	**-**	**0.9**	(3.5)	-	(3.5)
Restructuring (v)	**-**	**(2.5)**	**(2.5)**	-	(8.3)	(8.3)
Impairment of assets (vi)	**-**	**(3.8)**	**(3.8)**	-	0.1	0.1
Fair value gains/(losses) on derivative contracts (i)	**-**	**(67.4)**	**(67.4)**	-	(53.6)	(53.6)
Other income (iv)	**0.6**	**0.9**	**1.5**	-	4.2	4.2
Operating profit/(loss)	**79.5**	**4.1**	**83.6**	(0.1)	(72.6)	(72.7)
Finance income	**16.0**	**-**	**16.0**	7.0	-	7.0
Finance expense (vii)	**(234.7)**	**(89.5)**	**(324.2)**	(213.3)	(62.6)	(275.9)
Net finance costs	**(218.7)**	**(89.5)**	**(308.2)**	(206.3)	(62.6)	(268.9)
Loss before tax	**(139.2)**	**(85.4)**	**(224.6)**	(206.4)	(135.2)	(341.6)

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) Net losses of £73.3m (2022: £0.4m) are recognised in underlying activities on matured derivative contracts, including:

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

Net losses of £73.3m (2022: £0.4m) on matured derivative contracts have been reclassified against Fair value gains/(losses) on derivative contracts to ensure that the operating costs of the Group can be reflected at an unhedged rate as the Group does not apply hedge accounting for derivative contracts.

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

(ii) Other operating and overhead costs include unrealised gains of £6.2m (2022: losses of £15.4m) relating to fuel and foreign exchange on payables balances.
(iii) Other operating and overhead costs includes £2.5m worth of exit costs related to leasehold properties vacated at Manchester Airport and London Gatwick Airport.
(iv) A related party, Flybe Limited, entered administration in March 2020. At that date, the Group had advanced loans to Flybe Limited. The Group fully impaired the loans and has netted any amounts recovered against the write down. Amounts recovered in the year totalled £0.9m (2022: £4.2m).
(v) The business undertook a restructuring and recapitalisation process in response to the impact of Covid-19 resulting in costs totalling £2.5m (2022: £8.3m). This amount relates primarily to severance and advisory costs.
(vi) An impairment of Property, plant and equipment totalling £3.8m was recognised in the year following the decision to exit the Manchester Clubhouse. In the previous year, a reversal of an impairment of Property, plant and equipment totalling £0.1m was recognised.
(vii) Interest expense totalling £89.5m (2022: £62.6m) arose on accounting for loans advanced from shareholders at fair value (refer to note 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 and amortisation, exceptional items and unrealised foreign exchange gain/(loss).

	Group	
	For the year ended 31 December 2023 £m	For the year ended 31 December 2022 £m
Profit/(loss) before tax	**(224.6)**	(341.6)
Add: Exceptional items	**85.4**	135.3
Add: Net finance costs	**218.7**	206.3
Add: Unrealised foreign exchange	**(26.0)**	71.3
Underlying EBIT	**53.5**	71.3
Add: Depreciation and amortisation	**272.4**	238.2
Underlying EBITDA	**325.9**	309.5

c) Underlying EBIT margin

Underlying EBIT divided by total revenue.

	Group	
	For the year ended 31 December 2023 £m	For the year ended 31 December 2022 £m
Underlying EBIT	**53.5**	71.3
Total Revenue	**3,118.9**	2,854.1
Underlying EBIT margin	**1.7%**	2.5%

d) Passenger revenue per ASK (PRASK)

An industry measure of operational efficiency that encompasses both passenger yield and load factor performance. Calculated as total passenger revenue divided by total available seat kilometres (ASKs).

	Group	
	For the year ended 31 December 2023	For the year ended 31 December 2022
Airline passenger revenue (£m)	**2,395.7**	2,072.5
ASKs (km bn)	**45.7**	39.4
PRASK (p)	**5.24**	5.26

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	
	For the year ended 31 December 2023	For the year ended 31 December 2022
Physical fuel (£m)	**841.0**	902.4
Fuel hedging (£m)	**41.5**	(18.1)
Fuel costs (£m)	**882.5**	884.3
ASKs (km bn)	**45.7**	39.4
Fuel CASK (p)	**1.93**	2.25

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	
	For the year ended 31 December 2023	For the year ended 31 December 2022
Total operating expenditure (£m)	**3,035.3**	2,926.8
Less: Exceptional items (£m)	**4.1**	(72.7)
Less: Fuel costs (£m)	**(882.5)**	(884.3)
Less: Non-flight costs[1] (£m)	**(337.7)**	(489.6)
Non-fuel costs (£m)	**1,819.2**	1,480.2
ASKs (km bn)	**45.7**	39.4
Non-fuel CASK (p)	**3.98**	3.76

[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	
	2023 £m	2022 £m
Total borrowings	**(3,573.4)**	(3,401.2)
Cash and cash equivalents	**335.3**	328.7
Restricted cash	**70.8**	70.4
Net debt	**(3,167.3)**	(3,002.1)

h) Adjusted net assets/(liabilities)

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

	Group	
	2023 £m	2022 £m
Net liabilities	**(1,537.6)**	(1,453.8)
Market value adjustment[1]	**625.6**	541.0
Adjusted net liabilities	**(912.0)**	(912.8)

[1] The market 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.
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 Organization 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.
Net Promoter Score (NPS)	The Net Promoter Score (NPS) is a metric based on survey responses to the 'likelihood to recommend' question and is calculated by subtracting the percentage of customers who are 'Detractors' (score 0-6, unlikely to recommend) from the percentage of customers who are 'Promoters' (score 9-10, likely to recommend).
Non-fuel unit costs	This is how much each seat on a flight costs us for every kilometre it operates once the effect of fuel price and hedging is removed.
Profit Before Tax and Exceptional Items (PBTEI)	Our measure of profit, 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 on 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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