

Barfair Limited

Annual report and financial statements

Registered number 3552508

31 December 2018



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Strategic Report
For the year ended 31 December 2018

Business review

The principal activity of the Company is that of an investment holding company.

The loss for the year, after taxation, amounted to £5,646,000 (2017: profit of £6,161,000).

Principal risks and uncertainties

The management of the business and execution of the Company's strategy are subject to a number of risks which impacts the recoverable value of the Company's investments.

From the perspective of the Company, the principal risks and uncertainties are managed with the principal risks of the group comprising Virgin UK Holdings Limited and its wholly-owned subsidiaries (the "Group") under the supervision of the Directors. Further discussion of these risks and uncertainties, in context of the Group as a whole is provided on pages 4-7 of the Group's annual report for the year ended 31 December 2018, which does not form part of this report.

Going concern

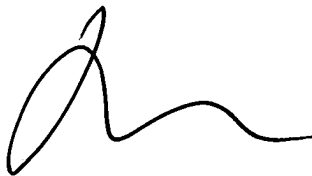
The Company has net current liabilities. On 8 February 2019, as part of a Group Simplification exercise, the Company's indirect subsidiaries Voyager Group Limited and Virgin Management USA, Inc were transferred to Virgin Holdings Limited and the resulting debts were distributed to the Company. Subsequently, the Company's intercompany balances were set off and all payables extinguished.

Following this transaction, the directors have a reasonable expectation that the Company has adequate resources to continue in existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

Financial key performance indicators

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis of KPIs is not necessary for an understanding of the development, performance or position of the business.

This report was approved by the board on 26 September 2019 and signed on its behalf.



B A R Gerrard
Company Secretary
The Battleship Building
179 Harrow Road
London
W2 6NB

Directors' Report
For the year ended 31 December 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Dividends

There were no dividends paid in the year under review (2017: £nil).

Directors

The directors who served during the year were:

A Stirling
I P Woods
R P Blok

Political and charitable contributions

The Company made no political contributions during the year (2017: £nil). Donations to UK charities amounted to £1,782,000 (2017: £4,241,000) of which £1,782,000 (2017: £4,241,000) was made to Virgin Unite, a charity affiliated to the Group.

Disclosure of information to auditor

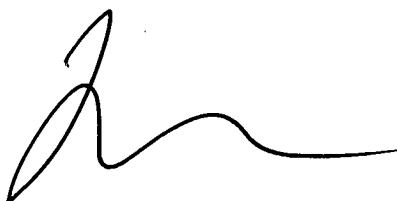
Each of the persons who are directors at the time when the Directors' Report is approved has confirmed that:

- so far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

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

This report was approved by the board on 26 September 2019 and signed on its behalf.



B A R Gerrard
Company Secretary
The Battleship Building
179 Harrow Road
London
W2 6NB

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company for that period. In preparing these financial statements, the directors are required to:

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

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



Independent Auditor's Report to the Members of Barfair Limited

Opinion

We have audited the financial statements of Barfair Limited (the "Company") for the year ended 31 December 2018, which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Brexit other matter

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

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.



Independent Auditor's Report to the Members of Barfair Limited (continued)

Strategic report and directors' report (continued)

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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.

Saira Ahmad-Yaneza

Saira Ahmad-Yaneza (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
26 September 2019

Profit and Loss Account and Other Comprehensive Income
For the year ended 31 December 2018

| | <i>Note</i> | 2018 | 2017 |
|---|-------------|----------------|---------|
| | | £000 | £000 |
| Other operating income | 2 | - | 4,000 |
| Administrative expenses | | (1,782) | (4,241) |
| Operating loss | | (1,782) | (241) |
| Interest receivable and similar income | 5 | - | 2,479 |
| Interest payable and similar expenses | 6 | (3,864) | - |
| (Loss)/profit before tax | | (5,646) | 2,238 |
| Taxation | 7 | - | 3,923 |
| (Loss)/profit for the year | | (5,646) | 6,161 |
| Other comprehensive income for the year | | - | - |
| Total comprehensive (loss)/income for the year | | (5,646) | 6,161 |

The notes on pages 9 to 21 form part of these financial statements.

Balance Sheet
As at 31 December 2018

| | <i>Note</i> | £000 | 2018 £000 | 2017 £000 |
|--|-------------|------------------|-------------------------|-------------------------|
| Fixed assets | | | | |
| Investments | 15 | | 1,333,629 | 1,333,629 |
| Current assets | | | | |
| Debtors: amounts falling due within one year | 8 | 3,360 | | 3,361 |
| Creditors: amounts falling due within one year | 9 | <u>(240,525)</u> | <u>(234,880)</u> | |
| Net current liabilities | | | <u>(237,165)</u> | <u>(231,519)</u> |
| Net assets | | | <u>1,096,464</u> | <u>1,102,110</u> |
| Capital and reserves | | | | |
| Called up share capital | 10 | | 250,000 | 250,000 |
| Share premium account | | | 208,501 | 208,501 |
| Profit and loss account | | | <u>637,963</u> | <u>643,609</u> |
| Shareholders' funds | | | <u>1,096,464</u> | <u>1,102,110</u> |

The financial statements were approved and authorised by the board and were signed on its behalf on 26 September 2019.



I P Woods
 Director

The notes on pages 9 to 21 form part of these financial statements.

Statement of Changes in Equity
For the year ended 31 December 2018

| | Called up share capital £000 | Share premium account £000 | Profit and loss account £000 | Total equity £000 |
|--|---|---|---|----------------------------------|
| Balance at 1 January 2018 | 250,000 | 208,501 | 643,609 | 1,102,110 |
| Comprehensive loss for the year | | | | |
| Loss for the year | - | - | <u>(5,646)</u> | <u>(5,646)</u> |
| Total comprehensive loss for the year | <u>-</u> | <u>-</u> | <u>(5,646)</u> | <u>(5,646)</u> |
| Balance at 31 December 2018 | <u><u>250,000</u></u> | <u><u>208,501</u></u> | <u><u>637,963</u></u> | <u><u>1,096,464</u></u> |
| | | | | |
| Balance at 1 January 2017 | 250,000 | 208,501 | 637,448 | 1,095,949 |
| Comprehensive income for the year | | | | |
| Profit for the year | - | - | <u>6,161</u> | <u>6,161</u> |
| Total comprehensive income for the year | <u>-</u> | <u>-</u> | <u>6,161</u> | <u>6,161</u> |
| Balance at 31 December 2017 | <u><u>250,000</u></u> | <u><u>208,501</u></u> | <u><u>643,609</u></u> | <u><u>1,102,110</u></u> |

The notes on pages 9 to 21 form part of these financial statements.

1 Accounting policies

1.1 Basis of preparation of financial statements

Barfair Limited (the "Company") is a company incorporated and domiciled in the UK. The registered office address is The Battleship Building, 179 Harrow Road, London, W2 6NB, United Kingdom.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

The Company's intermediate parent, Virgin UK Holdings Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Virgin UK Holdings Limited are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from the address in note 12.

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

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRS"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions under FRS 101 in respect of the following disclosures:

- the requirements of IAS 7 statement of cash flows and related notes;
- comparative period reconciliations for share capital;
- the requirements of IAS 24 related party disclosures in respect of wholly owned subsidiaries;
- the requirements of IFRS 7 financial instruments disclosures; and
- the effects of new but not yet effective IFRSs.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements, and estimates with a significant risk of material adjustment in the next year are discussed in note 13.

1.2 Adoption of new and revised standards

The Company has applied IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' for the first time for its annual reporting period commencing 1 January 2018. Applying these new accounting standards has not had a material impact on the Company's financial statements for the year ended 31 December 2018.

There were no amendments to other accounting standards or IFRIC interpretations that are effective for the year ended 31 December 2018 which have had a material impact on the Company's financial statements. Further details in relation to IFRS 9 and IFRS 15 are noted below:

1 Accounting policies (continued)**1.2 Adoption of new and revised standards (continued)***IFRS 9 Financial Instruments*

IFRS 9 replaces IAS 39 'Financial Instruments' and the major changes in accounting policies arising from the adoption of IFRS 9 can be summarised as follows:

- The impairment of financial assets has been significantly amended with the main impact being that IFRS 9 introduces an expected credit loss model when assessing the impairment of financial assets.
- The classification of financial instruments from IAS 39 to IFRS 9 categories. This has had no impact on the Company's opening earnings or carrying values of the financial instruments.

The Company has elected to adopt IFRS 9 without restating comparative information.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 'Revenue' and introduces a single, principle-based five-step model to be applied to all contracts with customers.

Under IFRS 15, revenue is recognised when customers obtain control of goods or services and so are able to direct the use, and obtain the benefits, of those goods or services. This is described further in the other operating income accounting policy below.

1.3 Going concern

The Company has net current liabilities. On 8 February 2019, as part of a Group Simplification exercise, the Company's indirect subsidiaries Voyager Group Limited and Virgin Management USA, Inc were transferred to Virgin Holdings Limited and the resulting debts were distributed to the Company. Subsequently, the Company's intercompany balances were set off and all payables extinguished.

Following this transaction, the directors have a reasonable expectation that the Company has adequate resources to continue in existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

1.4 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the relevant instrument. In accordance with IFRS 9, financial instruments are recorded initially at fair value. Subsequent measurement of those instruments at the balance sheet date reflects the designation of the financial instrument. The Company determines the classification at initial recognition and re-evaluates this designation at each reporting date except for those financial instruments measured at fair value through profit or loss.

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.

1 Accounting policies (continued)**1.4 Financial instruments (continued)***Impairment of non-derivative financial assets*

The Company assesses at each balance sheet date whether a non-derivative financial asset is impaired. The expected credit loss approach is taken when calculating impairments on financial assets. All financial assets are reviewed for historic write-offs and this proportion is applied to its class of financial assets to calculate the required provision.

Derecognition of non-derivative financial assets

The Company 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

Non-derivative financial liabilities are initially recorded at fair value less directly attributable transaction costs, and subsequently at amortised cost and include loans and borrowings and trade and other payables.

Derecognition of non-derivative financial liabilities

The Company derecognises a financial liability only when the Company'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 derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts are recognised in profit or loss.

1.5 Valuation of investments

Investment in subsidiaries are measured at cost less accumulated impairment.

1.6 Debtors

Short term debtors are measured at transaction price less any impairment. Loans receivable are measured initially at fair value, net of transaction cost, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.7 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.8 Foreign currency

The Company's functional currency is GBP.

Transactions in foreign currencies are translated into the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1 Accounting policies (continued)**1.9 Other operating income**

Other operating income relates to facility fee income in relation to loans issued by the Company. Other operating income is recognised in accordance with IFRS 15's principle-based five-step model as follows:

- contract with a customer is identified;
- contract performance obligations are identified;
- transaction price is determined;
- transaction price is allocated to each performance obligation; and
- upon satisfaction of each performance obligation the turnover is recognised.

1.10 Finance income and expense*Interest receivable and interest payable*

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1 Accounting policies (continued)**1.11 Current and deferred taxation**

Tax on profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised or that the Company has determined it is appropriate to recognise the deferred tax asset as it is recoverable due to the fact that the Company is part of a UK group for group relief purposes.

2 Other operating income

| | 2018 | 2017 |
|---------------------|-------------|--------------|
| | £000 | £000 |
| Facility fee income | - | 4,000 |
| | <u>-</u> | <u>4,000</u> |
| | <u>-</u> | <u>4,000</u> |

3 Auditor's remuneration

Audit fees of £4,000 for the current and prior year have been borne by another group company. There were no non-audit services provided.

4 Directors' remuneration

The directors did not receive any remuneration during the period for services to the Company (2017: £nil).

The Company has no employees.

5 Interest receivable and similar income

| | 2018 | 2017 |
|--|-------------|--------------|
| | £000 | £000 |
| Interest receivable from group companies | - | 2,479 |
| | <u>-</u> | <u>2,479</u> |
| | <u>-</u> | <u>2,479</u> |

6 Interest payable and similar expenses

| | 2018 | 2017 |
|-------------------------------------|--------------|----------|
| | £000 | £000 |
| Interest payable to group companies | 3,744 | - |
| Facility fee expense | 120 | - |
| | <u>3,864</u> | <u>-</u> |

7 Taxation

| | 2018 | 2017 |
|--|-------------|----------------|
| | £000 | £000 |
| Current tax | | |
| Current tax credit on (loss)/profit for the year | - | (339) |
| Adjustments in respect of previous periods | - | (3,584) |
| Total current tax | <u>-</u> | <u>(3,923)</u> |

Factors affecting tax charge for the year

The charge for the year can be reconciled to the (loss)/profit per the profit and loss account as follows:

| | 2018 | 2017 |
|---|----------------|----------------|
| | £000 | £000 |
| (Loss)/profit on ordinary activities | <u>(5,646)</u> | <u>2,238</u> |
| Tax on (loss)/profit at standard UK tax rate of 19.00% (2017: 19.25%) | (1,073) | 431 |
| Effects of: | | |
| Adjustments in respect of prior years | - | (3,584) |
| Other timing differences | 339 | - |
| Non-taxable income | - | (770) |
| Expenses not deductible | 734 | - |
| Tax credit for the year | <u>-</u> | <u>(3,923)</u> |

The standard rate of corporation tax in the UK is 19%, which came into effect from 1 April 2017. Accordingly, the Company's loss for the year is taxed at 19%.

The Company has not recognised deferred tax assets in respect other deductible temporary differences of £1,782,161 (2017: £nil).

8 Debtors: amounts falling due within one year

| | 2018 | 2017 |
|------------------------------------|--------------|--------------|
| | £000 | £000 |
| Amounts owed by group undertakings | 3,360 | 3,361 |
| | <u>3,360</u> | <u>3,361</u> |

9 Creditors: amounts falling due within one year

| | 2018 | 2017 |
|------------------------------------|-----------------------|----------------|
| | £000 | £000 |
| Amounts owed to group undertakings | 238,741 | 234,878 |
| Accrued expenses | 1,782 | - |
| Other Creditors | 2 | 2 |
| | <u>240,525</u> | <u>234,880</u> |

10 Share capital

| | 2018 | 2017 |
|---|-----------------------|----------------|
| | £000 | £000 |
| Allotted, called up and fully paid | | |
| 250,000,002 ordinary shares of £1 each | <u>250,000</u> | <u>250,000</u> |

On 8 February 2019, the Company carried out a capital reduction whereby the ordinary share capital of the Company was reduced to £1 and the entire share premium account was cancelled.

11 Related party transactions

At 31 December 2018, the Company's ultimate parent undertaking was Virgin Group Holdings Limited, whose sole shareholder is Sir Richard Branson. The shareholder of Virgin Group Holdings Limited has interests directly or indirectly in certain other companies which are considered to give rise to related party disclosures under International Accounting Standard 24: Related Party Disclosures.

As a 100% owned subsidiary of Virgin Group Holdings Limited, the Company has taken advantage of the exemption under FRS 101: Reduced Disclosure Framework, which enables it to exclude disclosure with Virgin Group Holdings Limited and its wholly owned subsidiaries.

12 Controlling party

At 31 December 2018, the Company's ultimate parent undertaking was Virgin Group Holdings Limited, a company incorporated in the British Virgin Islands.

The largest and smallest groups into which the Company's results are consolidated are those of Virgin UK Holdings Limited and Virgin Holdings Limited respectively, both companies are registered in England and Wales. The consolidated financial statements of these groups can be obtained from Companies House, Crown Way, Cardiff CF14 3UZ.

13 Accounting estimates and judgements

The preparation of the financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from the estimates calculated.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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

14 Post balance sheet events

On 8 February 2019, as part of a Group Simplification exercise, Virgin Holdings Limited acquired the Company's direct subsidiary V Secretarial Services Limited for a nominal value.

The Company's indirect subsidiaries Voyager Group Limited and Virgin Management USA, Inc was transferred to Virgin Holdings Limited and the resulting debt of £1,753,636,787 was distributed to the Company from its subsidiary Virgin Group Limited. Virgin Group Limited was then also transferred to Virgin Holdings Limited for a nominal amount.

On 8 February 2019 the Company reduced its share capital to £1 and cancelled its share premium account to create additional distributable reserves of £458,501,343.

Following these transactions, the Company and Virgin Holdings Limited agreed to set off their intercompany balances resulting in a net receivable of £1,515,790,590 outstanding from Virgin Holdings Limited which was subsequently distributed to Bluebottle UK Limited.

15 Fixed asset investments

| | Investments in subsidiary companies £000 |
|--------------------------|---|
| Cost or valuation | |
| At 1 January 2018 | 1,349,186 |
| Additions | 5,057 |
| At 31 December 2018 | <u>1,354,243</u> |
| Impairment | |
| At 1 January 2018 | 15,557 |
| Impairment | 5,057 |
| At 31 December 2018 | <u>20,614</u> |
| Net book value | |
| At 31 December 2018 | <u>1,333,629</u> |
| At 31 December 2017 | <u>1,333,629</u> |

On 1 November 2018, Virgin Management Limited assigned a debt receivable of £5,056,705 due from Virgin Developments Limited to the Company at fair value of £1. The Company, which owns 100% of the ordinary share capital of Virgin Developments Limited, then subscribed for an additional one ordinary share of £1 in Virgin Developments Limited at a premium of £5,056,704. The consideration for the subscription was satisfied by the release of Virgin Developments Limited's obligation to repay the debt. The investment in Virgin Developments Limited was fully impaired at 31 December 2018.

15 Fixed asset investments (continued)

The Company has the following investments in subsidiaries:

| Subsidiaries | Country of incorporation | % Holding | Share type |
|---|--------------------------|-----------|--|
| The Virgin Drinks Group Limited (<i>placed into liquidation on 6 March 2019</i>) The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom | England & Wales | 100.0% | Ordinary redeemable preference Ordinary |
| V Secretarial Services Limited The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom | England & Wales | 100.0% | Ordinary |
| Virgin Developments Limited (<i>dissolved on 5 February 2019</i>) The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom | England & Wales | 100.0% | Ordinary |
| Virgin Group Limited The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom | England & Wales | 100.0% | Ordinary |
| Virgin Models Limited* (<i>placed into liquidation on 6 March 2019</i>) The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom | England & Wales | 100.0% | Ordinary |
| Virgin Management USA Inc* Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, USA | USA | 100.0% | Ordinary |
| Running Bulls LLC* Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, USA | USA | 73.0% | Membership interest |
| Voyager Group Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom | England & Wales | 100.0% | Ordinary Redeemable preference |
| Virgin Corporate Services Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom | England & Wales | 100.0% | Ordinary |
| Virgin Management Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom | England & Wales | 100.0% | Ordinary |
| Virgin Entertainment Holdings Inc* Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, USA | USA | 100.0% | Ordinary |
| VHP Holdings, LP* Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, USA | USA | 98.1% | Class A units |

15 Fixed asset investments (continued)

| Subsidiaries | Country of incorporation | % Holding | Share type |
|--|--------------------------|-----------|---------------------|
| Virgin Summit Eden House, LLC* Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, USA | USA | 100.0% | Membership interest |
| VHRE Las Vegas, LLC* Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, USA | USA | 100.0% | Membership interest |
| Village Development LLC (previously Virgin Rail Texas LLC)* Corporation Services Company, 251 Little Falls Drive, Wilmington, DE 19808, USA | USA | 100.0% | Membership interest |
| V3L Nashville Inc* Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, USA | USA | 100.0% | Ordinary |
| VHRE New Orleans LLC* Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, USA | USA | 100.0% | Membership interest |
| Virgin Hotels Holdings, LLC* Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, USA | USA | 96.4% | Class A units |
| Virgin Hotels, LLC* Incorp Services, 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, USA | USA | 95.8% | Membership interest |
| Virgin Hotels North America, LLC* Incorp Services, 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, USA | USA | 87.7% | Membership interest |
| Virgin Hotels Dallas LLC* Incorp Services, 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, USA | USA | 87.7% | Membership interest |
| Virgin Hotels San Francisco LLC* Incorp Services, 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, USA | USA | 87.7% | Membership interest |
| VH San Fran, LLC* 65 Bleecker Street, 6th Floor, New York 10012, USA | USA | 87.7% | Membership interest |
| Virgin Hotels New York LLC* Incorp Services, 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, USA | USA | 87.7% | Membership interest |
| Virgin Hotels Nashville, LLC* Incorp Services, 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, USA | USA | 87.7% | Membership interest |

15 Fixed asset investments (continued)

| Subsidiaries | Country of incorporation | % Holding | Share type |
|---|--------------------------|-----------|---------------------|
| Virgin Hotels New Orleans, LLC* Incorp Services, 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, USA | USA | 87.7% | Membership interest |
| Virgin Hotels Silicon Valley, LLC* Incorp Services, 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, USA | USA | 87.7% | Membership interest |
| Virgin Hotels Edinburgh, LLC* Incorp Services, 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, USA | USA | 87.7% | Membership interest |
| Virgin Hotels Chicago LLC* Incorp Services, 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, USA | USA | 87.7% | Membership interest |
| VHC Upper, LLC* 65 Bleecker Street, 6th Floor, New York 10012, USA | USA | 87.7% | Membership interest |
| VHC Middle LLC* 65 Bleecker Street, 6th Floor, New York 10012, USA | USA | 87.7% | Membership interest |
| VHC Lower LLC* 65 Bleecker Street, 6th Floor, New York 10012, USA | USA | 87.7% | Membership interest |
| Virgin Hotels Palm Springs, LLC* Incorp Services, 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, USA | USA | 87.7% | Membership interest |
| Virgin Hotels Miami Brickell, LLC* Incorp Services, 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, USA | USA | 87.7% | Membership interest |
| Virgin Hotels Las Vegas, LLC* Incorp Services, 919 North Market Street, Suite 950, Wilmington, New Castle, DE 19801, USA | USA | 87.7% | Membership interest |
| Virgin Start Up Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom | England & Wales | 100.0% | Ordinary |
| VEL Holdings Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom | England & Wales | 100.0% | Ordinary |
| Virgin Enterprises Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom | England & Wales | 100.0% | Ordinary |
| Virgin Aviation TM Holdings Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom | England & Wales | 100.0% | Ordinary |

15 Fixed asset investments (continued)

| Subsidiaries | Country of incorporation | % Holding | Share type |
|--|---------------------------------|------------------|----------------------|
| Virgin Aviation TM Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom | England & Wales | 100.0% | Ordinary |
| VAL Trademark Two Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom | England & Wales | 100.0% | Ordinary |
| VAL Trademark Three Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom | England & Wales | 100.0% | Ordinary |
| VAL TM (Holdings) Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom | England & Wales | 51.0% | Ordinary |
| VAL TM Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom | England & Wales | 51.0% | Ordinary |
| Virgin Management Asia Pacific Pty Limited* Virgin Active Health Clubs, Level 5, East Village, 2A Defries Avenue, Zetland NSW 2017, Australia | Australia | 100.0% | Ordinary |
| Virgin Unite Nominees Pty Limited* Virgin Active Health Clubs, East Village Level 5, 2A Defries Avenue, Zetland NSW 2017, Australia | Australia | 100.0% | Ordinary |
| Virgin Limited* The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom | England & Wales | 100.0% | Ordinary |
| Virgin Management South Africa (Pty) Limited* Unit G5 Century Gate Office Park, CNR Century Way and Bosmansdam Road, Century City, 7441, South Africa | South Africa | 100.0% | Ordinary |
| XS Home Entertainment Limited* (placed into liquidation on 26 September 2018) The Battleship Building, 179 Harrow Road, London W2 6NB, United Kingdom | England & Wales | 100.0% | Ordinary |
| | Country of incorporation | % Holding | Share type |
| VH Properties LLLP* Corporation Trust Center, 1209 Orange St, Wilmington. New Castle, USA | USA | 35.0% | Partnership interest |
| VHB Properties LLC* Corporation Trust Center, 1209 Orange St, Wilmington. New Castle, USA | USA | 34.3% | Membership interest |

15 Fixed asset investments (continued)

| Joint ventures and associates | Country of incorporation | % Holding | Share type |
|--|-------------------------------------|----------------------|----------------------|
| VH NA Acquisitions LP* Corporation Services, 251 Little Falls Drive, Wilmington, DE 19808, USA | USA | 30.9% | Partnership interest |
| VHNA Acquisition, LLC* Corporation Services, 251 Little Falls Drive, Wilmington, DE 19808, USA | USA | 30.9% | Membership interest |
| Nashville Music Row Hotel JV LLC* Robert E Buccini, 322 A Street, Suite 300, Wilmington DE19801, USA | USA | 50.0% | Ordinary |
| Nashville Music Row Hotel Holdings LLC * Robert E Buccini, 322 A Street, Suite 300, Wilmington DE19801, USA | USA | 50.0% | Ordinary |
| Nashville Music Row Hotel Mezz LLC* Robert E Buccini, 322 A Street, Suite 300, Wilmington DE19801, USA | USA | 50.0% | Ordinary |
| Nashville Music Row Hotel Owner LLC* Robert E Buccini, 322 A Street, Suite 300, Wilmington DE19801, USA | USA | 50.0% | Ordinary |
| Baronne Street Hotel Sponsor Parent LLC* Robert E Buccini, 322 A Street, Suite 300, Wilmington DE19801, USA | USA | 81.8% | Ordinary |
| Baronne Street Hotel Sponsor LLC* Robert E Buccini, 322 A Street, Suite 300, Wilmington DE19801, USA | USA | 81.8% | Ordinary |
| New Orleans Baronne Street Hotel Mezz LLC* Robert E Buccini, 322 A Street, Suite 300, Wilmington DE19801, USA | USA | 81.8% | Ordinary |
| New Orleans Baronne Street Hotel Owner LLC* Robert E Buccini, 322 A Street, Suite 300, Wilmington DE19801, USA | USA | 81.8% | Ordinary |
| Streetubez, LLC* 140 Avenida Del Reposo, San Clemente, CA 92672, USA | USA | 20.0% | Ordinary |

* indirectly held investment