2023

Virgin Wings Limited and subsidiary companies

Directors' report and consolidated financial statements

Registered number 03160887

31 March 2007

Contents

Directors' report

The directors present their report and the audited consolidated financial statements for the year ended 31 March 2007.

Principal activities

Virgin Wings Limited principally acts as an investment holding company.

The principal activities that the Group is involved in are the operation of scheduled air services for the carriage of passengers and freight, tour operating, and passenger rail services in the UK. The Group disposed of its rail ticket retail and distribution business during the year.

Business review

The results for the year are set out on page 11 of the financial statements and the profit for the year has been transferred to Group reserves.

Group turnover in the year was £3,077.7 million (2006: £852.4 million). This represents a 261.1% increase on the prior year, which is primarily due to the prior year results only covering the period from 9 November 2005 (the date that the Virgin Wings Group acquired its investment in Virgin Holdings Limited) to the year end date of 31 March 2006.

Air travel

The Group's main airline subsidiary, Virgin Atlantic Airways Limited, increased its year-on-year revenues by over 16% to £2,225.0 million (2006: £1,912.3 million) despite facing a challenging environment. Additional cost pressures arising from increased oil prices, the security alerts at Heathrow airport in the summer of 2006, and from the imposition of the considerable administrative burden arising from the decision by the UK Government to increase Air Passenger Duty all adversely affected the net result of the Group. In addition, the Group has incurred losses in its Nigerian carrier on routes that are still maturing. Consequently, the year's profit before tax represented a reduced return on sales of 0.3% (2006: 2.4%).

During the year, Virgin Atlantic Airways Limited started services to Dubai and Montego Bay and increased the frequency of services to New York, Las Vegas, the Caribbean, Mumbai, Cape Town, Shanghai and Orlando.

The airline's operating fleet has increased to 37 from 34 aircraft at the previous year-end. This is driven by the delivery of further Airbus A340-600 aircraft taking the total number in service of this type to 19. The Group's management is totally focused on delivering a cleaner airline in the air and on the ground, and Virgin Atlantic Airway's order for 15 Boeing 787-9 Dreamliners announced on 24 April 2007 will help significantly to cut the Group's carbon emissions per Dreamliner flight.

The Group continues to win plaudits for its Upper Class service, which in the current year won a number of industry awards including Business Traveller's Best Business Class and Conde Naste's Top Business on Transatlantic Routes. The new London Heathrow Clubhouse has been generating very strong positive feedback from customers after the second phase was opened early in the financial year. The Premium Economy cabin class has been enhanced with an innovative new seat design, an improved in-flight service and dedicated check-in facility. This new seat design is now rolling out across the London Heathrow aircraft fleet and the London Gatwick fleet will be addressed in the near future.

During the year Virgin Holidays Limited expanded its long-haul product range principally in the Caribbean as well as other worldwide regions. It has continued to face increased competition in one of its core markets of North America but has expanded in other destinations. It has launched a number of new brochures during the year including new Family, Cruise and Indian Ocean brochures, and has also expanded its accommodation-only offering.

Virgin Nigeria Airways Limited, of which the Group has a 24.99% shareholding, has continued to expand by launching new routes to Calabar, Dakar, Dubai and Sokoto during the year, but closed the Dubai route due to adverse market conditions. This expansion has been achieved against a background that until these routes have matured sufficiently to achieve break-even they will generate losses. As anticipated, losses have been experienced in 2007.

Directors' report *(continued)*

The directors continue to monitor the Group's success, or otherwise, in growing profitably using a range of key performance indicators ("KPIs"). A selection of these key measures is shown below. No changes have been made to the source data or calculation methods used in the year.

	2007	2006
Atlantic Group turnover	**£2,225.0m**	£1,912.3m
Return on sales (1)	**0.3%**	2.4%
Free cash (2)	**£447.1m**	£328.5m

(1) Return on sales – Profit on ordinary activities before taxation as a percentage of turnover
(2) Free cash – Cash at bank and in hand less short-term deposits treated as liquid resources and overdraft

Rail

The Group operates passenger rail services in England, Scotland, and Wales under the terms of two franchise agreements between Virgin Rail Group Limited and the Director of Passenger Rail Franchising, being West Coast Trains Limited ("West Coast") and CrossCountry Trains Limited ("CrossCountry"). The franchise agreement expires on 31 March 2012 for West Coast. For CrossCountry, the franchise expired on 11 November 2007 as part of the re-mapping of various rail franchises.

CrossCountry continued to operate during the year, and West Coast operated until 9 December 2006, under the terms of the franchise agreements and an agreement made with the Strategic Rail Authority ("SRA"), now the DfT, in July 2002 ("the July 2002 Arrangement"). On 9 December 2006, West Coast completed its long term negotiations with the DfT regarding the future of the franchise and its funding, and entered into an Amended and Restated Franchise Agreement ("ARFA"), dated 12 December 2006 but effective from 10 December 2006. The July 2002 Arrangement ceased from this point. As part of this settlement, agreements were reached with Network Rail regarding settlement of all outstanding claims and counter-claims up to 9 December 2006 under the PUG 2 Track Access Agreement.

The Group incurred bid costs during the year of £4.8 million in relation to the new CrossCountry franchise (see note 4). However on 10 July 2007 the DfT decided to award the new CrossCountry franchise to Arriva plc and not the Group. On 10 November 2007 the termination of the CrossCountry franchise came into formal effect. On this date, pursuant to a statutory transfer scheme, certain assets, rights and liabilities were transferred to the new franchise operator, XC Trains Limited, and the Group made a profit on the transfer of CrossCountry's assets and liabilities of £0.5 million. From 11 November 2007, XC Trains Limited took over responsibility for train operations on the newly re-mapped CrossCountry franchise. Following the termination of the CrossCountry franchise, and as anticipated in the ARFA, the Birmingham to Scotland routes, previously operated by CrossCountry, transferred to West Coast along with a fleet of sixteen Super Voyager trains.

The Group uses a range of financial and non-financial key performance indicators ("KPIs") across its activities. Financial KPIs focus on profitability. Revenue is a key driver of profitability level and the Group has seen continued growth in passenger numbers on both franchises in the year. For West Coast, the result of improved journey times, punctuality and comfort has seen large increases in passenger numbers and journey numbers have grown year on year. For CrossCountry, passenger journeys in the year increased to 23.2 million, up 14% on the previous year. The total is now approaching double that when the company took over the franchise in 1997.

Significant non-financial KPIs include train punctuality, customer satisfaction and safety. Train punctuality has continued to improve year on year for both companies. West Coast train punctuality as measured by Public Performance Measure ("PPM", being the percentage of trains that arrive at their destination within 10 minutes of their scheduled arrival time having called at all scheduled stations) increased to an annual average of 86.1% (2006: 83.1%). CrossCountry train punctuality as measured by PPM has also seen an improvement with the annual average increasing to 83.5% (2006: 80.3%). In the latest Customer Satisfaction surveys, the Overall Service Quality measures maintained their previous high scores for both franchises. Customer complaints have continued to fall for both franchises.

Directors' report *(continued)*

The Group remains committed, through annual continuous improvement, to maintaining a safe and secure environment for its passengers, workforce and the general public. The Group has completed full implementation of the new train fleets. Advanced safety features together with improved reliability have helped to drive up safety performance trends and reduce accident figures.

On 23 February 2007, one of West Coast's Pendolino trains was involved in a derailment in Cumbria, resulting in one fatality. The initial report of the Rail Accident Investigation Bureau ("RAIB") suggested that the points were at fault and caused the derailment. This was followed by Network Rail publicly accepting responsibility. The train was quarantined, pending a detailed examination of the extent of the damage and in November 2007 Royal & SunAlliance Group Plc declared that the damage was uneconomic to repair. The train was subsequently written off and the insurance proceeds were sufficient to cover the lease obligations. On 3 April 2008, an agreement was reached with Network Rail that covered the uninsured losses of the Group incurred in the removal of the train from the incident site and locomotive hire. At the same time, agreement was also reached on the specifications of new depot facilities to be procured by Network Rail at various locations. This will assist with robust delivery of the West Coast timetable specifications set out in the ARFA.

Post year end the Rail Group has successfully won the tender to manage the project to extend the number of Pendolino trains from 9 cars to 11 cars.

On 5 July 2006, the Group disposed of its 80.44% investment in Trainline Holdings Limited for a net consideration of £83.9 million (inclusive of a deferred consideration amount of £1.6 million), giving rise to a profit on disposal of £105.9 million.

Principal risks and uncertainties

The Board of Directors is responsible for setting financial risk management policy and objectives, and approves the parameters within which the various aspects of financial risk management are operated.

Financing and interest rate risk

All of the Group's debt is asset-related, reflecting the capital intensive nature of the industry. These factors are also reflected in the medium-term profile of the Group's loans and operating leases.

The Group's interest rate management policy aims to provide a degree of certainty for future financing costs; this is achieved by funding the majority of loans and operating leases on a fixed interest rate basis.

Foreign currency risk

The Group has a significant US dollar exposure. The Group did not have a significant exposure to any other individual currency in the financial year under review. The Group seeks to reduce its foreign exchange exposure arising in various currencies through matching, as far as possible, receipts and payments in individual currencies. In addition, the Group uses a limited range of hedging instruments.

Fuel price risk

The Group aims to provide protection against sudden and significant increases in the jet fuel price while ensuring that the Group may also benefit from price reductions. In order to provide protection the Group uses a limited range of hedging instruments, principally zero-cost collars and forwards, with approved counterparties and within approved limits.

Franchise risk

The West Coast Amended and Restated Franchise Agreement was negotiated using a range of assumptions with regards to revenue growth and cost base. It is imperative that West Coast takes all actions outlined in its bid to ensure that these targets are met.

The Group is required to comply with certain conditions as part of its rail franchise agreements. If it fails to comply with these conditions, it may be liable to penalties or the potential termination of the franchise. Compliance with franchise conditions are closely managed and monitored and procedures are in place to minimise the risk of non-compliance.

Directors' report *(continued)*

Major incidents risk

As with any operator of public transportation, there is a risk that the Group's airline and rail subsidiaries are involved in a major incident which could result in injury to customers or staff. The potential impact on the Group includes damage to the Group's reputation and possible claims against the Group. The Group has a strong focus on its safety environment, and has procedures in place to respond to any major incident that may occur.

Derivative financial instruments

The Group uses derivative financial instruments selectively for foreign currency and aviation fuel price risk management purposes, as described above. The Group's policy is not to trade in derivatives but to use these instruments to hedge anticipated future cash flows. The Group does not permit selling currency or jet fuel options, except as part of a fully matched collar hedging structure. All derivatives are used for the purpose of risk management and accordingly they do not expose the Group to market risk as they are matched to identified physical exposures within the Group. Counterparty credit risk is generally restricted to any hedging gain and is controlled through mark-to-market based credit limits.

Acquisitions and disposals

On 12 April 2006, the Group entered into a joint venture agreement with The Carphone Warehouse Ltd for the development of Virgin Mobile France, a mobile virtual network operator in the Brittany region of France.

On 5 July 2006 the Group disposed of its 80.44% investment in Trainline Holdings Ltd for a net consideration of £83.9 million. At the time of disposal, the tangible net liabilities of Trainline Holdings Ltd were £32.3 million and there was £4.0 million of unamortised goodwill, resulting in a gain on disposal of £105.9 million.

On 19 July 2006 the Group acquired the shares in a dormant company, Virgin Rail Projects Limited (formerly Cross Country Trains (2007) Limited, formerly Virgin Voyager Trains Ltd, formerly Virgin Rail Developments Limited), for a consideration of £2 from Virgin Management Limited. Virgin Voyager Trains Limited was used as the bid vehicle for the new CrossCountry franchise. Refer to post balance sheet events for further details.

Post balance sheet events

On 2 April 2007, Virgin Rail Group Holdings Ltd paid a dividend of £43.9 million, in respect of the year ended 3 March 2007. This will be accounted for in the profit and loss reserves in the subsidiary's year ending 1 March 2008, and in the minority interest reserves in the Group's year ending 31 March 2008.

On 24 April 2007, Virgin Holdings Limited entered into a stock purchase agreement which provided for the investment by Virgin Holdings Limited of US $12 million (£6.0 million) for newly-created Series A preferred stock, representing 71.7% of the fully-diluted share capital of Virgin Charter, Inc.

On 10 July 2007 the DfT decided to award the new CrossCountry franchise to Arriva plc and not the Group.

Since 31 March 2007, Virgin Atlantic Limited has experienced severe restrictions in its ability to exercise dominant or significant influence over the operational and financial policies of Virgin Nigeria Airways Limited, a situation which Virgin Atlantic Limited's board considers irreversible. The board considers that the rate and extent of these restrictions have gradually increased over time, but particularly from around Autumn 2007. Accordingly, with the concurrence of Virgin Atlantic Limited's auditors, KPMG, the board has determined that Virgin Atlantic Limited's equity interest in Virgin Nigeria Airways Limited should be accounted for as a fixed asset investment from around this time, which for accounting purposes has been taken as 1 September 2007.

On 14 September 2007, a management buyout of Virgin Retail Group Limited and its 11 underlying direct and indirect subsidiaries was effected. Broomco (4094) Limited, a company owned in equal proportions by the two Virgin Retail Group management individuals, purchased the entire share capital of the company with consideration stated as £1. In connection with this, Virgin Enterprises Limited has agreed to make a brand protection payment of up to £53.0 million to the purchaser of the shares in Virgin Retail Group Limited. A payment of additional consideration for the shares may become payable to the company under certain circumstances. The group remains a guarantor to some of Virgin Group Retail Limited's lease agreements.

Directors' report *(continued)*

On 29 February 2008, the Group transferred 2.08% of its investment in an associated undertaking, Virgin Blue Holdings Ltd, to its parent company, Virgin Wings Limited, for consideration of £13.8 million. On 19 August 2008, the Group transferred its remaining 22.95% investment in Virgin Blue Holdings Ltd to another group company for consideration of £130.9 million.

It has been announced in the recent Budget that the corporation tax rate applicable to the Group will change from 30% to 28% from 1 April 2008. The deferred tax asset and liability have been calculated at the current UK corporation tax rate of 30% in accordance with FRS 19. Any timing differences which reverse before 1 April 2008 will be charged/credited at 30%, any timing differences which exist at 1 April 2008 will reverse at 28%. The estimated financial impact of this change is £9.2 million.

Future prospects

Air travel

Virgin Atlantic Airways welcomed the recent open skies agreement between the European Union and the US Government, which starts to remove the shackles of regulation which tie-up the aviation industry worldwide. There will be continual opportunities to expand the Group's sphere of operations and to bring its superior style of service to a much wider marketplace. The Virgin Atlantic Limited Group will continue to invest in its people, products, aircraft and routes to ensure that it maintains and enhances the travel experience for its customers and the working environment for its staff. Virgin Holidays Limited will continue to protect its core market in the United States from increased competition from online competitors, will grow its presence in the key market of the Caribbean, and expand further its offering to other worldwide destinations.

Rail

West Coast now operates under the terms of the ARFA as described above. The directors are confident that the renegotiation will enable the company to move forward on a profitable basis and at the same time continue its performance improvement. In that respect West Coast remains dependent on rail infrastructure improvements, including the conclusion of the West Coast Route Modernisation.

For CrossCountry, notice had been received that the franchise was to be terminated on 11 November 2007. The directors were committed to optimising the company's efficiency and performance until the end of the current franchise, and CrossCountry continued to operate under the terms of the July 2002 Arrangement, amended by the Supplemental Letter signed by the Group and DfT in April 2006. In addition, the Group, with the support of its shareholders, re-bid on an efficient and realistic basis for the new franchise. On 10 July 2007 the DfT decided to award the new CrossCountry franchise to Arriva plc and the franchise was terminated on 11 November 2007.

Environmental impact

The Group is committed to acting responsibly towards the environment and at a minimum to complying with those rules and regulations concerning protection of the environment, which apply to the Group's operations. There are rules and regulations, which apply to the Group's operations in respect of emissions, noise, disposal of waste (including hazardous materials) and other environmental parameters.

The Group's main airline subsidiary, Virgin Atlantic Airways Limited, has always been a supporter of technological innovation and it operates one of the youngest fleets in long-haul aviation. The A340-300 and A340-600 aircraft which now form the majority of the Group's long-haul aircraft fleet, are significantly quieter than required by the stringent noise certification standards set by ICAO. It also complies with all relevant night-time operating restrictions.

Virgin Atlantic Airways Limited is a signatory of the UK industry-wide Sustainable Aviation Strategy, which was launched in Spring 2005. This Strategy, which commits the industry to ambitious targets for improving fuel efficiency, reducing emissions and decreasing noise, brings together airports, airlines, manufacturers and air traffic control services to find common solutions.

Virgin Atlantic Airways Limited continues to pursue initiatives to improve the fuel efficiency of its fleet through adopting (and developing) industry best practice in terms of operating procedures, identifying cost effective technological modifications which will improve fuel efficiency, and reducing extraneous weight from the airframe and onboard products and facilities.

Directors' report *(continued)*

Employees

The Group is a non-discriminatory employer operating an Equal Opportunities Policy that aims to eliminate unfair discrimination, harassment, victimisation and bullying. The Group is committed to ensuring that all individuals are treated fairly, with respect and are valued irrespective of disability, race, gender, health, social class, sexual preference, marital status, nationality, religion, employment status, age or membership or non-membership of a trade union.

The Virgin Rail Group uses the consultative procedures agreed with its staff and elected representatives with a view to ensuring that its employees are aware of the financial and economic factors that affect the Group's performance and prospects.

In considering applications for employment from disabled people in the UK, the Group seeks to ensure that full and fair consideration is given to the abilities and aptitudes of the applicant against the requirements of the jobs for which he or she has applied. Employees who become temporarily or permanently disabled are given individual consideration, and 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 the Group and are of interest and concern to them as employees. The Group also encourages employees, where relevant, to meet on a regular basis to discuss matters affecting them.

Charitable donations

The Group has made or committed to make UK charitable donations of £0.3 million (2006: £0.6 million).

Dividends

The directors do not recommend the payment of a dividend (2006: £nil).

Directors and their interests

The directors who held office during the year and since were as follows:

G D McCallum

P C K McCall

W E Whitehorn resigned 1 October 2007

J Bayliss appointed 1 October 2007

Disclosure of information to auditors

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.

Directors' report *(continued)*

Auditors

The members of the Company have passed elective resolutions in accordance with Sections 366A, 252 and 386 of the Companies Act 1985 dispensing with the previous statutory requirement of holding annual general meetings, laying accounts before the Company in general meetings and reappointing auditors annually. The last resolution will lead to the continuing appointment of KPMG LLP as auditors of the company until further notice.

By order of the Board

B A R Gerrard
Company Secretary

The School House
50 Brook Green
London W6 7RR
20 November 2008

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing 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 the directors have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss for that year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping proper accounting records that 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 1985. They 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.

Independent auditors' report to the members of Virgin Wings Limited

We have audited the group and parent company financial statements (the "financial statements") of Virgin Wings Limited for the year ended 31 March 2007 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 8.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report to the members of Virgin Wings Limited *(continued)*

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 March 2007 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

8 Salisbury Square
London EC4Y 8BB
25 November 2008

Consolidated profit and loss account
for the year ended 31 March 2007

	Note	Year ended 31 March 2007 Before exceptional items £ million	Year ended 31 March 2007 Exceptional items (note 4) £ million	Year ended 31 March 2007 Total £ million	Year ended 31 March 2006 Before exceptional items £ million *(Restated see note 1)*	Year ended 31 March 2006 Exceptional items (note 4) £ million	Year ended 31 March 2006 Total £ million *(Restated see note 1)*
Turnover: group and share of joint ventures	*3*	**3,106.3**	-	**3,106.3**	853.1	-	853.1
Less: share of joint ventures	*3*	**(28.6)**	-	**(28.6)**	(0.7)	-	(0.7)
Continuing operations	*3*	**3,061.0**	-	**3,061.0**	831.8	-	831.8
Discontinued operations	*3*	**16.7**	-	**16.7**	20.6	-	20.6
Group turnover		**3,077.7**	-	**3,077.7**	852.4	-	852.4
Cost of sales	*3, 4*	**(2,711.0)**	**(0.5)**	**(2,711.5)**	(791.2)	-	(791.2)
Gross profit		**366.7**	**(0.5)**	**366.2**	61.2	-	61.2
Distribution costs	*3*	**(1.2)**	-	**(1.2)**	-	-	-
Administrative expenses	*3, 4*	**(678.4)**	**(37.3)**	**(715.7)**	(96.7)	-	(96.7)
Other operating income	*3*	**299.1**	-	**299.1**	68.9	-	68.9
Group operating (loss)/profit							
Continuing operations	*3*	**(14.5)**	**(37.8)**	**(52.3)**	32.9	-	32.9
Discontinued operations	*3*	**0.7**	-	**0.7**	0.5	-	0.5
Total operating (loss)/profit	*3*	**(13.8)**	**(37.8)**	**(51.6)**	33.4	-	33.4
Share of operating profit in associates / joint ventures	*13*	**1.6**	-	**1.6**	5.1	-	5.1
Profit/(loss) on disposal of tangible fixed assets	*4*	-	**2.8**	**2.8**	-	(0.2)	(0.2)
Profit on disposal of investments	*30*	-	**106.3**	**106.3**	-	4.9	4.9
Interest receivable and similar income	*7*	**183.6**	-	**183.6**	49.6	-	49.6
Other finance income	*8*	**3.9**	-	**3.9**	0.9	-	0.9
Interest payable and similar charges	*9*	**(97.9)**	-	**(97.9)**	(32.8)	-	(32.8)
Profit on ordinary activities before taxation	*4*	**77.4**	**71.3**	**148.7**	56.2	4.7	60.9
Tax on profit on ordinary activities	*10*	**(51.6)**	**10.5**	**(41.1)**	(14.8)	(0.1)	(14.9)
Profit on ordinary activities after taxation		**25.8**	**81.8**	**107.6**	41.4	4.6	46.0
Minority interests	*23*	**4.7**	-	**4.7**	(5.1)	-	(5.1)
Profit for the financial year		**30.5**	**81.8**	**112.3**	36.3	4.6	40.9

The profit for the year arises from continuing and discontinued operations.

The notes on pages 16 to 52 form part of these financial statements.

Consolidated statement of total recognised gains and losses
for the year ended 31 March 2007

	Note	**Year ended 31 March 2007 £ million**	Year ended 31 March 2006 £ million *(Restated see note 1)*
Profit for the financial year		**112.3**	40.9
Exchange difference arising on consolidation of foreign subsidiaries	*21*	**(11.1)**	(2.1)
Actuarial gain on defined benefit pension scheme	*31*	**5.3**	-
Deferred tax arising on actuarial gain on defined benefit pension scheme	*31*	**(1.6)**	-
Other movements	*21*	**0.5**	-
Total recognised profits relating to the year	22	**105.4**	38.8
Prior year adjustment due to adoption of FRS 20	*1*	**(3.5)**	
Total recognised gains and losses since last annual report		**101.9**	

The notes on pages 16 to 52 form part of these financial statements.

Consolidated balance sheet
at 31 March 2007

	Note	31 March 2007 £ million	31 March 2007 £ million	31 March 2006 £ million *(Restated see note 1)*	31 March 2006 £ million *(Restated see note 1)*
Fixed assets					
Intangible assets:					
Goodwill	*11*	**584.8**		620.2	
Landing slots	*11*	**35.3**		37.0	
Intellectual property	*11*	**7.8**		9.0	
			627.9		666.2
Tangible assets	*12*		**354.6**		431.5
Fixed asset investments:					
Share of joint ventures	*13*	**2.7**		4.5	
Share of associates	*13*	**110.5**		99.0	
Other investments	*13*	**15.0**		13.7	
			128.2		117.2
			1,110.7		1,214.9
Current assets					
Stocks	*14*	**20.7**		24.6	
Debtors (including £126.8 million *(2006: £168.0 million)* due after more than one year)	*15*	**2,294.1**		2,273.2	
Cash at bank and in hand	*16*	**777.5**		539.6	
		3,092.3		2,837.4	
Creditors: amounts falling due within one year	*17*	**(3,232.2)**		(3,449.7)	
Net current liabilities			**(139.9)**		(612.3)
Total assets less current liabilities			**970.8**		602.6
Creditors: amounts falling due after more than one year	*18*		**(516.0)**		(283.4)
Net liabilities in joint ventures	*13*		**(8.8)**		-
Provisions for liabilities and charges	*19*		**(248.2)**		(217.2)
Pension liability, net of deferred tax	*31*		**(8.2)**		(15.9)
Net assets			**189.6**		86.1
Capital and reserves					
Called up share capital	*20*		-		-
Profit and loss account	*21*		**143.7**		36.2
Shareholders' funds	*22*		**143.7**		36.2
Minority interest	*23*		**45.9**		49.9
			189.6		86.1

The notes on pages 16 to 52 form part of these financial statements.

These financial statements were approved by the board of directors on 20 November 2008 and were signed on its behalf by:

GD McCallum
Director

Company balance sheet
at 31 March 2007

	Note	31 March 2007 £ million	31 March 2007 £ million	31 March 2006 £ million	31 March 2006 £ million
Fixed assets					
Investments	*13*		**1,973.3**		1,973.3
Creditors: amounts falling due within one year	*17*	**(2,037.5)**		(1,990.2)	
Net current liabilities			**(2,037.5)**		(1,990.2)
Net liabilities			**(64.2)**		(16.9)
Capital and reserves					
Called up share capital	*20*		**-**		-
Profit and loss account	*21*		**(64.2)**		(16.9)
Shareholders' deficit	*22*		**(64.2)**		(16.9)

The notes on pages 16 to 52 form part of these financial statements.

These financial statements were approved by the board of directors on 20 November 2008 and were signed on its behalf by:

GD McCallum
Director

Consolidated cash flow statement
for the year ended 31 March 2007

Cash flow statement

	Note	Year ended 31 March 2007 £ million	Year ended 31 March 2006 £ million
Cash flow from operating activities	*26*	**327.8**	365.8
Dividends received from associates		**2.1**	-
Returns on investments and servicing of finance	*27*	**(6.6)**	(8.7)
Taxation		**(14.4)**	-
Capital expenditure and financial investment	*27*	**63.1**	5.4
Acquisitions and disposals	*27*	**48.0**	(1,863.1)
Cash inflow/(outflow) before management of liquid resources and financing		**420.0**	(1,500.6)
Financing	*27*	**(199.5)**	2,040.2
Increase in cash in the year		**220.5**	539.6

Reconciliation of net cash flow to movement in net debt

	Note	Year ended 31 March 2007 £ million	Year ended 31 March 2006 £ million
Increase in cash in the year		**220.5**	539.6
Cash inflow / (outflow) from increase in debt and lease financing		**199.5**	(2,040.2)
Change in net debt resulting from cash flows		**420.0**	(1,500.6)
Settlement of share options		**(0.6)**	-
Other non cash items:			
Accrued interest		**(65.3)**	(13.5)
Loans and finance leases acquired with subsidiary		**-**	(599.7)
Translation differences		**20.1**	(1.0)
Movement in net debt in the year		**374.2**	(2,114.8)
Net debt at the start of the year		**(2,114.8)**	-
Net debt at the end of the year	*28*	**(1,740.6)**	(2,114.8)

The notes on pages 16 to 52 form part of these financial statements.

Notes

1 Accounting policies

The following accounting policies have been applied consistently (except as noted below) in dealing with items which are considered material in relation to the Group's financial statements for the year under review.

Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified to include the revaluation of certain assets, on an ongoing basis, and in accordance with applicable UK Accounting Standards.

The holding company has taken advantage of section 230(4) of the Companies Act 1985, and a separate profit and loss account of the Company has not been published. The loss for the year attributable to the Company is disclosed in Note 21.

Adoption of FRS 20 'Share-based payments'

During the year the Group adopted FRS 20 'Share-based payments' for the first time. The accounting policy under this new standard is set out below together with an indication of the effects of its adoption.

Going concern

The financial statements have been prepared on a going concern basis in view of the fact that the parent undertaking Virgin Group Holdings Limited has formally indicated that it is its present intention to provide sufficient funding to the Company, to enable it to meet its liabilities as they fall due, for at least the next twelve months.

The directors have no reason to believe that the parent company will not be in a position to provide the support referred to above and, accordingly, they have prepared the financial statements on the going concern basis.

Basis of consolidation

The financial statements consolidate Virgin Wings Limited ("the Company") and its subsidiaries together ("the Group") made up to 31 March 2007. The acquisition method of accounting has been adopted on the basis that the Company exercises dominant influence over the subsidiaries' operating and financial policies. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

The principles of merger accounting have been used for the inclusion of Virgin Travel Group Limited, although it does not meet all of the conditions of the Companies Act 1985 for merger accounting. The Companies Act 1985 has been overridden to give a true and fair view. The Group arose through a reconstruction of a former group which did not alter the relative rights of the ultimate shareholders of the Group's subsidiaries and hence it is considered inappropriate to account for the transaction using acquisition accounting principles, which would have been the required treatment if the Companies Act had not been overridden. If acquisition accounting principles had been used the assets and liabilities of the Group's subsidiaries would have been brought into the consolidated financial statements at fair value at the date of acquisition and goodwill would have arisen on the reconstruction.

The effect of applying acquisition accounting has not been quantified as it is not considered practical to obtain all the valuations that would be necessary to make such quantification.

On 1 March 2002, Virgin Rail Group Holdings Limited acquired the entire share capital of Virgin Rail Group Limited with the consideration being satisfied by the issue of ordinary shares in Virgin Rail Group Limited. In accordance with UK Accounting Standards the combination was accounted for as a group reconstruction within the Virgin Rail Group Holdings Limited financial statements, using the principles of merger accounting. All other acquisitions made by Virgin Rail Group Holdings Limited have been accounted for using the principles of acquisition accounting. Amortisation of negative goodwill is credited to the profit and loss account on a straight line basis over the relevant franchise period.

A joint venture is an undertaking in which the Group has a long term interest and over which it exercises joint control. The Group's share of the profits less losses of joint ventures is included in the consolidated profit and loss account and its interest in their net assets is included in investments on the balance sheet. Goodwill arising on the acquisition of a joint venture less accumulated amortisation is included in the carrying amount for the joint venture.

Notes *(continued)*

1 Accounting policies *(continued)*

The consolidated financial statements have been compiled using the financial statements of Virgin Wings Limited's subsidiaries, joint ventures and associates for accounting periods which are usually coterminous with Virgin Wings Limited's own accounting reference date. Where such entities have different accounting reference dates, appropriate adjustments have been made to realign the figures for those entities such that they are incorporated for the period covered by this financial information. In some instances, it has not been practicable to obtain appropriate financial information covering the year ended 31 March 2007. In these circumstances, in accordance with FRS 2, "Accounting for Subsidiary Undertakings", a period ending within the three months prior to that date has been used instead.

The principal entities for which non-coterminous accounting reference dates, within three months of Virgin Wings Limited's accounting reference date, have been used are as follows:

	Subsidiary's year-end	Length of period consolidated into these accounts	Length of period consolidated into the comparatives
Virgin Atlantic Limited	28 February 2007	12 months	3.5 months
Virgin Rail Group Holdings Limited	3 March 2007	12 months	3 months

Revenue

Turnover represents amounts (excluding value added tax) derived from the provision of goods and services to third party customers.

Air travel

Turnover is stated gross of commission and comprises revenue from passenger ticket sales, cargo and ancillary goods and services in respect of flights operated in the accounting period, sales of holiday packages and travel insurance with departure dates prior to the end of the accounting period and income relating to rights over the use of the Virgin name and its intellectual property. Revenue relating to flights, holidays and travel insurance commencing after the accounting period, together with any commission thereon, is carried forward as deferred income. Expired forward sales are released to the profit and loss account on a systematic basis.

Rail

Turnover comprises amounts receivable, excluding VAT, for services and goods supplied to external customers, primarily in respect of passenger transportation. Turnover originates wholly in the United Kingdom.

Passenger revenue represents principally amounts attributed to the Group by the Railway Settlement Plan. Income is attributed based on models of certain aspects of passenger behaviour and to a lesser extent from allocations agreed for specific revenue flows. The attributed share of season ticket income is deferred within creditors and released to the profit and loss account over the life of the relevant season ticket.

Other trading income consists principally of the provision of station facilities to other train operators, retail commissions, car parking and the hire out of train crew and rolling stock.

Franchise income

Revenue grants receivable in respect of the operation of the rail franchises are taken to the profit and loss account in the year to which they relate.

Compensation for service disruption

Compensation receivable/payable for service disruption under the performance regime provisions of the track access agreements with Network Rail is recognised over the period of disruption and the net amount is shown within other operating income.

Landing slot expenditure

Costs of slots purchased are capitalised and amortised through the profit and loss account over 20 years from the date at which they come into service.

Notes *(continued)*

1 Accounting policies *(continued)*

Goodwill and negative goodwill

In accordance with FRS 10, "Goodwill and Intangible Assets", positive goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is capitalised in the balance sheet as an intangible asset at cost and amortised to nil by equal annual instalments over its estimated useful economic life as set out in Note 11.

Negative goodwill arising on consolidation in respect of acquisitions is included within fixed assets and released to the profit and loss account in the period in which the fair value of the non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale.

On the subsequent disposal or termination of a business acquired, the profit or loss on disposal or termination is calculated after charging (crediting) the unamortised amount of any related goodwill (negative goodwill).

In the Group's financial statements, investments in subsidiary undertakings, associates and joint ventures are stated at cost less amounts written off.

Administrative expenses

Administrative expenses comprise overhead expenses, depreciation of assets and amortisation of goodwill, together with marketing and promotional costs. Marketing and promotional costs are expensed to the profit and loss account as incurred.

Depreciation

Depreciation is provided from the date at which assets are available for economic use at various rates, in order to write off the cost or valuation of tangible fixed assets over their anticipated useful lives, or periods of underlying finance leases if shorter.

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

The balance of aircraft and engine cost is depreciated on a straight line basis over periods of up to twenty-five 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 4%.

Rotable spares are depreciated on a straight line basis so as to reduce the cost or valuation to estimated residual value at the end of that period. The depreciation rate per annum in respect of rotable spares is 7.25% or 12.5% dependent on type.

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

The buildings in freehold land and buildings are being depreciated over a period of 50 years, on a straight line basis.

Directly attributable costs incurred in the design, build and testing of software are capitalised and depreciated over the useful life of the software application.

Other tangible fixed assets are depreciated on a straight line basis at the following rates:

Fixtures and fittings	-	over 3 to 10 years
Plant and equipment	-	over 3 to 10 years
Software development	-	up to 7 years
Computer equipment and software	-	over 3 to 4 years
Motor vehicles	-	over 4 years
Leasehold properties	-	over period of lease

Notes *(continued)*

1 Accounting policies *(continued)*

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. Provision is made for obsolete, slow-moving or defective items where appropriate.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between treatment of certain items for taxation and accounting purpose which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currency are translated into sterling at the rates of exchange ruling at the end of the accounting period or, where applicable, at a hedged rate.

For consolidation purposes, the assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. The profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

Classification of financial instruments issued by the Group

The Group uses various derivative financial instruments to manage its exposure to interest rate movements and foreign exchange risks. Gains and losses on hedges of revenue or operating payments are recognised in the profit and loss account of the period in which the hedged transaction occurs.

Financial instruments issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares. As at 31 March 2007, the Group's preference share capital liability was £49.0 million (2006: £49.0 million), as disclosed in Note 18.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds are dealt with as appropriations in the reconciliation of movements in shareholders' funds. For the year ended 31 March 2007, preference dividends payable of £3.6 million (2006: £1.8 million) were recognised within the total interest payable expense, as disclosed in Note 9.

Notes *(continued)*

1 Accounting policies *(continued)*

Dividends

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. As at 31 March 2007, there is no dividend liability (2006: nil). Unpaid dividends that do not meet these criteria are disclosed in Note 35 to the financial statements.

Dividends receivable of £2.1 million (2006: nil) from an associated undertaking, Virgin Blue Holdings Limited, have been recognised on the balance sheet, as disclosed in Note 15.

Leases

When an asset is acquired by a leasing arrangement which gives rights approximating to ownership ("finance lease"), the asset is capitalised at an amount representing the outright purchase price of such an asset and included in tangible fixed assets. Depreciation is provided at rates designed to write off this cost less residual value in equal annual amounts over the shorter of the period of the lease or the anticipated useful life of the asset. The capital element of future rentals is treated as a liability and the interest element is charged to the profit and loss account over the period of the lease in proportion to the balance outstanding.

All other leases are accounted for as "operating leases", whereby the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease. Where operating lease charges are variable based on prevailing interest rates, costs are recognised prospectively over the remaining term of the lease.

Leasehold dilapidations and onerous lease provisions are discounted, with the unwinding of the discount being taken to the profit and loss account.

Aircraft maintenance costs

Routine maintenance costs are written off to the profit and loss account as incurred. Maintenance costs for overhauls at intervals of more than one year relating to operating leased aircraft which are contractually required are provided for in the profit and loss account, whereas those relating to all other aircraft are capitalised in the balance sheet as a tangible fixed asset and depreciated.

Development expenditure

Development expenditure, relating primarily to the setting up of new routes and introducing new aircraft to the fleet, is charged to the profit and loss account as incurred.

Frequent flyer programme

The estimated incremental cost of providing free travel and other rewards in exchange for redemption of miles earned by members of The Flying Club and Eagleflier frequent flyer schemes is accrued at the expected redemption rate as members of these schemes accumulate mileage.

Revenue from sales of miles to third parties is deferred and recognised when flown.

Cash and liquid resources

Cash at bank and in hand includes both cash on hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources include term deposits.

Provisions

Provisions are recognised where the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. The amounts recognised are the best estimate of the expenditure that will be required to meet the Group's obligation.

Notes *(continued)*

1 Accounting policies *(continued)*

Post-retirement benefits

The Group operates defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The amount charged in the profit and loss account represents the contributions payable to the schemes by the Group in respect of the year.

The Group's subsidiaries, West Coast Trains Limited and CrossCountry Trains Limited (in which the Group has an indirect holding through the Group's subsidiary Virgin Rail Group Holdings Limited), also participate in the Railways Pension Scheme, which provides benefits on a defined benefit basis. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Pension scheme assets are measured using market values. For quoted securities the mid-market price is taken as market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus / (deficit) is split between operating charges, finance items and, in the statement of recognised gains and losses, actuarial gains and losses.

Long Term Incentive Plan (LTIP)

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 year.

Share based payments

The share option programme allows certain employees to acquire options over the shares of certain group companies. All share based payments are treated as cash settled transactions as they either require full settlement in cash or where settlement in shares is envisaged the issuer has established the practice of buying out the option at the end of its term. The fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in liabilities. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value is measured based on an option pricing model taking into account the terms and conditions upon which the instruments were granted. The liability is revalued at each balance sheet date and settlement date with any changes to fair value being recognised in the profit and loss account.

The effect of this adjustment has been a charge recognised in accordance with FRS 20 of £1.2 million in administrative expenses and a decrease in wages and salaries of £0.6 million. Liabilities at 31 March 2007 have increased by £4.1 million. Comparatives for 2006 have been restated accordingly. The effect of this adjustment on prior year results has been a charge recognised in accordance with FRS 20 of £0.9 million in administrative expenses, and an increase in liabilities of £3.5 million at 31 March 2006. The effect on reserves upon the acquisition of Virgin Holdings Limited and subsidiaries in November 2005 was a £2.6 million decrease, with a corresponding increase in liabilities.

Comparative information

Corresponding amounts have been reclassified where necessary to ensure they are comparable with the figures for the current year.

Other finance income, previously shown within interest receivable and payable, has been reclassified to its own caption and the comparatives have been restated accordingly.

Notes *(continued)*

2 Segmental information

The table below sets out information for each of the Group's industry segments and geographic areas of operation.

	Turnover Year ended 31 March 2007 £ million	**Group operating profit/(loss) Year ended 31 March 2007 £ million**	Turnover Year ended 31 March 2006 £ million	Group operating profit/(loss) Year ended 31 March 2006 £ million *(Restated see note 1)*
By activity				
Airline passenger and ancillary services	**1,873.0**	**(47.6)**	506.0	(1.9)
Holiday tour operations	**463.4**	**17.7**	136.5	(1.5)
Trademark licensing	**19.3**	**7.8**	5.2	(0.3)
Rail passenger services	**822.7**	**7.6**	222.3	28.4
Rail ticket sales	**16.6**	**0.7**	20.6	0.5
Mobile telecommunications	**28.6**	**(25.9)**	0.7	(2.1)
Management services and other	**22.7**	**(37.8)**	3.2	8.2
Intra-group	**(140.0)**	**-**	(41.4)	-
	3,106.3	**(77.5)**	853.1	31.3
Less share of joint ventures	**(28.6)**	**25.9**	(0.7)	2.1
Total	**3,077.7**	**(51.6)**	852.4	33.4

Management services and other includes provisions against amounts due from related parties and a charge for the impairment of goodwill as described in Note 11 below.

	31 March 2007 £ million	31 March 2006 £ million *(Restated see note 1)*
Net assets by activity		
Airline passenger and ancillary services	**168.0**	199.6
Holiday tour operations	**101.3**	76.6
Trademark licensing	**601.2**	597.6
Rail passenger services	**88.3**	77.7
Rail ticket sales	**-**	(33.6)
Mobile telecommunications	**(6.0)**	4.6
Management services and other	**(769.2)**	(831.8)
	183.6	90.7
Less share of joint ventures	**6.0**	(4.6)
Total	**189.6**	86.1

Notes *(continued)*

2 Segmental information *(continued)*

	Turnover by Origin Year ended 31 March 2007 £ million	Turnover by Origin Year ended 31 March 2006 £ million	**Turnover by Destination Year ended 31 March 2007 £ million**	Turnover by Destination Year ended 31 March 2006 £ million
By geographical market				
UK	**2,450.2**	702.9	**852.7**	240.2
North America (including Caribbean)	**373.0**	100.9	**1,604.9**	471.0
Africa	**159.3**	30.9	**260.2**	59.3
Far East	**125.1**	39.9	**259.5**	75.3
Other	**138.7**	19.9	**269.0**	48.7
Intra-group	**(140.0)**	(41.4)	**(140.0)**	(41.4)
	3,106.3	853.1	**3,106.3**	853.1
Less share of joint ventures' turnover	**(28.6)**	(0.7)	**(28.6)**	(0.7)
Total	**3,077.7**	852.4	**3,077.7**	852.4

The geographical analysis of turnover by origin is derived by allocating turnover to the area in which the sale is made. The geographical analysis of turnover by destination is derived by allocating turnover from inbound and outbound services between the United Kingdom and overseas points to the geographical area in which the relevant overseas point lies. 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 main 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 segments and accordingly no geographical analysis of net assets or net liabilities is disclosed.

3 Analysis of continuing and discontinued operations

	Year ended 31 March 2007			Year ended 31 March 2006		
	Continuing £ million	**Discontinued £ million**	**Total £ million**	Continuing £ million *(Restated see note 1)*	Discontinued £ million	Total £ million *(Restated see note 1)*
Turnover	**3,089.6**	**16.7**	**3,106.3**	832.5	20.6	853.1
Less share of joint ventures' turnover	**(28.6)**	**-**	**(28.6)**	(0.7)	-	(0.7)
Cost of sales	**(2,704.3)**	**(7.2)**	**(2,711.5)**	(775.8)	(15.4)	(791.2)
Gross profit	**356.7**	**9.5**	**366.2**	56.0	5.2	61.2
Distribution costs	**-**	**(1.2)**	**(1.2)**	-	-	-
Administrative expenses	**(706.0)**	**(9.7)**	**(715.7)**	(92.0)	(4.7)	(96.7)
Other operating income	**297.0**	**2.1**	**299.1**	68.9	-	68.9
Operating (loss)/profit	**(52.3)**	**0.7**	**(51.6)**	32.9	0.5	33.4

On 5 July 2006, the Group disposed of its interest in Trainline Holdings Limited. The results of Trainline Holdings Limited up to the date of disposal and the comparatives for the year ended 31 March 2006 are shown under discontinued operations. Trainline Holdings Limited was the only material disposal to affect the group profit for the year.

Notes *(continued)*

4 Profit on ordinary activities before taxation

		Year ended 31 March 2007 £ million	Year ended 31 March 2006 £ million
Profit on ordinary activities before taxation is stated after charging/(crediting)			
Depreciation and other amounts written off tangible fixed assets		**67.0**	25.0
Amortisation of goodwill		**31.4**	10.8
Amortisation of landing slots		**1.7**	0.7
Amortisation of intellectual property rights		**1.2**	-
Exchange differences		**(22.2)**	(0.6)
Rentals payable under operating leases	- Hire of plant and machinery	**120.6**	40.5
	- Hire of other assets	**268.4**	58.2
Net provision charged/(released) against inter-group debts		**14.1**	(16.6)
Provision against carrying value of investments		**3.5**	-
Rental income received on properties		**(2.4)**	-

	Year ended 31 March 2007 £ million	Year ended 31 March 2006 £ million
Auditors' remuneration:		
Audit of these financial statements	**0.1**	0.1
Amounts receivable by the auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**0.6**	0.7
Other services relating to taxation	**-**	0.3
Total auditors' remuneration	**0.7**	1.1

Profit before taxation includes the following exceptional items:

	Note	Year ended 31 March 2007 £ million	Year ended 31 March 2006 £ million
Cost of sales			
Retrospective air passenger duty increase (see below)		**0.5**	-
Administrative expenses			
Bid costs for new CrossCountry franchise (see below)		**4.8**	-
Other provisions (see below)		**32.5**	-
Non-operating exceptionals			
Profit/(loss) on disposal of aircraft		**2.8**	(0.2)
Profit on disposal of investments	*30*	**106.3**	4.9

On 6 December 2006 the Government enacted legislation that doubled Air Passenger Duty for all air travel commencing on or after 1 February 2007. The tour operating companies within the Group are restricted from recovering this additional tax from customers who had already paid for their holidays before 6 December 2007 by the Package Travel Regulations, and so have to bear that cost. On 6 December 2007 the Group's main airline subsidiary, Virgin Atlantic Airways Limited, had over 150,000 passengers booked for travel on or after 1 February 2007. The cost to the Group will be over £3.3m, of which £0.5m related to and was recognised in the 2007 year, and the remainder will be recognised in 2008.

As part of the re-mapping of various rail franchises, the CrossCountry franchise was terminated on 11 November 2007. During the year Virgin Rail Group Holdings Limited, with the support of its shareholders, re-bid for the new CrossCountry franchise. The bid costs incurred by the Group amounted to £4.8 million. On 10 July 2007 the Department for Transport decided to award the new CrossCountry franchise to Arriva plc and not the Group.

Notes *(continued)*

4 Profit on ordinary activities before taxation *(continued)*

Other provisions relate to the proposed settlements for civil claims arising from the investigations by the competition authorities in a number of jurisdictions in which Virgin Atlantic Airways Limited operates into various aspects of pricing in the airline industry. These settlements, which have been agreed in principle, have yet to be approved by the courts. This approval is anticipated in a matter of months. If approval is received from the courts, an independent claims administrator will be appointed to assess the claims and make any appropriate refunds independently from Virgin Atlantic Airways Limited. The tax effect of this exceptional item is £9.7 million.

On 5 July 2006, the Group disposed of its 80.44% investment in Trainline Holdings Limited for a net consideration of £83.9 million (inclusive of a deferred consideration amount of £1.6 million), making a profit on disposal of £105.9 million.

During the year another group company sold a trade investment, making a profit on disposal of £0.4 million.

5 Remuneration of directors

The directors did not receive any remuneration during the year for services to the Company (2006: £nil). The Group's subsidiary, Virgin Rail Group Holdings Limited, paid £25,000 (2006: £25,000) to third parties in respect of non-executive directors' services.

6 Staff numbers and costs

The average number of persons employed by the Group (including directors), analysed by category, was as follows:

	Year ended 31 March 2007	Year ended 31 March 2006
Management and administration	**1,652**	1,624
Flight and cabin crew	**4,879**	4,264
Reservations and sales	**2,516**	2,354
Engineering, cargo and production	**1,549**	1,467
Operations	**3,675**	3,768
	14,271	13,477

The aggregate payroll costs of these persons were as follows:

	Note	**Year ended 31 March 2007 £ million**	Year ended 31 March 2006 £ million *(Restated see note 1)*
Wages and salaries		**410.9**	111.4
Social security costs		**36.3**	10.0
Pension costs		**33.6**	8.6
Share based payments	*32*	**1.2**	0.9
		482.0	130.9

Notes *(continued)*

7 Interest receivable and similar income

	Year ended 31 March 2007 £ million	Year ended 31 March 2006 £ million *(Restated see note 1)*
On deposits	**35.9**	8.1
On amounts owed by related undertakings	**121.1**	35.4
Share of interest receivable in associate/joint ventures	**4.0**	2.9
Net foreign exchange gains	**18.6**	1.4
Other interest receivable	**4.0**	1.8
	183.6	49.6

8 Other finance income

	Note	Year ended 31 March 2007 £ million	Year ended 31 March 2006 £ million *(Restated see note 1)*
Expected return on defined benefit pension assets		**15.6**	4.4
Interest on defined benefit pension plan liabilities		**(12.5)**	(3.5)
Interest credit on franchise adjustment		**0.8**	-
	31	**3.9**	0.9

9 Interest payable and similar charges

	Year ended 31 March 2007 £ million	Year ended 31 March 2006 £ million *(Restated see note 1)*
On bank loans and overdrafts	**21.9**	11.8
On loans from related undertakings	**54.9**	10.6
Share of interest payable in associate/joint ventures	**10.0**	2.7
Finance charges payable in respect of finance leases	**6.9**	3.4
Finance costs on shares classified as liabilities	**3.6**	1.8
Unwinding of discount on onerous leases	**-**	0.1
Other interest payable	**0.6**	2.4
	97.9	32.8

Notes *(continued)*

10 Taxation

Analysis of charge in year:

	Year ended 31 March 2007 £ million	Year ended 31 March 2006 £ million
UK corporation tax		
Current tax on income for the year	**17.2**	8.4
Adjustments in respect of prior years	**4.7**	-
Double tax relief	**(0.5)**	(1.0)
	21.4	7.4
Foreign tax		
Current tax on income for the year	**1.9**	1.5
Share of joint ventures' / associates' tax	**8.5**	-
	10.4	1.5
Total current tax	**31.8**	8.9
Deferred tax		
Origination and reversal of timing differences	**6.5**	6.0
Adjustments in respect of prior years	**2.8**	-
Total deferred tax	**9.3**	6.0
Tax charge on profit on ordinary activities	**41.1**	14.9

Notes *(continued)*

10 Taxation *(continued)*

Factors affecting the tax charge for the current year

The current tax charge for the year is lower (2006: lower) than the standard rate of corporation tax in the UK 30% (2006: 30%). The differences are explained below.

	Year ended 31 March 2007 £ million	Year ended 31 March 2006 £ million *(Restated see note 1)*
Current tax reconciliation		
Profit on ordinary activities before tax	**148.7**	60.9
Current tax at 30% (2006: 30%)	**44.6**	18.3
Effects of:		
Expenses not deductible for tax purposes	**20.4**	2.0
Income not taxable	**(60.3)**	(13.3)
Capital allowances for year in excess of depreciation	**(10.5)**	(7.0)
UK tax losses not utilised or not recognised	**9.5**	5.8
Non-UK tax losses not utilised or not recognised	**16.5**	3.0
Other short term timing differences	**4.0**	4.0
Exchange differences	**-**	0.1
Adjustments to tax in respect of prior years	**4.7**	-
Foreign tax	**0.9**	(0.6)
Controlled foreign corporation tax	**6.5**	(2.0)
High/low rates on non-UK earnings	**(3.0)**	-
Utilisation of UK tax losses brought forward	**(0.6)**	(1.4)
Utilisation of non-UK tax losses brought forward	**(0.9)**	-
Total current tax charge (see above)	**31.8**	8.9

The tax effect of the exceptional items is to increase the deferred tax charge in the year ended 31 March 2007 by £8.9 million (2006: £0.1 million).

It has been announced in the recent Budget that the corporation tax rate applicable to the Group is expected to change from 30% to 28% from 1 April 2008. Refer to Note 35 for more details.

Notes *(continued)*

11 Intangible fixed assets

Group	Goodwill £ million	Landing slots £ million	Intellectual property £ million	Total £ million
Cost				
At beginning of year	631.0	37.0	9.0	677.0
Disposals (see note 30)	(4.1)	-	-	(4.1)
At end of year	**626.9**	**37.0**	**9.0**	**672.9**
Amortisation				
At beginning of year	10.8	-	-	10.8
Charged in year	31.4	1.7	1.2	34.3
Disposals (see note 30)	(0.1)	-	-	(0.1)
At end of year	**42.1**	**1.7**	**1.2**	**45.0**
Net book value				
At 31 March 2007	**584.8**	**35.3**	**7.8**	**627.9**
At 31 March 2006	620.2	37.0	9.0	666.2

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises.

For the useful economic life of the goodwill associated with the acquisition of Virgin Investments SA, Bluebottle UK Limited and Cricket SA, the directors consider an amortisation period of 20 years appropriate. The goodwill associated with Trainline Holdings Limited has been disposed of in the period (Note 30).

Virgin Vacations Inc. is being amortised over a five year period as this best represents the Board of Directors' expectation of the useful economic life of the goodwill.

Virgin Rail Group Holdings Limited is being amortised over the period of the franchise agreement as this best represents the Board of Directors' expectation of the useful economic life of the goodwill.

Virgin Atlantic Limited amortises purchased goodwill on a straight line basis over 5 years, being its estimated useful economic life.

Notes *(continued)*

12 Tangible fixed assets

Group	Land and buildings £ million	Assets in the course of construction £ million	Aircraft, rotable spares and ancillary equipment £ million	Software development £ million	Modification to aircraft on operating leases £ million	Plant & machinery fixtures and fittings £ million	Total £ million
Cost							
At beginning of year	15.2	18.0	247.0	22.4	93.6	53.9	450.1
Additions	0.1	30.3	49.1	-	-	15.3	94.8
Disposals	(3.2)	-	(31.5)	-	-	(1.0)	(35.7)
Reclassifications	-	(27.8)	2.5	-	12.5	12.5	(0.3)
Exchange differences	(0.1)	-	-	-	-	(0.7)	(0.8)
Transfer to current assets	-	-	(47.5)	-	-	(0.2)	(47.7)
On disposal of entity	-	-	-	(22.4)	-	(4.2)	(26.6)
At end of year	**12.0**	**20.5**	**219.6**	**-**	**106.1**	**75.6**	**433.8**
Depreciation							
At beginning of year	0.1	-	2.5	2.3	7.8	5.9	18.6
Charge for the year	0.3	-	18.6	-	24.2	23.9	67.0
Disposals	-	-	(0.9)	-	-	(0.1)	(1.0)
Exchange differences	-	-	-	-	-	(0.1)	(0.1)
On disposal of entity	-	-	-	(2.3)	-	(3.0)	(5.3)
At end of year	**0.4**	**-**	**20.2**	**-**	**32.0**	**26.6**	**79.2**
Net book value							
At 31 March 2007	**11.6**	**20.5**	**199.4**	**-**	**74.1**	**49.0**	**354.6**
At 31 March 2006	15.1	18.0	244.5	20.1	85.8	48.0	431.5

The transfer to current assets is in respect of progress payments on aircraft, the delivery of which have been rescheduled in the year.

Included in aircraft, rotable spares and ancillary equipment are progress payments of £20.9 million (2006: £47.4 million).

Included in land and buildings are short leasehold buildings at cost of £0.7 million (2006: £0.7 million) and net book value of £0.4 million (2006: £0.5 million). The balance of land and buildings is freehold.

Notes *(continued)*

12 Tangible fixed assets *(continued)*

The following fixed asset categories include assets held under finance leases and hire purchase contracts:

	31 March 2007 £ million	31 March 2006 £ million
Net book value		
Aircraft, rotable spares and ancillary equipment	**1.7**	36.5
Plant and machinery	**-**	1.3

	31 March 2007 £ million	31 March 2006 £ million
Depreciation charge for the year		
Aircraft, rotable spares and ancillary equipment	**2.7**	3.8
Plant and machinery	**-**	2.2

During the year, the Group did not enter into any finance lease and hire purchase contract arrangements in respect of tangible fixed assets (2006: £nil).

Notes *(continued)*

13 Fixed asset investments

Group	Net liabilities in joint venture undertakings £ million	Interest in joint venture undertakings £ million	Interest in associates £ million	Other investments £ million	Total £ million
Cost					
At beginning of year	-	6.5	95.4	13.7	115.6
New investments acquired	-	-	-	4.2	4.2
Additions to existing investments	4.9	10.9	-	1.4	17.2
Disposals (note 30)	-	-	-	(0.8)	(0.8)
At end of year	**4.9**	**17.4**	**95.4**	**18.5**	**136.2**
Share of post acquisition reserves					
At beginning of year	-	(2.0)	3.6	-	1.6
Share of profit	(13.6)	(12.3)	29.9	-	4.0
Share of interest receivable	-	-	4.0	-	4.0
Share of interest payable	(0.3)	-	(9.7)	-	(10.0)
Share of current tax	0.2	-	(8.5)	-	(8.3)
Share of dividends payable	-	-	(2.1)	-	(2.1)
Amortisation	-	-	(2.4)	-	(2.4)
Exchange differences	-	(0.4)	0.3	-	(0.1)
At end of year	**(13.7)**	**(14.7)**	**15.1**	**-**	**(13.3)**
Provision					
At beginning of year	-	-	-	-	-
Charged in year	-	-	-	(3.5)	(3.5)
Disposals (note 30)	-	-	-	-	-
At end of year	**-**	**-**	**-**	**(3.5)**	**(3.5)**
Net book value					
At 31 March 2007	**(8.8)**	**2.7**	**110.5**	**15.0**	**119.4**
At 31 March 2006	-	4.5	99.0	13.7	117.2

The group's share of its joint ventures' performance is disclosed in the consolidated profit and loss account. Its share of the joint ventures' balance sheet is as follows:

Joint ventures	**31 March 2007 £ million**	31 March 2006 £ million
Fixed assets	**5.2**	4.7
Current assets	**26.1**	4.3
Gross liabilities	**(37.4)**	(4.5)
At 31 March 2007	**(6.1)**	4.5

Notes *(continued)*

13 Fixed asset investments *(continued)*

The group's share of its associates' performance is disclosed in the consolidated profit and loss account. Its share of the associates' balance sheet is as follows:

Associates	**31 March 2007 £ million**	31 March 2006 £ million
Fixed assets	**150.6**	121.8
Current assets	**80.7**	71.9
Gross liabilities	**(156.6)**	(132.8)
Premium on acquisition	**35.8**	38.1
At 31 March 2007	**110.5**	99.0

Company	**Shares in group undertakings £ million**	**Total £ million**
Cost		
At beginning and end of the year	1,973.3	1,973.3
Provision		
At beginning and end of year	-	-
Net book value		
At 31 March 2007	**1,973.3**	**1,973.3**
At 31 March 2006	1,973.3	1,973.3

Notes *(continued)*

13 Fixed asset investments *(continued)*

The Company's principal underlying investments at 31 March 2007 were Virgin Atlantic Limited (the holding company for the Group's airline and holiday operations) and Virgin Rail Group Limited (the holding company for passenger rail services).

The principal companies in which the Company's interest at the year end is more than 20% are as follows:

	Country of Registration	Principal Activity	Holding %	Type of Share
Subsidiary undertakings				
Virgin Holdings Limited	England & Wales	Holding company	100	Ordinary
Blue Pearl Holdings Limited	British Virgin Islands	Holding company	100	US $1 Ordinary
Charter Air Limited	England & Wales	Aircraft chartering	100	Ordinary
Virgin Rail Group Holdings Limited	England & Wales	Holding company	51	Ordinary
Indirectly held via Virgin Investments SA				
Virgin Atlantic Limited	England & Wales	Holding company	51	Ordinary
Virgin Travel Group Limited	England & Wales	Holding company	51	Ordinary & Redeemable preference
Virgin Atlantic Airways Limited	England & Wales	Airline operations	51	Ordinary
Virgin Holidays Limited	England & Wales	Tour operations	51	Ordinary
Worldwide Travel of East Anglia Limited	England & Wales	Travel agency	51	Ordinary
Virgin Nigeria Airways Limited	Nigeria	Airline operations	24.99	NGN 1 Ordinary
Indirectly held via Blue Pearl Holdings Limited				
Bluebottle (No.2) Inc	British Virgin Islands	Holding company	100	Ordinary
Bluebottle UK Limited	England & Wales	Holding company	100	Ordinary
Bluebottle Investments (UK) Limited	England & Wales	Holding company	100	Ordinary
Bluebottle Investments SA	Switzerland	Holding company	100	CHF 100 Ordinary
Bluebottle Mobile Canada Inc	Canada	Holding company	100	CAD $ Ordinary
Cricket SA	Switzerland	Holding company	100	CHF 100 Ordinary
Virgin Cinemas Group Limited	England & Wales	Holding company	100	Ordinary
VEL Holdings Limited	England & Wales	Holding company	100	Ordinary
VHSA Holdings Limited	England & Wales	Holding company	100	Ordinary
Virgin Enterprises Limited	England & Wales	Royalty collection	100	Ordinary & Non-Cumulative Preference
Virgin Holdings SA	Switzerland	Holding company	100	CHF 100 Ordinary & CHF 100 Preference
Virgin Investments SA	Switzerland	Holding company	100	CHF 100 Ordinary & CHF 100 Preference
Indirectly held via Virgin Rail Group Holdings Limited				
Virgin Rail Group Limited	England & Wales	Holding company	51	Ordinary
CrossCountry Trains Limited	England & Wales	Passenger rail services	51	Ordinary
West Coast Trains Limited	England & Wales	Passenger rail services	51	Ordinary
Millenium Drivers Limited	England & Wales	Dormant	51	Ordinary

Notes *(continued)*

13 Fixed asset investments *(continued)*

The proportion of voting rights held by the Company in each of its principal subsidiaries is the same as the proportion of ordinary issued shares held.

Associated undertakings – joint ventures	**Country of Registration**	**Principal Activity**	**Holding %**	**Type of Share**
Virgin Mobile Canada*	Canada	Telecommunications	46.5	Partnership units
ICR Holdings Limited	England & Wales	Holding company	50.0	Ordinary
Inter City-Railways Limited	England & Wales	Dormant	50.0	Ordinary
Virgin Blue Holdings Limited	Australia	Holding company	25.0	Ordinary
Omer Telecom Limited	France	Telecommunications	50.0	Ordinary

* Indirectly held.

14 Stocks

	31 March 2007 Group £ million	**31 March 2007 Company £ million**	31 March 2006 Group £ million	31 March 2006 Company £ million
Aircraft consumable spares	**18.5**	-	17.7	-
Finished goods and goods for resale	**1.6**	-	6.2	-
Raw materials	**0.6**	-	0.7	-
	20.7	-	24.6	-

15 Debtors

Amounts falling due within one year	**31 March 2007 Group £ million**	**31 March 2007 Company £ million**	31 March 2006 Group £ million	31 March 2006 Company £ million
Trade debtors	**304.4**	-	235.9	-
Amounts owed by group and fellow subsidiary undertakings	**1,610.5**	-	1,619.3	-
Other debtors	**172.9**	-	174.1	-
Tax and other social security	**0.5**	-	1.9	-
Deferred tax asset	-	-	2.4	-
Dividends receivable	**2.1**	-	-	-
Prepayments and accrued income	**76.9**	-	71.6	-
	2,167.3	-	2,105.2	-

Notes *(continued)*

15 Debtors *(continued)*

At 31 March 2007, within other debtors due within one year is an amount of £65.2m (2006: £nil), the timing of the recoverability of which is dependent upon the movement of the US Dollar: Sterling exchange rate.

At 31 March 2006, other debtors with a book value of £1.7 million were provided as security against a £10.0 million bank facility with Lloyds TSB Bank. Credit card receivables included within other debtors with a book value of £3.0 million were provided as security against amounts payable to Rail Settlement Plan Limited. These debtors, securities, and amounts payable no longer exist due to the sale of Trainline Holdings Limited on 5 July 2006. The balance of the loan facility with Lloyds TSB Bank at 31 March 2007 was £7.6 million, as disclosed in Note 18.

	31 March 2007 Group £ million	**31 March 2007 Company £ million**	31 March 2006 Group £ million	31 March 2006 Company £ million
Amounts falling due after more than one year				
Other debtors	**47.1**	-	60.8	-
Prepayments and accrued income	**79.7**	-	107.2	-
	126.8	-	168.0	-
Total debtors	**2,294.1**	-	2,273.2	-

16 Cash at bank and in hand

At 31 March 2007 the balance of cash at bank and in hand for the Group included:

- £10.0 million held on deposit (31 March 2006: £10.0 million), as security for performance bonds (see Note 29).
- £24.2 million (31 March 2006: £23.0 million) in a separate escalating rental reserve account, in relation to the leasing of the West Coast trains under the terms of the Amended and Restated Franchise Agreement dated 12 December 2006 but effective from 10 December 2006.

17 Creditors: amounts falling due within one year

	31 March 2007 Group £ million	**31 March 2007 Company £ million**	31 March 2006 Group £ million *(Restated see note 1)*	31 March 2006 Company £ million
Secured bank loans (note 18)	**16.3**	-	13.4	-
Other bank loans and overdrafts	**31.1**	-	306.1	-
Obligations under finance leases and hire purchase (note 18)	**0.2**	-	4.7	-
Trade creditors	**253.0**	-	246.6	-
Amounts due to group undertakings	**2,044.4**	**2,037.5**	2,124.7	1,990.2
Corporation tax	**62.7**	-	70.2	-
Other taxes and social security	**12.9**	-	15.3	-
Other creditors	**36.7**	-	36.1	-
Accruals and deferred income	**774.9**	-	632.6	-
	3,232.2	**2,037.5**	3,449.7	1,990.2

Notes *(continued)*

18 Creditors: amounts falling due after more than one year

	31 March 2007 Group £ million	31 March 2007 Company £ million	31 March 2006 Group £ million	31 March 2006 Company £ million
Secured bank loans	105.2	-	119.7	-
Other bank loans	307.2	-	9.9	-
Obligations under finance leases and hire purchase	1.8	-	28.9	-
Amounts due to group undertakings	8.3	-	20.1	-
Other creditors	4.4	-	14.8	-
Accruals and deferred income	40.1	-	41.0	-
49,000 cumulative redeemable preference shares of 1p each linked to LIBOR plus 2.5%	49.0	-	49.0	-
	516.0	-	283.4	-

The secured bank loans relate to £121.5 million (2006: £133.1 million) secured by mortgages over certain aircraft and a building. £5.6 million (2006: £3.6 million) of these loans fall due for repayment after five years. The interest rates charged in the period are in the range from 0.625% to 2.75% above US$ LIBOR, and 1.125% above 3 month £ LIBOR.

The Group had a £350.0 million multi-currency revolving credit facility with Lloyds TSB plc. This facility was amended and restated on 19 January 2007 increasing the facility amount to £500.0 million. Interest is payable on amounts drawn down at 1.250% to 2.375% above LIBOR. Under the terms of a further amendment and restatement to the multi-currency revolving credit facility agreement on 8 June 2007, the Group is required to hedge a minimum of 50% of its Total Commitments with Lloyds TSB Bank over the life of the facility to the end of December 2009. As a result, the Group entered into two interest rate hedging agreements effective from 18 May 2007, which terminate on 30 December 2009. One of these hedges is for £50.0 million and the other is for US $300.0 million as the Group has borrowings in both Sterling and US Dollars with Lloyds TSB Bank. The hedging instrument used in both cases is an enhanced collar. The £50.0 million enhanced collar has a floor rate of 4.75% and a cap rate of 6.20%, while the US $300.0 million enhanced collar has a floor rate of 3.98% and a cap rate of 5.99%.

On 31 March 2006, the Group entered into a £9.5 million term facility with Lloyds TSB Bank. Interest is payable on amounts drawn down at 2.0% above LIBOR. On 31 March 2007 the Group made a repayment of £1.9 million, bringing the closing balance at 31 March 2007 to £7.6 million. Under the terms of the term facility agreement, the Group is required to hedge a minimum of 50% of its Total Commitments with Lloyds TSB Bank over the life of the facility to 31 March 2011. As a result, the Group entered into an interest rate hedging agreement effective from 28 September 2007 for £3.8 million, which terminates on 31 March 2011. The hedging instrument used is an enhanced collar with a floor rate of 4.30% and a cap rate of 7.25%.

The other bank loans are repayable within the year. The interest rates on the loans are in the range from 0.75% to 1.05% above US$ LIBOR (2006: 1.05%), 1.25% to 2.00% above 3 month £ LIBOR (2006: 1.25% to 1.875%), and 1.00% above 12 month £ LIBOR (2006: 1.00%).

Under the provisions of FRS 25 the cumulative redeemable preference shares have been classified as "Creditors: amounts falling due after more than one year".

The cumulative redeemable preference shares may be redeemed at no premium at the option of Virgin Atlantic Limited by giving not less than one months' notice, provided that following the redemption certain financial ratios and other criteria specified in Virgin Atlantic Limited's Articles of Association are met.

The cumulative redeemable preference shares carry no entitlement to vote at meetings. On a winding up of Virgin Atlantic Limited, 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 calculated down to the date of the return of capital irrespective of whether such dividends have been earned or declared or not.

Notes *(continued)*

18 Creditors: amounts falling due after more than one year *(continued)*

Under the terms of a loan instrument dated 7 March 1997 and amended on 22 June 1998, the Group's subsidiary, Virgin Rail Group Limited had £6.7 million of unsecured loan stock outstanding, with interest of 10% per annum payable quarterly in arrears. This loan stock was fully repaid on 12 October 2006.

The capital element of the future minimum lease payments to which the Group is committed as at 31 March 2007 under finance lease and hire purchase contract obligations incurred in the acquisition of aircraft, engines, spares and other equipment is as follows:

	31 March 2007 Group £ million	**31 March 2007 Company £ million**	31 March 2006 Group £ million	31 March 2006 Company £ million
Amounts due:				
Within one year	**0.2**	-	4.7	-
In the second to fifth years	**0.8**	-	27.9	-
Over five years	**1.0**	-	1.0	-
	2.0	-	33.6	-

19 Provisions for liabilities and charges

Group	**Deferred tax liability £ million**	**Aircraft maintenance £ million**	**Onerous leases £ million**	**Other provisions £ million**	**Total £ million**
At beginning of year	134.8	80.9	1.5	-	217.2
Foreign exchange translation	0.1	(5.5)	(0.1)	-	(5.5)
Amounts provided in the year	6.7	4.2	8.1	32.5	51.5
Amounts utilised during the year	-	(14.6)	(0.6)	-	(15.2)
Unwinding of discount on onerous leases	-	-	0.2	-	0.2
At end of year	**141.6**	**65.0**	**9.1**	**32.5**	**248.2**

Routine maintenance costs are written off to the profit and loss account as incurred. Maintenance costs for overhauls at intervals of more than one year relating to operating leased aircraft which are contractually required are provided for in the profit and loss account, whereas those relating to all other aircraft are capitalised in the balance sheet as a tangible fixed asset and depreciated.

Onerous lease provisions are discounted at 5% with the unwinding of the discount being taken to the profit and loss account.

Virgin Rail Group Holdings Limited has provided £4.8 million during the 2007 year, in relation to costs required to be incurred at the 17 stations managed by West Coast in accordance with the standards for station conditions required by the National Station Access Conditions (1996) (Annex 1). These costs are expected to be incurred between 2008 and 31 March 2012, the West Coast ARFA expiry date.

Other provisions represent the estimated outstanding cost (refund claims and associated legal and administrative fees) arising from both the settlement of civil actions arising from the investigations by competition authorities in a number of jurisdictions in which Virgin Atlantic Airways Limited operates into various aspects of pricing in the airline industry and an ongoing obligation to co-operate with regulatory bodies.

Notes *(continued)*

19 Provisions for liabilities and charges *(continued)*

Total deferred tax	**Assets £ million**	**Liabilities £ million**	**Deferred tax £ million**
At beginning of year	(9.2)	134.8	125.6
Foreign exchange translation	-	0.1	0.1
Amounts provided in the year	5.7	6.7	12.4
At end of year	**(3.5)**	**141.6**	**138.1**

The amounts provided for deferred taxation at current rates are set out below:

Group ***The elements of the deferred tax provision are as follows:***	**31 March 2007 Cumulative provided £ million**	**31 March 2007 Cumulative unprovided £ million**	31 March 2006 Cumulative provided £ million	31 March 2006 Cumulative unprovided £ million
Accelerated capital allowances	**156.3**	-	141.2	(0.7)
Other timing differences	**(13.9)**	**(13.0)**	(8.4)	(9.8)
UK tax losses	**(0.8)**	**(20.5)**	(0.5)	(25.4)
Non-UK tax losses	-	**(30.2)**	-	(17.5)
Pension liability	**(3.5)**	-	(6.7)	-
	138.1	**(63.7)**	125.6	(53.4)

	2007 £ million	2006 £ million
Disclosed as:		
Debtors	-	(2.5)
Provisions	**141.6**	134.8
Pension liability	**(3.5)**	(6.7)
	138.1	125.6

20 Called up share capital

	31 March 2007 £	31 March 2006 £
Authorised		
10,000 Ordinary shares of £1 each (2006: 10,000)	**10,000**	10,000
Allotted, called up and fully paid		
2 Ordinary shares of £1 each (2006: 2)	**2**	2

In accordance with FRS 25, "Financial Instruments: Disclosure and Presentation", the cumulative redeemable preference shares have been reclassified as "Creditors: amounts falling due after more than one year" (Note 18).

Notes *(continued)*

21 Reserves

Group	Profit and loss account £ million *(Restated see note 1)*
At beginning of year	39.7
Effect of adoption of FRS 20 as at 1 April 2006	(3.5)
At beginning of year restated	36.2
Retained profit for the year	112.3
Actuarial gain on pension scheme (note 31)	5.3
Tax on actuarial gain on pension scheme (note 31)	(1.6)
Share based payments	2.1
Other movements	0.5
Exchange movements	(11.1)
At end of year	**143.7**

Company	Profit and loss account £ million
At beginning of year	(16.9)
Retained loss for the year	(47.3)
At end of year	**(64.2)**

22 Reconciliation of movement in shareholders' funds

	31 March 2007 Group £ million	**31 March 2007 Company £ million**	31 March 2006 Group £ million *(Restated see note 1)*	31 March 2006 Company £ million
Opening shareholders' funds / (deficit)	**36.2**	**(16.9)**	-	-
Effect of adoption of FRS 20 on acquisition of subsidiary	-	-	(2.6)	-
Total recognised gains and losses relating to the financial year	**105.4**	**(47.3)**	38.8	(16.9)
Share based payments	**2.1**	-	-	-
Closing shareholders' funds / (deficit)	**143.7**	**(64.2)**	36.2	(16.9)

Notes *(continued)*

23 Minority interests

	31 March 2007 £ million	31 March 2006 £ million
At beginning of year	**49.9**	-
Acquisition of subsidiary	**-**	44.1
Share of profit for the year	**(4.7)**	5.1
Dividends received by minorities	**(9.5)**	-
Actuarial gain/(loss) on defined benefit pension scheme	**3.5**	(0.1)
Share option charges	**0.7**	-
Disposal of subsidiary (note 30)	**6.3**	-
Exchange differences	**(0.3)**	0.8
At end of year	**45.9**	49.9

24 Leasing commitments

Rentals, net of finance charges, are included in obligations under finance leases and hire purchase contracts in Notes 17 and 18 above.

As at 31 March 2007, the Group had annual commitments under non-cancellable operating leases as set out below:

	31 March 2007		31 March 2006	
	Land and buildings £ million	**Aircraft and other £ million**	Land and buildings £ million	Aircraft and other £ million
Operating leases which expire:				
Within one year	**9.0**	**46.2**	12.1	1.4
In the second to fifth years inclusive	**6.8**	**83.9**	49.3	38.2
Over five years	**32.2**	**227.4**	97.9	181.7
	48.0	**357.5**	159.3	221.3

One of the Group's subsidiaries, Virgin Rail Group Holdings Limited, in the normal course of business, has entered into a number of long term supply contracts. The most significant of these relate to track, station and depot access facilities, together with new train lease and maintenance arrangements. The directors have considered the terms of these contracts and the above lease commitments and concluded that no obligations will exist to the Group after the Franchise Agreements have ended.

Under the original Franchise Agreement and July 2002 Arrangement (as amended by the Supplemental Letter) for CrossCountry and under the Amended and Restated Franchise Agreement for West Coast, there is a requirement for Virgin Rail Group Limited, West Coast and CrossCountry to comply with certain performance and other obligations.

Notes *(continued)*

25 Capital commitments

	31 March 2007 £ million	31 March 2006 £ million
Group		
Capital commitments at the balance sheet date for which no provision has been made:		
Contracted	**1,778.3**	746.2

Capital commitments relating to aircraft and engine purchases are stated at escalated list price less progress payments made.

Company

As at 31 March 2007 there were no capital commitments in the Company (2006: £nil).

26 Reconciliation of operating (loss)/profit to net cash inflow from operating activities

	31 March 2007 £ million	31 March 2006 £ million *(Restated see note 1)*
Operating (loss)/profit	**(51.6)**	33.4
Executive share options	**4.0**	0.9
Depreciation, amortisation and impairment charges	**101.3**	36.5
Decrease in stocks	**3.9**	2.9
Decrease in debtors	**12.1**	147.7
Increase in creditors	**228.0**	136.9
Increase in provisions	**34.3**	7.5
(Decrease) / increase in pension liability	**(3.6)**	-
Other non-cash movements	**(0.6)**	-
	327.8	365.8

Notes *(continued)*

27 Analysis of cash flows

	Note	31 March 2007 £ million	31 March 2007 £ million	31 March 2006 £ million	31 March 2006 £ million
Returns on investments and servicing of finance					
Interest received		**35.9**		14.3	
Interest paid		**(22.5)**		(23.0)	
Dividends paid to minority interests		**(9.5)**		-	
Finance paid on shares classified as liabilities		**(3.6)**		-	
Interest element of finance lease rental payments		**(6.9)**		-	
			(6.6)		(8.7)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		**(94.8)**		(21.1)	
Sale of tangible fixed assets		**37.5**		16.1	
Purchase of trade investments		**(1.4)**		-	
Sale of trade investments		**1.2**		12.7	
Funding provided to joint ventures		**(6.4)**		(2.3)	
Funding provided to related undertakings		**(91.4)**		-	
Repayments from related undertakings		**218.4**		-	
			63.1		5.4
Acquisitions and disposals					
Purchase of subsidiary undertaking		**-**		(2,452.4)	
Net cash acquired with subsidiary undertaking		**-**		589.3	
Sale of subsidiary undertaking	*30*	**83.9**		-	
Net overdraft disposed with subsidiary undertaking	*30*	**(20.1)**		-	
Purchase of interests in joint ventures		**(15.8)**		-	
			48.0		(1,863.1)
Financing					
Funding from related undertakings		**(165.7)**		1,849.9	
Debt due within one year:					
Net funding from secured bank loans		**2.3**		-	
Net funding from other bank loans		**6.1**		176.4	
Debt due after more than one year:					
Net (repayments) / funding from secured bank loans		**(9.4)**		13.0	
Net funding from other bank loans		**-**		1.1	
Net (repayments) / funding from other shareholder loans		**(4.3)**		-	
Capital element of finance lease payments		**(27.9)**		(0.2)	
Settlement of share options		**(0.6)**		-	
			(199.5)		2,040.2

Notes *(continued)*

28 Analysis of net debt

	At beginning of year £ million	Cash flow £ million	Reclassifications £ million	Net share options movements £ million	Other non cash changes £ million	Exchange movements £ million	At end of year £ million
Cash in hand, at bank	539.6	238.5	-	(0.6)	-	-	**777.5**
Overdraft	-	(17.4)	(3.2)	-	-	0.6	**(20.0)**
	539.6	221.1	(3.2)	(0.6)	-	0.6	**757.5**
Debt due within one year	(319.6)	(8.4)	3.2	-	294.6	3.4	**(26.8)**
Debt due after one year	(186.4)	13.7	-	-	(290.5)	1.8	**(461.4)**
Finance leases	(33.6)	27.9	-	-	-	3.7	**(2.0)**
Group funding	(2,114.8)	165.7	-	-	(69.4)	10.6	**(2,007.9)**
Total	**(2,114.8)**	**420.0**	-	**(0.6)**	**(65.3)**	**20.1**	**(1,740.6)**

29 Contingent liabilities

In accordance with the Franchise Agreements, Virgin Rail Group Limited procured performance bonds in favour of the DfT for both West Coast and CrossCountry. The bonds have been issued by ACE Insurance S.A. NV up to £21.0 million (2006: £21.0 million) for West Coast and up to £9.0 million (2006: £9.0 million) for CrossCountry. Following the termination of the CrossCountry franchise, the performance bond procured in favour of CrossCountry will remain in place until agreement with the DfT. Under a separate agreement, Virgin Rail Group Limited lodged £10.0 million with Lloyds TSB Bank plc as security throughout the year (2006: £10.0 million).

Certain of Virgin Atlantic's subsidiary companies had contingent liabilities at the year end in respect of indemnities under certain financing and other arrangements which are partly secured by charges over designated short term deposits of £16.7 million (2006: £29.9 million), of which £11.2 million (2006: £19.5 million) is matched by a liability under the aircraft maintenance provision.

The competition authorities in a number of jurisdictions in which Virgin Atlantic Airways Limited operates are in the process of investigating various aspects of pricing and commercial issues in the airline industry. Virgin Atlantic Airways Limited is cooperating in full with such investigations and has carried out certain internal investigations into its compliance with competition laws. No further disclosures regarding contingent liabilities arising from these investigations are being made at this time since the directors believe that such disclosures might be expected to be seriously prejudicial to the position of Virgin Atlantic Airways Limited.

Notes *(continued)*

30 Acquisitions and disposals

Net assets disposed	**Trainline Holdings Limited £ million**
Net assets sold:	
Fixed assets	(21.3)
Other investments	(0.8)
Debtors and prepayments	(16.4)
Cash and liquid resources	(20.1)
Creditors	88.6
Other shareholder loans	2.1
Pension liabilities	0.2
Total net liabilities	32.3
Minority interest	(6.3)
Equity net liabilities disposed	26.0
Goodwill not amortised	(4.0)
Consideration received	83.9
Profit on disposal	105.9

On 5 July 2006, the Group disposed of its 80.44% investment in Trainline Holdings Limited for a net consideration of £83.9 million (inclusive of a deferred consideration amount of £1.6 million), making a profit on disposal of £105.9 million.

During the year another group company sold a trade investment, making a profit on disposal of £0.4 million.

Notes *(continued)*

31 Pension scheme

Defined contribution plans

The Group's subsidiary, Virgin Atlantic Limited, operates defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The total expense relating to these plans in the current year was £16.7 million (2006: £3.9 million). There were no outstanding or prepaid contributions at 28 February 2007 (2006: £nil).

Defined benefit plans

Rail scheme

The Group's subsidiary, Virgin Rail Group Limited operates a defined benefit pension scheme. Prior to their acquisition by Virgin Rail Group Limited, West Coast Trains Limited and CrossCountry Trains Limited were participating employers in the British Rail shared cost section of the Railway Pension Scheme ('RPS'). Since their acquisition the subsidiaries have participated in their own separate shared costs section of the RPS. The RPS is a funded scheme and provides benefits based on final pensionable pay. The assets of the RPS are held separately from those of the Company and its subsidiaries.

The Group has no rights or obligations in respect of the RPS following expiry of the related franchises. Therefore, the liabilities recognised for the relevant sections of the RPS only represent that part of the net deficit of each section that the employer is obliged to fund over the life of the franchise to which the section relates. The restriction on the liabilities is presented as a "franchise adjustment" to the overall deficit. On 10 November 2007, the CrossCountry franchise termination date, pursuant to a statutory transfer scheme, all staff transferred out of CrossCountry. At the point of transfer the deficit on the section relevant to CrossCountry was £Nil. The gross assets and liabilities of the section transferred out in line with the transfer of the re-mapped franchise.

The latest actuarial valuation of the subsidiaries' sections of the RPS was undertaken at 31 December 2004 using the projected unit method. These valuations have been updated to 3 March 2007 by a qualified independent actuary, using revised assumptions that are consistent with the requirements of FRS 17. Present and future pensions were assumed to increase at 3.0% per annum. The assets of the sections were taken at their market value, which at 3 March 2007 amounted to £275.5 million (2006: £245.2 million) for West Coast Trains Limited and £135.0 million (2006: £117.3 million) for Cross Country Trains Limited.

The employers' actual combined contributions in the period were £13.2 million (2006: £3.6 million) to the defined benefit schemes.

The Group has no rights or obligations in respect of sections of the RPS following expiry of the related franchises. Therefore, the liabilities recognised for the relevant sections of the RPS only represent that part of the net deficit of each section that the employer is obliged to fund over the life of the franchise to which the section relates. The restriction on the liabilities to show the impact of this "franchise adjustment" is shown below.

	2007	2006
Rate of increase in salaries	**4.5%**	4.4%
Rate of increase in pensions in payment and deferred pensions	**3.0%**	2.9%
Discount rate	**5.1%**	4.8%
Inflation assumption	**3.0%**	2.9%

*plus 0.75% per annum promotional salary scale

The assumptions used by the actuary are the best estimates chosen from a large range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Notes *(continued)*

31 Pension scheme *(continued)*

Rail scheme (continued)

The fair value of the sections' scheme assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the sections' scheme liabilities, which are derived from cash flow projections over long periods and are therefore inherently uncertain, are:

Rail Scheme

Fair value of assets	2007 Expected rate of return % pa	2007 Fair value £ million	2006 Expected rate of return % pa	2006 Fair value £ million
Equities	8.5%	286.9	7.7%	265.4
Bonds	5.1%	47.4	4.7%	47.0
Property	7.5%	41.0	4.5%	31.5
Other	6.5%	35.2	7.0%	18.7
Total market value of assets	7.8%	410.5	7.2%	362.6
Present value of section liabilities		(432.4)		(401.5)
Deficit		(21.9)		(38.9)
Franchise adjustment		10.2		16.5
Deficit recognised by Company		(11.7)		(22.4)
Related deferred tax asset at 30%		3.5		6.7
Net pension liability		(8.2)		(15.7)

The Group's share of the net pension liability is recognised in the Group's balance sheet as at 31 March 2007. The total net pension liability recognised is shown below:

	2007 £ million	2006 £ million
Qjump scheme	-	(0.2)
Rail scheme	(8.2)	(15.7)
Total net pension liability	(8.2)	(15.9)

Notes *(continued)*

31 Pension scheme *(continued)*

Under FRS 17, the amounts charged to the Group profit and loss account and Group statement of total recognised gains and losses for the year ended 31 March 2007 are set out below.

		2007 Qjump scheme £ million	2007 Rail scheme £ million	2007 Total £ million	2006 Qjump scheme £ million	2006 Rail scheme £ million	2006 Total £ million
(i)	**Movement in deficit during the period on an FRS 17 basis was as follows:**						
	Deficit in the section at beginning of period	(0.2)	(22.4)	(22.6)	-	-	-
	Deficit at acquisition	-	-	-	(0.2)	(22.3)	(22.5)
	Contributions paid	-	13.2	13.2	-	3.6	3.6
	Current service cost	-	(16.7)	(16.7)	-	(4.6)	(4.6)
	Other finance income	-	3.9	3.9	-	0.9	0.9
	Actuarial gain	-	10.2	10.2	-	-	-
	Deficit on disposal	0.2	-	0.2	-	-	-
	Deficit in the section at end of period	-	(11.8)	(11.8)	(0.2)	(22.4)	(22.6)
(ii)	**Analysis of amounts charged to operating profit**						
	Current service cost	-	(16.7)	(16.7)	-	(4.6)	(4.6)
	Total credit to operating profit	-	(16.7)	(16.7)	-	(4.6)	(4.6)
(iii)	**Analysis of amounts credited to other finance income**						
	Interest on section liabilities	-	(12.5)	(12.5)	-	(3.6)	(3.6)
	Expected return on section assets	-	15.6	15.6	-	4.4	4.4
	Interest credit on franchise adjustment	-	0.8	0.8	-	-	-
	Net credit to other finance income	-	3.9	3.9	-	0.8	0.8
(iv)	**Analysis of amounts recognised in statement of total recognised gains and losses**						
	Actual return less expected return on section assets	-	6.9	6.9	0.1	7.8	7.9
	Experience (loss)/gain arising on section liabilities	-	(7.0)	(7.0)	-	4.7	4.7
	Changes in assumptions underlying the present value of section liabilities	-	10.3	10.3	(0.1)	(12.5)	(12.6)
	Actuarial gain recognised in a statement of total recognised gains and losses	-	10.2	10.2	-	-	-
	Taxation charge on actuarial gain recognised in a statement of total recognised gains and losses	-	(3.1)	(3.1)	-	-	-

£5.3 million of the actuarial gain and £1.6 million of the taxation charge on the actuarial gain has been recognised in the statement of total recognised gains and losses which represents 51% of the total, being the group shareholding.

Notes *(continued)*

31 Pension scheme *(continued)*

	2007 Rail scheme £ million	2006 Qjump scheme £ million	2006 Rail scheme £ million
(v) Experience gains and losses			
Gain on section assets			
(i) amount	**6.9**	0.1	7.8
(ii) % of section assets at end of period	**2%**	12%	7%
Experience (loss)/gain on section liabilities			
(i) amount	**(7.0)**	0.1	4.7
(ii) % of section liabilities at end of period	**(2%)**	9%	4%
Total actuarial gain recognised in STRGL			
(i) amount	**10.2**	-	-
(ii) % of section liabilities at end of period	**2%**	0%	0%

Trainline Holdings Limited was disposed of on 5 July 2006, and therefore there are no Qjump scheme figures in 2007.

32 Share based payments

The share option programme allows certain employees to acquire options over the shares of certain group companies, namely Virgin Atlantic Limited and Bluebottle USA Mobile Inc.

All share based payments are treated as cash settled transactions as they either require settlement in cash or where settlement in shares is envisaged the issuer has established the practice of buying out the option at the end of its term. The fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in liabilities. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value is measured based on an option pricing model taking into account the terms and conditions upon which the instruments were granted. The liability is revalued at each balance sheet date and settlement date with any changes to fair value being recognised in the profit and loss account.

Options typically vest over a period of between 15 and 44 months.

The number and weighted average exercise price of share options in the above named companies are as follows:

Virgin Atlantic Limited

Financial year granted	Outstanding as at 1 April 2006	Granted in year	Exercised in year	Outstanding at 31 March 2007	Exercisable at 31 March 2007	Weighted average exercise price
2003	5,706	-	-	5,706	5,706	£178.74
2004	1,270	-	-	1,270	1,270	£178.74
	6,976	-	-	6,976	6,976	

All share options granted are exercisable before the tenth anniversary of grant date.

Notes *(continued)*

32 Share based payments *(continued)*

Bluebottle USA Mobile Inc

Financial year granted	Outstanding as at 1 April 2006	Granted in year	Exercised in year	Outstanding at 31 March 2007	Exercisable at 31 March 2007	Weighted average exercise price
2004	2,318,181	-	772,727	1,545,454	1,545,454	US $0.50
2006	8,790,036	-	-	8,790,036	8,790,036	US $0.10
	11,108,217	-	772,727	10,335,490	10,335,490	

All share options granted in 2004 are exercisable before the tenth anniversary of grant date. The share options granted in 2006 are exercisable before 31 December 2007.

Effect of share based payment transactions

The total expenses recognised for the period arising from share based payments are as follows:

	2007 £ million	2006 £ million
Cash settled share based payments	**1.2**	0.9
Total carrying amount of liabilities	**4.1**	3.5
Total intrinsic carrying amount of liabilities in respect of vested benefits	**4.1**	3.5

Various directors are members of Executive Shared Ownership Plans which have been established via contracts they hold with Virgin Group Holdings Limited and Gamay Holdings Limited. A charge of £2.1 million (2006: £nil) is included in Virgin Group Holding Limited's financial statements for the year ended 31 March 2007 in respect of directors of the Group's subsdiary, Virgin Holdings Limited, in relation to these arrangements.

33 Related party disclosures

As at 31 March 2007, the Company's ultimate parent company was Virgin Group Holdings Limited, whose principal shareholders are certain trusts, none of which individually has a controlling interest in Virgin Group Holdings Limited. The principal beneficiaries of those trusts are Sir Richard Branson and/or members of his immediate family. Virgin Group Holdings Limited is incorporated in the British Virgin Islands. The shareholders of Virgin Group Holdings Limited have interests directly or indirectly in certain other companies which are considered to give rise to related party disclosures under FRS 8.

Companies within the Virgin Atlantic sub-group have trademark licenses from Virgin Enterprises Limited for the use of the Virgin name and logo. The licenses are without term limit, mostly royalty free, and worldwide, excluding domestic scheduled air services where all points of embarkation and disembarkation are within Australia. The licenses are exclusive subject to certain licenses granted to Virgin Express S.A/N.V., Virgin Express Catering Services N.V., Virgin America Inc. (formerly Best Air Holdings Inc.) and Virgin Nigeria Airways Limited. The licenses granted to Virgin Express S.A/N.V. and Virgin Express Catering Services N.V. expired on 31 March 2007, and after that date the license to use the "Virgin" trademark in Europe reverted back to the Virgin Atlantic sub-group.

Notes *(continued)*

33 Related party disclosures *(continued)*

Within the Virgin Rail Group Holdings Limited sub-group, Virgin Rail Group Limited and its subsidiaries have a trademark license from Virgin Enterprises Limited for the use of the Virgin name and logo. The license terminates on 28 November 2017, is subject to a royalty charge, excludes certain activities, and applies to the United Kingdom and such other countries or jurisdictions as may be added by Virgin Rail Group Limited, subject to the approval of Virgin Enterprises Limited.

The following is a summary of material transactions and balances by the Group with related entities, which are required to be disclosed by FRS 8:

	31 March 2007			31 March 2006		
	Companies related by virtue of common control or ownership £ million	**Companies related by virtue of being associates of the Group £ million**	**Companies related by virtue of being investors in the Group £ million**	Companies related by virtue of common control or ownership £ million	Companies related by virtue of being associates of the Group £ million	Companies related by virtue of being investors in the Group £ million
Revenue	**10.9**	**3.2**	**0.1**	1.6	1.1	0.2
Purchases	**3.3**	**0.1**	**0.2**	2.3	0.1	0.1
Other income	**0.8**	-	-	1.0	-	-
Interest receivable	**121.1**	-	-	35.4	-	-
Interest payable	**54.9**	-	-	10.6	-	-
Debtors	**1,603.9**	**6.6**	-	1,619.3	-	-
Creditors < 1 year	**2,044.4**	-	-	2,124.7	-	-
Creditors > 1 year	**8.3**	-	-	20.1	-	-
Dividends receivable	-	**2.1**	-	-	-	-
Preference dividends	-	-	**3.6**	-	-	3.6

The companies related by virtue of common control or ownership with which the group transacted during the year are as follows:

Actionsquare Limited, Barfair Limited, Bluebottle Investments Inc., Bluebottle USA Mobile Inc, China Holdings Wireless Limited, Corvina Holdings Limited, Dragonfly SA, Necker Island (BVI) Limited, Newstart Investments Limited, Mayfly SA, The Virgin Drinks Group Limited, Victory Corporation Limited, Virgin Active Group Limited, Virgin America Inc., Virgin Audio Holdings LLC, Virgin Books Limited, Virgin Bride Limited, Virgin Comics LLC, Virgin Entertainment Asia Limited, Virgin Entertainment Europe Limited, Virgin Entertainment Global Limited, Virgin Entertainment Holdings Inc., Virgin Fitness SA, Virgin Galactic Limited, Virgin Group Finance LP, Virgin Group Investments Limited, Virgin Group Limited, Virgin Group Holdings Limited, Virgin Holdings Limited, Virgin Hotels Group Limited, Virgin Leisure Limited, Virgin Life Care Investments Limited, Virgin Limobike Limited, Virgin Limousines LLC, Virgin Management Limited, Virgin Management Asia Pacific Limited, Virgin Mobile (Australia) Pty Limited, Virgin Mobile Holdings (UK) PLC, Virgin Mobile Holdings Pte Limited, Virgin Mobile USA LP, Virgin Money (Australia) Pty Limited, Virgin Money Holdings (UK) Limited, Virgin Money Investments SA, Virgin Money Investment Group Limited, Virgin Money Overseas Limited, Virgin Performance Limited, Virgin Radio Asia Holdings UK Limited, Virgin Retail Group Limited, Virgin Retail Holdings Limited, Virgin Retail Investments Holding Limited, Virgin Retail (Ireland) Limited, Virgin Retail Limited, Virgin Sky Investments Limited, Virgin Vouchers Limited, Virgin Voyager Limited, Virgin.com Limited and Voyager Group Limited.

The companies related by virtue of being investors in the group with which the group transacted during the year are as follows:

Singapore Airlines Limited.

Notes *(continued)*

33 Related party disclosures (continued)

The companies related by virtue of being associates and/or joint ventures of the group with which the group transacted during the year are as follows:

Virgin Blue Holdings Limited, Virgin Mobile Canada, Omer Telecom Limited and Inter City-Railways Limited.

Revenue from related parties primarily relates to airline ticket and train ticket sales. Other purchases from related parties represent goods and services purchased for use within the business. All of the above transactions were on an arms length basis.

34 Ultimate parent company

At 31 March 2007, the ultimate parent undertaking was Virgin Group Holdings Limited, a company registered in the British Virgin Islands.

35 Post balance sheet events

On 2 April 2007, Virgin Rail Group Holdings Ltd paid a dividend of £43.9 million, in respect of the year ended 3 March 2007. This will be accounted for in the profit and loss reserves in the subsidiary's year ending 1 March 2008, and in the minority interest reserves in the Group's year ending 31 March 2008.

On 24 April 2007, Virgin Holdings Limited entered into a stock purchase agreement which provided for the investment by Virgin Holdings Limited of US $12 million (£6.0 million) for newly-created Series A preferred stock, representing 71.7% of the fully-diluted share capital of Virgin Charter, Inc.

On 10 July 2007 the DfT decided to award the new CrossCountry franchise to Arriva plc and not the Group.

Since 31 March 2007, Virgin Atlantic Limited has experienced severe restrictions in its ability to exercise dominant or significant influence over the operational and financial policies of Virgin Nigeria Airways Limited, a situation which Virgin Atlantic Limited's board considers irreversible. The board considers that the rate and extent of these restrictions have gradually increased over time, but particularly from around Autumn 2007. Accordingly, with the concurrence of Virgin Atlantic Limited's auditors, KPMG, the board has determined that Virgin Atlantic Limited's equity interest in Virgin Nigeria Airways Limited should be accounted for as a fixed asset investment from around this time, which for accounting purposes has been taken as 1 September 2007.

On 14 September 2007, a management buyout of Virgin Retail Group Limited and its 11 underlying direct and indirect subsidiaries was effected. Broomco (4094) Limited, a company owned in equal proportions by the two Virgin Retail Group management individuals, purchased the entire share capital of the company with consideration stated as £1. In connection with this, Virgin Enterprises Limited has agreed to make a brand protection payment of up to £53.0 million to the purchaser of the shares in Virgin Retail Group Limited. A payment of additional consideration for the shares may become payable to the company under certain circumstances. The group remains a guarantor to some of Virgin Group Retail Limited's lease agreements.

On 29 February 2008, the Group transferred 2.08% of its investment in an associated undertaking, Virgin Blue Holdings Ltd, to its parent company, Virgin Wings Limited, for consideration of £13.8 million. On 19 August 2008, the Group transferred its remaining 22.95% investment in Virgin Blue Holdings Ltd to another group company for consideration of £130.9 million.

It has been announced in the recent Budget that the corporation tax rate applicable to the Group will change from 30% to 28% from 1 April 2008. The deferred tax asset and liability have been calculated at the current UK corporation tax rate of 30% in accordance with FRS 19. Any timing differences which reverse before 1 April 2008 will be charged/credited at 30%, any timing differences which exist at 1 April 2008 will reverse at 28%. The estimated financial impact of this change is £9.2 million.