Virgin Atlantic Limited
and subsidiary companies

Directors' report and
consolidated financial statements

28 February 2005

Registered number: 3552500

Directors' report and consolidated financial statements

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Chairman's statement

In the financial year under review, many leading players in the airline industry have continued to struggle to survive. Overcapacity, soaring fuel prices and slow economic recovery, have meant that many of the industry's giants are still in a very weak position.

Whilst not immune to these worldwide pressures, I am very pleased to report that the Virgin Atlantic Limited Group can report a profit before tax for the financial year under review, of £68.0m (10 months ended 29 February 2004: £20.9m). Group turnover grew in line with expectations to £1.6 billion (10 months ended 29 February 2004: £1.3 billion) and although costs were kept under rigorous control, rising oil prices accounted for a significant increase in the amount of the Group's fuel bill. Regrettably, in line with much of the industry, the Group had little option but to introduce fuel surcharges from May 2004, although this only recovered one third of the extra cost incurred.

Notwithstanding the global economic climate, the Group continued with its expansion plans. 3 new Airbus A340-600 aircraft were delivered during the year, bringing the number of the type in service to 9, and the total operating fleet to 31. In August 2004, we announced our biggest ever aircraft order, for up to 26 new Airbus A340-600 aircraft, worth US$5.5bn. The delivery of these new aircraft will provide the Group with an opportunity to virtually double its size over the next five years.

As the 2004 calendar year drew to a close, we fulfilled one of our long-standing ambitions and commenced scheduled services to Australia. After ten years of negotiations, the inaugural Virgin Atlantic flight VS200 from London and Hong Kong touched down at Sydney Kingsford Smith Airport on December 8th. Other new services to Nassau, Havana, Mumbai amongst others were also announced by the Group, along with increased services to Delhi and Shanghai.

On board the Group's aircraft fleet, the award winning Upper Class Suite has continued to set a new benchmark for business class product within the industry and has most importantly received rave reviews from our passengers. The Suite is now on board all of our Boeing 747-400 and Airbus A340-600 aircraft. The Airbus A340-300 fleet will be fitted with the Suite in the coming year. Since its launch in October 2003 the Suite has won 6 of the most prestigious design awards in the industry, including the Gold Award–Transport Design (Idea Awards), Best Leisure Furniture Award (FX Awards) and Best Industrial Product Design (Design Week). All in all, this is an outstanding achievement, and one that I am particularly proud of.

Innovations in the air this year included the launch of our on board mixologist – a specialist cocktail service available at the Upper Class bar on selected flights. On the ground, we launched DIY Check-In, using self-service kiosks at London Heathrow Airport, and on-line through our website. Unlike many of our competitors' self-service products, any Virgin Atlantic passenger can use the service, not only loyalty cardholders.

The Group's tour operator, Virgin Holidays, expanded its long-haul product range during the financial year principally in the Caribbean and other worldwide regions and has continued to build on products which offer maximum convenience and flexibility with an emphasis on excitement for its leisure customers. The tour operator introduced a number of innovative customer-driven concepts during the financial year such as the new "Taste of Adventure" brochure which offers customers a selection of mini adventures sandwiched between two parts of a mainstream beach or city-break holiday. In addition, "Extra Virgin" branded hotels in Barbados offer special features, extra amenities and exceptional customer service which all combine to offer an enhanced customer experience exclusive to Virgin Holidays which has resulted in the tour operator receiving no less than 27 awards from consumers, destinations, airlines and hotels.

From a corporate development perspective, I was honoured to be able to sign, on behalf of the Group, an agreement with the Nigerian Government in September 2004 to establish a new airline for Nigeria to be called Virgin Nigeria Airways which will commence scheduled flight operations later this year. At the present time, the new airline has been incorporated in Nigeria and is majority-owned by Nigerian institutional investors with the Group taking up its 49% shareholding interest in the new airline during March 2005. The new airline has and will continue to receive specialist technical expertise and services from the Group so as to ensure that it can operate to the highest international standards.

In summary therefore, I am pleased to report on another very successful year for the Group. We continue to deliver best in class service to our passengers through the hard work, commitment and dedication of our staff and business partners, who are all determined to ensure that Virgin Atlantic remains the traveller's airline of choice. I am extremely grateful to those travellers for their ongoing support and loyalty. As we enter our 21st year of operation, we look forward to coming of age, without losing any of the characteristics our staff and our passengers have grown to love.

Sir Richard Branson
Chairman

Directors' report

The directors present their annual report and the audited financial statements for the year ended 28 February 2005. Comparative amounts are stated for the 10 months ended 29 February 2004.

Principal activities

The principal activities of the Group continue to be the operation of scheduled air services for the carriage of passengers and freight and tour operating.

Directors and directors' interests

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

Sir R C N Branson	(Chairman)
F E Brandon-Farrow	
C S Chew	
S Murphy	
M Poole	
S B Ridgway	
J H Southern	
C E Huang	
S K Bey	(resigned 9 November 2004)
Sir B I Pitman	(appointed 9 November 2004)
T O Thoeng	(alternate for S K Bey; resigned 9 November 2004)
T O Thoeng	(alternate for C E Huang; appointed 9 November 2004)
M Sirisena	(alternate for C E Huang; resigned 9 November 2004)
T H Teoh	(alternate for C S Chew)

M Poole has a beneficial interest in 5,706 £0.10 ordinary shares of the Company by reason of an option agreement entered into with Virgin Investments SA. S Murphy has a beneficial interest in 1,270 £0.10 ordinary shares of the Company by reason of an option agreement entered into with Virgin Investments SA.

None of the other directors who held office at the end of the financial year had any disclosable interest in the shares of the Company or other Group companies.

Results

The results of the Group for the year are set out on page 6 and are commented on within the Chairman's statement.

Business review

A review of operations and future developments is included in the Chairman's statement.

Dividends

The Company, with the agreement of its shareholders, did not pay a preference dividend during the year (2004: £6.1 million). A profit appropriation of £7.2 million (2004: nil) has been made to accrue for the payment of these preference dividends in the next financial year.

The Directors recommend that no ordinary dividend be paid in respect of the year ended 28 February 2005 (2004: £nil).

Employees

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.

Directors' report *(continued)*

Charitable donations

The Group made charitable donations of £117,151 (2004: £57,934) during the year.

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. This last resolution will lead to the continuing appointment of KPMG LLP as auditors of the Company until further notice.

By order of the Board

I M J de Sousa
Company Secretary

120 Campden Hill Road
London W8 7AR

20 May 2005

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the 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 Company and Group and to prevent and detect fraud and other irregularities.

The directors, having prepared the financial statements, note that the independent auditors are required by the Companies Act 1985 to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report.

KPMG
8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Report of the independent auditors to the members of Virgin Atlantic Limited

We have audited the financial statements on pages 6 to 30.

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 are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the Group is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group'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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 28 February 2005 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

30 May 2005

Consolidated profit and loss account

for the year ended 28 February 2005

	Note	**Year ended 28 February 2005**	10 months ended 29 February 2004
		£million	£million
Turnover: Group and share of joint venture's		**1,640.1**	1,287.3
Less: share of joint venture's turnover		**(9.9)**	(15.3)
Group turnover	2	**1,630.2**	1,272.0
Cost of sales before exceptional item		**(1,330.6)**	(1,042.8)
Exceptional item	6	**30.9**	-
Gross profit		**330.5**	229.2
Administrative expenses		**(269.6)**	(216.1)
Group operating profit	2	**60.9**	13.1
Share of operating profit in joint venture		**0.6**	0.1
Profit on disposal of fixed assets		**1.0**	-
Profit on disposal of joint venture		**16.0**	-
Other interest receivable and similar income	4	**9.0**	14.8
Interest payable and similar charges	5	**(19.5)**	(7.1)
Profit on ordinary activities before taxation	6	**68.0**	20.9
Tax on profit on ordinary activities	8	**(20.8)**	(11.1)
Profit for the financial year		**47.2**	9.8
Preference dividends paid and accrued	9	**(7.2)**	(5.1)
Retained profit for the financial year	19	**40.0**	4.7

The profit for the year arises from continuing operations. The difference between reported and historical cost profits and losses is not material.

The notes on pages 11 to 30 form part of these financial statements.

Consolidated statement of total recognised gains and losses

for the year ended 28 February 2005

	Year ended 28 February 2005 £million	10 months ended 29 February 2004 £million
Profit for the financial period	**47.2**	9.8
Exchange difference arising on the re-translation of net investments and related borrowings	**(0.1)**	0.5
Total recognised losses and gains relating to the period	**47.1**	10.3
Total losses and gains recognised since the last annual report	**47.1**	10.3

The notes on pages 11 to 30 form part of these financial statements.

Consolidated balance sheet

at 28 February 2005

	Note	**28 February 2005**			29 February 2004		
		£million	**£million**	**£million**	£million	£million	£million
Fixed assets							
Intangible assets	*10*			**38.9**			32.2
Tangible assets	*11*			**448.2**			421.3
Investment in joint venture:	*12*						
Share of gross assets			-			7.3	
Share of gross liabilities			-			(3.8)	
			-			3.5	
Other investments	*12*		**8.7**			9.6	
				8.7			13.1
				495.8			466.6
Current assets							
Stocks	*13*		**26.1**			20.4	
Debtors due within one year	*14*	**146.6**			179.5		
Debtors due after one year	*14*	**66.7**			41.3		
			213.3			220.8	
Cash at bank and in hand			**265.5**			209.1	
			504.9			450.3	
Creditors: amounts falling due within one year	*15*		**(568.6)**			(516.2)	
Net current liabilities				**(63.7)**			(65.9)
Total assets less current liabilities				**432.1**			400.7
Creditors: amounts falling due after more than one year	*16*			**(154.7)**			(193.8)
Provisions for liabilities and charges	*17*			**(196.2)**			(165.6)
Net assets				**81.2**			41.3
Capital and reserves							
Called up share capital	*18*			**0.3**			0.3
Share premium account	*19*			**140.0**			140.0
Other reserves	*19*			**(228.7)**			(228.7)
Profit and loss account	*19*			**169.6**			129.7
Shareholders' funds / (deficit)							
Equity			**(18.8)**			(58.7)	
Non-equity			**100.0**			100.0	
				81.2			41.3
Shareholders' funds	*20*			**81.2**			41.3

These financial statements were approved by the Board of Directors on 20 May 2005 and were signed on its behalf by:

J H Southern
Director

The notes on pages 11 to 30 form part of these financial statements.

Company balance sheet

at 28 February 2005

	Note	28 February 2005 £million	28 February 2005 £million	29 February 2004 £million	29 February 2004 £million
Fixed assets					
Investments	12		259.9		259.9
Current assets					
Debtors	14	32.6		29.4	
Creditors: amounts falling due within one year	15	(9.1)		(1.7)	
Net current assets			23.5		27.7
Total assets less current liabilities			283.4		287.6
Creditors: amounts falling due after more than one year	16		(135.2)		(141.4)
Net assets			148.2		146.2
Capital and reserves					
Called up share capital	18		0.3		0.3
Share premium account	19		140.0		140.0
Other reserves	19		-		-
Profit and loss account	19		7.9		5.9
Shareholders' funds					
Equity		48.2		46.2	
Non-equity		100.0		100.0	
			148.2		146.2
Shareholders' funds	20		148.2		146.2

These financial statements were approved by the Board of Directors on 20 May 2005 and were signed on its behalf by:

J H Southern
Director

The notes on pages 11 to 30 form part of these financial statements.

Consolidated cash flow statement

for the year ended 28 February 2005

	Note	**Year ended 28 February 2005**		10 months ended 29 February 2004	
		£million	**£million**	£million	£million
Net cash inflow from operating activities	23		**191.2**		92.3
Dividends from joint ventures and associates			**-**		0.1
Returns on investments and servicing of finance					
Interest received		**9.0**		4.6	
Interest paid		**(3.2)**		(2.7)	
Interest element of finance lease rental payments		**(7.9)**		(4.0)	
Preference dividends paid		**-**		(6.1)	
			(2.1)		(8.2)
Taxation					
Overseas taxation paid			**(0.6)**		(0.2)
Capital expenditure					
Purchase of tangible fixed assets		**(109.4)**		(76.6)	
Purchase of intangible fixed assets		**(8.3)**		(11.6)	
Sale proceeds on disposal of tangible fixed assets		**2.8**		2.1	
Sale proceeds on disposal of other investments		**1.2**		-	
Return of aircraft progress payments		**-**		11.7	
			(113.7)		(74.4)
Acquisitions and disposals					
Proceeds from sale of interest in joint venture			**20.0**		-
Cash inflow before management of liquid resources and financing			**94.8**		9.6
Management of liquid resources					
Decrease / (increase) in short term deposits			**40.2**		(20.8)
Financing					
Repayment of secured loans		**(17.9)**		(26.0)	
Capital element of finance lease and hire purchase contract payments		**(20.8)**		(10.0)	
			(38.7)		(36.0)
Increase / (decrease) in cash in year	24		**96.3**		(47.2)

The notes on pages 11 to 30 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Principal accounting policies

The following accounting policies have been applied consistently in dealing with matters which are considered material in relation to the financial statements for the period under review.

Basis of preparation

The financial statements have been prepared on the going concern basis under the historical cost convention, as modified to include the revaluation of certain assets, and in accordance with applicable accounting standards.

The Company has taken advantage of section 230(4) of the Companies Act 1985 and has not published a separate profit and loss account for the Company. The result for the year attributable to the Company is disclosed in note 19.

Basis of consolidation

The financial statements consolidate Virgin Atlantic Limited ("the Company") and its subsidiaries (together "the Group").

The consolidated financial statements have been prepared using the principles of merger accounting for the principal subsidiaries, 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 Company'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 Company'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.

The remaining companies have been accounted for using the principles of acquisition accounting.

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 in to service.

Goodwill

Purchased goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its estimated useful life as set out in note 10.

Goodwill arising on consolidation is capitalised in the balance sheet as an intangible asset and amortised through the profit and loss account over its estimated useful economic life, in accordance with Financial Reporting Standard 10.

Turnover

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.

Administrative expenses

Administrative expenses comprise overhead expenses together with marketing and promotional costs.

Notes *(continued)*

1 Principal accounting policies *(continued)*

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 the then 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 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 over periods of up to twenty years, so as to reduce the cost or valuation to estimated residual value at the end of that period.

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

Other tangible fixed assets are depreciated at the following rates:

Fixtures and fittings	-	20% - 25% on cost
Plant and equipment	-	25% - 33% on cost
Computer equipment and software	-	25% - 33% on cost
Motor vehicles	-	25% on cost
Leasehold properties	-	over period of lease

Stocks

Stocks are stated at the lower of cost and net realisable value.

Deferred taxation

The charge for taxation is based on the profit for the period 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 Financial Reporting Standard 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.

Translation of foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction unless the effective cost of that foreign currency under related forward contracts is significantly different and the directors consider that translation at prevailing rates would present a misleading view of the economic value of those transactions. In such circumstances transactions in foreign currency are translated at the effective purchase cost of that currency.

In the year ended February 2005, the net transactions denominated in US Dollars were translated at the effective purchase cost of those Dollars.

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. Exchange differences arising through the translation of certain foreign currency borrowings and related fleet assets, which are designated as foreign branches, are taken to reserves.

For consolidation purposes, the profit and loss account and the balance sheets of overseas subsidiary undertakings are translated at the closing exchange rates. Exchange differences arising on translation are taken to reserves. All other profits or losses arising on translation are dealt with through the profit and loss account.

Derivative financial instruments

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

Notes *(continued)*

1 Principal accounting policies *(continued)*

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. Where operating lease charges are variable based on prevailing interest rates costs are recognised prospectively over the remaining term of the lease.

Onerous lease provisions are discounted at 5% 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 frequent flyer scheme is accrued at the expected redemption rate as members of this scheme accumulate mileage.

Cash and liquid resources

Cash at bank and in hand includes both cash and liquid resources. Cash includes cash in hand and deposits repayable on demand held with any financial institution. Liquid resources include term deposits.

Pension costs

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 accounting period.

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 period. Such estimates are based on a reasonable expectation of the extent that performance criteria will be met.

Warranty provision

The warranty provision is based on a proportion of the turnover relating to manufactured seat sales for the period, and is reviewed regularly against expenditure incurred.

Notes *(continued)*

2 Analysis of turnover, Group operating profit and net assets

Turnover, Group operating profit and net assets are analysed below:

By activity	Turnover		Group operating profit	
	Year ended 28 Feb 2005 £million	10 months ended 29 Feb 2004 £million	**Year ended 28 Feb 2005 £million**	10 months ended 29 Feb 2004 £million
Airline passenger and ancillary services	**1,331.7**	1,004.2	**46.3**	2.9
Holiday tour operations	**461.8**	390.0	**12.8**	12.4
Other	**21.8**	16.6	**2.4**	(2.1)
Intra-Group	**(175.2)**	(123.5)	**-**	-
	1,640.1	1,287.3	**61.5**	13.2
Less share of joint venture's turnover / operating profit	**(9.9)**	(15.3)	**(0.6)**	(0.1)
	1,630.2	1,272.0	**60.9**	13.1

Other income includes income from engineering services, license fees relating to rights over the Virgin name and its intellectual property and the Group's share of joint venture's cargo and passenger handling revenue.

Net assets	**28 February 2005 £million**	29 February 2004 £million
Airline passengers and ancillary services	**150.3**	129.1
Holiday tour operations	**56.7**	46.9
Other	**(125.8)**	(134.7)
	81.2	41.3

By geographical market	**Turnover Year ended 28 Feb 2005 £million**	Turnover 10 months ended 29 Feb 2004 £million
Origin of sale:		
United Kingdom	**1,307.0**	994.6
Americas	**295.1**	233.8
Asia	**117.7**	99.0
Other	**85.6**	68.1
Intra-Group sales	**(175.2)**	(123.5)
	1,630.2	1,272.0

	Turnover Year ended 28 Feb 2005 £million	Turnover 10 months ended 29 Feb 2004 £million
Area of destination:		
Americas	**1,079.4**	831.7
Asia	**255.2**	192.2
Other	**470.8**	371.6
Intra-Group sales	**(175.2)**	(123.5)
	1,630.2	1,272.0

Notes *(continued)*

2 Analysis of turnover, Group operating profit and net assets *(continued)*

The geographical analysis of revenue by source is derived by allocating revenue to the area in which the sale is made.

The geographical analysis of revenue by destination is derived by allocating revenue from inbound and outbound services between the United Kingdom and overseas points to the geographical area in which the relevant overseas point lies. Revenue from the sale of package holidays is allocated to the geographical area in which the holiday is taken.

A geographical analysis of the Group operating profit is not disclosed as it is neither practical nor meaningful to allocate the Group's operating expenditure on a geographical basis.

Since the aircraft fleet (which is the major revenue-earning asset of the Group) is employed flexibly across a worldwide route network, there is no suitable basis of allocating such assets and related liabilities to geographical segments and accordingly no geographical analysis of assets or net liabilities is disclosed.

3 Staff numbers and costs

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

	Year ended 28 February 2005	10 months ended 29 February 2004
Management and administration	**818**	805
Flight crew	**569**	537
Cabin crew	**3,063**	2,681
Reservations and sales	**2,413**	2,350
Engineering, cargo and production	**1,255**	1,146
	8,118	7,519

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

	Year ended 28 February 2005 *£million*	10 months ended 29 February 2004 *£million*
Wages and salaries	**194.2**	148.1
Social security costs	**19.6**	14.8
Other pension costs	**12.0**	8.9
	225.8	171.8

Notes *(continued)*

4 Other interest receivable and similar income

	Year ended 28 February 2005 £million	10 months ended 29 February 2004 £million
On bank deposits	**9.0**	4.6
Exchange differences on foreign currency borrowings less deposits	**-**	10.2
	9.0	14.8

5 Interest payable and similar charges

	Year ended 28 February 2005 £million	10 months ended 29 February 2004 £million
On bank loans and overdrafts	**3.2**	2.7
Finance charges in respect of finance leases and hire purchase contracts	**7.9**	4.0
Exchange differences on foreign currency borrowings less deposits	**8.2**	-
Unwinding of discount on onerous leases	**0.2**	0.4
	19.5	7.1

6 Profit on ordinary activities before taxation

	Year ended 28 February 2005 £million	10 months ended 29 February 2004 £million
Profit on ordinary activities before taxation is stated after charging / (crediting):		
Depreciation of tangible fixed assets	**63.2**	40.6
Exceptional impairment adjustment	**(30.9)**	-
Rentals under operating leases:		
Aircraft and related equipment	**153.1**	118.9
Hire of plant and machinery	**0.6**	0.2
Land and buildings	**20.1**	17.0
Remuneration of the auditors and their associates:		
Audit (Group)	**0.3**	0.3
Other services	**0.2**	0.1
Exceptional profit on disposal of an aircraft	**(1.0)**	-
Loss on disposal of other fixed assets	**0.9**	-
Profit on disposal of other investments	**(0.3)**	-
Exceptional profit on disposal of investment in joint venture	**(16.0)**	-
Contribution to pension schemes	**12.0**	8.9
Amortisation of intangible fixed assets	**1.6**	1.5

Auditors' remuneration includes an amount for the audit of the Company of £15,000 (2004: £25,000).

The exceptional item of £30.9 million (£21.6 million after tax) arises as a result of the partial reversal of an impairment provision, recognised in prior years in respect of certain owned aircraft, following a reassessment by the directors of the carrying value of the aircraft having regard to their value in use.

On 31 August 2004 the Group disposed of its 50% cargo handling joint venture investment in Plane Handling Limited to its joint venture partner, The Go-Ahead Group plc. The total consideration received by the Group for the disposal was £20 million.

Notes *(continued)*

7 Emoluments of directors

During the period of their service, the emoluments of the directors of the Company were:

	Year ended 28 February 2005 £million	10 months ended 29 February 2004 £million
Aggregate emoluments	**1.2**	0.8
Company contributions to money purchase pension schemes	**0.1**	0.0
	1.3	0.8

Retirement benefits are accruing to 2 (2004: 2) directors under money purchase pension schemes.

During the year an amount of £271,000 (2004: £229,000) was paid to related parties in respect of directors' services.

	Year ended 28 February 2005 £million	10 months ended 29 February 2004 £million
Highest paid director:		
Aggregate emoluments	**0.5**	0.4
Company contributions to money purchase pension schemes	**0.0**	0.0
	0.5	0.4

8 Tax on profit on ordinary activities

	Year ended 28 February 2005 £million	10 months ended 29 February 2004 £million
Current tax		
Adjustments in respect of prior year	**0.1**	-
Foreign tax		
Overseas taxation	**0.6**	0.2
Total current tax	**0.7**	0.2
Deferred tax		
Origination and reversal of timing differences	**17.0**	7.3
Adjustments in respect of prior years	**2.9**	3.6
	19.9	10.9
Share of joint venture's tax	**0.2**	-
Tax on profit on ordinary activities	**20.8**	11.1

The tax effect of the exceptional item arising as a result of the partial reversal of impairment provision is to increase the deferred tax charge by £9.3 million. The exceptional profit on disposal of the interest in the joint venture does not give rise to a tax effect, save to lower the Group's effective rate of tax.

Notes *(continued)*

8 Tax on profit on ordinary activities *(continued)*

The standard rate of UK corporation tax for the year is 30% (2004: 30%). The actual tax charge for the current and previous periods exceeds the standard rate for the reasons set out in the following reconciliation:

	Year ended 28 February 2005 £million	10 months ended 29 February 2004 £million
Profit on ordinary activities before taxation	**68.0**	20.9
Tax at the standard rate (at 30%)	**20.4**	6.3
Factors affecting the charge for the year:		
Capital allowances for the year in excess of depreciation	**(17.0)**	(3.9)
Other timing differences	**-**	(3.4)
Expenses not deductible for tax purposes	**2.5**	1.1
Adjustments to tax charge in respect of prior years	**(0.6)**	-
UK dividends received	**-**	0.1
Income not subject to taxation	**(4.7)**	-
Unrelieved overseas taxation	**0.1**	-
Total current tax	**0.7**	0.2

9 Dividends

	Year ended 28 February 2005 £million	10 months ended 29 February 2004 £million
Dividends on non-equity shares:		
Preference – Interim paid	**-**	6.1
Appropriations for preference share dividends (net)	**7.2**	(1.0)
	7.2	5.1

Notes *(continued)*

10 Intangible assets

Group	Goodwill £million	Landing slots £million	Total £million
Cost			
At 1 March 2004	3.4	36.2	39.6
Additions	-	8.3	8.3
At 28 February 2005	**3.4**	**44.5**	**47.9**
Amortisation			
At 1 March 2004	3.1	4.3	7.4
Charge for the year	0.2	1.4	1.6
At 28 February 2005	**3.3**	**5.7**	**9.0**
Net book value			
At 28 February 2005	**0.1**	**38.8**	**38.9**
At 29 February 2004	0.3	31.9	32.2

Goodwill is amortised over 5 years.

Notes *(continued)*

11 Tangible fixed assets

Group	Land and buildings £million	Assets in the course of construction £million	Aircraft, rotable spares and ancillary equipment £million	Modifications to aircraft on operating leases £million	Plant and machinery fixtures and fittings £million	Total £million
Cost						
At 1 March 2004	12.8	24.0	643.1	95.8	159.3	935.0
Additions	-	61.4	35.6	4.9	7.5	109.4
Disposals	(0.1)	-	(34.9)	-	(15.2)	(50.2)
Reclassifications	3.0	(76.0)	4.9	62.3	5.8	-
Transfer to current assets	-	-	(44.9)	(2.6)	-	(47.5)
At 28 February 2005	**15.7**	**9.4**	**603.8**	**160.4**	**157.4**	**946.7**
Depreciation						
At 1 March 2004	0.6	-	343.2	45.2	124.7	513.7
Charge for the year	0.3	-	27.9	19.5	15.5	63.2
Impairment	-	-	(30.9)	-	-	(30.9)
Disposals	-	-	(32.5)	-	(15.0)	(47.5)
At 28 February 2005	**0.9**	**-**	**307.7**	**64.7**	**125.2**	**498.5**
Net book value						
At 28 February 2005	**14.8**	**9.4**	**296.1**	**95.7**	**32.2**	**448.2**
At 29 February 2004	12.2	24.0	299.9	50.6	34.6	421.3

The transfer to prepayments represents aircraft progress payments which have been transferred to current assets.

Included in aircraft, rotable spares and ancillary equipment are progress payments of £61.0 million (2004: £72.5 million).

Included in land and buildings are short leasehold buildings at cost of £0.2 million (2004: £0.2 million) and net book value of £0.1 million (2004: £0.2 million). The balance of land and buildings is freehold.

One of the freehold buildings in land and buildings was independently re-valued at £3.8 million, representing open market value at 30 April 1998. The valuation was undertaken by Michael B Gold Associates, Inc. real estate appraisers. This has been adopted as the book value of the tangible fixed asset under the transitional arrangements of Financial Reporting Standard 15.

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

	28 February 2005 £million	29 February 2004 £million
Net book value		
Aircraft, rotable spares and ancillary equipment	**52.5**	62.2
Plant and machinery	**1.0**	2.8
Depreciation charged for the year		
Aircraft, rotable spares and ancillary equipment	**5.7**	12.3
Plant and machinery	**2.0**	1.5

During the year, the Group did not enter into any finance lease and hire purchase contract arrangements in respect of tangible fixed assets (2004: the capital value of assets at inception of leases entered into in period was £1.0 million).

Notes *(continued)*

12 Fixed asset investments

Group	Interest in associated undertakings (including joint ventures) £million	Other investments £million	Total £million
Cost			
At 1 March 2004	**1.6**	**9.6**	**11.2**
Disposals	**(1.6)**	**(0.9)**	**(2.5)**
At 28 February 2005	**-**	**8.7**	**8.7**
Share of post acquisition reserves			
At 1 March 2004	**1.9**	**-**	**1.9**
Retained profits less losses	**0.4**	**-**	**0.4**
Disposals	**(2.3)**	**-**	**(2.3)**
At 28 February 2005	**-**	**-**	**-**
Net book value			
At 28 February 2005	**-**	**8.7**	**8.7**
At 29 February 2004	3.5	9.6	13.1

Other investments represent an investment in Airline Group Limited consisting of equity and unsecured loan notes.

The listed investments formerly included in other investments were disposed of during the year.

Company	Shares in Group undertakings £million
Cost and net book value	
Balance at 29 February 2004 and 28 February 2005	**259.9**

Details of principal subsidiary undertakings and joint ventures are given in note 26.

13 Stocks

	Group	
	28 February 2005 £million	29 February 2004 £million
Raw materials	**0.4**	1.0
Aircraft consumable spares	**18.3**	11.9
Finished goods and goods for resale	**7.4**	6.3
Uniforms and other	**-**	1.2
	26.1	20.4

Notes *(continued)*

14 Debtors

Amounts falling due within one year	Group 28 Feb 2005 £million	Company 28 Feb 2005 £million	Group 29 Feb 2004 £million	Company 29 Feb 2004 £million
Trade debtors	77.9	-	82.9	-
Amounts owed by group undertakings	-	10.1	-	10.1
Other debtors	47.3	3.5	76.3	0.9
Group relief receivable	-	13.4	-	13.4
Income tax recoverable	0.6	0.6	0.6	0.6
Prepayments and accrued income	20.8	5.0	19.7	4.4
	146.6	32.6	179.5	29.4

Included within other debtors is an amount of £29.6 million (2004: £51.7 million), the timing of the recoverability of which is dependent upon the movement of the US Dollar : Sterling exchange rate.

Amounts falling due after more than one year	Group 28 Feb 2005 £million	Company 28 Feb 2005 £million	Group 29 Feb 2004 £million	Company 29 Feb 2004 £million
Prepayments and accrued income	66.7	-	41.3	-

15 Creditors: amounts falling due within one year

	Group 28 Feb 2005 £million	Company 28 Feb 2005 £million	Group 29 Feb 2004 £million	Company 29 Feb 2004 £million
Secured bank loans (note 16)	13.9	-	17.3	-
Obligations under finance leases and hire purchase(note 21)	24.5	-	12.3	-
Trade creditors	44.2	-	55.5	-
Group relief payable	-	0.3	-	0.3
Overseas taxation	-	-	-	-
Other taxes and social security	6.3	1.3	5.7	1.3
Other creditors	16.3	-	7.1	-
Preference dividend creditor	7.2	7.2	-	-
Accruals and deferred income	456.2	0.3	418.3	0.1
	568.6	9.1	516.2	1.7

16 Creditors: amounts falling due after more than one year

	Group 28 Feb 2005 £million	Company 28 Feb 2005 £million	Group 29 Feb 2004 £million	Company 29 Feb 2004 £million
Secured bank loans	126.6	-	126.9	-
Obligations under finance leases and hire purchase contracts (note 21)	28.1	-	66.8	-
Amounts owed to group undertakings	-	135.2	-	141.4
Other creditors	-	-	0.1	-
	154.7	135.2	193.8	141.4

The bank loans of £140.5 million (2004: £144.2 million) are secured by mortgages over certain aircraft. £30.9 million (2004: £52.6 million) of these loans fall due for repayment after five years. The interest rates charged in the year are in the range from 0.625% to 2.75 % above US$ LIBOR.

Notes *(continued)*

17 Provisions for liabilities and charges

Group	Deferred tax £million	Maintenance £million	Onerous leases £million	Warranty £million	Total £million
Balance at 1 March 2004	118.3	38.9	7.9	0.5	165.6
Foreign exchange translation	-	(6.2)	-	-	(6.2)
Amounts provided / (released) in the year	19.9	34.3	0.1	-	54.3
Amounts utilised in the year	-	(12.3)	(4.9)	(0.5)	(17.7)
Unwinding of discount on onerous leases	-	-	0.2	-	0.2
Balance at 28 February 2005	**138.2**	**54.7**	**3.3**	**-**	**196.2**

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

Group

The elements of the deferred tax provision are as follows:	**28 February 2005 £million**	29 February 2004 £million
Accelerated capital allowances	**33.0**	22.9
Other timing differences	**105.2**	95.4
	138.2	118.3

Notes *(continued)*

18 Share capital

	28 February 2005 £	29 February 2004 £
Authorised		
3,000,000 ordinary shares of 10p each (equity)	**300,000**	300,000
150,000 cumulative redeemable preference shares of 1p each, linked to LIBOR plus 2.5% (non-equity)	**1,500**	1,500
	301,500	301,500
Allotted, called up and fully paid		
2,797,297 ordinary shares of 10p each (equity)	**279,730**	279,730
100,000 cumulative redeemable preference shares of 1p each, linked to LIBOR plus 2.5% (non-equity)	**1,000**	1,000
	280,730	280,730

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

The cumulative redeemable preference shares carry no entitlement to vote at meetings. On a winding up of the Company, the preference shareholders have a right to receive, in preference to payments to ordinary shareholders, the amount paid up on any share including any amount paid up by way of share premium plus any arrears or accruals of dividend calculated down to the date of the return of capital irrespective of whether such dividends have been earned or declared or not.

19 Reserves

Group	Share premium account £million	Other reserves £million	Profit and loss account £million	Total £million
Balance at 1 March 2004	140.0	(228.7)	129.7	41.0
Retained profit for the financial year	-	-	40.0	40.0
Exchange differences	-	-	(0.1)	(0.1)
Balance at 28 February 2005	**140.0**	**(228.7)**	**169.6**	**80.9**

Company	Share premium account £million	Other reserves £million	Profit and loss account £million	Total £million
Balance at 1 March 2004	140.0	-	5.9	145.9
Retained profit for the financial year	-	-	2.0	2.0
Balance at 28 February 2005	**140.0**	**-**	**7.9**	**147.9**

Notes *(continued)*

20 Reconciliation of movements in shareholders' funds

	Year ended 28 February 2005			
	Equity shareholders' funds	**Non-equity shareholders' funds**	**Total shareholders' funds**	10 months ended 29 February 2004
Group	**£million**	**£million**	**£million**	£million
Profit for the financial year	**47.2**	-	**47.2**	9.8
Dividends	**(7.2)**	-	**(7.2)**	(5.1)
	40.0	-	**40.0**	4.7
Other recognised gains and losses relating to the year (net)	**(0.1)**	-	**(0.1)**	0.5
Net movement on preference dividend reserve	-	-	-	(1.0)
Net additions to shareholders' funds	**39.9**	-	**39.9**	4.2
Opening shareholders' funds	**(58.7)**	**100.0**	**41.3**	37.1
Closing shareholders' funds	**(18.8)**	**100.0**	**81.2**	41.3

	Year ended 28 February 2005			
	Equity shareholders' funds	**Non-equity shareholders' funds**	**Total shareholders' funds**	10 months ended 29 February 2004
Company	**£million**	**£million**	**£million**	£million
Profit for the financial year	**2.0**	-	**2.0**	1.8
	2.0	-	**2.0**	1.8
Net movement on preference dividend reserve	-	-	-	(1.0)
Net additions to shareholders' funds	**2.0**	-	**2.0**	0.8
Opening shareholders' funds	**46.2**	**100.0**	**146.2**	145.4
Closing shareholders' funds	**48.2**	**100.0**	**148.2**	146.2

Notes *(continued)*

21 Leasing commitments

Group

The capital element of the future minimum lease payments to which the Group is committed at 28 February 2005 under finance lease and hire purchase contract obligations incurred in the acquisition of aircraft, engines, spares and other equipment are as follows:

	28 February 2005 £million	29 February 2004 £million
Amounts due within:		
One year	**24.5**	12.3
Second to fifth year inclusive	**26.8**	65.3
Over five years	**1.3**	1.5
	52.6	79.1

Rentals, net of finance charges, are included in obligations under finance leases and hire purchase contracts in notes 15 and 16 above.

As at 28 February 2005, the Group had annual commitments under non-cancellable operating leases as set out below:

	28 February 2005		29 February 2004	
	Land and buildings £million	**Aircraft and other £million**	Land and buildings £million	Aircraft and other £million
Operating leases which expire:				
Within one year	**0.9**	**0.6**	5.8	4.3
In the second to fifth year inclusive	**1.8**	**36.7**	4.3	52.6
Over five years	**15.7**	**112.1**	9.6	103.9
	18.4	**149.4**	19.7	160.8

22 Capital commitments

Group	**28 February 2005 £million**	29 February 2004 £million
Capital commitments at the balance sheet date for which no provision has been made:		
Contracted	**745.9**	1,108.0

Company

As at 28 February 2005 there were capital commitments in the Company of £nil (2004: £nil).

Notes *(continued)*

23 Reconciliation of operating profit to net cash inflow from operating activities

	Year ended 28 February 2005 £million	10 months ended 29 February 2004 £million
Operating profit	**60.9**	13.1
Depreciation charge	**63.2**	40.6
Impairment adjustment	**(30.9)**	-
Loss on disposal of fixed assets	**0.9**	-
(Profit) on disposal of fixed asset investment	**(0.3)**	-
(Increase) / decrease in stocks	**(2.9)**	5.4
(Increase) / decrease in debtors	**52.2**	(49.6)
Increase / (decrease) in creditors	**36.0**	100.1
Increase / (decrease) in provisions	**10.5**	(12.9)
Currency translation differences	**-**	(5.9)
Amortisation of intangible assets	**1.6**	1.5
Net cash inflow from operating activities	**191.2**	92.3

24 Reconciliation of net cash flow to movement in net funds / (debt)

	Year ended 28 February 2005 £million	10 months ended 29 February 2004 £million
Increase / (decrease) in cash in the year	**96.3**	(47.2)
Cash outflow from decrease in debt	**38.7**	36.0
Cash (inflow) / outflow from (decrease) / increase in liquid resources	**(40.2)**	20.8
Change in net debt resulting from cash flows	**94.8**	9.6
Other non-cash items:		
New finance leases and hire purchase contracts	**-**	(1.0)
Translation difference	**(8.2)**	10.2
Movement in net debt in the year	**86.6**	18.8
Net debt at 1 March 2004	**(14.2)**	(33.0)
Net funds at 28 February 2005	**72.4**	(14.2)

Notes *(continued)*

25 Analysis of net (debt) / funds

	29 February 2004 £million	Cash flow £million	Exchange movements £million	**28 February 2005 £million**
Net cash:				
Cash at bank and in hand	209.1	56.1	0.3	**265.5**
Less: short term deposits treated as liquid resources	(114.0)	40.2	1.5	**(72.3)**
	95.1	96.3	1.8	**193.2**
Debt:				
Debt due within one year	(17.3)	5.1	(1.7)	**(13.9)**
Debt due after one year	(126.9)	12.8	(12.5)	**(126.6)**
Finance leases and hire purchase contracts	(79.1)	20.8	5.7	**(52.6)**
	(223.3)	38.7	(8.5)	**(193.1)**
Liquid resources:				
Short term deposits included in cash at bank and in hand	114.0	(40.2)	(1.5)	**72.3**
Net (debt) / funds	(14.2)	94.8	(8.2)	**72.4**

26 Principal subsidiaries and associated undertakings

The principal subsidiaries and associated undertakings of the Company as at 28 February 2005 were:

Principal subsidiaries	**Country of incorporation or registration**	**% Ordinary issued shares**	**Principal activity**
Virgin Travel Group Limited	England and Wales	100	Holding company
Virgin Atlantic Airways Limited	England and Wales	100	Airline operations
Virgin Holidays Limited	England and Wales	100	Tour operations
Worldwide Travel of East Anglia Limited	England and Wales	100	Travel agency

All principal subsidiaries and associated undertakings other than Virgin Travel Group Limited are indirectly held. The proportion of voting rights held by the Group in each of its principal subsidiaries is the same as the proportion of ordinary issued shares held.

All subsidiaries have been included in the consolidation. All entities included in the consolidation have the same accounting reference date.

Notes *(continued)*

27 Contingent liabilities

Certain subsidiary companies had contingent liabilities at 28 February 2005 in respect of indemnities under certain financing, regulatory travel bond and other arrangements which are partly secured by charges over designated short term deposits of £32.5 million (2004: £114.0 million), of which £17.2 million (2004: £20.0 million) is matched by a liability under the maintenance provision.

The Company and certain subsidiaries are parties to a group set-off agreement in respect of certain bank accounts as a result of which any overdrawn balances of the Company or subsidiaries covered by this agreement are set-off against the cash at bank and in hand of the Group.

28 Joint venture

During the year the Group disposed of its 50% cargo handling joint venture investment in Plane Handling Limited to its joint venture partner.

The Group's share of its joint venture's results is disclosed in the consolidated profit and loss account. Its share of the joint venture's balance sheet is as follows:

	28 February 2005	29 February 2004
	£million	£million
Fixed assets	-	2.7
Current assets	-	4.6
Liabilities due within one year	-	(3.1)
Liabilities due after more than one year	-	(0.7)

29 *Pension scheme*

The Group operates defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. There were no outstanding or prepaid contributions at *28 February 2005 (2004: £nil).*

30 Related party transactions

As at 28 February 2005, the Company's ultimate parent company was Virgin Group Investments Limited, whose principal shareholders are certain trusts, none of which individually has a controlling interest in Virgin Group Investments Limited. The principal beneficiaries of those trusts are Sir R C N Branson and his immediate family. The shareholders of Virgin Group Investments Limited have interests directly or indirectly in certain other companies which are considered to give rise to related party disclosures under Financial Reporting Standard 8.

The Company has a trademark licence for the use of the Virgin name and logo from Virgin Enterprises Limited. The licence is without term limit, mostly royalty free, and worldwide, excluding domestic scheduled air services where all points of embarkation and disembarkation are within Australia. The licences are exclusive subject to certain licences granted to Virgin Express S.A./N.V., Best Air Holdings Inc. and Virgin Nigeria Airways Limited.

Notes *(continued)*

30 Related party transactions *(continued)*

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

Related party	Revenue £million	Purchases £million	Balances due to / (from) the Group £million
Companies related by virtue of common control or ownership:			
Communic8 International Limited	-	0.9	-
The Virgin Cosmetics Company Limited	-	0.2	(0.1)
Trainline.com Limited	0.1	-	-
Ulusaba Game Farm (PTY) Limited	-	0.2	-
Virgin Enterprises Limited	-	0.1	(0.1)
Virgin Express SA	0.5	-	0.5
Virgin Investments SA	-	0.1	-
Virgin Limousines (California) LLC	-	0.5	-
Virgin Management Limited	0.3	0.6	0.2
Virgin Mobile Telecoms Limited	0.2	0.1	-
Virgin Money Limited	1.6	-	0.1
Virgin Money Management Services Limited	0.1	0.8	(0.1)
Virgin Retail Group Limited	0.1	-	-
Companies related by virtue of being investors in the Group:			
Singapore Airlines Limited	0.1	0.1	-
Companies related by virtue of being associates of the Group:			
Plane Handling Limited	0.4	6.0	-

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

31 Ultimate holding company

As at 28 February 2005, the ultimate holding company is Virgin Group Investments Limited, a company registered in the British Virgin Islands.

The largest and smallest group in which the results of the Company are consolidated is that headed by Virgin Holdings Limited, formerly Ivanco (No.1) Limited, a company registered in England and Wales.

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